

Employment Relations Matters



Keith Sisson

Emeritus Professor of Industrial Relations
Industrial Relations Research Unit
Warwick Business School
University of Warwick
UK

Creative Commons Licence

This first edition of *Employment Relations Matters* has been made available on the internet in 2010 under a *Creative Commons Attribution-NonCommercial-ShareAlike* Licence, which means that:

You are free:

- to share — to copy, distribute and transmit the work
- to remix — to adapt the work

Under the following conditions:

- Attribution — You should attribute the work, i.e. Sisson, K. 2010. *Employment Relations Matters*. Available at www2.warwick.ac.uk/fac/soc/wbs/research/irru/
- Noncommercial — You may not use the work for commercial purposes.
- Share Alike — If you alter, transform, or build upon this work, you may distribute the resulting work only under the same or similar licence to this one.

You will find further details of the terms and conditions of Creative Commons Licences at www.creativecommons.org

The text is in PDF format and should be accessible on any platform. If you wish to adapt it, go to the ‘Edit’ menu’, highlight the relevant text and copy. Alternatively, go to the ‘Edit’ menu, ‘Select All’ and copy.

Contents

List of Tables

Preface

- 1 Introduction: studying employment relations
- 2 Why employment relations matter
- 3 Coming to terms with the employment relationship
- 4 Institutions – the stuff of employment relations
- 5 Negotiation – breathing life into the employment relationship
- 6 Power – a matter of prepositions
- 7 Changing expressions of conflict
- 8 Understanding management
- 9 Trade unions and collective bargaining – the end of an era?
- 10 Public policy - balancing flexibility and security?

Appendix The UK in comparative perspective

List of tables

- Table 1.1 Theorising's three perspectives
- Table 2.1 Why employment relations matter: summary
- Table 2.2 Incomes and taxes of 'high-income' individuals
- Table 2.3 Models of work organisation
- Table 3.1 'Contract' and 'status'
- Table 3.2 Competing views of the work organisation
- Table 3.3 'Varieties of capitalism': building blocks and links
- Table 3.4 The 'psychological contract'
- Table 4.1 Core processes and structures
- Table 4.2 The structure of collective bargaining
- Table 5.1 'Pacts for employment and competitiveness'
- Table 5.2 Changing emphases in employment relations
- Table 5.3 All benchmarkers now
- Table 6.1 Three types of control structure
- Table 7.1 Table 7.1 Annual average WDL per year, 1970–2003
- Table 7.2 Annual Average Strike Participation rates, 1970–2003
- Table 7.3 Changing pattern of strikes in the UK
- Table 7.4 Changing pattern of UK Employment Tribunal cases
- Table 8.1 HR policies and practices: Evidence from WERS
- Table 9.1 Trade Union density, 1970-2005
- Table 9.2 Union density rates and collective bargaining coverage
- Table 10.1 'Economic' Europe and 'juridification' in the UK
- Table A1.1 Social indicators
- Table A1.2 Macroeconomic indicators
- Table A1.3 Changes in international competitiveness
- Table A1.2 National differences in work organisation

Preface

This text deals with issues that, traditionally, have appeared under labels such as ‘industrial relations’, ‘human resource management’ and ‘employee relations’. It adopts ‘employment relations’ as its title for two main reasons. The first is that it accurately describes what the text is about – it’s about the employment relationship, the institutions involved in its ‘governance’ and the impact on a wide range of economic and social outcomes. The second is that it’s increasingly difficult to use the traditional labels without causing confusion. Regardless of intention, ‘industrial relations’ is associated with trade unions, collective bargaining and strikes, while ‘human resource management’ and ‘employee relations’ are seen as being about managing relations with individual employees. It also seems that there is to be no meeting on the ideological plain – ‘industrial relations’ is assumed to be conflict-based, while ‘human resource management’ and ‘employee relations’ are said to be ‘unitarist’ and ‘managerialist’ in their approach. Meanwhile, ever-increasing fragmentation means that the area’s overall significance gets lost sight of.

The text has the double intention that I’ve tried to capture in the title: to bring people up to date with the matters that the study of employment relations deals with and to explain why they matter. Trade unions and collective bargaining certainly feature – collective bargaining remains the dominant way of settling the pay and conditions of employment of employees in many EU countries; the same is true of the six million or so public sector employees in the UK. Employment relations is far from being just about trade unions and collective bargaining, however. It is also about work organisation – the nature and extent of managerial hierarchies and control structures, which have profound implications for health, personal development and a country’s social capital stock; personnel policies and practices, which are critical not just for business performance, but also income levels, life chances, the family (the duration, distribution and flexibility of working time are especially important here) and the development of human and social capital (reflecting not just the nature and extent of continuing vocational training but also the opportunities for on-the-job learning and personal development); and the decisions of government and the judiciary (reflecting the state’s role as ‘guarantor of the employment relationship’¹). It is no exaggeration to

Preface

say that many of the objectives policy makers subscribe to – ending child poverty, enhancing the quality of family life, improving health, increasing social mobility and building a knowledge economy – depend to a very large extent on the quality of employment relations.

I've had two main audiences in mind in writing *Employment Relations Matters*. The first are those who teach and study in the area. For this group, the text is intended to be a resource. For example, it could be used as a stand-alone set of materials for a typically ten week programme. Alternatively, it could serve as a companion text to more traditional textbooks. Here it would provide a much-needed reality check for the texts used on Chartered Institute of Personnel and Development courses, where issues such as institutions, power, negotiation and conflict do not always receive the attention they deserve. The same is true of many ‘Organisational Behaviour’ courses on MBA programmes.

I appreciate that there are some excellent textbooks already available in the area. Arguably, however, there are several features that make *Employment Relations Matters* distinctive. First, it makes the employment relationship and its ‘governance’ the central focus and so is equally relevant to those teaching/studying courses labeled ‘HRM’ or ‘industrial relations’. Second, it is analytical in approach, which means it does things that other textbooks are rarely able to do: it outlines the subject's approach, values and core assumptions, locating them within a wider critical social sciences framework; it reviews the relationship between employment relations and a number of economic and social outcomes, ranging from living standards through the quality of family life to macroeconomic performance; it goes beyond the description of institutions that is typically found to explain why they are so important; and its treatment of matters such as power, negotiation and conflict is also more extensive than it normally is. Third, and perhaps most important, it offers a framework that is comprehensive in its treatment and yet universal in its application. Indeed, it was this that posed the main intellectual challenge in its writing. Most current textbooks focus on one country and its institutions, making it difficult, especially for international students, to grasp the underlying messages. Although it mainly uses UK examples, *Employment Relations Matters* is comparatively informed throughout. Furthermore, its integrated and thematic treatment means that the text

Preface

can be adapted to reflect other countries' experience. Indeed, the hope is that the text will be developed by scholars not just from the UK but also other countries, helping to develop the cross-national analytical framework that the subject needs.

The second audience I have in mind for *Employment Relations Matters* are practitioners and policymakers. I don't expect that too many in this group will read it, but I've tried to make the text as accessible as I can. Thus the text has summaries at the beginning of each chapter, is relatively concise in its style, is not over-burdened with academic debates, and keeps references to a minimum - they only appear where there is a direct quote or a substantial argument is being paraphrased; to avoid too many disruptions in the text, their details also appear at the end of each chapter. It is also primarily for their benefit that Appendix 1 draws attention to the UK's comparative performance, along with the missed opportunities for plugging some of the UK's institutional 'gaps' that this comparison reveals.

In the case of this second audience, the text has its origins in some very personal experiences. I can't remember the number of times I've found myself in recent years trying to explain what employment relations is about and why it matters. I can remember some of the specific occasions, however, the one I'm about to be quote being typical of many others. I was talking to a senior official of a Regional Development Agency, stressing the importance of employment relations. A very perplexed look came across her face. She didn't think that this was a big issue in her region. She must have seen a pained look on mine. She quickly responded that she thought it was because they didn't have any car plants in their region and overall trade union membership was relatively low. It was only when the conversation moved on to issues such as productivity and absenteeism that her interest flickered. Even then there was some reluctance to accept that work organisation or, indeed, anything that was to do with the workplace, was important – as far as she was concerned, it was all about the supply side and skills etc etc.

Arguably, there are two main reasons for this state of affairs. The first is that those of us who teach and research in the area haven't done anything like enough to explain to the outside world how the study of employment relations has been changing and why it has continuing relevance to policy and practice. The result is that there are many

Preface

myths and misunderstandings that have been allowed to perpetuate (see below). Certainly it has been difficult to point people in the direction of a single text that does these jobs, while many of the papers appearing at British University Industrial Relations Association conferences, as well as some public interventions, would suggest that there has been more talk than action about the subject changing. The second reason is that practitioners and policymakers have found the messages from economists and psychologists about the overriding importance of individual motivation more comforting than the ones they get from employment relations specialists about the significance of institutions.

Especially important here has been the ‘neo-liberal’ approach to running the economy. Since the 1980s, the emphasis has been on ‘markets’ and ensuring that they work effectively. Significantly, the government department with prime responsibility for the area in the UK, the Employment Relations Directorate, sits within the Business, Innovation and Skills’ ‘Fair Markets’ group - a major task, in the words of ‘Departmental Strategic Objective No 3’, is to ‘Deliver free and fair markets, with greater competition’. It isn’t just that organisations like trade unions and institutions such as collective bargaining tend to be viewed negatively. The role of the workplace as a key decision making unit is largely ignored as are the complexities of managing the employment relationship – the workplace is regarded as a ‘black box’ where participants are expected to respond economically rationally to the broader regional and national economic framework. Public intervention can only be justified on grounds of ‘market failure’. If managers are behaving in a particular way, it must be economically rational for them to do so; if not, the ‘market’ will correct. The idea of ‘institutional failure’ is rarely entertained and so the status quo goes unquestioned. Underpinning everything else is the view is that sensible governments don’t have much choice: globalisation is dictating the policy agenda. In Kay’s words, the principles of what is otherwise known as the ‘American business model’ or ‘Washington consensus’ (reflecting links with the Washington-based International Monetary Fund and World Bank) are ‘unavoidable’, ‘because global business will migrate to the jurisdictions closest to them’².

It remains to be seen if the global financial crisis that ‘neo-

Preface

liberalism' has helped to bring about creates a more receptive environment for the argument that employment relations matter. Certainly the 'market fundamentalism' at the heart of 'neo-liberalism' is being questioned – the talk is of the 'failure of market failure³'. In the real world, it is slowly being remembered, 'markets' do not exist in a vacuum; they do not automatically deliver efficient solutions and they do not necessarily weed out 'inferior institutions'⁴. Rather it is institutions, especially in the form of incentive structures, that give 'markets' their shape and structure; if these are fixed without reference to the needs of the wider society, as they have been in banking and finance, the results can be disastrous. 'Light touch' regulation, which is widely seen to have been a major factor in contributing to the crisis, is no longer the mantra it was. In this regard, much of what has been written about banking and finance could just as equally be applied to employment relations. Calls for a return to a more pragmatic approach that combines a mix of 'government' and the 'market' also chime well with the messy realities of employment relations.

In any event, two things are becoming clear. The first is that it is not just trade unions and collective bargaining that are under threat from the unfettered global capital market that has been allowed to develop. Arguably, something even more fundamental is at stake, which takes us back to the origins of the subject of employment relations at the end of the 19th century. The crisis suggests that the broad consensus underpinning the traditional model of the employment relationship for much of the post-World War 2 period is no more. Ideologically, 'financialisation' and 'casino capitalism' mean the dominance of 'nexus of contract' thinking and the notion of labour as something that is brought and sold just like other commodities. Practically, 'financialisation' and 'casino capitalism' mean 'permanent restructuring', along with the 'fragmentation of employment' and the undermining of the 'welfare state' system that has grown up to support the traditional model. In the process, the fundamentally important role of work organisations in developing human and social capital is in danger of being lost sight of, threatening many of the goals to which policy makers aspire. The same goes for their equally fundamentally important role in sustaining well-remunerated workforces who, as consumers, generate demand

Preface

and so profitability and growth.

This brings me to my second point which is, arguably, better news from the point of view of the subject of employment relations. The crisis confirms, if it needed to be, that understanding of the employment relationship cannot be extracted from consideration of the wider political economy – approaches that focus exclusively on the organisation and, narrower still, on the individual ‘psychological contract’ simply don’t cut the mustard. At the same time, recent events reinforce the view that none of the traditional disciplines is in a position to shed much light on unfolding developments in the employment relationship and their considerable implications touched on above – partly because they are not centrally concerned with the employment relationship as employment relations is and partly because they tend to be more interested in burnishing the discipline than illuminating the specific issues in hand. As Flanders, one of the pioneers of employment relations study in the UK insisted many years ago, while the traditional disciplines have many valuable insights to offer, they tend to ‘tear the subject apart by concentrating attention on some of its aspects to the exclusion or comparative neglect of others ... a partial view of anything, accurate as it may be within its limits, must of necessity be a distorted one’⁵. A focus on the employment relationship, a distinctive multi-disciplinary approach grounded in critical social science and a mix of quantitative and qualitative research methods means that employment relations is uniquely qualified to highlight the fundamental importance of the employment relationship, what is happening to it and the wide-ranging implications likely to be involved.

A great many people have helped to make this text possible. They range from the national newspaper managers and trade union and Chapel officials of Fleet Street in the 1960s, through colleagues and students of the University of Warwick’s Business School and Industrial Relations Research Unit in the 1970s, 1980s and 1990s, to the research community of the European Foundation for the Improvement of Living and Working Conditions in the 1990s and the staff of Acas in the first half of the ‘noughties’. In no small measure, it’s the accumulation of their knowledge and wisdom that I’m capturing and reflecting here. I’ve never ceased to be stimulated by the issues that employment relations deals with and couldn’t think of a

Preface

better way of thanking them for helping to make it so.

The same sentiment also helps to account for the form of the publication. Here, though, there were also some eminently practical considerations. Weighing up the pros and cons of the traditional publication route as against the internet proved a 'no brainer' for someone who no longer has to bother about Research Assessment Exercises and the like. Time to publication via the traditional route would have been months at least. Heaven knows how much the final publication is likely to have been, but one thing is certain - I would have received but a small fraction in royalties. An internet publication not only means reducing both time and price/costs considerably. A *Creative Commons Licence* means that it will also be possible for colleagues to update, adapt and develop the text, helping to create the cross-national framework that the study of employment relations needs for its further development.

Keith Sisson

Some employment relations myths

1. Employment relations is about trade unions, collective bargaining and strikes. Not true. It's about the 'governance' of the employment relationship regardless of the presence of trade unions and collective bargaining.
2. Anyway, the decline of trade unions and collective bargaining means that institutions are no longer important. Not true. Institutions are the 'stuff' of work organisations - most are the responsibility of managers.
3. But the decline of trade unions and collective bargaining at least means a reduced role for negotiation. It doesn't. Negotiation is as much a feature of employer-employee relations as it is of management-trade union ones. Negotiation is a collection of processes that all of us use to define and redefine the terms of our interdependence with one another.
4. The decline in strikes means that there must be little or no workplace conflict. It doesn't. In the UK, the number of individual Employment Tribunal cases has been rising and forms of 'unorganised' conflict such as absenteeism maintaining a steady level.
5. The UK suffers from too much employment protection regulation. It doesn't. Only the USA has less such regulation than the UK. A major problem is that the UK lacks the social dialogue and collective bargaining structures of many of other countries to transpose EU measures by agreement.
6. Flexibility is everything. Not so. Managers cannot cope with too much flexibility. Management is the source of the bulk of the rules involved in governing the employment relationship.
7. Lack of employee engagement is largely a question of attitudes, which can be solved by motivational programmes. It isn't and it

Preface

can't. It's largely a question of peoples' work experience and requires changes in underlying structures.

8. Most problems will be resolved by moving into the knowledge work/economy. They won't. There has to be an increase in the demand for as well as the supply of skills. In the 'restricted' as opposed to 'expansive' learning environment characterizing many UK workplaces⁶, investment in skills could be tantamount to pouring money down the drain.
9. Competition will force changes in management's approach. Not necessarily so. Many organisations are locked into traditional ways of organising work and management is not fully exploiting the available opportunities to improve performance and profitability.
10. Globalisation means that managers, along with governments, have little choice in their approach. Not so. For example, the nature and extent of managerial hierarchies is a question of degree. Proportionately, Sweden has only a quarter of the number of people involved in management and supervision as the UK.

References

- ¹ Heyes, J. and Nolan, P. 2009. ‘State, Capital and Labour in Crisis’, in T. Colling and M. Terry (eds) *Industrial Relations Theory and Practice*. Chichester: John Wiley & Sons. p.106.
- ² Kay, J. 2003. *The truth about markets. Their genius, their limits, their follies*. London: Penguin, Allen Lane. p.10.
- ³ Hutton, W. and Schneider, P. 2008. ‘The failure of market failure. Towards a 21st century Keynesianism’. *Provocation*. London: National Endowment for Science, Technology and the Arts. Available at www.nesta.org.uk.
- ⁴ Traxler, F., Blaschke, S. and Kittel, B. 2001. *National Labour Relations in Internationalised Markets*. Oxford: OUP. p.5.
- ⁵ Flanders, A. 1970. *Management and Union: the theory and reform of industrial relations*. London: Faber. p.85.
- ⁶ Fuller, A. and Unwin, L. 2003. ‘Learning as apprentices in the contemporary UK workplace: creating and managing expansive and restrictive participation’. *Journal of Education and Work*, vol. 16, No 4. 406-27.