

## Democratic Rights in the Workplace

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**ABSTRACT** *In this paper, I pursue the question whether extending democratic rights to work is good in the broadest possible sense of that term: good for workers, firms, market economies, and democratic states. The argument makes two assumptions in a broadly consequentialist framework. First, the configuration of any relationship among persons in which there is less rather than more coercion makes individuals better off. Second, extending democratic rights to work will entail costs and benefits to both the power and authority of employers and meaningful work for employees. These costs and benefits cannot be determined in advance because they are largely empirical, but there are still good reasons for expanding worker participation all-things-considered. First, I examine the parallel case for extending democratic rights to the workplace based on several similarities between politics and work organization. In addition, I consider the objections from voluntariness and efficiency. Although both objections raise interesting problems I believe that a properly formulated conception of democratic workplaces can answer them. In the final section, I sketch a minimal conception of these rights at the level of the firm that does not require a large-scale transformation of the market economy.*

There is a deep tension between the social roles of citizenship and work in modern societies with democratic institutions and market economies. On the one hand, citizenship guarantees democratic rights that protect the fundamental rights of individuals to liberty of conscience, speech, and action. These democratic rights are procedural and ensure the participation of citizens in political decision-making by guaranteeing them the right to vote in elections and stand for office. The participation of citizens grounds the legitimacy of the democratic state in this way, authorizing it to distribute the benefits and burdens of citizenship including the exercise of coercion. On the other hand, these same individuals are not guaranteed employment in the labor market. Even when they are employed they are not guaranteed the right to participate

in decision-making at the level of the firm. The legitimacy of employers to distribute the benefits and burdens of work depends on the structure of power and authority in the firm. This structure is determined by widely-held beliefs about, as well as the legal relations that coordinate, self-ownership, private property and the distinction between civil society and the political state. Given the importance of citizenship and work for both individual identity and social stability this deep tension between democratic politics and anti-democratic work organization bears closer examination.

To that end, consider the argument for extending democratic rights to the workplace that redistributes power and authority so that the roles of citizenship and employment are in better alignment. Some philosophers and economists claim there are parallels between these roles that support such an extension because the same reasons that justify ascribing democratic rights to citizens also apply to workers. To summarize this argument briefly, the political and economic orders are both cooperative schemes that are based on the principle of reciprocity. Individuals make a contribution to the well-being of others by participating in these schemes, and this justifies the benefits they accrue in return. Since the political and economic orders are both rule-governed, and these rules determine the distribution of benefits and burdens arising from their respective forms of social cooperation, citizens and workers alike should have their rights to participate in decision-making about those rules protected and fulfilled.

However, the argument for extending democratic rights to the workplace is often met with the following objections. One objection is that the political and economic orders are different in a crucial respect that makes these rights essential in the former but not the latter. The relationship between state and citizen is coercive because individuals cannot simply choose to terminate that relationship at will. By contrast, the relationship between employers and workers is voluntary because individuals are free to terminate it at will. Another objection is that permitting democratic rights in the workplace will make decision-making at the level of the firm inefficient. Since hierarchical decision-making in firms is more efficient, the economic costs exceed the non-pecuniary benefits obtained by extending to workers the right to participate in decision-making. Therefore, democratic rights in the workplace cannot be justified.

In this paper, I want to raise the question whether extending democratic rights to the workplace is good in the broadest possible sense of that term: good for workers, firms, market economies, and democratic states. The argument here makes two assumptions in a broadly consequentialist framework. First, the configuration of any relationship among persons in which there is less rather than more coercion makes them better off all-things-considered. Second, extending democratic rights to the workplace will entail costs and benefits to both the power and authority of employers and meaningful work for employees. These costs and benefits cannot be determined in advance

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because they are largely empirical, but there are still good reasons for expanding worker participation all-things-considered. Even though the objections from voluntariness and efficiency do raise interesting problems, I believe that a properly formulated conception of democratic workplaces can answer them. In the first section, the parallel case for extending democratic rights to the workplace is examined. The second and third sections consider the objections more closely by defending this extension against the conclusions that democratic rights in the workplace are unnecessary because employment is voluntary and/or the costs of democratic decision-making exceed its benefits. The last section concludes with some general remarks on why democratic rights in the workplace are good all-things-considered.

### I. The parallel case for democratic rights in the workplace

The case for democratic rights in politics is widely accepted. On one popular interpretation these rights ensure citizens access to political decision-making. Individuals have their voice rights respected in this decision-making either directly (referendums) or indirectly (representation). In direct forms of democracy, these rights guarantee the participation of citizens in procedures that assure that their views and interests are authentically represented. There are substantial benefits to direct or deliberative procedures (Cohen & Rogers, 1995; Habermas, 1998). First, there is no mediation of the inputs of citizens. All of them have an equal share of inputs and either consensus among them or simple majorities determine the outcomes. Second, while citizens do not always get the particular outcome they prefer as individuals, they are still guaranteed an equal share to participation in reaching a collective decision. These advantages are diminished in representative forms of democracy, however. Where there is representation in politics the relationship between citizen and state is highly mediated. In some cases, this mediation dilutes or otherwise misrepresents the authentic representation of the views and interests of citizens. While citizens can make a concerted effort to search for and support only those candidates who best approximate their views and interests, this approximation must always remain incomplete. Additionally, finding and supporting the right candidates to promote their interests requires them to participate in voting and elections. The electoral process further mediates citizens' views and interests because candidates inevitably compete with one another to capture a majority of votes, and in order to do so are forced to make compromises among views and interests that might otherwise be incommensurable. Finally, political officials who are elected by a majority are not formally required to represent the views and interests of minority constituents. Simple majorities determine the outcome of elections, but there are no guarantees that the views and interests of losers will be accommodated. In fact, the views and interests of minority constituents can be altogether ignored. In this respect, representation can induce diminished cooperation among citizens who find themselves

in the minority and feel disenfranchised by the electoral process. The rationale for democratic rights is immediately apparent in this kind of procedural setting because minorities are ensured a say in political decision-making even if their views and interests are not acted on.

There are also disadvantages to direct democracy. First, it is time-consuming because all decisions, or at least those concerning rules governing the association, must be debated such that every citizen has an opportunity to participate in decision-making. This is especially cumbersome in deliberative democracy because it requires consensus rather than outcomes determined by a majority vote. Second, direct democracy requires informed citizens who have adequate knowledge both of substantive issues facing the association, procedures for addressing these issues, and alternatives for resolving them. The model of citizenship in this form of democracy is therefore one of active participation by citizens qua decision-makers. For this reason, deliberative democracy can lead to what economists sometimes call "the tyranny of small decisions" (Kahn, 1966). Of course, these disadvantages can be overcome by representative schemes of decision-making. Citizens elect representatives because the latter are knowledgeable about substantive issues, providing the former with a substitute for their own limited knowledge of the issues. Additionally, during the course of their term representatives are made proficient in formal procedures for resolving issues whereas citizens may be unfamiliar with the rules governing decision-making. The model of citizenship in representative forms of democracy is therefore one of passive citizens qua dependents. At some level they trust political officials to represent their views and interests fairly, and periodically electing candidates serves as a medium for this trust, without citizens being required to be informed and active participants.

The parallel case for democratic rights in the workplace draws on the similarities of social cooperation in both politics and work (Dahl, 1985; Gould, 1988; Schweickart, 1996). First and foremost, both spheres are schemes in which individuals accrue the benefits of social cooperation. By participating in voting and elections citizens express their views and interests in the decision-making process. Obviously, workers benefit from employment because it provides them with the compensation that is necessary for satisfying needs. There are also non-pecuniary benefits to work such as the self-realization that comes with individuals realizing their own ends in activities that are either personally fulfilling or socially rewarding. Moreover, employment carries with it a social status because self-respect flows from peers recognizing that all of them contribute to the common good by creating goods and services that fulfill their needs and help them realize their ends (Rawls, 1999, pp. 155-57). Individuals without employment lack the means to satisfy their needs as well as this social basis of self-respect, creating an unacceptable form of dependence on private charity or welfare programs provided by the state. The similarities between politics and work are clearly grounded

in facts about social cooperation among multiple actors who come together to enjoy the benefits and share the burdens of that cooperation.

Second, participating in politics and work requires citizens and workers alike to bear particular burdens. In both spheres individuals give up part of their personal liberty in order to gain the benefits of social cooperation. The standard liberal conception of freedom is clear on this point. There is a good reason why individuals give up their so-called "natural" liberty in exchange for civil or political liberty under the state. The purpose of the state is to protect liberty, property, and security from force, fraud, and theft. To the extent that individuals lack protection by the state they cannot fully realize their personal liberty, utilize their property, or secure their personhood from coercion by others. The permanent cost to liberty is therefore relatively small because the purpose of rights is to constrain the state from exercising arbitrary or excessive coercion. By contrast, workers incur a far greater cost to their personal liberty in the labor market. For most of the day they are compelled to follow the orders of employers or risk being demoted or, worse, terminated. Moreover, their mobility is severely restricted while their interaction with co-workers is subject to oversight and control.

Whether it is in relation to the impersonal state or the face of an employer, individuals agree to incur some costs to their own personal liberty but in doing so also gain the benefits that flow from participating in these cooperative schemes. The choices and actions of one or more individuals within these spheres will still have the potential to coerce them or otherwise frustrate the pursuit of their ends. Individuals are thereby subject to significant liabilities because they expose their liberty and interests in these schemes to the choices and actions of others. In the political sphere, this exposure is limited by legal rights to voting, non-discrimination, fair taxation, public health, and equal political liberties such as freedom of speech and association. Although it is possible for the state to enforce legal rights to a minimum wage, working hours, and workplace safety, participating in the labor market entails a different sort of exposure for individuals because they are subject to the power and authority of unelected persons. In theory, agreements between an employer and worker are voluntary, but in practice the former have vastly more power at the bargaining table than workers, especially when it comes to wage offers (Zimmerman, 1981; Ezorsky, 2007). While employers can choose to hire from a large set of individuals who need jobs, workers must choose from a smaller set of actual jobs. If there is unemployment there are more workers than jobs available, which improves the bargaining power of employers but worsens that of workers. Moreover, the distribution of power and authority in hierarchical firms gives employers carte blanche justification to dictate the lives of workers on and off the job. Without voice rights to protect them in the workplace, there is little else to ensure that what remains of workers' personal liberty is protected from arbitrary or excessive coercion. It would appear, then, that the right to participate in decision-making about the distribution of benefits and

burdens in a cooperative scheme should hold for workplaces as much as it does for politics.

Third, participation in both spheres also appears to be voluntary, but this appearance can be quite deceiving depending on the standpoint one takes. The consent between citizen and state appears to be less voluntary because individuals do not choose the state in which they are born. Even if the choice to exit one state and enter another is available, the costs of emigration can be high because of family, work, and cultural ties. Such ties indicate that dependence and coercion exist alongside and in spite of the capacity of individuals to make choices. The agreement between worker and employer appears to be more voluntary because there are supposedly more opportunities to switch jobs, lines of work, and professions. However, the voluntary features of this relationship diminish in the absence of one of two things: a robust labor market in which there are more jobs than workers looking for them, and state intervention to provide welfare to individuals who dare not risk unemployment without having their basic needs secured (Levine, 1995). Even if there are options for satisfying needs that are not tied to gainful employment, welfare recipients are less well-off than employers who go bankrupt and, for the most part, enjoy independent means for satisfying their needs. Depending on the standpoint one takes, admittedly coercive political relationships maintain some voluntary features, while even more voluntary employment relationships retain some coercive features.

Some philosophers and economists argue that the benefit of voluntariness in such agreements is the actual ability rather than the merely formal capacity of individuals to enter and exit them (Van Parijs, 1995, pp. 22–23). In theory, exiting voluntary relationships requires only that obstacles do not stand in the way, but doing so in practice makes sense only if there are options on the other side of the door. The lack of options on the other side is all too often a constraint on making the choice to exit an otherwise voluntary relationship even if there are no obstacles standing in the way (Ezorsky, 2007, pp. 10–14). In order for exit rights to be used as an actual option for citizens and workers alike they must be protected and fulfilled so that individuals are insured from the liabilities of unacceptable coercion. Suppose widespread corruption of an otherwise democratic state has citizens dissatisfied with their present political officials who are so inept that there is little hope of reform. Are citizens free to exit this relationship? There are several choices individuals can make that include switching political parties, refusing to cast a vote in protest, or leaving the state altogether. Now suppose roughly the same scenario for workers in a firm with corrupt and inept management. Are workers free to exit this relationship? The dissatisfied workers of the firm can quit and search for other job opportunities, or avoid employment altogether by relying on private charity or welfare programs. The answer to both questions is that it remains *possible* for both citizens and workers alike to exit these agreements at will. Whether this radical existential option is viable for individuals

is an interesting philosophical question, but not relevant here. In practice, the costs of exiting what otherwise appear to be voluntary agreements are *actually* borne by individuals themselves. There are consequences to the choices that individuals make in real life such that these act as constraints on the available choices, sometimes without individuals being aware of these constraints (Elster, 1989). The relevant question here is whether political and economic relationships of all kinds have substantially coercive dimensions, despite the appearance of voluntariness, that require democratic participation in order for them to be justified. In the next section, I will consider in more detail the objection that the relationship between employer and worker is essentially voluntary.

Finally, there is an important dissimilarity between the spheres of politics and work that invites closer scrutiny. Presently, individuals experience cognitive dissonance, so to speak, between democratic politics and anti-democratic work organization. Citizens are expected to participate in democratic elections but employ themselves in hierarchical workplaces. In relation to the state they are expected to affirm and practice participation in procedures for choosing political officials so that they are accountable, but in the workplace they are expected to affirm and practice deference to the authority that is not accountable. Moreover, this kind of cognitive dissonance can work against democratic politics by encouraging persons in most of their daily life and activities to conceive of themselves as individuals disconnected from one another rather than as citizens sharing the same fate (Pateman, 1970; Elden, 1981). The distinction between politics and work leads to a form of "unhappy consciousness" in which individuals are exposed to economic forces that seem beyond their control while at the same time alienating them from a democratic politics that might otherwise control those very forces. Therefore, it might be beneficial to bring the spheres of politics and economics into better alignment by extending democratic rights to the workplace.

## II. The problem of voluntariness

One objection to the parallel case is that it overlooks an important disanalogy between the politics of citizenship and the employment of workers. The relationship of individuals to the state is more coercive than the relationship to their employers, weakening the case for extending democratic rights to the workplace. For example, suppose there is a just democratic state that respects the right of its citizens to emigrate, and its economy is vibrant enough to offer many job choices to individuals. The relationship of citizens to state and workers to employers in this case appears voluntary because exit rights are respected in both spheres. In practice, however, democratic states with market economies are likely to fall somewhere between the extremes of pure coercion and complete voluntariness such that different states and employers change the nature of voluntariness only by degrees.

Richard Arneson claims that even in the best-case scenario where citizens have a low-cost right to emigrate and workers have many choices "the difference of degree amounts to a morally consequential difference" (1993, p. 139). The question here is whether the degree of voluntariness is morally consequential enough to justify democratic rights in relation to the state but not the workplace.

Let us consider this objection more carefully. Here is Arneson's concise summary of the parallel case for extending democratic rights to the workplace:

... whenever individuals cooperate together in a rule-governed common enterprise that should work to their common advantage, they all have the right to participate by way of majority-rule procedure in making the association rules, provided all have the capacity to do so. The political order and economic firm are both common enterprises in the relevant respects, so the right of democratic citizenship applies equally in both arenas. (Ibid., p. 138)

He claims it abstracts from the question whether the individual's membership in either sphere is voluntary, assuming for the sake of argument that "the factor of voluntariness is irrelevant" (Arneson, 1993, p. 139). As a result, the parallel case ignores the important disanalogy that membership in the political state is non-voluntary because individuals are born into one they do not choose, emigration at a later stage is cost-prohibitive, and options for doing so are severely limited. By contrast, "placement in a line of work and a job is to a large extent a matter of free and voluntary choice" (ibid.). Since democratic procedures protect the fundamental rights of individuals from arbitrary or excessive coercion, and participating in them give citizens some say in the formulation of policies, it follows that these rights are necessary in the sphere of politics. However, individuals have lots of choices with respect to employers, workplaces or jobs, so the same rights are unnecessary and costly. "The right to emigrate for the vast majority of citizens is entirely a pro forma right that never enters into their practical deliberation about how to live their lives, whereas the right to quit one's job is for almost all people a live option, even if left unexercised, and for the majority of an option that is taken several times in the course of one's working life" (ibid.). For Arneson, the difference in voluntariness here lies in the practical consequence of lacking political options in contrast to having many employment options. Whether individuals believe they have options is, of course, relevant, but that holds for citizenship or work as well. Even if the option to switch jobs is a live one, for many workers this is also a pro forma right that never enters into their practical deliberation either because they lack education or skills, or because they are risk-averse and lack the will to risk their now-certain employment against future-uncertain job opportunities.

The formulation and conclusion of this objection has several weaknesses in my view. First, the parallel case does not entirely abstract from the question of voluntariness. In fact, the argument assumes voluntariness is a condition of individual consent. The purpose of democratic rights is to protect the participation of individuals in voting and elections, signaling that the consent of citizens is essential to the outcomes of those procedures. The relationship between citizen and state is therefore voluntary in a morally relevant sense despite the fact that most persons are born in a political order that they did not choose for themselves. Generally speaking, the kind of voluntariness here is not that of having options, but rather having one's particular will expressed in the common will that is objectified by the political state. In particular, the legitimacy of the democratic state depends on the consent of individuals to exercise limited coercion with respect to their fundamental rights. Such consent cannot be coerced but must come from a condition of voluntariness. If this relationship is essentially coercive, and excludes this prior condition, then the consent that legitimates political authority must be coerced, and this simply begs the question. It makes no sense to claim that the relationship here is primarily coercive, because individuals must, in some sense, consent to this coercion, and as such it must be prior to the coercion in the order of justification, even if this is limited to something like tacit or retrospective consent.

Furthermore, as it is formulated the objection will apply only to particular cases. These are cases in which there are political states that are culturally distinct, the costs of emigration are severe, and there are otherwise lots of job opportunities. Arneson acknowledges that the contrast he draws between this nonvoluntary political order and voluntary economic order can be drawn different ways, thereby changing the morally relevant consequences. Depending on the state and market economy in question, "where the contrast becomes muted, either the case for democracy in the political realm becomes attenuated or else the case for workplace democracy becomes stronger" (Arneson, 1993, p. 140). For example, consider the two cases he elaborates and compares. In the first case, there are two adjacent nation states that are culturally similar and legally identical but with different constitutions. Even though one is democratic and the other autocratic there are no barriers to either emigration or trade. The argument that the democratic rights of citizens are violated by the autocratic regime is weakened because the cost of emigration is so low that citizens there can easily switch regimes. Arneson claims the political relationship in this situation therefore appears more voluntary. In the second case, there is an isolated region in which the only available jobs are for coal miners. Leaving that region in search of other jobs is extremely costly both economically and psychologically, so that no one ever does it. The economic relationship here appears to be more coercive. Arneson admits that "in these hypothetical circumstances the parallel case argument for workplace democracy is quite compelling" (ibid.). What we can conclude from his comparison

of these cases is that the argument for democratic rights in the workplace is stronger either where the economic conditions are coercive such that there are no alternatives, or where there is significant unemployment such that the economy has more workers than jobs available and therefore limits choice.

There is another weakness to the formulation of this objection that I want to point out. Arneson claims that individuals find themselves thrown into a political order but enjoy a fair amount of social mobility in the labor market. This means individuals do not have a choice between states but lots of choices between professions, lines of work, and jobs. Notice that the terms of comparison here are skewed, however. These terms assume that persons do not have inter-state options but plenty of intra-market options. To keep the terms of comparison fair, a line must be drawn between different options for a political order and different options for an economic order. The assumption that there is no other economic order besides a market economy means that the situation is substantially coercive because workers cannot choose a different economic order. The many choices between careers, lines of work, and jobs is morally irrelevant if one is simply trading one coercive employer for another in an economic order where work organization is hierarchical. Consider Arneson's example of the two nation states. Although one is democratic and the other is autocratic he assumes both have the same economic order. There is no morally relevant difference between taking a job in a hierarchical firm in one or the other. Now suppose one of these states has an economy that respects democratic rights for workers while the other does not. If their prospects are roughly equal in terms of wages and standard of living, workers will choose the economy where voice rights are respected because the same work is made more meaningful for them under such conditions (Freeman & Rogers, 1999, p. 41). Democratic rights in the workplace are therefore morally relevant, especially for workers who do not have them.

Based on Arneson's evaluation that having choices determines whether participation is voluntary, it can be said that a market economy that does not offer the option of democratic workplaces is, by definition, more coercive. Workers without this option are less free than their counterparts who have that option. Arneson claims that even if the state mandates this kind of mixed market economy, in which some firms guarantee democratic rights, "there is a compelling consideration against moving beyond this point in order to guarantee all individuals the inalienable and nonwaivable right to workplace democratic rights, on all fours with inalienable and nonwaivable rights of democratic citizenship at the national level" (1993, p. 141). If the state were to mandate democratic rights in the workplace universally, this would violate the liberal neutrality constraint not to enact policies that favor one conception of the good over another. Surely, Arneson claims, some persons have values such that extending democratic rights to the workplace would incur significant costs and diminish benefits. Leaving aside the question whether the liberal

neutrality thesis is justified, or whether the preference for coercive workplaces is rational, this conclusion simply does not stand up to scrutiny. Where outcomes matter as they do for consequentialists neither acts nor omissions are morally relevant. If the state does not intervene in the market economy to guarantee this option to workers, omitting and acting have the same outcome for persons who *do* value democratic rights in the workplace. At the very least, the parallel case in conjunction with the liberal neutrality constraint appears to require democratic states to enact this option for workers. Perhaps the state might offer tax subsidies or provide other resources to those firms that respect the democratic rights of their workers. Having this option actually makes participating in a market economy more voluntary than it would be otherwise. Again, while having choices with respect to different jobs is surely important, if the jobs all require workers to submit to an otherwise coercive form of work organization then the range of choices is morally improved by ensuring a democratic option.

### III. The problem of efficient decision-making

The objection to consider now is whether democratic rights in the workplace are less efficient for economic decision-making. There are two ways in which making this extension can decrease efficiency. First, guaranteeing workers a right to participate makes decision-making costly and time-consuming. If everyone in the firm has this right fulfilled, then procedures for making decisions will be more complex in order to accommodate the input of everyone. Subsequently, costs will increase. This way of organizing decision-making also creates information coordination problems that slow down the decision-making process in the same way that deliberative democracy is time-consuming. Second, a democratically organized workplace is less efficient in the market. Sometimes the claim is made that worker participation makes hiring, training, and firing workers more rigid. This lack of flexibility makes the firm less responsive to market changes and subject to all kinds of technical inefficiencies. If workers share ownership of the firm, they might be less willing to expand rapidly by hiring new workers because their per capita return in the form of compensation and wages will shrink. If workers do not own the firm, it might still be less responsive to market changes because of time-consuming procedures for making decisions. It appears that the economic costs of extending democratic rights to the workplace far outweigh any non-pecuniary benefits to workers. Either way the objection is framed, the consequences are argued to be adverse for all workers in the long run because inefficiencies frustrate economic growth, job creation stagnates, and unemployment increases.

Let us begin with the problem of efficiency regarding decision-making. Typically, the distribution of power and authority in hierarchical firms is centralized so that management has a monopoly on decision-making. Workers

are subsequently expected to follow orders down the chain of command. This arrangement limits input, optimizes output, and makes decision-making more responsive to market changes. To be fair, however, these alleged benefits must be balanced against the costs of centralized decision-making. What are some of these costs? First, centralized decision-making is less transparent, a problem that is taken for granted in the political context but often ignored in the economic context. Fewer decision-makers establish the rules, policies, and goals of the firm without input or oversight from the rest of employees. This increases the opportunity for corruption including embezzlement and fraud. In fact, the incentives to engage in questionable business practices increase as transparency and accountability within the firm decrease (Bowles & Gintis, 1993, pp. 86–87). Second, centralizing power and authority in the firm diminishes the value of work for its employees. Workers often express the view that their own jobs are more meaningful when they are consulted or allowed to participate in decision-making (Freeman & Rogers, 1999, pp. 45–46). Third, some of the efficiency gains that come with centralized decision-making are lost because workers are dissatisfied with their exclusion from participation. This exclusion costs firms in the form of theft, shirking, and intensified task monitoring of employees. In order to compare the costs and benefits of hierarchically and democratically organized firms, all these factors must be taken into consideration, not just whether the firm is profitable according to a technical definition of efficiency in the absence of other normative considerations.

More importantly, this objection applies only to worker-controlled firms modeled on direct democracy in which all members are guaranteed an equal share of inputs regarding decision-making. In workplaces like this, decision-making will necessarily be costly, time-consuming, and less responsive to market changes. Pure democracy of any form is messy and burdensome from a procedural standpoint. If all employees get an equal say on all matters concerning the firm, and there are mechanisms for reaching decisions based on consensus or simple majorities, then firms run the risk of being frustrated by a “tyranny of small decisions”. The objection does not apply to firms that are modeled on representative schemes, however. The information and decision-making benefits of electing representatives in the political sphere apply just as much to democratic workplaces in which workers elect their representatives (Schweickart, 1996, p. 68). In the case of worker-controlled firms, the employees might elect representatives to serve as management, which is then responsible for decision-making. In the case of private or public firms, employees might elect representatives who mediate with management as ombudsmen or sit on governing boards (as happens in many of the European Union countries). In this way, the alleged benefits of efficiency found in hierarchical firms will apply to representative democratic workplaces, but the latter accrue the additional benefit of transparency since the management is made accountable in regular elections.



The problem of efficiency regarding market factors is more complex and requires an empirical comparison of hierarchical and democratic firms that cannot be adequately done here. However, there are some provisional reasons to think that the case for efficiency in hierarchical firms is overstated while the alleged inefficiencies of democratic firms are overblown. To begin, the claim that centralized power and authority in the firm improves the output of the firm depends on how "efficiency" is defined. There are three ways of defining efficiency: "output", "technical", and "Pareto optimality" (McPherson, 1983, pp. 360–61). Depending on which definition is used the claim that hierarchical firms are more efficient is debatable. For example, so-called output efficiency is determined by a firm's decision-making to maximize output from smaller amounts of purchased inputs. On this definition, centralized decision-making is justified if and only if firms get the maximum from outputs based on inputs they purchase. If they are competing in a capitalist economy their performance is typically judged by profitability such that the smaller the inputs required to optimize outputs, the more profits are maximized. However, hierarchical arrangements have additional costs that must also figure into this calculation, such as intensified monitoring that requires more supervisors and advanced technology to ensure employee performance. In addition, the output definition of efficiency supports a perverse incentive structure for managers to maximize profit in the short term (especially where their own personal compensation varies with quarterly earnings). This way of thinking encourages firms to hire additional workers rapidly during market expansions only to lay them off during subsequent contractions. The long-term costs of this strategy, including unemployment, deskilling, job training and emotional distress, are ignored by the strategy that favors maximizing profit in the short term (Uchitelle, 2006). The output definition of efficiency is questionable in the same way that diet programs are supposedly reasonable means for losing weight. The economic health of a firm is like human health in that it depends not on how much or how fast one grows or consumes but the choices one makes respecting sustainable job creation or the kinds of food one eats.

Moreover, critics of the output definition of efficiency point out that firms have independent reasons for adopting hierarchical decision-making, such as controlling workers by limiting their voice rights. Other critics claim that a technical definition of efficiency is warranted because it calculates the ratio of physical output and input. Still others claim that a Pareto definition is warranted that calculates welfare in terms of worker satisfaction or other values in addition to merely physical ratios (McPherson, 1983, pp. 361–62; Hausman & McPherson, 2006, pp. 136–40). The lack of consensus about measuring efficiency even among economists does not support the claim that hierarchical decision-making is always more efficient. Whatever definition is preferred the assumption that efficiency is an exclusive value must also be reexamined. In addition to the empirical dimension just described, there is a normative dimension that must be addressed concerning

whether power-sharing arrangements preserve or optimize efficiency as well as other values (Anderson, 1993, pp. 210–16; Hausman & McPherson, 2006, pp. 135–36). For example, there are other important values to consider in the organization of work including individual autonomy and worker satisfaction. Any conception of normative economics worth utilizing as a practical guide must find ways of integrating these non-economic values into the organization of work without wholly sacrificing efficiency. From an economic perspective efficiency is important to ensure the competitiveness of firms. However, by itself the economic standpoint is too narrow to assess the rationality of work organization taken as a whole, especially given the impact it has on social and political life beyond the economic sphere (Bowles & Gintis, 1976; Buchanan, 1988; Satz, 2010). If the non-economic consequences of hierarchical work organization are calculated as part of the economic cost of doing business as usual, we have good reasons for judging worker dissatisfaction, unemployment and the consequences of poverty to be unacceptable outcomes in modern market economies where the democratic reorganization of work will improve them.

Finally, there is both empirical and anecdotal evidence that the efficient operation of a productive enterprise is entirely compatible with democratic forms of decision-making (McPherson, 1983, pp. 354–68; Schweickart, 1996, pp. 88–102). Some studies in both Japan and the U.S. show that task rotation, job sharing, skill diversification, and worker participation at various levels of the firm can actually *increase* efficiency (Morishima, 1982; Dow, 1986; Levine & Tyson, 1990). There are also plenty of worker-owned enterprises in capitalist economies that are successful, competitive, and healthy, such as Spain's internationally recognized Mondragon Corporation (Whyte & Whyte, 1988). More recently, Germany set an example during the financial crisis that speaks to this point. Employers, unions, and the government made agreements not to engage in widespread layoffs, in contrast to firms in the U.S. Instead, the stakeholders in this important democratic decision agreed to "*kurzarbeit*" enabling firms to slow down, keeping costs low in order to protect society from the social costs that come from massive layoffs. Furthermore, it must also be noted that worker-owned firms and cooperatives face social, economic, and political obstacles in order to compete successfully in a capitalist economy that capitalist firms do not face (Bowles & Gintis, 1993, pp. 95–96). In short, there is a comparative disadvantage for democratic workplaces where hierarchical firms dominate work organization in market economies. All things considered, the objection from efficiency deserves more careful consideration. When we broaden the normative framework to consider efficiency not just in terms of input/output ratios, but also the social, economic and political costs of hierarchical work organization across the economy as a whole, the benefits of extending democratic rights to workers look to be increasingly attractive.

#### IV. Democratic workplaces?

The debate about democratic rights in the workplace tends to presume that a radical transformation of the market economy is required to achieve this goal. There are many models of worker-controlled economies or "economic democracy" along these lines that are well-formulated proposals (Gould, 1988; Roemer, 1994; Schweickart, 1996). However, I want to defend a minimal conception of democratic workplaces that does not require this large-scale transformation. On the one hand, this conception requires elaborating formal procedures for worker participation at the level of the firm. On the other hand, there are substantive issues of self-ownership, property rights, and control over the means of production that will require further consideration. For the most part, I limit my remarks here to the formal features of enacting worker participation without addressing, let alone resolving, the substantive issues just mentioned.

Suppose there is an initial situation that requires rational agents to formulate principles for work organization at the level of the firm, and under the veil of ignorance they do not know the status of their employment as managers or workers. Basically, there are three options for distributing power and authority here. The first option is a private monopoly on decision-making where management makes the rules and workers are denied participation. The second option is a power-sharing arrangement in which there are formal procedures for the participation of workers no matter who owns the firm. The third option is that worker own firms directly or the state owns firms but grants workers control of them through elected representatives. Theoretically, only the first and second are options in a "private-property economy", while the third is only an option for some form of market socialism (cf. Rawls, 1999, p. 235). In this initial situation the value of participation in making important decisions is already self-evident. Less risk-averse rational agents will choose the alternative that allows them to balance the costs and benefits of all competing values in the future rather than excluding some values from the outset. In this respect, the second option of power-sharing is clearly the reasonable choice for rational agents to make. There are clearly costs and benefits to each of these options. However, the first option completely sacrifices the value of democratic rights for economic efficiency, while the second at the very least attempts to balance the costs and benefits of democratic rights and economic efficiency with each other.

The first option currently dominates work organization in market economies, but there are examples of the second from which a minimal conception of democratic rights in the workplace can draw support. What are the features of this minimal conception? In order to institute power-sharing arrangements workers in firms both small and large should have the legal right to participate in decision-making in two areas: large decisions that affect their welfare broadly construed, and small decisions that affect their employment

conditions. For example, if a firm is deciding whether to enter a new market that requires hiring employees overseas and laying off some workers at home, this is a big decision in which affected workers at home should have some influence. By contrast, if a firm is deciding the fate of a single employee accused of shirking, theft, or some other infraction, this is a small decision that should be decided by democratic procedures of due process. Democratic rights in the workplace can be protected and fulfilled simply by setting up and enforcing formal procedures that (1) ensure worker participation but do not dictate outcomes, (2) protect workers' rights to such things as fair wages, non-discrimination, and workplace safety, and (3) provide means for resolving conflicts and adjudicating disputes that ensure due process. Along these lines the state might establish a legal framework for worker participation and enforce it in the same terms as the right to vote in democratic elections. Notice this does not require workers to have a say in every decision that firms make, and it does not guarantee that their views and interests determine outcomes. Democratic rights in the political sphere guarantee that citizens get a say, not that what they have to say becomes policy. At a minimum, democratic rights in the workplace should do the same, assuring workers of some participation that allows them to exercise influence on decision-making even if they do not get the outcome they desire or advocate.

In practice, the minimal conception guarantees that workers who want more participation in their jobs will get it. The benefits of participation include making the same work more meaningful, limiting the arbitrary or excessive coercion of employers, and allowing workers to influence the distribution of benefits and burdens arising from their own contribution in the economic enterprise. First, worker participation is good because it will make the same work done in otherwise hierarchical firms more meaningful. The fact of specialization in the division of labor means there will always be some share of jobs that are dissatisfying, alienating, or otherwise lacking in features that individuals find self-fulfilling. The meaningfulness of even the worst jobs, however, can be improved by extending to workers the right to participate in decision-making (Levine & Tyson, 1990, pp. 203-04). For example, the Worker Representation and Participation Study (WRPS), the largest study of these issues conducted in the United States, shows that dissatisfaction at work is directly linked to whether employees feel they have influence on decision-making in the workplace (Freeman & Rogers, 1999, pp. 44-46). The results confirm that attitudes about going to work, perceptions of employee-management relations, and trust in the firm are improved by worker representation and participation in decision-making. These are unsurprising results. Democratic rights in the workplace give individuals recognition by assuring their standing in an ethical community just as citizenship does in politics. In this case, employees in a firm comprise an ethical community with shared goals and achievements. There is arguably no better way of assuring individuals the recognition of their peers than permitting them to participate in decision-making affecting their lives.



In addition, democratic rights that establish formal procedures for representing workers can provide an appropriate check on the arbitrary or excessive coercion of employers. Workers do not give up their autonomy completely at work, but present employee-management relations promote the perception that they do. In hierarchical workplaces, employers have too much power that easily leads to arbitrary and excessive coercion of workers with little to no job protections. Exit rights to an even more uncertain labor market with fewer job opportunities than workers are no absolute guarantee of voluntariness here. As Ezorsky notes, "What workers themselves believe about their own freedom or unfreedom may not be the whole truth of the matter, but it is often closer to the truth than the views held by many theorists" (2007, p. 3). The WRPS results confirm her observation. A large majority of workers believe there are too few legal protections for workers and too few legal restrictions on management when it comes to resolving disputes or adjudicating conflicts in the workplace (Freeman & Rogers, 1999, pp. 127-32). In democratic workplaces formal procedures for resolving grievances or arbitrating disputes between employers and workers will diminish this coercive power, and this is good all-things-considered.

Finally, enforcing some minimal democratic rights in the workplace fulfills an important claim that individuals make to having a role in decisions concerning the distribution of benefits and burdens arising from their own productive contribution. This is consistent with the ideal of autonomy that persons bear the consequences of their choices, which is not the case in hierarchical workplaces where decision-making is centralized. Owners or managers make decisions for workers directly but do not bear the costs of those decisions. Such arrangements are antithetical to the ideal of autonomy at the heart of the theory and practice of democracy (Schweickart, 1996, p. 232). Individuals value autonomy because it provides them with the power to make decisions that are directly linked to their welfare. Extending democratic rights to the workplace enhances this capacity because it gives workers some measure of influence over those work-related decisions that affect them inside and outside the workplace. Formalizing worker participation is therefore a valuable extension of autonomy and this is good all-things-considered.

One objection I have not considered is that expanding worker participation in the firm violates the property rights of individuals. Since individuals have the right to own resources and firms, they have the legal right to determine the employment conditions of workers who are given access to the resources of the firm to produce goods and services in exchange for compensation. On this view, the labor contract is the only normative currency here. However, the objection is disingenuous because the viewpoint here assumes without much reflection that private ownership of capital and the right to make decisions in the work organization is coextensive. That is not necessarily the case. Work is a scheme of social cooperation that implicates the talents, skills, and welfare of many individuals, not just owners and employers, and they should have some say in decision-making that directly affects

their talents, skills, and welfare. The right of owners to dictate the terms for disposing of, exchanging, or otherwise modifying their property applies no less to the labor power of workers. The labor contract in its present form is a historically contingent artifact that can be modified and improved with the proper democratic decision-making. After all, there are dimensions of work organization where the state now exercises its coercive powers in places that it previously did not. There have been improvements to the labor contract in the form of wage controls, benefit regulations, health and safety oversight, and environmental impact, and none of these improvements were made without substantial social and political conflict over property rights. The political mandate for democratic rights in the workplace is therefore entirely consistent with the state's oversight of the economy.

In conclusion, extending democratic rights to workers will better ensure a just distribution of power and authority in the firm in order to provide workers more meaningful opportunities to participate, limit the arbitrary or excessive coercion found in hierarchical workplaces, and make private economic decision-making more publicly accountable. None of the benefits of democratic workplaces requires a large-scale transformation of the economy like that of worker-controlled firms advocated by market socialists. In fact, providing workers with opportunities to participate requires neither the sacrifice of property rights nor the socialization of the means of production. In order to resolve the deep tension between citizenship and work democratic states should adopt and enforce a legal right for workers to participate, along with their employers, in decision-making about matters that not only affect the welfare of individual workers but also the common good. By practicing democratic forms of decision-making in both spheres, and promoting more symmetry between the egalitarian norms of citizenship and the self-interested norms of individualist production and consumption, perhaps politics and work can be improved together.

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## Varieties of Goodness at Work: The Relationship between Business and Morality

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**ABSTRACT** *What do we mean to say when we call some person a good business manager? And where do the criteria flow from by which we judge people good business managers? I answer these questions by drawing on von Wright's distinction between several varieties of goodness. We can then discriminate between instrumental, technical and moral senses of the expression "to be a good business manager". The first two senses presume that business managers have a characteristic task or that they engage in typical activities. It is natural to specify this task and these activities by appealing to goods and to the good of a business. These goods may then be identified as goods for people. Insofar as the welfare of people is of moral value, we obtain a morally loaded account of business management. I argue against this account and plead for a more sober understanding of economic goods and of the good of a business. The latter can be understood in analogy to the good of an individual person, but is largely determined by the goals of the founders and owners. Economic goods are things that are wanted by some people and thus exchanged on markets. If this is so, then there is no direct conceptual path from instrumentally or technically good business managers to morality even though there are certain affinities. To conclude, I trace the consequences for our understanding of business ethics.*

For better or worse, things can be better or worse. And not only are there many different types of things which are called good or bad, better or worse. Also, the criteria by which we judge different types of things good or bad, better or worse, differ markedly. Finally, one and the same thing may be good in several respects: it may be good for some aim; good for a person or morally good. This threefold distinction is a commonplace in the philosophical literature,<sup>1</sup> and it has been elaborated in analytic philosophy. G. H. von

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