

High Involvement Work Practices and Employee Bargaining Power

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A revised version of this paper appeared as

Guy, Frederick. 2003. High-Involvement Work Practices and Employee Bargaining Power. *Employee Relations* 24 (5):453-469.

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Abstract

High involvement work practices (HIWPs) may empower employees to do their jobs better, and also empower them at the bargaining table. This paper considers whether non-universal adoption of productivity-enhancing work practices may, at least in part, be explained by this dual nature of empowerment. It examines the case of a customer service program in the Northern California division of Safeway stores; its affect on the outcome of a strike against Safeway; and the subsequent pattern of adoption (and non-adoption) of similar programs among Safeway's competitors. It concludes that the dual nature of empowerment can help explain the apparent paradox posed by empirical studies: that although HIWPs improve the performance of all sorts of organisations, most organisations do not adopt HIWPs.

Keywords: Power, empowerment, bargaining, work practices, grocery, retail, customer service.

I wish to thank Carolina Otero for research assistance; Richard Benson, Jim Liggins, and Gary Smith of UFCW Local 870, Safeway employees Jay Klein, Brenda Grissom, and Diane Poe, and Karl Kruger, for their time and cooperation; Jonathan Michie, Elaine Marriole and two referees for comments on an earlier draft; and the School of Management and Organisational Psychology, Birkbeck College, for financial support.

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I. Introduction

A range of work practices, which have been labelled both 'high involvement work practices' (HIWPs) and High Performance Work Practices (HPWPs), are seen by many as ways in which the active involvement of ordinary employees can improve the performance of firms (hence the labels; I will use the HIWP label below). Two controversies surround HIWPs. One controversy is whether such practices will improve the performance of organisations as a general rule, or only that of organisations with certain strategic needs; the former position has been called 'universalist', the latter 'strategic contingency'. Empirical studies mostly find that HIWPs improve performance for organisations regardless of strategic need, which lends support to the universalist position. On the other hand, these and other studies find that HIWPs are nowhere near universally *adopted*; if the universalist theory is correct, we are left with the need to explain why these universal benefits are so often left on the table.

The second controversy concerns whether, and in what respect, HIWPs empower employees. The view of HIWP advocates is that the practices in question work because they allow employees to make decisions that make a difference. Decision making by lower-level employees may improve performance for various reasons: for instance, because it allows employees to use tacit knowledge which is not available to higher level managers, or because the freedom to make decisions (alone or associated with performance pay) provides motivation for greater effort. On the other hand, the enthusiasm for HIWPs coincides with a tremendous improvement in monitoring and control, through the application of new information and communications technologies (ICTs). Some observers reckon the restrictions imposed by the latter more than outweigh the freedoms granted in name of the former, with HIWPs acted out in an electronic panopticon.

Considering the empowerment controversy side by side with the universalist/contingency controversy raises the problem of defining 'performance'. Most of the universalist/contingency literature ignores the possibility that employers and employees may have conflicting objectives, and measures organisational performance from the perspective of a profit-maximising employer. If there is no

conflict between employees and employer, this choice of performance measure does not matter: if there is no conflict, then profit maximisation will occur when productivity and value added are maximised, which is to say when the pie to be divided among employer and employees is as large as it can be. The empowerment question, however, raises the issue of conflicting interests. If employees are empowered or disempowered, which is to say if changes occur in the extent to which they can make decisions about their jobs, this may be reflected in changes in the relative *bargaining* power of employees and employers. This can drive a wedge between productivity and profitability.

A wedge between profitability and productivity in turn re-casts the universalism/contingency question. It is possible, for instance, that HIWPs improve productivity as a general rule, but improve profitability only for firms with particular strategic needs. Moreover if, following the adoption of a HIWP program, changes in bargaining power are slower to take effect than changes in productivity, then the HIWPs may have a positive effect on profits in the short run but a negative effect in the long run; the reverse may be true if the changes in bargaining power take place more quickly than those in productivity.

In this paper, I examine the case of a particular HIWP in one division of one company: a customer service program adopted by Safeway Stores in its Northern California division. The program aimed at empowering employees to meet customer needs and at establishing a closer relationship between customers and employees. The program was judged a success by Safeway management. However, by strengthening the relationships between employees and customers, the program also appears to have empowered employees in a way not intended by management, strengthening the hand of the employees' union, the United Food and Commercial Workers (UFCW) when bargaining for wages and benefits. We consider the strategic factors which make the program important enough for Safeway that it maintains the program despite its contribution to employee bargaining power. We also consider the market positions of Safeway's principal competitors in relation to their decisions to adopt, or not adopt, similar programs.

Part II of the paper presents the methodology. Part III reviews theories of HIWP in relation to both performance and empowerment, together with both theoretical and empirical literature on these questions. Part IV examines the

Safeway/UFCW case. Part V considers implications of this case for theories of HIWP. Part VI concludes.

II. Methodology

The idea for this paper came from a conversation with Patricia English of Menlo Park, California. Ms English told me of a conversation she had with a clerk on the picket line at the Safeway store in Sharon Heights (an upper middle class neighbourhood in the Silicon Valley) during the 1995 strike. The clerk had told Ms English that very few customers were crossing the line, and attributed this to the fact that for about a year clerks had been required to thank all customers by name at the point of sale, and for this reason knew many of them by name.

The empirical contribution of this paper comes from ten semi-structured interviews with Safeway employees who are UFCW members, UFCW officers who deal with Safeway, and former managers of stores competing with Safeway. All of those interviewed were employed by Safeway, the UFCW or a Safeway competitor at the time of the 1995 strike. One interview was conducted in December 2000, the rest in April 2002.

The Safeway employees are all clerks, cross trained between working the front end (checkstands, or tills) and restocking shelves and coolers. One of them had worked as a trainer in the SCS program and then returned to being a clerk. These interviews provide us with information about the nature of SCS, the employee's perception of how it affects their jobs, and their perception of its effect on their relationship.

Safeway management declined to discuss either the SCS program or their relations with the UFCW.

The information from these interviews is, of course, insufficient to establish that the SCS program has *caused* either an improvement in the productivity of Safeway employees, or that it has caused an increase in their bargaining power. It does establish that a number of people with good first hand knowledge say that both are so, and make a case for this. The information from these interviews also presents a clear and plausible picture of how a HIWP program *could* increase both productivity and employee bargaining power, whether or not these things happened in this case. In light of the scarcity of other evidence on the question of how HIWPs and employee

bargaining power, we believe that the case is worth reporting, and relating to the empirical and theoretical literature on HIWPs, performance, and power.

III. High Involvement Work Practices, Performance, and Empowerment

Adoption and non-adoption of HIWPs

There is little agreement as to precisely what HIWPs are (Becker & Gerhard, 1996, Edwards & Wright, 2001). I will adopt a minimal definition, namely that these are practices which attempt to improve organisational performance by increasing the range of actions, decisions or relationships for which employees are intended to be responsible. This definition covers the use of self-managed teams, but is not limited to situations with teamwork; it is more specific than the flexible *deployment* of labour, or multi-skilling, in that it requires that employees be responsible, recognising the need to move from one task to another (though it is hard to draw a clear line between the two, since the 'responsible' employee may be deciding change tasks in accord with some clearly prescribed contingency guidelines); it ignores many of the HR practices often associated with HIWPs, such as selection, training, and evaluation; it also ignores the vexed (Guest, 1998) issue of commitment. In adopting such a minimal definition, I am also failing to deal with the possibility that minimal HIWPs are not effective HIWPs, raised by several studies in manufacturing industries which have found that certain bundles of practices are necessary for effectiveness (Arthur, 1994, Ichniowski, Shaw, & Prennushi, 1997, MacDuffie, 1995). The definition here is more in the spirit of Drago (1996), who finds employee involvement in both 'transformed' and 'disposable' workplaces (but not in 'traditional' ones); the first of these is a high commitment and the second a low commitment type.

A problematic aspect of our definition, and an issue central to this paper, is the meaning of 'performance'. Shareholders, managers, writers on corporate strategy, and scholars with no other data, tend to define performance as profitability. We define performance as labour productivity, where the productive factor is the disutility of labour to the worker (so that sweated labour is not necessarily more productive, even if it produces more per hour, because the subjective input from the workers is greater). The productivity definition is preferable both from the standpoint of economic theory, and from its ability to accommodate a stakeholder or a bargaining analysis. We will, however, occasionally make reference to the profitability criterion,

for two reasons: first, because we assume that it is the criterion used by management when deciding whether to implement, and whether to continue, a HIWP; second, because many empirical studies employ it.

Empirical research has favoured the universalist view that HIWPs offer substantial benefits to the owners of firms, independent of strategy or external environment (Appelbaum, Bailey, Berg, & Kalleberg, 2000, Delery & Doty, 1996, Guest, 1997, Huselid, 1995). Edwards and Wright (2001) argue that this conclusion is weakened somewhat by the disagreement, among studies, about what HIWPs are and varying measures of organisational performance; it might equally be said that the conclusion holds up remarkably well despite different definitions of the key variables. If the universalist claim is true, the question of why HIWPs are not more widely adopted is a pressing one.

Strategic contingency theories do provide an explanation for non-universal adoption, holding that the adoption of HIWPs will bring a net benefit to an organisation only if it also adopts certain strategies. Porter (1985) links HIWPs to strategies of focus and differentiation, but not to low cost strategies. Miles and Snow (1984) take a similar line, but link HIWPs to innovation rather than differentiation/focus. Studies in manufacturing have found that HIWPs are matched with flexible and high quality production systems (Arthur, 1994, MacDuffie, 1995, Youndt, Snell, Dean, & Lepak, 1996), which supports the strategic contingency view. Although statistical studies have found little support for these theories, we should note that data collected to study the HIWP-performance relationship may not be well suited to addressing the strategy-HIWP relationship: when studying the HIWP-performance relationship, the reduction of omitted variable bias favours focussing on similar firms, or even (as in the studies by Appelbaum et al. (2000) and Ichniowski et al. (1997)) on similar plants or processes rather than entire firms; unfortunately, this may either remove information about strategy (which tends to be firm-level rather than plant- or process-level), or reduce variance in the strategies observed.

Dynamics of HIWP adoption and implementation

Several explanations for non-universal adoption have to do with what we might call the dynamics of adoption and implementation of HIWPs. Ichniowski et al (1997), in their study of American steel finishing lines, find that HIWPs are nearly universal

in both greenfield plants and plants which had been recently shut down reopened under new management; they suggest that universal adoption is slowed by prior investment in relationships not compatible with HIWPs, and by entrenched mistrust between management and labour. On the other hand, many studies find that HIWPs often do not last, that they are 'fragile' or that they 'decay' (Doeringer, EvansKlock, & Terkla, 1998, Osterman, 1994, Pfeffer, 1998). Helper et al. (2002) find that the distribution of effects of HIWPs on profitability is bimodal, likely to be either somewhat positive or sharply negative: the positive effects on profitability come from increased productivity, the negative ones from the costs, when demand is down, of having invested in relationships with employees. This accords with those explanations which nest the problem of strategic contingency in a larger institutional problematic, following Wilkinson's (1983) work on 'productive systems'. Thus the instability of HIWPs in the US (Konzelmann & Farrant, 2002) and the UK (Michie & Quinn, 2002) is explained in terms of institutional environments favouring short-termism by investors and customers, and facilitating hire-and-fire employment practices.

This paper advances a bargaining power explanation for non-universal adoption of HIWPs. The bargaining power story also provides another explanation for change over time in the fortunes of a HIWP: if a HIWP results in increased employee bargaining power, and that increase was not anticipated by management at the time an HIWP was adopted, then employee bargaining power can result in decay of the HIWP.

Although some are about slow takeoffs and others are about decay, what these dynamic stories have in common is the ability to complicate econometric estimation of the relationship between HIWPs and company performance. In simple cross sections, the dynamic effects may be missed altogether. In principle, longitudinal (panel) data offers a solution to this, but most panels are short and, as Huselid and Becker (1996) remind us, standard panel estimation techniques aggravate errors-in-variables bias (Griliches & Hausman, 1986), with the result that estimated coefficients (whether positive or negative) are underestimated (biased toward zero). Huselid and Becker relate this to a data set in which the performance benefits of HIWP appear to be delayed; in this case, the positive effects of HIWP on performance are underestimated. But the same problem would apply if the data dealt with a decaying relationship between an HIWP and performance, where decay is correlated with

certain company characteristics (strategy, for instance). In the latter case the coefficients on variables explaining poor performance would be biased toward zero, providing erroneous confirmation of the universalist view.

Empowerment, conflict, and the extent and nature of HIWPs

By empowerment I mean the employee's ability to make choices which make a difference for the employer. One element in such an ability is the potential impact of the choices open to an employee at a given point in time. Another is the likelihood that, after making a certain choice, the employee will be able to continue making choices. Here we must consider the relationship between employee choices and the employer's information and control systems. If every new choice which the employer regards as correct is soon captured by the employer's information system and made part of an algorithm directing future action, and if choices the employer views as incorrect are promptly detected and lead to disciplinary measures, there is little empowerment in choice.

If HIWPs improve productivity or profitability through employee involvement, where involvement means individual and/or collective decision making by lower-level employees, then HIWPs entail some sort of empowerment for the employees. But, for the reasons just alluded to, there is considerable debate about whether, and to what extent, HIWPs result in a net change in employee power. Consider two aspects of this: first, does the explicit empowerment offered by the HIWP replace a pre-existing (and possibly less restrictive) tacit empowerment of the older system, in which rules while rigid may have been imprecise, or honoured more in the breach? Systems which can be brought to a standstill by working to rule may not be flexible in concept, but evidently allow employees significant discretion. Second, is empowerment with regard to certain decisions cancelled out by closer monitoring and control, either over the execution and outcomes of those decisions, or in other aspects of the job?

While early assessments of HIWPs tended to see employee involvement either as a substitute for monitoring and control, or as nothing but a sophisticated form of monitoring and control, a growing body of evidence shows the two to be complements. See, for instance, Edwards et al (1998), Ezzamel and Willmott (1998), Frenkel et al. (1998) and Sewell (1998). There is particularly strong evidence for this

in jobs involving customer service (Kinnie, Hutchinson, & Purcell, 2000). Indeed, there is reason to believe that tight behavioural controls are particularly prevalent in customer service functions, independent of the presence of HIWPs (Ng & Dastmalchian, 1998).

An absence of net empowerment need not imply that the HIWP is somehow bogus. In a world where employers design organisations to achieve certain tasks through process design, coordination of activities, and control of employees who have their own interests, we should not be surprised to see the devolution of decision making going hand in hand with the development of monitoring and control. Consider an example of this from outside of the present HIWP question: the rise of the multi-divisional corporation from the 1920s onward represented a substantial decentralisation of decision making within large corporations, and was made possible by vastly improved central accounting controls (Chandler, 1962). The new financial control systems at such companies as General Motors and DuPont codified, and subjected to measurement and central auditing, large amounts of previously tacit knowledge, and at the same time created a framework which empowered divisional managers to respond flexibly to customers in ways they previously could not do. Decentralisation and control are two sides of the same coin, more often than not.

In saying this, I do not mean to suggest that the balance of employee decision making and employer control is some kind of natural constant. Different work systems may of course involve different degrees of employee power, as may particular work practices.

The power to make a difference on the job also means bargaining power for the employee. This may, as in the case considered in this paper, show up in the outcome of a formal collective bargaining process. Standard efficiency wage models, however, predict that an increase in an employee's power to affect employer outcomes raises the employee's equilibrium rate of pay, even in the absence of collective bargaining (Akerlof & Yellen, 1986). In light of this, the best evidence that HIWPs do, on balance, empower employees, is that they appear to have a positive effect on pay (Appelbaum, Bailey, Berg, & Kalleberg, 2000, Helper, Levine, & Bendoly, 2002).

That aspects of a HIWP system have the potential to enhance collective bargaining power is clear in the case of self-directed work teams, and Fairris (1997) shows how formal systems of consultation may lay a basis for kinds of collective

action not intended by management. In this paper we consider the apparently more innocuous practices associated with 'getting close to the customer'. The use of customer relationships by the Teamsters Union was a widely publicised feature of their strike against UPS in the US in 1999. Efficient parcel pickup and delivery requires that drivers have special knowledge of customers, and so UPS keeps drivers on regular routes. There is little question that these practices contribute to the productivity of UPS operations. In the run-up to the 1999 strike, the union encouraged drivers to brief customers on the union's side of the dispute. What effect this had on the strike settlement, and hence UPS profitability, is difficult to judge. The case discussed below has similar features, but interpretation of the consequences is more clear cut.

IV. Superior Customer Service and the 1995 Strike at Safeway

Safeway's Market Position

Safeway Stores is one of the leading food retailers in North America, with approximately 2,500 supermarkets. 225 of these are in its Northern California division. (The Safeway chain in the UK was once part of the same organisation, but is now a separate company.)

Safeway is based in Northern California, and has long been the market leader there. While that much has remained the same, the marketplace has changed rapidly: twenty five years ago Safeway faced two or three major competitors in most markets in the region, and these competitors all ran supermarkets which, by today's standards of differentiation, looked very much the same. Now Safeway is in the middle of a much more widely differentiated market. On the one hand it faces large discount operators (Walmart, Costco and so on), which operate at lower margins than Safeway or similar operators can achieve; on the other hand, many of its smaller competitors have been converted into up-market gourmet and/or natural foods emporia, operating at high margins but offering extremely high quality and service. Along with increased differentiation there has been consolidation at the middle of the market, so that in most communities Safeway faces only one major competitor in its own niche. The largest of these is Albertson's, a chain which in national terms is even larger than Safeway. The central strategic problem for Safeway, as for any retailer in a similar mid-market position, is to find a way to make money in this middle ground. This

requires providing service, quality and variety sufficient to justify an adequate profit margin, while at the same time maintaining high volume. One element in Safeway's strategy has been program called Superior Customer Service (SCS)., to which we return below.

Representation of Safeway's Workforce

Most non-management employees in Safeway's Northern California stores, about 20,000 employees, are represented by the United Food and Commercial Workers (UFCW). Northern California includes 9 UFCW locals, but one contract is negotiated for the entire division. Similar contracts cover employees at Albertsons; at Cala and Ralphs (both owned by Kroger, another large national chain); and at some units of Raley's, a regional chain. These are Safeway's principal competitors in the mid-market. Some smaller mid-market supermarkets are also covered by similar contracts. Over all, the UFCW represents somewhere between 30- and 35,000 in this market.

The similarity in contracts has been maintained for some decades through pattern bargaining, a model contract being negotiated between the UFCW and one of the major mid-market employers. Raley's, in its non-union stores, offers terms nearly identical to those of the UFCW contract. Some up-market stores are also represented by the UFCW, usually a legacy of these stores' history as small mid-market operators. None of the employees in any of the discount chains, however, is represented by the UFCW. The workforce in most of these stores is not unionised, and where it is it is represented by the Teamsters, on a contract which is substantially inferior from the employee's point of view.

As with the British supermarket clerks studied by Grimshaw et al (2002), the overall experience of these employees in the flexible, responsive markets of the late 20th century has not been a happy one. In the early 1980s, before the period we are studying, these jobs were altered substantially by the introduction of bar codes, optical scanners, and the associated information systems. These systems enabled retailers to serve customers more flexibly, for instance by analysing sales data for individual stores and tailoring product lines more closely to the various communities served, and also by more closely integrating the supply chain. They also reduced costs in a number of ways; among these was the reduction of shrinkage (theft) both by

pinpointing products subject to shrinkage, and by preventing clerks from under-ringing (giving spontaneous discounts to friends and relatives). The prevention of shrinkage was a marked disempowerment of clerks, removing from them the moral choice of whether or not to engage in theft. Operation of scanners also requires less skill than entering prices on a keypad. Whether due to disempowerment or deskilling or both, the clerks in question saw their real wages fall substantially between 1975 and 1995, reversing decades of growth, in spite of continued representation by the same union and in the midst of the unrivalled prosperity of a region centred on the Silicon Valley (Pelletier, 2001).

Increases both in responsiveness to customer wants and in logistical agility, wrought by bar codes and associated technologies, fostered changes in the retail food market in the US, making it both more segmented and more competitive. It was as part of their response to this new competitive situation that Safeway Stores adopted, in its California divisions, the Superior Customer Service (SCS) program discussed below. Thus, the very supply chain technologies that have deskilled the jobs of supermarket clerks, and made them subject to much closer monitoring, have also created conditions which, at least in this company, call for new customer service responsibilities from those same clerks.

Superior Customer Service

In 1994, after two years of more limited experimentation, Safeway had launched a program called 'Superior Customer Service' (SCS) in its two California divisions. Under SCS, employees are trained to shift from what the company calls a 'task orientation' to a customer service orientation. The task orientation entailed completing assigned tasks in a prescribed manner, e.g. stocking the dairy case in the morning in a certain way within a certain amount of time. Under SCS, a Safeway employee doing this same task is also expected to anticipate customer needs, and if noticing that a customer looks a bit lost, to make eye contact and ask if they need help; if the customer then asks where to find a particular product, to escort the customer to the place where that product should be found; if the product is out of stock, to suggest a substitute; and if the out of stock product had been advertised at a reduced price, to offer the choice of a raincheck (the same product at the reduced price at a later date), or a price reduction on a substitute product. Thus, an employee

detailed to stock the dairy case, on noticing a befuddled customer, is expected to volunteer for what may become a fairly complicated errand.

The SCS program exhibits the dual devolution/control features of HIWPs discussed above. On the one hand, employees are charged with departing from their assigned tasks in order to make customers happy; this represents a considerable broadening of job descriptions, and requires new judgements and customer interactions. On the other hand, the procedures for making customers happy under different contingencies are spelled out in some detail. In many respects they are, in fact, scripted.

Scripting is particularly evident in the interface at checkout (the till). As part of SCS, cashiers are required thank each customer by her/his surname at the time of purchase. The cashier knows the customer's name if the customer has used a Safeway loyalty card (or having forgotten it, entered their telephone number into the keypad at checkout), because the customer's name is printed on their receipt. Almost all customers use a loyalty card, because the savings are substantial and the cards are issued without delay; on two occasions during visits to the area in recent years, I have found myself in a Safeway store without a loyalty card, obtained one on the way in, and was in the database to be thanked by name when I paid for my groceries. Clerks do have some latitude in how they deliver these thanks: I've heard 'Thank you, Mr Guy', 'Have a nice day, Mr Guy' and 'Have a good one, Mr Guy'; my informants assure me that all of these are in keeping with this genuinely Californian procedure. What is required is that title and surname be used (though the first name may be used if the employee knows the customer well enough.) In addition to this standard procedure, further scripts are given with regard to special offers.

The employees I interviewed all agreed that Safeway customers appreciate SCS. 'Customers love it', 'they eat the program up', '[SCS] creates a more down home feel' were among their comments. They were divided on the question of whether SCS actually strengthened their relationships with customers. All agreed, however, that comparing with before the SCS program, they now knew more than twice as many customers by name. The employees also believed that the customers felt that they now had a stronger relationship with Safeway employees.

Service offered in a Safeway store, and adherence to SCS guidelines, is monitored through a system of mystery shoppers. According to the employees I spoke

with, each store receives one mystery shopper visit per week, after which the store manager receives a report detailing the mystery shopper's experience, and giving the store a rating on a scale of 1 to 10. Employees expect store managers are expected to arrange some sort of celebration when their store receives a rating of 10.

Together with SCS, Safeway adopted a gainsharing program, under which most store-level employees (but not members of the night crew, who restock stores when closed) are eligible for bonuses on the basis of their store's financial performance.

The Safeway employees I interviewed all felt that SCS had made their jobs more demanding: the employee stocking the dairy case is on the one hand expected to do that task expeditiously; on the other, the employee may be reprimanded (or, if they respond to the criticism by saying they had not understand what was required of them, the employee will be sent on a re-training course called the Employee Improvement Program), and told they have a 'task orientation' if, in order not to be interrupted, they avoid eye contact with a customer who is trying to find something. For this reason, the attitude toward both mystery shoppers, and toward being held to account for following SCS procedures, was an adversarial one. At the same time, they believe that Safeway does offer far better customer service than its competitors in the same niche (this accords with my experience in the stores of Safeway and other national mid-market chains in both California and Arizona). They also believe that better customer service is responsible both for Safeway's strong financial performance, and for their job security: at the time of these interviews, there were no Safeway employees on layoff in UFCW local 890, while as of April 2002 the list of Albertson's employees awaiting recall went back to 1998. In other words they accepted that, from the standpoint of the various stakeholders in the Safeway organisation, that SCS offered a win-win solution.

Union officers told me that Albertsons had been attempting, for several years, to implement a similar program. One of Albertsons difficulties had been getting employees to address by name customers who they didn't know.

Discount competitors in the same market - Walmart, Costco, Trader Joe's - have not, according to UFCW sources (and verified by my experience as a shopper) attempted to adopt any similar customer service program. Three of the Safeway employees interviewed - who, between them, had 79 years experience in grocery retailing - had an exchange about customer service and Walmart's strategic options:

Grissom (former SCS trainer): If Walmart was smart, they'd do a service program.

Poe: Walmart doesn't have the quality of employee. [Klein concurs]

Grissom: They could do what Safeway does - do it or get out.

Poe: It's easier to find a minimum wage job.

Grissom: So if I'm Walmart, don't pay as much as Safeway, but pay as much as you can afford, and improve service.

Klein: Walmart is about one thing, price.

Grissom: Implement a service program, raise wages, give service. Customers get great prices, service, don't come back to Safeway.

The Strike of 1995

In the year following the implementation of SCS, the UFCW contracts with Safeway and its competitors expired. Safeway was picked to set the pattern. Contracts in this market have long been renegotiated at three year intervals, and the last strike against Safeway in Northern California had been in 1980. In 1995, the UFCW and Safeway had trouble reaching an agreement. Two major points of contention were Safeway's proposals to eliminate both health insurance for employee's spouses and dependants, and also an hours guarantee without which made a large number of part-time workers would no longer be eligible for group health insurance. In the context of the US health care system, such a change would have been equivalent to a substantial pay cut for many employees.

Safeway UFCW members struck, setting up picket lines around the stores. To support Safeway's bargaining position its biggest direct competitor, Albertson's, locked UFCW members out. Both chains continued to operate with management employees and strikebreakers.

The UFCW had an unprecedented degree of success shutting down Safeway operations during the strike. Both union officials and employees who participated in the strike attribute this to two factors: public sensitivity to the health insurance issue at the time of the strike, and the fact employees on the picket line were able to address more customers by name than they had in the past. Jim Liggins, the UFCW local 870 officer responsible for Safeway at the time of the strike (and, unusually for a union official, a former supermarket manager himself) offers the following as a typical

exchange: *Mrs. Smith approaches the Safeway parking lot, and is greeted by a picket, Kay. Kay says, 'Good afternoon, Mrs. Smith. We're in a dispute with Safeway. We're just trying to save our health plan. We'd appreciate it if you didn't shop here today.'* At that point', says Liggins, 'Most people have the basic decency to turn around and drive away.'

The SCS scripting had been turned on its head. The strike lasted 9 days. The hours guarantee and eligibility for spouses and dependants were kept, and overall the union officers maintain that they got a better settlement than they had expected.

The Aftermath of the Strike

UFCW officers and the employees we interviewed believe that their success in the strike was due in large part to SCS, because it enabled the pickets to address a greater number of regular customers by name. The UFCW officers report that, on the basis of informal conversations with various Safeway managers, have concluded that this belief is shared by the top management of Safeway. For this reason, the union expected Safeway to modify or abandon SCS. Safeway not only kept the program without modification, however, but has since extended it beyond its California divisions. Safeway's competitor and strike ally Albertson's is attempting to implement a similar program. No similar program is evident, however, in Safeway and Albertson's competitors at the discount end of the market.

According to union officers, past Safeway practice had been to begin bargaining for a new contract a few months before expiration of the old, and go down to the wire (or past the wire, to a strike). When the contract negotiated in 1995 still had one year to run, however, Safeway proposed a three year extension, and reached a quick agreement with the UFCW. When the extended contract was coming to an end in 2001 settlement was not so easy, and Safeway took steps to convince UFCW members to vote against a strike authorisation, showing a video that stressed the competitive threat from the largely non-union discount chains, and giving supportive UFCW members rides to the voting place. In the event, the strike vote took place shortly after September 11, 2001, in which circumstances most of the UFCW locals voted against strike authorisation, and the union was forced to make significant concessions in the contract. Despite these very different outcomes, what 1998 and 2001 have in common is that Safeway took steps to avoid a strike, as it had not done

in 1995. One reading of this is that the success of the SCS program has, by strengthening the relationship between employees and customers, made strikes costlier for Safeway.

V. Discussion and conclusion

Under SCS, Safeway employees' job descriptions are broadened; employees are given responsibility for making certain decisions to further the objective of making customers happy, and for building personal rapport with customers. In other respects, SCS is limited as a HIWP: for instance, neither teams nor employee involvement in decision making have been introduced, and employee decisions are meant to follow a quite prescriptive set of rules.

While the intended empowerment apparent in the design of this system is quite limited, the SCS program appears to have strengthened employee bargaining power, as evidenced in the outcome of the 1995 strike, and Safeway's subsequent efforts to avoid a strike. And, if we are to judge from Safeway's continuation and extension of SCS after the settlement, and Albertson's attempt to implement a similar program, productivity increases due to the program were greater than increases in labour costs.

On the other hand, Safeway's large discount competitors have not adopted programs involving the same sort of customer-employee interaction. This is consistent with the strategic contingency view, namely that organisations competing on price rather than differentiation or focus will not benefit from HIWPs. What must be emphasised is that we lack the information necessary to distinguish between two different explanations for this strategic choice. One is that a program such as SCS would not raise labour productivity in the large discount stores. This might be so because customers in discount stores attach less importance to relationships and more to price, or because repetitions of the same customer-employee pairings are less frequent in discount stores, making the relationships weaker. The other possibility is that an HIWP such as SCS *would* increase productivity, but that the owners and managers of these stores anticipate that increased employee bargaining power would ultimately increase labour costs by more than the gain in productivity.

Where the second explanation is true, employers are sacrificing efficiency in order to claim a larger share of value added for profits rather than wages. This is consistent with the Marglin (1974) - Stone (1975) view of the development of the

factory system. It also squares with a growing body of research finding that employee ownership can improve efficiency, especially when combined with HIWPs: if the employees are the owners, then the conflict between profitability and productivity disappears (see, for instance, Bowles, Gintis and Gustafsson (1993), and Kruse (1992)).

But is the second explanation true? We don't have the information to say in the present case. We should take it seriously, however, because it makes better sense of the empirical results on HIWPs and performance. The second explanation is consistent with findings of a universal positive HIWP effect on productivity alongside non-universal adoption. The first explanation is not.

Moreover, if increased employee bargaining power due to HIWPs becomes effective only after a lag, then the second explanation is consistent with econometric findings of a universal positive HIWP effect on profitability alongside non-universal adoption. In the case of Safeway Stores in Northern California, there was a lag of a year; that was a case with a long established and recognised union. Given the barriers to organising workplaces in the US, the lag before employees in an unorganised workplace would be able to exercise their new, latent, bargaining power (whether through organising or through a credible threat of organising) would probably be much longer. For this reason an overall positive effect of HIWPs on profitability would be found in cross sectional regressions. In principle, under this hypothesis, panel data should make it possible to sort out those companies for which HIWPs provide long run net improvements to productivity from those which do not; but long panels are scarce and, for reasons discussed above, short panels do not provide much (if any) relief here. Nonetheless, the second explanation offered above - universal productivity gains, lagged improvements in employee bargaining power, and long run mixed results on profitability - is consistent with empirical findings of universal HIWP benefits for employers, together with non-universal adoption of HIWPs.

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