Egalitarianism in the Laboratory and at Work

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This chapter focuses on the question: Is there, inevitably, the trade-off between economic efficiency and equality that is so commonly assumed (e.g., Okun, 1975)? It is divided into two major sections. First, I shall review the experimental research done in my laboratory that bears upon this question and, second, I shall summarize the diverse scholarly literature relating to work that is relevant to this issue: the literature dealing with different forms of work compensation, ownership, participation, and control. Elsewhere (Deutsch, 1985), I consider some of the problems associated with egalitarianism and discuss the conditions conducive to the effective functioning of an egalitarian system.¹

Experimental Research on Egalitarianism

Studies of Cooperation–Competition

Although I was unaware of it as I conducted my early experiment on the effects of cooperation and competition upon group process (Deutsch, 1949b), this study has direct relevance to basic issues relating to the consequences of an egalitarian as compared to a meritocratic system of


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people will be more productive if they are rewarded in proportion to their contribution. The research described in the preceding section on cooperation—competition had clearly demonstrated that this assumption is not correct when the individuals are working on tasks where it is helpful for them to cooperate, to share information and resources, or to coordinate their activities. Perhaps the assumption has validity only when the individuals are involved in noninterdependent tasks, in which that is not facilitated by effective cooperation.  

It is evident that the conditions described in footnote 3 are rarely found in the “real world” of work. However, they can be created in the laboratory. Our first two studies were fashioned to create the conditions likely to maximize the chance of finding support for the assumption that performance will be enhanced by the expectation of being rewarded in proportion to one’s contributions. In them, the subjects worked in separate cubicles, on identical tasks that were neither interesting nor difficult. Both experiments systematically varied the type of distributive system, using the same task; the second also varied the magnitude of the rewards available to the subjects and used female as well as male subjects. In a third experiment, the subjects worked face-to-face on several different types of very brief tasks under different distributive systems. In contrast to the first three, the subjects in the fourth study worked alone under one or another reward system similar in character to the different distributive justice systems. In a fifth, the subjects worked face-to-face on a highly interdependent, extended task. In a sixth, the “good” being distributed within the group was “grades” rather than “money”; the grades were distributed according to the “equality” or “proportionality” principle and were based upon either the “amount of effort” or the “level of performance.”

Four different principles of allocating the group’s earnings to its members were used in a number of the studies. These were described as follows:

Experimental Studies of the Effects of Different Systems of Distributive Justice

My students and I (Deutsch, 1985) have conducted a series of studies that was stimulated by the assumption implicit in equity theory that

It should be noted that the “meritocratic” principle is not always “competitive”; it is so only when a fixed amount (a constant sum) is being allocated. Hence, the more one person gets, the less is available for others. An “individualistic” form of this principle occurs whenever the amount of the allocated is variable and dependent upon the level of the total contributions; here, the allocations the individuals receive are independent of one another. Thus, the results of this early experiment had no direct relevance to the individualistic form of “meritocracy.”
• Winner-takes-all: Under this system, whoever performs the task best in the group wins all the money the group is paid.

• Proportionality: Under this system, each person is rewarded in proportion to his or her contribution to the group score. In other words, the person who contributes 50% of the group’s total output will get 50% of the money to be distributed within the group; a person who contributes 10% of the group’s total output would get 10% of the money to be distributed within the group, and so on.

• Equality: Under this system, each person in the group will get an equal share of the money to be distributed within the group. In other words, each person will get 1/3 of the group’s total earnings.

• Need: Under the need distribution system, each group member will be rewarded according to the need expressed on the biographical data sheet. In other words, the person who needs the money most would proportionately get more money; the person who needs the money least would get the least amount of money.

The overall results of the six experiments will be presented in terms of a number of key questions asked of all the data.

1. Did the different distributive system have differential effects on performance? There is clear and consistent evidence in all of the relevant experiments that there are no reliable effects of the distributive system on individual or group productivity when neither individual nor group task performance depends upon effective social cooperation. This result is obtained when the individual is working in a group context and also when he or she is working alone. That is, there is no evidence to indicate that people work more productively when they are expecting to be rewarded in proportion to their performance than when they are expecting to be rewarded “equally” or on the basis of “need.”

2. Were there initial differences in attitudes toward the different distributive systems? The subjects initially strongly preferred the “proportionality” over the other distributive system. The second most favored was “equality”; “need” was disfavored; and they had the most negative reaction to the “winner-takes-all” system.

3. Were attitudes toward other group members affected by the different distributive principles? Even when the groups were nominal rather than interacting groups (as in the first two experiments), there were some significant effects of the distributive system on attitudes toward other group members. The subjects in the “equality” and “need” conditions reported having cooperative feelings toward one another; those in the “winner-takes-all” and “proportionality” conditions reported having “competitive” feelings toward one another.

4. How were attitudes toward the tasks and work affected by the different distributive systems? Under the “equality” system, the subjects found the tasks more interesting and more pleasant than in the other systems. They also reported the highest intrinsic motivation to perform well, the highest motivation to perform because of “task enjoyment,” a high desire to increase the group’s performance, and the lowest desire to outperform the other group members. Subjects, in all conditions, indicated very high intrinsic motivation to perform well, and this was rated as the strongest component of their motivation to perform well.

5. Did the “high,” “medium,” “low” performers in the various conditions differ from one another in their preferences and attitudes? Even before task performance had occurred, those who were to have different performance ranks in their groups had different preferences regarding the distribution principles: The better one’s future performance, the more one preferred the “winner-takes-all” principle and the less one preferred the “need” and “equality” principles; the “medium” performers (those whose performance was neither best nor worst) preferred the “proportionality” principle more than either the “low” or “high” performers. In the nominal group, the relationship between task performance and preferences for distributive principle remained essentially the same from the pretask to posttask measurement. Parallel results were obtained for the ratings of the “fairness” of the distributive principle.

However, in the face-to-face interacting groups, the relationship between task performance and preferences for the different distributive systems changed during the course of the experiment. After performing the various tasks, the “proportionality,” “equality,” and “need” systems were in each case just as likely to be chosen by “high” and “low” performers. Only the choice of the “winner-takes-all” system appeared to reflect self-interest: being chosen by “winners” only.

6. What were the preexperimental correlates of initial attitudes toward the different distributive systems? Preferences for “winner-takes-all” and, to a lesser extent for “proportionality” were associated with a sense of power, toughness, self-confidence, and a more conservative political orientation, a feeling of competitiveness, and a tendency to downplay one’s groupmates. In contrast, preferences for the “equality” and “need” principles were correlated with more favorable attitudes toward one’s fellow group members and less favorable views
of one's own chances and capabilities. The greater the tendency to be "Machiavellian," the higher the subject's preference for "winner-takes-all" and lower his or her preference for "equality."

Our results provide little support for the common assumption that productivity would be higher when earnings are closely tied to performance. Despite the fact that the tasks were neither particularly interesting nor demanding and despite participating in the experiment primarily to earn money, the subjects seemed more motivated to perform well by their own needs to do as well as they could rather than by the greater amount of pay they might earn from higher performance in the "proportionality" and "winner-takes-all" conditions. Their motivation to perform was determined more by self-standards than by external reward.

These results are not surprising if one takes into account that the subjects were college students who were not alienated from themselves, their colleagues, or the experimenters. They had no reason not to do as well as they could whether or not they would earn money by so doing, if they had felt more capable of doing it themselves and their capabilities had little pride in their own effectiveness, then their performances might have been more influenced by the external reward. It is possible that the assumption that people will be more productive if they are rewarded in proportion to their participation is valid only when people are alienated from their work.

Egalitarianism in the Workplace

The research that I have summarized in the preceding section clearly indicates that an egalitarian distribution of rewards or earnings within a group does not result in less effective individual or group performance than a meritocratic one; to the contrary, when the tasks required coordination, sharing, communication, or interdependent activity among group members, the performance of egalitarian groups was superior. However, these were laboratory and classroom groups; the people involved were students; the rewards that were distributed did not affect the individual's standard of living; the groups had short lives; and so on. Perhaps the commonly assumed trade-off between efficiency and equality would appear in research on "real-life" egalitarian work groups, even if it does not necessarily occur in the laboratory or classroom.

Here, I shall briefly review the diverse scholarly literature dealing with different forms of worker compensation, ownership, participation, and control to see whether egalitarianism and efficiency are incompatible. However, before proceeding with this review, I consider the meaning of "economic egalitarianism."

The Meaning of Economic Egalitarianism

In the literature on economic democracy, worker cooperatives, and the like, there is a clearly emerging social ideal of economic egalitarianism that has several key components. Central to the ideal of economic egalitarianism is the view that the workplace should be a cooperative rather than an authoritarian or adversarial system (Whyte & Blasi, 1982). A cooperative framework is required to do away with the oppositional, alienating tendencies inherent in the power differences between the bosses and the bosses as well as those explicit in the different economic interests of employers and employees. Worker cooperatives are democratically controlled by those who work in them. In small cooperative enterprises, decisions are usually made by the entire work group in frequent meetings. Larger ones have management positions, that are filled by election on the basis of one person, one vote. Such positions are usually subject to rotation and are open to all qualified members. Managers can be recalled by the members; ultimate authority rests in the work force. Full worker participation in decision making exists at all levels of the organization. The opportunity for informed and effective participation is aided by training and full access to relevant information.

How the income and surplus produced by the cooperative should be distributed is decided by the work force. The tendency is toward equality; differences, when they exist, between the highest and lowest paid workers are much smaller than in privately owned firms. Profit or surplus may be used for reinvestment within the firm to create new jobs, to improve working conditions, or to improve productivity; it may be invested in education, health clinics, daycare centers, or other social and community purposes; or it may be distributed in the form of bonuses or increased benefits.

Land, buildings, machinery, and other assets and liabilities of the cooperative are owned by the work force. Unlike the situation in employee-owned corporations, where the shares they own in the corporation can be sold to other individuals (including outsiders), members of a worker cooperative cannot sell their share of ownership except to the cooperative. The value of a cooperative member's share is determined by the value of his or her "internal account." The initial balance in this account is determined by the membership fee or the member's initial financial contribution at the start of the cooperative.
At the end of each fiscal year, the member's portion of the cooperative's surplus (or loss) is added to (or subtracted from) his or her account balance. When a person terminates membership, the balance in the member's account is paid out to the ex-member over a specified number of years.

**Patterns of Compensation**

The available research on performance-based pay plans in industry (summarized in Katzell & Yankelovich, 1975, and Lawler, 1971, 1981) does not speak clearly nor reliably to the question of whether there is a trade-off between egalitarian wage structures and work efficiency. Thus there is some research evidence to suggest that individuals work more efficiently when their pay is clearly linked to their performance. But there are many qualifications that have to be added to this statement. First, the research does not demonstrate that it is the connection between pay and performance rather than the connection with "accountability" (i.e., with performance appraisal and feedback) or with other confounded factors that is instrumental. Second, as Lawler has pointed out, merit pay systems can be dysfunctional and lead to inefficiencies when the organizational conditions necessary to their effective functioning does not exist. There is little reason to believe that the necessary conditions for their effective functioning exist in most work organizations.

There is also some research evidence suggesting that performance-based pay plans where the performing unit is the group (department, plant, or firm) can lead to more efficiency than pay plans based on individual performance when cooperative work is required. Such plans tend to be more egalitarian than plans based on individual performance. Group plans, in addition, are less plagued by some of the measurement and other administrative problems of individual merit pay systems.

I could find no research evidence that directly addresses the question of whether individual as compared to group merit pay systems lead to more efficient retention of high-performing employees and more efficient elimination of lower performing ones. On reason for assuming that egalitarian pay systems are relatively inefficient is because high performers presumably could earn more in a nongenitarian system and, hence, would be likely to leave the egalitarian system; this would not be the case in an individually based, merit system. There are other reasons to suppose that the closer, personal attachments and the more congenial interpersonal atmosphere associated with the egalitarian as compared to the individualistic–competitive system might lead to a stronger desire to remain in the egalitarian system.

**Patterns of Participation and Control**

In the doctrine of economic egalitarianism, the ideal of equality of power—the ability to participate equally in making the decisions that control, directly and indirectly, one's work and the organization in which one works—is at least as central as the ideal of an equal standard of living. Worker participation in decision making within a firm can take place at three levels: the shop floor, the department and plant, and the corporate level. At the department and corporate levels, participation is usually indirect through delegates or representatives. Shop floor participation involves direct personal involvement as an individual or as a member of a small group in such day-to-day operating decisions as scheduling of work, work methods, workplace layout, quantity of output, quality control, training. Terms such as job enrichment, job redesign, job enlargement, job rotation, work restructing, autonomous work group, and so on are often used to characterize worker participation and control at the shop level.

At the departmental and plant levels, worker participation is in the administrative decisions, through representatives to "work councils" or "joint labor-management consultative committees," that usually have consequences for weeks to months (at departmental level) or for a year or two (at the plant level.) At the departmental level, these include cost and quality control, resource allocations, achievement of targets and quotas, and planning and coordination of activities. At the plant level, the decisions center about product lines; production layouts; plantwide work arrangements; hiring, firing, and promotion of employees; and acquisition, organization, and control of resources needed for production. At the corporate level, worker participation is through representatives on corporate boards that are concerned with such long-range strategic policy decisions as setting goals and objectives; choice of products and geographic locations; pricing and marketing policies; major capital expenditures; diversification; mergers, acquisitions, raising of capital; and disposition of profits.

The meager available research evidence about the effects of a more equal sharing of power in the workplace suggests that it increases rather than decreases economic efficiency (see Katzell & Yankelovich, 1975, and Jain, 1980.) Although there is a significant push toward more participatory control in the workplace, propelled in part by the
increasing education and sophistication of the high-tech work force, neither employers nor unions yet seem to be eager to extend cooperation to include the corporate board as well as the shop floor.

**Employee Ownership**

Two forms of employee ownership of firms are emerging in the United States (Woodworth, 1981.) Here, we briefly discuss one form, sometimes labeled worker *capitalism*, in which employees, as individuals, typically acquire shares in the enterprise through an “employee stock ownership plan” or through direct purchase of a plant that is about to close, be relocated, or be subjected to a takeover by a conglomerate. The employees function as individual shareholders who have a personal economic interest in the profitability of their firm; as shareholders, even when they together own a majority interest (this is often not the case), the employees do not use their shares collectively to determine management decisions. “Worker capitalism” may or may not involve participation and control over their workplace. Rarely does it involve a fundamental change from a capitalist philosophy of ownership and management.

The results of the limited available research (see Conte & Tannenbaum, 1978) indicate that economic egalitarianism as expressed in the form of employee ownership of the firm appears to result in greater productivity and profitability as well as better attitudes. Again, there is little support for the widely held notion that increased egalitarianism has a trade-off in economic efficiency. Nevertheless, it is well to recognize that the atmosphere of euphoria that often characterizes a firm after its transformation to employee ownership, after several months, is often followed by growing dissatisfaction, sometimes accompanied by severe conflict. As Whyte and Blasi (1982, p. 143) point out:

> The disillusionment of workers and the resulting conflicts arise out of a failure of management to recognize that an employee-owned firm cannot be managed effectively by following the authoritarian model.

**Worker Cooperatives**

A second form of worker ownership exists in worker *cooperatives*. These are usually owned by the work force of the firm or by the cooperative community in which the enterprise is located (as in the *Kibbutzim*); many such cooperatives do not permit sale or transfer of individual ownership rights. Control of the firm is in the hands of the work force and is commonly distributed on the egalitarian principle of “one person, one vote.” However, when the cooperative is part of a cooperative community (as in the *Kibbutzim*) or part of a complex of interrelated cooperatives (as in the Mondragon system), the larger community or cooperative system usually has an important voice in determining policy decisions that would affect the community or system of which it is a component.

There are many examples of successful, well-established, worker-controlled enterprises and of long-lived communes (see Lindenberg & Rothschild-Whitt, 1982; Oakeshott, 1978; Simmons & Mares, 1983, for illustrations of worker-cooperatives and Kanter, 1987, for communes.) Later I discuss several examples of such enterprises that are structured on the egalitarian principle of “one member, one vote,” including the U.S. Plywood Cooperatives, The Mondragon Cooperative System in Spain, and the Kibbutz Cooperative Sector in Israel.

**The U.S. Plywood Cooperatives.** Various studies have shown that the plywood cooperatives have consistently outperformed private plywood firms substantially (25 to 60%) in productivity and also in the wages received by the workers (about 25% higher.) A large portion of this productivity difference may result from the smaller number of management and supervisory personnel required in the cooperatives. In traditional firms, supervisory personnel are used to police the work force, checking on goofing off and careless or inefficient work. In the co-ops, workers police themselves and one another, saving an enormous amount of money that is traditionally spent for supervisors.

**The Mondragon Cooperative System.** The Mondragon Cooperatives in the Basque region in Spain have grown form a single industrial cooperative started by five young men in 1956, to a network of more than 87 cooperatives with 18,000 workers and $1.7 billion in annual sales. Thomas and Logan (1982, pp. 126–127), after a careful economic analysis conclude:

> Various indicators have been used to explore the economic efficiency of the Mondragon group of cooperatives. During more than two decades, a considerable number of cooperative factories have functioned at a level equal or superior in efficiency to that of capitalist enterprises. Efficiency, in terms of the use made of scarce resources has been higher in the cooperatives; their growth record of sales, exports, and employment, under both favorable and adverse economic conditions, has been superior to that of capitalist enterprises.
The Kibbutz Cooperative Sector in Israel  

Menachem Rosner (Rosner et al., 1978), one of the foremost students of the Kibbutzim, has written “The equality of mankind—not merely in its formal connotation but in the true human and social sense as well—is the most fundamental principle upon which Kibbutz society is based.” Embodied in its basic values are two major conceptions: allowance for the specific and diverse needs of various individuals (an individualized or particularistic equality) and the separation of one’s social contribution from the material rewards one receives.

In 1978, there were 254 Kibbutz Communities with almost 120,000 members, comprising about 3.3% of the population of Israel (Rosner, 1982.) The contribution of the Kibbutzim to the Israeli national product greatly outweighs their portion of the population (40% of the agricultural and 6% of the industrial output), and its members have been and are disproportionately represented in the parliament and among the political and military leaders of Israel. At the same time, the various indicators of social pathology—crime, drug addiction, suicide, juvenile delinquency, mental disorder—appear to be disproportionately low in the Kibbutzim.

A typical Kibbutz is an egalitarian, rural community of several hundred families democratically governed by a general assembly based on the principle of one member, one vote; the assembly meets on the average of three times a month. A kibbutz is “owned” by its members, but it cannot be sold, and its assets cannot be divided by its members. If individual members leave, they have severance pay provisions based on a number of clearly defined factors. Kibbutzim are organized into a “holding company” that is affiliated with the general labor organization of Israel. Should the majority of a Kibbutz decide to dissolve it, the Kibbutz’s assets would be turned over to the holding company. (For additional descriptions of Kibbutz life, see Blasi, 1980; Lieblich, 1982; Rayman, 1982; Snarey, 1982.)

People who work together in a Kibbutz factory, no matter what their positions in the factory, live together in the same community and have equal standards of living as well as equal control over community affairs. The decision-making process on issues related to the industrial plant within a Kibbutz is partly determined by the nature of the substantive issues. The Kibbutz general assembly usually makes the decision on the election of a plant manager, the investment plan, the professional training plan, and the hiring of outside workers; the worker’s assembly, within the plant, commonly makes the decisions with regard to production plans, work arrangements, choice of candidates for training, and election of other plant officials than the manager; and the plant management decides with regard to technical and professional problems. Even when the general assembly retains final decision power, it will receive suggestions and proposals from the worker’s assembly and the plant manager with regard to the issue being considered.

For the Kibbutz as a whole as well as for its industrial plants and other branches, all managerial and coordinating positions are rotated in order to prevent the emergence of a managerial elite. Rotation implies not only a turnover of personnel but also that a factory manager will usually be assigned to other lower levels within the plant after completing his tour of duty as manager.

In addition to job rotation of managers, Leviatan (1980a, b) identifies two other mechanisms that are used in the Kibbutzim to counterbalance the ill effects of hierarchy in organization: direct democracy that provides rank-and-file workers influence over the selection (via the worker’s assembly and the general assembly) of plant officers and influence over many aspects of the plant’s functioning; and independence of status dimensions such that the individual’s standard of living as well as his or her position in the Kibbutz community organization is uncorrelated with his or her position in the factory. That is, a manager has the same standard of living as a worker and is not any more likely to have a high position in the community.

Despite the “handicaps” under which they operate, Leviatan (1978, p. 11.) points out that studies and economic analyses of the functioning of Kibbutz work organizations have proved that the Kibbutzim not only compete with their rival organizations in Israel but that in many instances they function even better than similar organizations outside the Kibbutz. He indicates (1978, pp. 23–24) that the following general lessons can be drawn from the Kibbutz experience:

- The Kibbutz experience in the spheres of work and economy had proven the feasibility for the successful existence of a non-market economics, since the Kibbutz had broken down the traditional link between the contribution made by a person and the rewards conferred upon him.
- It serves also as a successful example of functioning of work organizations in a situation where material rewards or their equivalents cannot serve as such because of their nondifferentiability. So, it highlights the effectiveness of psychological motivations of higher order needs.
- In the other words, the Kibbutz experience is inconsistent with the assumption of an inevitable trade-off between equality and efficiency.
Concluding Comment

I have reviewed an extensive literature (see Deutsch, 1985, for a more extensive review) that indirectly or directly bears upon the issue of whether egalitarian work systems are inherently less efficient than nonegalitarian systems. The existing research is meager and not of high quality, but its findings are concordant with the results of the more carefully controlled laboratory studies described in the first section. There is no reliable or consistent research-based evidence that justifies the conclusion that egalitarian systems are intrinsically less productive than the more traditional, nonegalitarian systems. To the contrary, the available research suggests that, when efficient work requires efficient cooperation, almost any movement toward a democratic, egalitarian, cooperative system and away from, the more traditional authoritarian, hierarchical, adversarial system of work improves productivity and lessens worker alienation. This is so whether the movement is from individual- to group performance-based pay, or from nonparticipation to worker participation in decision making and profit sharing, or from outside ownership to worker ownership, or from authoritarian control to democratic control. This is not to deny the importance of individual performance and accountability but rather to suggest that when everyone has a stake in your performance, your immediate coworkers as well as yourself, this enhances rather than reduces your accountability and your motivation to work and cooperate effectively. Nor is it to deny that one may work harder if one is paid more; When one is alienated from work (because of dissatisfying work), or from one’s coworkers (because of competitive relations), or from those for whom one works (because of an adversarial system).

As I have discussed elsewhere (Deutsch, 1985), egalitarian-cooperative systems have a tendency to break down and fall or to regress toward a more traditional, hierarchical, nonegalitarian system. It takes thoughtful, organized, and continual effort to sustain such systems. If egalitarianism were taken seriously and the serious effort necessary to establish and maintain such democratic cooperative systems were made, the odds are that we would be more productive and less alienated from ourselves and from one another.

References