Requisite Organization Theory and Employment Relations

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ABSTRACT

The ramifications for employment relations from the Elliott Jaques’ organizational theories requires understanding the ideas as well as the way they have been implemented. Australian experience has been profound due to Jaques’ direct collaboration with the Chief Executive Officer (CEO) of one of Australia’s most important companies. The apparent success of the application of his models led other companies to implement similar organizational systems. Several of them are linked to management efforts to deunionize and decollectivize their employment relations. Such outcomes are not in keeping with Jaques’ theory since his whole work reveals a wider concern with equity. His broader macro-economic concerns are essential to the proper operation of requisite organizations. Notions of workplace democracy – essential ingredients in the Jaques’ early framework – need to be resurrected as requirements for requisite organizations. “Cherry picking” of Jaques’ ideas by company executives has led to an unfair diminution of his importance as an innovative and challenging theorist. Copyright © 2006 John Wiley & Sons, Ltd.

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Jaques’ influence on Australian management practice has been quite profound, considering that his academic work has been virtually ignored in both undergraduate and postgraduate business courses in Australia, as in most other countries. Nevertheless, Australia, more so than any other country, has been influenced by Jaques’ ideas, due to his decade-long involvement as a consultant and change agent, working with the Chief Executive Officer (CEO) of one of the country’s largest mining companies at the time, CRA (later to become absorbed into the London-based Rio Tinto conglomerate).

As early as the late 1970s, CRA, and specifically its CEO, Roderick Carnegie, took on board as its organizational framework, what was then known more often as stratified systems theory, a theory seemingly out of left field, and one which was hardly recognized by management theorists or practitioners alike.
Then, after a decade of embedding Jaques’ models into the organization, CRA – first in 1991 at its Tiwai Point aluminum smelter in New Zealand, then at Hamersley Iron, Bell Bay, Argyle Diamond, Peak Gold, Dampier Salt, Boyne, and Weipa – went about deunionizing their operations, through the introduction of individualized or “staff” contracts, offered in tandem with threats of large scale lay-offs. Given these facts, it seemed reasonable to assume that this managerial triumphalism and deunionization was the inevitable outcome of the implementation of Jaques’ methods of management.

After all, the most audacious deunionization campaign ever conducted in this country was carried out by the one company which had spent the previous decade developing and embedding the structures and models of Elliott Jaques. In fact, it could be said that CRA had been the testing ground for what is now known as “requisite organization theory.” Indeed, Jaques’ himself thanked Carnegie and other CRA executives in the introduction to the first edition of his book, *Requisite Organization* (Jaques, 1989).

Rightly or wrongly, in Australia at least, Elliott Jaques’ name has become synonymous with a management theory of deunionization. Therefore, before any broader analysis can be undertaken, this apparent link between Elliott Jaques and deunionization needs to be addressed.

Although there has been much written on the experiences at CRA in the 1980s (McDonald and Timo, 1996; Hearn Mackinnon, 1997; Timo, 1997, 2001), it needs to be stressed that the company’s deunionization push commenced several years after Jaques had ceased advising the company. It is not the purpose of this paper to argue the advantages and disadvantages of the deunionization program implemented by CRA, but simply to argue that its rationale is not automatically derived from the work of Jaques.

It is nevertheless undeniable that a number of companies, in Australia at least, which have utilized Jaques’ management models have, with few exceptions, also been involved with attempts to bypass collective bargaining through the introduction of individual contracts, “staff” contracts, or non-union collective agreements.1

Given these experiences, and wider perceptions of the link between Jaques and deunionization, this paper sets out to explore the role of employment relations in the ideas of Jaques, as contained in his body of work, rather than as practiced by those professing an allegiance to such ideas.

Senior executives who have set about implementing Jaquesian principles, have instead, simply “cherry picked” the components of Jaques’ ideas which most suit their own agendas. There is obviously nothing wrong with such an approach, and indeed managers would be derelict in their duties, were they to do otherwise. However, in doing so, they have generally totally ignored a good half of Jaques’ theories which are concerned with establishing constitutionally based systems of worker participation in enterprises to protect workers from unfettered managerial prerogative. In order to evaluate the contribution and relevance of Jaques’ ideas to modern employment relations it is necessary to examine the whole body
of his work, and its underlying assumptions, rather than focus on one or two of
his management texts.

JAQUES’ SCHEMA

So what was Elliott Jaques’ prime purpose or objective, underpinning his six
decades of analysis and writing?

One reading of Jaques’ major works, could clearly be that his purpose was all
about creating managerial systems matching accountability and responsibility.
Another view could easily conclude that his major interest was in identifying
and measuring human capability. Both of these objectives are certainly strong
themes which run through most of his work, and one or both would probably
resonate firmly with those familiar with Jaques’ work, as being central to his
overall schema. An alternative reading of Jaques’ major writings, over several
decades, could, however, be that, such aims were simply means towards ends,
and that his chief concern was to seek the conditions necessary to achieve a
society exhibiting equality of opportunity for all. It is this interpretation of
Jaques’ prime purpose, which this author finds the most convincing.

Such a view may be considered naïve, given that much of Jaques’ work is
concerned with reinforcing managerial prerogatives, with justifying and strengthen-
ing workplace hierarchies and the authority of managers? This latter view is
more popularly identified with the ideas of Jaques, but only if sections of Jaques’
work are considered in isolation from the whole body of his work.

Jaques’ work constitute somewhat of a grand theory, or world outlook. In the
language of post-modernism, it constitutes a meta-narrative. As such, to compre-
prehend its importance and logic, it is necessary to view the theory in its
entirety. The starting point or foundation for Jaques’ world-view is his belief that
human capability is distributed most unevenly amongst the population. It must
be said, however, that such a claim is not universally accepted, and there is a
great deal of skepticism that such human capability, let alone potential capabil-
ity, can indeed be measured with any degree of accuracy.

It is not the purpose of this paper to access the validity or otherwise of this
important hypothesis, but to recognize it as the basis for everything which Jaques
wrote. Nevertheless, some brief comments on such a crucial hypothesis of Jaques
are required. This hypothesis deserves to be treated with considerable skepticism
on three counts, not that capability varies amongst individuals, but, firstly: on
the question of the degree of variance; secondly, how capability can be measured;
and thirdly, and perhaps most crucially, how much of this human capability is
determined by nature versus nurture? An alternative and more realistic position
would be to acknowledge that while most people are endowed with similar
(though not the same) capabilities, for various reasons, some are motivated much
more than others to make the most of their capability, some are provided every
opportunity to fulfill their potential, while others have their opportunities,
confidence, and motivation stamped on from a very early age.
Like élite athletes, who are often described as being “naturally gifted,” more often than not you will discover individuals who have been given opportunities and encouragement, and have responded with a drive to achieve, and have worked prodigiously hard, for years on end, to develop their sporting prowess. Nevertheless, accepting that levels of capability do indeed differ between individuals is not a sufficient enough reason to support the Jaquesian framework. Rather, the shape of the distribution of human capability is crucial to Jaques’ proposals, since his argument is that organizations should be hierarchically structured, not for the reasons of efficiency, emanating from the division of labor, determined by the requirements of technology and the need for industrial coordination, but rather, the structure should mirror the distribution of human capability in society generally.

If there was a flatter distribution of capability amongst the human population, organizations would need to be structured accordingly. Indeed, it follows logically that if there were only small variances in capability, then the rationale for hierarchies would be null and void. Likewise, a steeper distribution of capability would necessitate steeper hierarchical organizations. So it was that on the basis of his view of the distribution of human capability, Jaques developed a powerful argument, rationale, and justification for the maintenance and creation of hierarchies in human society in general, and for employment organizations in particular. Put simply, executive hierarchies are primarily required in order to make the best use of differential capacity. Thus, it has been said that “‘[t]he essential Jaquesian hallmark . . . lies in the fact that he has the nerve to regard some men as more gifted than others in a very fundamental way. He sees people as unequally, rather than equally, endowed with a certain quality of mature reality-tested judgment, a quality he calls executive capacity” (Evans, 1977: 26).

From this single assumption – which, it must be said, Jaques’ (1976) and Jaques and Cason (1994) claimed to have statistical evidence supporting such a hypothesis – he set about constructing the requisite conditions which would enable all members of society an opportunity to work at a level appropriate to their endowment of capability (or executive capacity), and to receive wages and salaries in accordance with society’s general consensus on fair remuneration for work at each level.

In his last book, The Life and Behavior of Living Organisms, he wrote:

... having the right level of work of interest to do, with effective managerial leadership, and a fair economic return for that work, is a human necessity. ... The big difficulty is that there are no democratic free enterprise nations that have achieved a permanent and secure system of fair and just employment. (Jaques, 2002: 213)

Those last words are worth repeating, “a permanent and secure system of fair and just employment.” In other words, the intention is to provide people with an opportunity to find work interesting enough to enable them to fulfill their potential, and to be paid fairly for such efforts. Surely, such an aim is a worthy one.
THE PHENOMENOLOGY OF WORK

Any analysis of Jaques’ ideas and their ramifications for employment relations must, however, involve an examination of his view of the meaning and importance of “work” itself. In his schema, drawn heavily on the contributions of classical sociologists Weber (1947), Durkheim (1951), and de Tocqueville (1952), work becomes one of the main mechanisms through which individuals experience not only the quality of their society but their own identities as well (Jaques, 1976: 15).

Bureaucracy – by which Jaques referred to hierarchical employment systems – by constituting itself as the main type of workplace in industrialized societies, fulfills many of the functions previously carried out by the extended family, the village, and the surrounding community. The fundamental role of bureaucracy as the central workplace derives from the psychological importance of work itself. “It is through his work that a person maintains his primary sense of reality. His work is his prime contact with the external world, and with the relationship between his own mental processes and the external world” (Jaques, 1976: 15).

Interestingly, given the managerialist flavor of much of his writings, Jaques drew heavily on the Marxist analysis of the role played by work in the development of human consciousness. Jaques (1976: 15) noted approvingly that according to Marx and Engels the major factor separating humans from other animals is seen as stemming from the organization of labor. Jaques quoted Marx and Engels: “They [men] begin to distinguish themselves from animals as soon as they begin to produce their means of subsistence, a step which is conditioned by their physical organization. By producing their means of subsistence men are indirectly producing their actual material life” (Marx and Engels, 1939: 7).

Following on from Marx and Engels’ analysis of the significance for human consciousness of the “true” division of labor between mental and physical labor, Jaques’ drew on the ideas contained in Marx’s “Thesis on Feuerbach” (Marx and Engels, 1939). In the first thesis, Marx argued that “the chief defect of all materialism up until now is that the object, reality, what we apprehend through our senses, is understood only in the form of the object or contemplation; but not as sensuous human activity, as practice; not subjectively (Marx and Engels, 1939: 197). Concurring with Marx, Jaques stated that “it is this theme [that of Marx] which is very close to the argument to be pursued about the significance of work as the activity by means of which reality is most fundamentally tested . . . [I]t is by their work that people reinforce their sanity and keep it under review” (Jaques, 1976: 17). Hence Jaques, like Marx before him, recognized the primary importance of work in making humans human. As much as work is concerned with producing goods and services for sale in order to create both profits and wages, work enables people to express themselves as individuals by enabling them to affect and interact with the external world.

Having established the necessity and central importance of work in human society, Jaques was concerned with the prerequisites for ensuring that all people
had an opportunity to work to their potential in fulfilling jobs, and with fair systems of remuneration.

THE REQUISITE MACRO CONDITIONS

One of the prime conditions necessary for the achievement of such a goal is the existence of sustainable abundant employment. By abundant employment, Jaques meant not just full employment, but rather levels of employment which would enable all workers the opportunity to work at a level in accordance with their endowment of capability, thus enabling them to do fulfilling and satisfying work.

As long as workers have the threat of unemployment hanging over them, or even the threat of having to do less than satisfying work, then workers’ lives, and those of their families, will be subject to the whims of – even the best intentioned – managers. Under such conditions, workers will no doubt seek the protection of organized labor. In fact, in the absence of permanent abundant employment, workers would be foolish not to seek the protection of unions.

A similar point was made clear by one of Jaques’ former colleagues at Brunel University, John Evans, when he wrote:

> Only in an environment of abundant employment does the executive hierarchy as Jaques conceives it finally shed its potentially exploitive – even violent – associations, and so come truly into its own. Under conditions of anything less than abundant employment no entitlement or right to equitable work can feasibly be guaranteed by society at the politico-legal level, so that the individual employee remains perpetually vulnerable, even when he has the protection of representative and appeals safeguards within his local organisation. (Evans, 1997: 19)

Thus, the Jaquesian framework, requires a specific macro-economic environment, if it is to fulfill its promise of providing people the opportunity to work at a level commensurate with their endowment of capability, for equitable and fair remuneration. The problem with the Jaquesian prescriptions, is that when they are applied at the micro-, enterprise- or business-level, then the absence of the requisite macro-environment renders them managerialist and inequitable, as workers are left powerless in organizations with dramatically enhanced managerial authority.

Aside from his broader politico-economic critique of modern capitalist societies, at the micro- or business-level, Jaques also viewed the operation of the industrial relations system, based on bargaining over wages, as wasteful and damaging. He was not so much against collective bargaining in particular, but, rather, was opposed to wages and salaries being determined by the exercise or threatened use of power; either the power of corporations or the power of unions. Even individual bargaining was anathema to Jaques. From a purely rational perspective, it is hard to disagree with Jaques’ conclusion.
Where wages and salaries are determined by the balance of power, as is the case in capitalist economies, the weak inevitably lose out in the distribution of a nation’s wealth. For Jaques, there had to be a better, more humane, more trust-inducing method of determining wages and salaries. Thus the notion of felt-fair pay, in which pay relativities are related to levels of work, as measured by “time-spans of discretion,” was seen as providing a means of distributing the wages and salaries of all workers, including CEOs, in a way which would find general consensus in society (Jaques 1961, 1976, 1982).

In his landmark work, Free Enterprise and Fair Employment, Jaques (1982) argued for governments to establish nationally enforced wages and salary bands related to the various levels of work. In his view, these could be adjusted intermittently, on the basis of broad discussions with unions, employers, and the wider community. In effect, Jaques was advocating a corporatist system of national award wages, to be determined not by bargaining power but, rather, as agreed to by society at large, the relativities being determined by accepted notions of fair distributions associated with the various levels of work.

Having established a system of pay relativities, covering all employees, from relatively unskilled laborers to CEOs, the absolute level of wages, which would determine the nation’s profit share, could be adjusted annually by governments, keeping in mind the necessity of guaranteeing enough profits to ensure sufficient ongoing investment and economic growth to sustain abundant levels of employment. Wage inflation would not occur since pay relativities were already established.

Jaques’ ideas concerning abundant employment and nationally established wages relativities certainly are at odds with the neo-liberal economic philosophy currently dominating the thinking of most governments. Rather than pursuing abundant employment, governments in the industrialized world have, for the better part of three decades, used unemployment as a means of disciplining workers’ wage demands, in order to keep inflation under control. Thus, it is a moral failure of modern societies that governments are able to publicly declare their opposition to eradicating unemployment. While such immoral politico-economic paradigms are tolerated, unemployment will be a permanent feature of society, and notions of abundant employment will remain nothing more than pipe dreams.

Hence, it is true that if we put to one side Jaques’ grand notions of a fair and just society, based on a macro-level of analysis, his micro-level prescriptions for managers are based on establishing managerial prerogatives, and getting workers to know their place in the hierarchy.

To be fair, a reading of Requisite Organization or Executive Leadership – both being largely management manuals rather than theoretical texts – could lead to such a conclusion. The establishment of an “accountability hierarchy,” is, without a doubt, central to the Jaquesian framework.

In terms of “accountability,” Jaques was one of the seminal management theorists advocating the widespread use of individual performance evaluations
or appraisals. Such individual accountability is necessary, not simply as a means of achieving management or company objectives, but, rather, to ensure that all workers – regardless of where they lie in the hierarchy – receive appropriate feedback and acknowledgement for their efforts at work. In this manner, individual accountability, linked to rewards and promotional opportunities, are necessary conditions for a humane, trust-inducing workplace.

Such individualized systems of performance management have traditionally been resisted by organized labor, who view them as managerial tactics for “divide and rule” and for setting workers in competition against each other in order to win management favors, be it through job security, pay bonuses, or promotions. The use of individualized management systems as a means of weakening or breaking collective solidarity has certainly been an objective of companies the world over in recent decades, including those (such as CRA) espousing an adherence to Jaquesian principles.

Given the prominence within Jaques’ writings of the need for accountability hierarchies, it would be easy, therefore, to characterize Jaques as an unabashed managerialist of the highest order (see Timo, 1997). However, my reading of Jaques finds an accountability hierarchy as constituting a necessary, but not a sufficient, condition for the establishment of requisitely structured organizations.

Focusing solely on the importance of an accountability hierarchy totally ignores another major thrust of Jaques’ theses, contained in a number of his works (Jaques, 1961, 1976, 2002). This theme is the need for constitutional forms of worker participation in the formation of policies which affect workers lives.

This should come as no surprise, since it should be recalled that at the Glacier Metal Factory in the 1960s Jaques worked closely with the company’s shop stewards to establish a works committee, one which necessitated consensus decision-making on all policies which affected the working conditions of workers.

In Free Enterprise, Fair Employment, Jaques (1982) wrote:

Greater opportunity for open and constitutionally established rights must be provided. Employees must be given the opportunity to express their desires through constitutional channels of participation. Until they do there is no outlet other than varying degrees of non-cooperation or disruption . . . (Jaques, 1982: 117)

He also states:

If we have no constitutional right to take part in determining the long and short-term policies which have such a bearing on our work and careers, we are resentful, hostile, suspicious – all readily predictable reactions of sound and sensible human beings feeling imposed upon by forces outside their control. Suspicion starts the process of alienation from work and withdrawal from reasoned argument; if things go wrong, even with well intentioned management, withdrawal increases in the form of low motivation in work, or absenteeism. Finally, in the event of strong disagreements, collective withdrawal occurs, leaving management in an impotent position and reasoned debate difficult to reestablish. (Jaques, 1982: 116)
Further on he added:

The lack of a constitutional right of staff and workers to take part in the policies of employing institutions remains a central defect in the growth of political democracy in Western societies. (Jaques, 1982: 120)

Linking the macro and micro conditions together, he then wrote:

It is the combination of employee participation, with the assurance of abundant employment in the community and pay equity, which is the best guarantee of sound working relationships within employment systems. (Jaques, 1982: 121)

So we are left to evaluate the impact of Jaques’ ideas on employment relations.

JAQUES’ EMPLOYMENT RELATIONS LEGACY

An examination of the great body of Jaques’ work reveals that his chief concern was not that of a narrow managerialist, but rather that of a grand theorist, committed to improving the conditions of modern society generally, and within employment hierarchies (i.e. firms) in particular.

Understanding Jaques’ contribution to the area of employment relations requires, therefore, a broad reading of his work rather than a focus on select pieces. It is also necessary to link the macro- or societal-level of analysis in Jaques’ work with his micro- or firm-level of prescription and analysis in order to grasp the essence of his important contributions.

Any theorist managing to maintain a steady flow of publications over nearly six decades is bound to wind up being interpreted differently, depending on alternative readings of their work. Thus, it is so with the work of Elliott Jaques. Whereas Jaques is generally considered a supreme managerialist, such a view should not be accepted uncritically. A narrow reading could lead to a perception of his ideas as constituting nothing more than a set of prescriptions for performance management and task assignment. Such a view, however, would be a disservice to the valuable, yet unashamedly controversial, contributions provided by Jaques on the big issues facing modern society.

To the extent that organizations claiming to implement Jaquesian management methods simply strengthen managerial hierarchies and introduce individual evaluations of workers’ performance as the basis for both salary adjustments and job security, then Jaques’ models, by shifting greater power and authority to managers, will almost certainly lead to a diminution of the bargaining power of workers.

It is hardly surprising then that unions have resisted the implementation of requisite organizational management systems. However, this paper argues that only one side of Jaques’ framework has been acknowledged and supported, let alone implemented, by managers of Australian companies.
After all, where are the management initiatives at establishing constitutional arrangements providing union leaders and other worker representatives the opportunity to participate in the formation of company policies, where such policies affect workers’ lives? Where are the companies applying the principle of “felt-fair-pay” across the board, not just to workers’ wages but to managers, including CEOs, who in many instances are presently grossly overpaid? Where are the business leaders calling for the establishment of national agreements on pay relativities to replace the irrational and economically wasteful system of enterprise bargaining? Where is the acknowledgement by business leaders that, in the absence of conditions of abundant employment, workers’ lives, and those of their families, are vulnerable to the changing whims, of, even the best-intentioned, managers?

What is the reality in practice? Companies which have declared an interest in Requisite Organization theory have generally done so quite opportunistically. By selectively picking the components of Jaques’ voluminous works which reinforce managerial authority and control over employees, executive managers have effected downsizing and work intensification, exhibiting a very short-term focus on cost minimization. In so doing, however, they have exercised a rather short time span of analysis. The work of Jaques is, however, much more important than this.

It is to be hoped that there emerge leaders of the business community, as well as union and political leaders, equipped with the capability of exercising effective judgment at Stratum 7 level, who are able to grasp the possibilities contained within the whole Jaquesian framework for a sustainable system of abundant employment, fair and equitable remuneration, underpinned by constitutionally established systems of workplace participation.

Jaques’ work is certainly controversial, complex, and easily misunderstood. Much of it is insightful, some of it is problematic, a lot of it flies in the face of accepted theory and practice, and, sadly, it must be said, most of it has been ignored by management theorists and practitioners alike. However, regardless of one’s assessment of the “truth” or “worth” of his organizational theories and prescriptions, his work is of vital importance, if only for the questions he, and seemingly no one else, had the audacity to ask.

Elliott Jaques has laid down the challenge to us all. As he wrote, only four years ago in his final work, *The Life and Behavior of Living Organisms*:

> Will historians write of “The Rise and Fall of Industrial Society,” to record the social tragedy that befell the democratic free enterprise world as it fell apart under the sheer weight of the horrible disease that struck each nation as it became rich and affluent, namely, the inability to distribute the work opportunities and fruits of its success in an equitable and trust-inducing manner? (Jaques, 2002: 220)
NOTES

1 These companies include Western Mining Corporation (WMC), Mount Isa Mines (MIM),
Newcrest Mining, Commonwealth Bank of Australia, and the Telstra Corporation.

2 So dominant is this approach to macro-economic policy-making that the "natural rate of
unemployment" is generally referred to as the "Non-Accelerating Inflationary Rate of
Unemployment" (NAIRU).

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