Comment

A Labor Perspective on Fair Pay: High-Performance Work at Corning, Inc.

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The Corning-American Flint Glass Workers Union (AFGWU) partnership agreement provides a test case for the possibility of a more egalitarian and productive workplace. However, a conflict over fair compensation for high-performance work could become a major barrier to the realization of that promise. A model of fair pay is suggested, proposing that a goal of minimizing the job and pay hierarchy and maximizing the return for employee contributions would facilitate “ethical partnership” and create incentives for high-performance work.

KEY WORDS: fair pay; compensation; Corning; high-performance workplace; partnership.

INTRODUCTION

Competitiveness through workplace teamwork has become a mantra for a growing number of industrial relations experts. In the business press, the focus is on winners of the Baldridge, Deming, and New York State Excelsior awards, illustrating the techniques of “high-performance” work and the considerable gain to be had from quality improvements. Management wants to reduce the cost of manufacturing, increase quality, improve customer service, and above all increase earnings by capturing a larger share of the global market. Labor unions, on the other hand, may accept a partnership agreement to improve their memberships' quality of work life. This includes job security, opportunity for personal growth within a company, a voice in the daily operations of the business, and increased earnings.

Although both labor and management stand to benefit from high-performance work systems, such partnerships cannot flourish unless both sides agree that some
division of increased earnings is fair. Partnership demands mutual trust between management and labor. The delicate relationships between unions and companies may become strained over "the division of the pie," once labor has taken on a greater responsibility for the long-term financial health of a business. Thus, workers may believe they should be paid at management rates for performing the tasks of the middle managers who have been eliminated as a result of employee involvement. Management may insist that the elimination of salaried employees is a cost reduction that should improve company earnings. This article will argue that a conflict over fair compensation for high-performance work could become a major barrier to the realization of the full potential for mutual gain in new work relationships.

Academic research on the subject of such putatively ethical questions as whether organizational rewards are "fair" or distributionally just has generally taken a management perspective. For management, the central issue in compensation is whether a pay policy enhances employee contributions to a firm (Gerhart & Bretz, 1992). Thus, considerations of fair pay for high-performance work may be reduced to questions about which employee perceptions of fairness facilitate employee commitment or mutual monitoring of work performance, thus supporting an indirect "control system" within firms (Sweeney & McFarlin, 1993; Welbourne, Balkin, & Gomez-Mejia, 1993; Welbourne, 1994). It goes without saying that control remains firmly in the hands of managers, who are normally charged with the goal of maximizing company earnings.

However, support for workplace partnership has also come from many representatives and supporters of labor who believe in the prospect of a more egalitarian industrial system (Appelbaum & Batt, 1994). The chance that such a prospect will materialize arguably depends on the ability of labor to articulate and project a set of demands that new work and pay structures meet a requirement of "social efficiency," or efficiency in promoting democratic social values (Kates, 1994). On its face, socially efficient firms would be obligated to continuously look for ways to redesign jobs in order to maximize the skill, creativity, and responsibility of employees, while minimizing productivity and pay differences among all employees within a firm. From this perspective, pay would be considered fair when it represented a maximum, rather than a minimum, return for all of the contributions that an employee might make to a business.

One way of measuring the distance between real world and socially efficient firms is to focus on the highly regarded partnership agreement between Corning, Inc. and the American Flint Glass Workers Union (the "Flints"). Corning provides an excellent case study illustrating the need for some new thinking about fair pay for high-performance work and partnership.

THE EVOLUTION OF PARTNERSHIP AT CORNING

The partnership between Corning and the Flints was negotiated in the 1989 agreement, "A Partnership in the Workplace," which formally sanctioned the employee involvement process. But that process had started much earlier, as management and labor attempted to improve quality and earnings by modifying some job