The Cruel Underside of 'Productivity'

For 15 years, employee productivity has climbed faster than compensation

BY MARJORIE KELLY

For years I've been collecting *Fortune* magazines from the 1930s and early '40s, the ones with Art Deco covers. Instead of the CEO faces on *Fortune* today, these were pure art. They had the feel of woodcuts: angular, simple, clean. And they were invariably images of machines. They were the work of artists in love with machines, for this was the "Machine Age": a time of utopian belief in the benevolence of technology. It was an age that saw romance in steam shovels and cloverleaf interchanges. An age before the atom bomb. Before Rachel Carson's *Silent Spring.* Today it's hard to imagine anyone ever saw technology as entirely benign. But you can feel it in these covers. You can feel the reverence, the hope, the romance of the Machine Age mind.

I like these magazines because they remind me we inhabit a "collective mind," and it changes. They remind me that how the world sees things today is not how it may see them tomorrow. Some of what "everyone knows" will turn out to be simplistic. Some things on the fringe will become mainstream, as environmentalism is becoming today. It leaves me thinking, what changes-of-mind are coming next?

Fortune covers from June and July of 1938.

In business, I see a piece of learning that's attempting to surface, but is being resisted by the collective business mind. What's building, I hope, is a leap of learning akin to times when racism and sexism burst into awareness—a time of realization that what "everyone knows" is in fact wrong, even cruel. Leaps like this are rare. They begin as friction between a deep-seated worldview, and an emerging truth. And these mind-changes are best seen, at first, out of the corner of the eye—like stars you can't see when you look right at them.

Jeffrey Pfeffer hints at change that's brewing in *The Human Equation: Building Profits by Putting People First.* "Something very strange is occurring in organizational management," he writes. Numerous studies have shown the economic superiority of "high-involvement" or "high-commitment" management. "But even as these research results pile up, trends in actual management practice are, in many instances, moving in a direction exactly *opposite,*" he says. "Rather than putting their people first, numerous firms ... [are] treating their businesses as portfolios of assets to be bought and sold," downsizing to shrink their way to profit, and destroying organizational culture to minimize labor costs—"even as they repeatedly proclaim, 'people are our most important asset'."

Two schools of thought are clashing. One is the emerging view that says employees *are* the business; they must be treated well for it to function well. The older view—imbedded in the design of financial statements—says employees are an expense to be minimized. It's a question of what the company is: a pile of assets, or a group of people? But it's deeper than that too.

Consider the example of "productivity." There's a Machine Age romance today with producing more, faster, with fewer resources. We see increased productivity as entirely benign. But in his recent book, *Workers in a Lean World,* Kim Moody writes about its invisible underside. "Lean production is run by a system of 'management-by-stress,'" he says. It's often portrayed as worker empowerment over job design, but is really "highly standardized work timed down to the last breath." It often involves reducing the number of employees, and piling work on those who remain.

About the auto industry, Moody writes: "Breaks are reduced to the absolute minimum and the 'pores' of working time are filled in. Whereas an assembly-line worker at GM's old mass-production plants worked (was in motion) 45 seconds of each minute, today's NUMMI workers in California work the standard Toyota 57-second minute."

There's lip service to the notion employees must be "empowered." But the deeper worldview—which still controls many companies today—sees employees as parts of a machine, to be run harder and more efficiently: not for their benefit, but for the benefit of stockholders and executives.

Steven S. Roach, chief economist at Morgan Stanley, makes this point clearly. He notes that for 15 years in a row—through the end of 1997—employee productivity has climbed faster than real compensation. It's changed a bit this year, as the real (inflation-adjusted) wage has started to pick up. "But we still have 15 years of an enormous gap between worker rewards and worker contribution," Roach says. "There's been a lot of restructuring and cost-cutting, and labor has borne a disproportionate share. Shareholders have gotten the gains from it." Our society has chosen, as he put it, to reward the few for the labors of many.

This is the uncomfortable truth trying to emerge: that minimizing labor costs is not a technical imperative. It's a form of discrimination based on property. It says that employees are an inferior class, whose purpose is to labor on behalf of those who own assets. Despite the romantic glow around "productivity," the reality is employees are being worked like machines, so the "owners" of the machines can pocket millions. It's the ultimate Machine Age dream. For employees, it's a nightmare.