

An Essay on the Rationalization of the Work Place¹

By Frank W. Elwell

The American workplace is currently undergoing tremendous upheaval. As a result of globalization the old-line American oligopolies are rapidly transforming themselves to compete for both domestic and international markets. The general characteristics of this transformation are those of rationalization. The specific characteristics are:

- Downsizing
- Rise of Contingency Work
- Tightening of Coordination
- Human Relations Management
- Squeezing Wages

Downsizing

The number of Americans employed full time by Fortune 500 companies--that is the largest 500 corporations in America--has shrunk from 18 percent of the work force two decades ago to less than 10 percent today. This reduction has been made possible by a new wave of automation and a rise in contingency work. There is also ample evidence that the reduction has been made possible by increasing the work load on those that remain.

There is a new wave of automation, especially automation related to computers, that is dramatically reducing the number of jobs in corporate America. American corporate outlays for high-tech equipment have risen from \$100 billion in 1985 to \$300 billion in 1995 and are projected to be over \$500 billion by the end of the decade (US News and

¹ An excerpt from *Industrializing America*, 1999, Praeger Publishing, pp. 85.

World Report, 1996: 48). The International Federation of Robotics estimated the world's robot population at 630,000 in 1991 (Rifkin, 1995: 131). Industrial robots can cut materials, weld, paint, lift, package, assemble and inspect products. The result of this trend is, of course, fewer industrial jobs and less leverage in bargaining with management for the workers that remain. One estimate is that each robot replaces about four jobs, and if kept in constant use, will pay for itself in just over one year (Rifkin, 1995). General Motors, for example, had 1,500 robots at the end of 1982 and about 20,000 by the end of 1993. "In 1993 General Motors president John F. Smith, Jr., announced plans to implement much-needed re-engineering reforms at GM plants and estimated that the changes in production practices could eliminate as many as 90,000 auto jobs, or one third of its workforce, by the late 1990s. These new cuts come on top of the 250,000 jobs GM has already eliminated since 1978" (Rifkin, 1995: 130). One estimate is that robots and other forms of automation have already reduced the number of jobs in America by about 3 million. Jobs that are susceptible to this new wave of automation are the jobs in the old-line oligopolies--steel, automobile manufacture--the very jobs that formed the backbone of the upper-working class.

But the elimination of jobs is not limited to the factories of the old-line oligopolies.

Automation and re-engineering are already replacing human labor across a wide swath of service related fields. The new 'thinking machine' are capable of performing many of the mental tasks now performed by human beings, and at greater speeds. Andersen Consulting Company, one of the world's largest corporate restructuring firms, estimates that in just one service industry, commercial banking and thrift institutions, re-engineering will mean a loss of 30 to 40 percent of the jobs over the next seven years. That translates into nearly 700,000 jobs eliminated (Rifkin, 1995: 9).

Offices are increasingly stretching their employees through electronic means. Word-processing, electronic filing, and the new communications technology are vastly

improving office productivity. “Over the past ten years more than 3 million white collar jobs were eliminated in the United States. Some of these losses, no doubt, were casualties of increased international competition” (Rifkin, 1995: 9). Rifkin goes on to point out that the white-collar job loss continued, however, even after the American economy began its recovery in the early 1990s. The new technology allows employers to lower costs by replacing workers--the technology is one of the primary causes of the recovery itself.

New computer software and communications equipment is also increasingly being used to increase the productivity of many professionals as well. AutoCads aid engineers, architects, and designers in drafting and testing designs; presentation programs and the web aid professors in teaching more students in the classroom and in reaching those in the community; professional diagnostic programs aid physicians in the diagnosis and treatment process. While computerization is not yet ready to replace professionals in the near future, by increasing the professional's ability to service more people it limits the number of professionals needed in advanced industrial societies.

Rise of Contingency Work

Advanced industrial society has entered the age of the contingency worker, of the fluid, flexible, disposable workforce. The replacement of permanent workers with temporary or part-time employees, who usually are paid less and draw no fringe benefits is arguably the most important trend in the American economy today. Approximately 35 million Americans now hold contingency jobs --part-time, independent contractors, temps, and the self-employed (Rosenblatt, 1996). And their numbers appear to be growing. By the year 2000 they are expected to be about half of the workforce. For both large and small companies, contingency workers provide a way of remaining globally competitive, allowing companies to expand and contract with product lines and market cycles, as well as to avoid health care and pension costs, vacation pay, training programs, and government anti-discrimination rules. For workers the rules of employment vary widely. Some are part-time, others work by the project or by the hour, often without any benefit packages other than wages.

According to former US Secretary of Labor, Robert Reich, "These workers are outside the traditional system of worker-management relationships. As the contingent work force grows--as many people find themselves working part time for many different employers--the social contract is beginning to fray." The social contract that Reich is referring to consisted of a system of mutual obligations and expectations between workers and their companies, a contract that rewarded employees as their companies prospered. A contract that could be kept, it seems, only as long as oligopoly reigned.

Tightening Coordination

In manufacturing, computer systems have been designed to coordinate the flow of raw materials, machine time, labor, and other resources. With such systems in place, the front office can continuously monitor the production process, making decisions about inventory, manpower, and maintenance needs as problems occur. These systems pioneered by manufacturing industries are increasingly being used to monitor and coordinate retail and clerical work as well.

Howard (1985) gives many examples of the constant monitoring of employee performance, including the following, which concerns Bell telephone operators.

Every fifteen minutes of the day, in Bell operator offices across the country, computer terminals near supervisors' desks print out the office's complete productivity record. In a ragged, staccato tempo, these Quarter-Hour Summaries list how many operators were on duty, how many calls they handled, the average "speed of answer"--how long before an operator responds to the electronic beep of yet another incoming call. To get the productivity record of an individual employee is almost as easy. A supervisor merely keys the employee's number into the computer, and within seconds it prints out her performance for the day (Howard, 1985: 63).

The records are then added to the ongoing record of the employee and the office. Continuous monitoring of worker performance is the logical extension of managerial control of the workplace. Both workers and line-managers can be judged by their performance.

Wal-Mart went from a small regional retailer in the 1970s to the United States' largest retailer in a little over a decade. Its success is believed to be largely on the strength of an advanced computer tracking system. According to Welles (1993) it had developed its own systems to manage inventory and tie that inventory via computer directly to ordering from manufacturers. Apparently, even this could be made more efficient. In 1997 Wal-Mart developed a new "state-of-the-art system" for managing the

flow of goods from its stockrooms to the floor, saving over \$70 million in interest expense on its inventory in the first nine months of the year (Webb Pressler, 1997). While Wal-Mart is now widely believed to have the best computer control system in retail, Eisenstodt (1993) reports on 7-Eleven stores in Japan that have built their entire retail operation around computer information. Since floor space in the shops is extremely limited, and since some 40 percent of sales are from perishable items, 7-Eleven closely monitors data to reduce waste and maximize its profit. Each store's cash register feeds sales data, time of day, and weather conditions directly into a NEC personal computer. Clerks enter the customers' sex and approximate age through the cash register at the time of the sale. From a simplified keyboard, the store manager can then call up graphs and numerical data that show what products are moving, who is buying them, when, and under what weather conditions. The PC also regulates refrigerators, air conditioning, and simplifies ordering. But the on-site PC is only the beginning. "At 7-Eleven's Tokyo head office, daily sales to the 5 million customers who visit 7-Eleven's Japan's stores are analyzed. The aggregate results, as well as the data from individual stores, are used by 7-Eleven Japan's 650 field counselors to help stores make more money" (Eisenstodt, 1993: 44). The system appears extremely successful as sales per store are 30 percent higher than its nearest rival.

Human Relations Management

The social science of coordinating and managing people within organizations has also advanced significantly in recent years. Bureaucracies are increasingly turning to the "human relations school" of management--with benefits, quality of worklife projects,

beer busts, pep rallies, stock options, and "worker participation"--to strengthen employee commitment and managerial authority. Christopher Lasch (1979) observes:

Research into small groups, according to McGregor, showed that groups function best when everyone speaks his mind; when people listen as well as speak, when disagreements surface without causing 'obvious tensions'; when the "chairman of the board" does not try to dominate his subordinates; and when decisions rest on consensus. These precepts, which by this time had become the common coin of the social sciences, summarize the therapeutic view of authority. The growing acceptance of that view, at all levels of American society, makes it possible to preserve hierarchical forms of organization in the guise of 'participation.' It provides a society dominated by corporate elites with an antielitist ideology. . . . Therapeutic forms of social control, by softening or eliminating the adversary relation between subordinates and superiors, make it more and more difficult for citizens to defend themselves against the state or for workers to resist the demands of the corporation (pp. 314-315).

By becoming paternalistic, the system of authority is disguised; opposition to management (or government) becomes more difficult to organize.

The object of the human relations school is to give workers the illusion of control over their work lives, of a caring and concerned management team in order to engender loyalty and commitment to the organization. Howard (1985) characterizes the human relations school this way: "Let people feel in control without actually giving up your own power. Provide them with a pretense of participation in decisions that in fact are beyond their influence and control. Elicit the energy and engagement of close personal relationships, but make sure those relationships always remain contingent on "usefulness" and performance. And don't ever become so close or committed to any particular relationship, any particular person, that it becomes an obstacle to exercising your authority" (p. 128). Under the human relations school, management becomes an elaborate manipulation of workers.

Capital Flight

Corporate America has an additional tool that it uses to maximize profit in the new global market. Increasingly, American corporations are investing in plants located overseas. Investment decisions are made on the basis of profit potential. Money goes where it earns more money. While these decisions may be very profitable for the corporations and their stockholders, they can be very destructive to workers, families, suppliers and local communities. Corporate capital is invested overseas to increase profits, chiefly through cheaper third-world labor, and less "restrictive" government regulation of the environment, employment rules, and worker safety. For example, the average weekly wage of an American assembly line worker is about \$640 including wages and benefits, right across the border in Mexico the same labor costs \$49.

Another type of capital flight occurs when corporations use their profits to purchase other companies rather than expand and modernize their existing plants. These mergers have three major consequences: an increase in the centralization of corporate capital and decision making; an increase in the power of corporations over workers, unions, and governments; and a decline in the number of jobs.

Squeezing Wages

A final method of rationalization to increase the bottom line lies in putting tighter controls on the paychecks and benefits of the workforce. One indication that this is taking place is that median family income in the United States, as measured in constant dollars, has not risen appreciably since the early 1970s (Statistical Abstracts, 1993). The average hourly wage in 1970, in constant 1982 dollars was \$8.03. By 1995 it had dropped to \$7.40 (Statistical Abstracts, 1993 table 667 & 1995 table 673). This is not to suggest that all wages are squeezed equally. The ratio of US CEO's salaries to the

average American worker has climbed from 41 to 1 in 1973 to 225 to 1 in 1994 (US News and World Report, 1996: 47). “Fully three fifths of all households in 1994 did not even keep up with inflation. . . while the top 5 percent were awarded a \$56,000 pay raise--even after adjusting for inflation--to \$183,000” (US News and World Report, 1996: 47-48). Another indication of stagnating wages (although this would also be confounded with our rising materialism) is in the massive growth of consumer debt. In an effort to maintain a middle class lifestyle, total consumer debt grew from 350.3 billion in 1980 to \$777.3 billion in 1991 (Ritzer, 1995: 7). The squeeze on wages, many warn, is eliminating a good deal of the foundation of the middle class.

More than a quarter of the workforce now have earnings falling below the \$15,000-a-year poverty line (Bernstein, 1996). Blacks and women are far more likely to be in the bottom of the income distribution than white men. Younger and less educated workers also fare worse than their older, more educated counterparts (Gittleman and Joyce, 1995). In the 1980s, income inequality, or the gap between high earners and low earners, grew in the United States (Rose, 1996; Gittleman and Joyce, 1995). In recent decades, upward income mobility--upward movement on the economic ladder--has slowed dramatically, and an increasing proportion of Americans are actually experiencing declining incomes (Rose, 1996).

New longitudinal research on social mobility--that is following individuals, families, and households over time--indicate that the American stratification system is hardening. In the past, the use of longitudinal data to study income mobility has been misleading. First, there is a problem in terms of the age groups initially studied. If you select a young age group, you are likely to find very strong mobility as they enter the

labor force and start their careers. If you include older people, you are likely to track the effects of retirement, when people cut back on their incomes and conclude that downward mobility is common. In addition, there is considerable fluctuation in income from year to year. Studies that measure mobility on the basis of income changes between two years picks up on a lot of this volatility--say a period of unemployment that lowers income in one year, that recovers in the next--and mistakenly asserts that mobility has occurred. In order to get around these problems, Stephen J. Rose, an economist at the Department of Labor, took a sample of people who were 24 to 48 in the late 1960s and followed them over ten years until they were 34 to 58 in the 1970s. He followed a group with similar age characteristics in the 1980s. In order to deal with short-term income fluctuation, Rose stratified his sample on the basis of their average earnings for ten years. He then compares three-year averages, the average of 1967, 1968, and 1969 to the average of 1977, 1978, and 1979. For the 1980s, he compares the three year average in 1977, 1978, and 1979 to the average income of 1987, 1988, and 1989.

For the 1970s, Rose found that 21 percent of prime-age adults had lower family inflation-adjusted incomes at the end of the decade versus the beginning. In the 1980s he found the income losers jumped to 33 percent. For one out of three families income actually declined in the 1980s. Rose also found that in the 1970s people of all incomes had about the same chance to move up the economic ladder. In the 1980s, however, those with more education or those who started out being higher earners at the beginning of the decade were more likely to move up the economic ladder than those who had less education or started off at a lower point on the income scale. "As the

economy stratified in the 1980s, workers at the bottom became less likely to move up in their lifetimes. At the same time, upward mobility is increasing for some higher-end professional and college-educated workers whose skills remain in high demand" (Bernstein, 1996: p. 86). In general, the lower a group's average earnings, the lower the likelihood that individuals from that group will experience upward mobility. Thus blacks, women, the less educated, and the young have a harder time rising out of poverty than do older, more educated, white males. In addition, these same groups are more likely to experience downward mobility, having much more difficulty than older, better educated white males of staying in the upper income ranges (Gittleman and Joyce, 1995).

As one might expect with all the reports of downsizing, job stability also changed between the two decades. Rose measured job stability by summing up the number of job changes over each decade and defining "strong stability" as changing jobs at most once in the ten years; medium stability as two or three job changes in the ten years; and "weak stability" if jobs were changed four or more times in the decade. "It turned out that in the 1970s, 67 percent had strong employment stability. Some two out of three changed jobs at most once. Only 12 percent had weak stability or changed jobs four or more times. In the 1980s, only 52 percent were strongly stable, compared with 67 percent in the 1970s. Those with weak job stability rose from 12 percent to 24 percent. . . . (T)his supports the notion that downsizing has increased and something has seriously changed in workplace relations" (Rose, 1996: p. 6-7).

Corporations view labor as a cost. They will robotize, computerize, send jobs to third world countries, or take most any other action to maintain or increase profits in

the short term. This should not be viewed as a criticism of "evil" CEOs and corporate managers; it is the purpose of the organization itself, the reason it is in business. In order to compete for world markets, companies will continue chipping away at costs by stripping away benefits, automating, cutting the workforce and substituting contingency workers for full time workers. Contingency workers with needed skills will do very well; the majority, however, will lose income, benefits and job security. Manufacturing jobs that remain will be of two types--those that require a skilled workforce to program, maintain and monitor the machines that do the actual labor; and marginal manufacturing jobs that cannot be computerized or profitably sent overseas. Service jobs will predominate; many of these will be of the professional and managerial class. But the bulk of these jobs will be low-skill, low pay, labor intensive occupations.

The techniques of rationalization, having proved so successful in reviving American business, are now spreading to other sectors of our social structure. One of the most remarkable developments has been its spread to health care, a system in which the professionalism of the doctor--with their traditional and value oriented notions of altruism, professional autonomy, service, and total control over medical treatment--once reigned unchallenged.

The Irrationality Factor (Revisited)

The multinational, or corporations that have branches located in several countries, is the primary economic entity in today's global markets. The multinational changes the balance of power between capitalism and the state. By internationalizing production, corporations can seek the lowest wage levels, taxes, and tariffs on exports.

Multinationals have increased leverage with government; they can threaten to lay off

workers or move jobs to other countries if they do not get favorable government treatment such as tax breaks, relaxation of worker safety or environmental regulations. The public debate over corporate and environmental policy is already full of reference to fears that these multinationals will take their business elsewhere if the state becomes too restrictive (by too restrictive, one should read "act in the interest of society as a whole, rather than in the interests of the corporation").

All of these strategies being pursued by America's private and public bureaucracies (indeed, by bureaucracies throughout the world) are highly rational--in Weber's formal or technical sense of the term. It makes good sense for a firm to cut labor costs by employing robots instead of people, by sending jobs to third world countries where the labor is cheaper and the government regulations less stringent and costly, by using contingency workers, and by tightly coordinating the actions of your remaining employees. In the short-term profits will rise, budgets will be met. But it is irrational in Weber's substantive sense of the term. The long-term consequences on the consumer market will be to seriously weaken the very foundations of the industrial system itself.

Not only is this increasing rationalization having an affect on the quality of our work and the services we consume, it is affecting our community and family life as well. In order to maintain or increase our living standards, in a system that is constantly admonishing us to consume, the division of labor has increased markedly. Millions of women have joined the outside labor force. This, in the words of the commercial, changes everything.