

Industrial relations in outline: Annex to 'Responding to Mike Emmott'

Introduction

I've written this annex to go with my response to Mike Emmott's CIPD *Change Agenda* that asks 'What is employee relations?' It's a review of the state of the study of industrial relations and it's primarily targeted at practitioners and policy makers. The aim is to bring them up to date with the current state of play and, hopefully, overturn some of the very considerable misconceptions that many appear to have. The core message is that industrial relations is far from being just about trade unions, collective bargaining and strikes. It's about something that affects more than 24 million of us in the UK alone, i.e. the employment relationship and the way that it is governed. Moreover, the subject matters' implications could hardly be more fundamental. At issue are the quality of working life and economic efficiency and so the kind of society we live in.

This is, I must emphasise, very much a personal review and represents work in progress rather than a final statement. No doubt many of my colleagues will think that I've badly expressed points or left important things out or I'm reading more into some things that I should. Writing about the study of industrial relations in the UK is like writing about its practice. There is apparently a fair measure of understanding about what is involved, but when someone tries to write things down, the consensus can quickly evaporate. I must emphasise too that what follows isn't intended to be an exhaustive review – there is a burgeoning literature on the topic that warrants a book of its own. I've also only included references where there are direct quotes with some suggested further reading at the end for any gluttons for punishment.

Scope

The study of industrial relations is defined by its arena and its subject matter. The arena is the work organization and the subject matter comprises the employment relationship, its governance and the economic, political and social implications thereof.

The focus is on rules, the people and organisations that make and administer them, and the rule making processes that are involved. 'Institutions' is the umbrella term used to describe this collection of rules, organisations and rule-making processes, although strictly speaking it only applies to the first of these.

There are two main types of rule: substantive and procedural. The substantive rules cover the 'what' of the employment relationship and the procedural ones deal with the 'how'. Crucially, these rules do not just involve the arrangements for recruitment and selection, training and development, the type of payment system and the level of wages, the working time arrangements, the disciplinary arrangements and so on. They also embrace the organisation of work in which employees are involved, i.e. job design, the grouping of jobs into activities and the structures used to co-ordinate these activities.

Industrial relations in outline

It's with the totality of the rules governing the employment relationship, it needs to be emphasised, that industrial relations is concerned and not just the rules providing for employee rights. The objection of employers and their organisations to rules and regulation is a partial one. Rules are the 'stuff' of work organisations – without rules there is no organisation. There are very considerable limits to the 'flexibility' that managers want or can cope with, as Jon Clark's study of Pirelli's 'green field' site that I mention in the main paper demonstrates.

The rules industrial relations deals with can also be formal or informal. Informal norms, expected patterns of behaviour and the 'way things are down here' ('custom and practice') typically sit alongside the formal rules that flow from management decisions, trade union rule books, collective bargaining and legislation. Similarly, there can be a mix of formality and informality in the administration of the rules. Formal rules, for example, may be interpreted very differently from one department to another in the same workplace – there may even be an informal rule that the formal rules will be ignored by managers and employees.

As well as individual employees and managers, the organisations involved in making the rules include management and work groups, works and company councils, trade unions and employers' organisations, employment tribunals, the courts and the state. The European Council of Ministers, the European Commission and the European Court of Justice also have to be included in the list – in recent years the EU has been a major source of rules ranging from equal opportunities in terms of age, disability, gender, race, religion and sexual orientation, to health and safety, to collective redundancy and business transfers, to working time, to information and consultation; to maternity and parental leave; pensions; employment agencies; data protection and corporate governance; and so on.

It follows that a range of private as well as public rule-making processes is involved. The rules can be made unilaterally by managers or employees or jointly as in the case of collective agreements or by the state in the form of legislation. Typically, though, an issue will be covered by a complex of the different processes, involving both private and public rule-making. It's the inter-play between the private and public rule-making that is a major distinguishing feature of different national systems and makes serious cross-national comparison possible.

Take information and consultation. Like other EU employment law directives, that dealing with information and consultation emerged from a protracted negotiating process involving the Council of Ministers and the European Commission. The regulations implementing the directive in the UK followed a framework agreement between the DTI, CBI and TUC. The final version of the regulations, which reflected continuous CBI and TUC lobbying of the DTI about issues they had been unable to agree on, allows for considerable flexibility. Indeed, unless the employer or ten per cent of employees wish to change the existing arrangements, there is no need to take any action at all. At the time of writing, relatively few of the organisations covered from April 2005 had introduced formal agreements dealing with

information and consultation, but many more had made changes in the light of the regulations. Moreover, these involved various degrees of 'negotiation' with employees and/or employee representatives, who may or may not have been in trade unions.

Relevance

The governance of the employment relationship has profound implications, above all, for the quality of working life and economic efficiency. It's these that give industrial relations its relevance as well as helping to explain why much research tends to be problem-focused. In 2004, the 24 million or so people in the UK who were a party to an employment relationship made up something approaching six out of ten of the population above the age of 16. The 'quality' of working life is one of the biggest single influences on people's life experience. Work is the means to a livelihood for most of us. But it's not just about selling our labour power. It also provides status, dignity and the opportunity for personal development – the workplace is the most important 'learning organisation' most of us experience and the 'learning' that takes place there helps to make us what we are.

There is a growing body of evidence to suggest that the conduct of the employment relationship also makes a major contribution to economic performance. Skills and technology are obviously important here. But they are not the complete answer – how they are used/abused is also fundamentally important. Managers also increasingly need employees to do more than simply comply with instructions. They need their co-operation and commitment to continuously improve performance in an increasingly competitive world. As the main paper points out, the sting in the tail is that the motivation and commitment so critical to performance reflect the job satisfaction and emotional reward that people derive from their work. The lack of these is reflected not just in the levels of 'organised' conflict, i.e. strikes and other forms of industrial action, but also of 'unorganised' conflict, such as employment tribunal claims, absenteeism and turnover.

More positively, and I quote from Acas' most recent corporate plan, "effective employment relations means being able to have work organisation that delivers maximum performance in terms of customer satisfaction and employee motivation. It means continuous improvement –recognising that management doesn't have a monopoly on bright ideas and that every employee has a contribution to make". There's an on-going search for the 'holy grail' - the bundle of policies and practices that will achieve the most effective and efficient trade-off – although, as the main paper emphasises, this tends to focus on adapting people to structures rather than re-thinking the structures.

At national level, the relevance of the issues is reflected in the decisions policy makers have to reach in four main areas, all of which are extremely controversial. They have to:

- ensure that a framework is in place to enable potential employees to gain the education and skills that they and employers will need in the world of work;

Industrial relations in outline

- achieve an acceptable balance in the legislative framework between equity/justice and efficiency/flexibility – on the one hand, there are employees who, as citizens, have expectations about work that is safe, reasonably rewarded and as fulfilling and participative as possible; on the other, there are employers looking to maximise performance and profitability;
- fulfil one of the state's oldest functions, namely the maintenance of law and order, which means deciding the most effective and efficient type of machinery for handling conflict; and
- decide the extent to which the state, national and local, uses its unique position as employer and or/paymaster to set an 'example' to the private sector – employing more than one-in-five of the working population in the UK and disposing of upwards of £65 billion in public procurement contracts gives it considerable clout if it wishes to use it.

The EU debate over the relative virtues of different 'social' (industrial relations) models is a gross caricature and yet it does give a flavour of what's at stake. Key features of the general European model are seen as an emphasis on 'social dialogue' and employee rights introduced by collective bargaining and/or legal enactment, leading to security of employment, relatively high levels of wages and conditions, and 'good' jobs. The downside, it is argued, is inflexibility, a lack of competitiveness and high levels of unemployment. The US model is deemed to be the opposite. There may be considerable insecurity, lower levels of wages and poorer working conditions for many, reflecting weak employee protection and 'hire-and-fire' practice, and many more 'bad' jobs. Management is much freer of the restrictions of collective bargaining and legal regulation, however, supposedly leading to greater flexibility, improved competitiveness and a much lower rate of unemployment than in Europe.

Multi-disciplinary

In the UK, industrial relations is mostly taught in management and business schools. Its intellectual roots, however, are firmly rooted in the social sciences and it puts considerable emphasis on theoretically-informed empirical enquiry. The fundamental role is the same as in other social sciences such as politics and sociology – in so far as it is possible it is to hold a mirror up to society. It doesn't see itself serving one particular interest group, which is the case of many of the subjects taught in business schools. It can therefore be very critical in the literal sense of the word. Especially significant is that industrial relations is the only subject taught in such schools that supports a regular national survey of practice – the Workplace Employee Relations Survey, which began in 1980 and which is publicly funded by Acas, the DTI, the ESRC and the Policy Studies Institute. The evidence base for policy-making is therefore second to none.

Industrial relations doesn't claim to be a discipline in the sense that economics or politics or sociology does. It is an area of study defined by its arena and subject matter. There are wider lessons,

notably in the area of wage determination, where industrial relations has contributed as much to understanding as any of the traditional disciplines. There are also lessons in the area of 'governance', where the unique mix of private and public arrangements, together with practices such as benchmarking, brings unique insights. Industrial relations doesn't claim, however, that its insights can be applied to other situations in the way that economics or politics or sociology do – there isn't an industrial relations approach to the family, for example.

There's an on-going debate about the role and nature of theory in industrial relations to which I will return. Richard Hyman gives a very strong flavour of this, though, when he suggests that it is a question of a theory 'of' industrial relations or theory 'in' industrial relations.

John Dunlop set out a framework for a theory 'of' as long ago as 1954 in his *Industrial Relations Systems*. The notion of such a system continues to be used as an organising device and it remains the ambition of some colleagues, particularly in the USA, to use it to develop a theory 'of'. Bruce Kaufman is a case in point - it's something like the diagram showing the linkages between the workplace, technology and markets, and the wider society that perhaps Mike Emmott is disappointed at not finding in the UK literature.

I think that it's fair to say, however, that the predominant view is that the emphasis should be on developing theory 'in'. Few of us feel that a 'closed' discipline is the way forward. Much better theoretical integration is undoubtedly needed, but this should not be at the expense of encouraging the flow of ideas and concepts across disciplines. This especially so as it is unrealistic to seek to extract governing the employment relationship from the wider economic, political and social context in which it takes place.

This means that industrial relations is *multi-disciplinary* in its approach, i.e. it draws on the traditional disciplines for many of its theoretical starting points. That industrial relations is eclectic in its use of these disciplines is sometimes seen as a weakness. Yet, as Allan Flanders insisted many years ago, the problem with the traditional disciplines is that they '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'. It's the comprehensive coverage of the subject matter that makes industrial relations distinctive.

Significantly, too, in an increasingly complex, interdependent and interconnected world, the value of approaches that seek to break out of the traditional disciplinary enclosures is being increasingly recognised. Indeed, it is in areas at the cross roads of different disciplines, such as industrial relations, that one begins to see the emergence of inter-disciplinary social science. Certainly, there is a great deal of cross fertilisation going on as I will try to illustrate later – the understanding of institutions is perhaps the best example, where what might be described as a 'political economy' approach is increasingly prevalent.

Key perspectives

Industrial relations in outline

As in the social sciences more generally, individual teachers and researchers from the industrial relations tradition differ significantly in the assumptions and viewpoints that they bring to their work. I will return to these later as well. I want to emphasise here some of the key perspectives that I believe can be associated with industrial relations in general.

Why the employment relationship is so special

Not just an economic exchange

The language of 'human resources' and 'markets' suggests that the employment relationship is primarily an economic one. Industrial relations holds that it is multi-dimensional. Table A1 below list the main dimensions and in so doing helps to explain why the subject finds it difficult to avoid being multi-disciplinary.

Table A1 The dimensions of the employment relationship

- legal – involving not just rights but also responsibilities;
- economic – critically affecting both business performance and individual living standards;
- social – recognising that work provides status, dignity and the opportunity for personal development; and
- psychological – taking into account that the motivation and commitment so critical to organisational performance are interlinked with the job satisfaction and emotional reward that people derive from their work.
- political – involving not only 'politics' in the form of government action and legislation, but also the day-to-day consensus building and 'give-and-take' that put management decisions and employment rights into effect.

In other words, labour isn't a commodity to be bought or sold like any other. In William Brown and Janet Walsh's words, "The act of hiring ... is not sufficient to ensure that the job gets done in an acceptable way ... The employee has to be motivated – by encouragement, threats, loyalty, discipline, money, competition, pride, promotion, or whatever else is deemed effective to work with the required pace and care".

Open-ended and incomplete

Industrial relations also holds that the nature of the employment relationship is very special. The employment relationship is like no other in that it is not only difficult to tie everything down in the employment contract, but it also does not make practical sense to try to do so. To paraphrase David Marsden, the key to the employment relationship is its flexibility. Crucially, it means that the employer doesn't have to specify everything in advance of the act of hiring. This means, in turn, that it is possible to vary detailed assignments in the light of changing circumstances. For employees, flexibility means two things: the justification for demanding employment rights to protect themselves from the abuse of managerial prerogative; and opportunities to more or less continuously 'negotiate' the nature and extent of the tasks and the effort going into them. There is a downside, though,

Industrial relations in outline

which affects both parties. The open-ended nature of the employment relationship means that the employment contract is 'incomplete' and incompleteness' means 'uncertainty'.

An unequal power relationship

Industrial relations also holds that the employment relationship is very special because it involves an unequal or asymmetrical power relationship. In theory, there are two equal parties – the employer and employee. In practice, the two parties are very unequal. The employer is a corporate entity most often with substantial resources at its disposal. The employee is a single individual usually with very limited resources.

Reinforcing the asymmetry of the relationship is the way in which the contract is viewed legally. Eminent employment lawyers have gone so far as to describe the employment relationship as an 'act of submission' (Kahn Freund) or one of 'subordination' (Collins). Although the language of 'master and servant' has mostly disappeared, 'implied' terms support 'express' terms. Overall, employees submit to an authority structure which is largely discretionary as well as open-ended.

The significance of this is two-fold. It is the unequal power relationship that helps to explain why trade unions have almost invariably grown up to represent employees' interests – and I include here those professional organisations such as the BMA, the Law Society and the accountancy bodies that seek to promote their members' interests at work. It also provides the rationale for statutory intervention in the form of individual employment rights and support for trade unions and collective bargaining. In effect, the state is intervening on behalf of what society recognises is the weaker party.

Co-operation and conflict

Industrial relations also has a distinctive view on conflict at work. Many managers see such conflict as pathological or something that trouble makers cause. Industrial relations sees both 'conflict' and 'cooperation' as intrinsic to the employment relationship. As I suggested earlier, two main types of conflict may be identified: 'organised' and 'unorganised', with groups or individuals involved respectively. Change can give rise to conflict in almost any organisation and involve any groups of its workers, even those not traditionally associated with collective action. Individual problems are reflected not just in the figures for Employment Tribunal applications, now running at around 85,000 each year, but also absence and staff turnover. A telling indicator of 'unorganised conflict' is that fifty times as many days have been lost through absence in some recent years as through strikes. Absenteeism, according to the CBI, costs around £12.2 billion each year.

It's the nature of the employment relationship that helps us to understand why both conflict and co-operation are endemic. The incompleteness of the employment relationship, it will be recalled, leads to uncertainty. Uncertainty', in turn, means there is enormous scope for divergent goals and different interpretation.

Why institutions matter

The 'rules of the game'

Industrial relations priorities institutions because, put simply, they are the 'rules of the game'. Far from being 'imperfections' as some economists continue to see them¹, 'the rules of the game' give markets shape and direction – indeed, without rules there would be no markets. It is the choices that actors make about rules, therefore, that are critical in understanding what happens or doesn't happen. Moreover, rules are especially important in any situation where actors are involved in co-operative endeavour involving uncertainty and concerns about the enforcement of any agreement. The employment relationship is perhaps the extreme case for the reasons already quoted. Rules establish both rights and obligations - from one point of view they constrain behaviour; but from another they enable it. In short, rules go a long way to shaping our behaviour. They also do so both directly and indirectly – even if individuals don't always strictly obey the rules, the way they adapt their behaviour is affected by them.

A couple of examples touched on in the main paper will help to illustrate the significance of the rules with which industrial relations concerns itself. The first involves bullying and harassment, which are recognised to be an increasing problem. Conventional management wisdom sees this as largely a matter of individual behaviour. Some people doubtless get pleasure from hurting others. There is a growing body of evidence, however, to suggest that most bullies are a product of circumstances rather than personality. Most bullies are managers. Many managers, it seems, cannot distinguish strong management from bullying. Many believe that they are simply conforming to the "command and control" model of management that their senior managers promote. Others are encouraged to believe that the "stick" is more effective than the "carrot". Being under pressure themselves is another common characteristic. In short, bullying and harassment are largely a product of the structure of rules, formal and informal, within which managers work. The remedy involves a combination of high profile procedures, i.e. formal countervailing rules, and intensive training that is designed to deal with informal as well as formal behaviour

The second example is external to the workplace. It is the structure of collective bargaining and, in particular, the level at which collective bargaining takes place. It is this level, as the main paper suggests, that is the one of the main features distinguishing the UK from most other EU member countries – the

¹ Not all economists adopt this position of course. As well as the developments in 'transaction cost economics' discussed later, Douglass North's work in stressing the significance of institutions in economic development has been important in changing opinions (see his *Institutions, institutional change and economic performance* published in 1990). Perhaps the most important policy recognition by economists of the importance of institutions in the UK is the establishment in 1997 of the independent Monetary Policy Committee with the brief to fix the interest rate within Treasury-set parameters. In as much as they have helped to bring about a stable macro-economic policy regime, these 'rules of the game' are generally regarded as being a key factor in the relative success of UK economic performance in recent years.

Industrial relations in outline

predominant level of collective bargaining in the UK is the company or workplace, i.e. single-employer, whereas in most other EU countries it is the sector, i.e. multi-employer. Not only do these levels help to account for differences in the role, status and membership of key intermediary organisations such as trade unions and employers' organisations, but also the nature and extent of the networks available to spread knowledge and information about 'good' practice. One result of the decline of multi-employer bargaining is that the UK now possesses fewer of these than many other EU countries. Critically, too, as the main paper highlighted, the scope for transposing EU directives is affected. Unlike other countries, the UK has been unable to take advantage of the increasing flexibility benefit into EU directives, reflecting their 'reflexive' and 'procedural' orientation – it is effectively restricted to the legislative route.

Path dependency

The emphasis that it puts on institutions also enables industrial relations to offer realistic explanations for institutional diversity and the difficulties of achieving significant change. Crucial here is the concept of path dependency introduced in the main paper. As was argued there, there is an understandable assumption that policy makers, be they at organisation or national level, have considerable 'strategic choice' in what they do. If there are constraints, they are to do with the 'market'. In practice, however, it's path dependency that is most often sets the constraints. Indeed, it's not going too far to suggest that what is often described as 'culture' is largely a matter of path-dependent behaviour. Put simply, the more institutions become embedded in routine and convention, the more influence they exert - today's decision reflects yesterday's decision, which reflects the decision the day before and so on. It's these past decisions about institutions that set actors on a particular course that they find it difficult to deviate from even if the situation demands it. It's also these decisions that give some a position of privilege and strength to block change. This is above all true of issues where the considerable investment in existing arrangements, coupled with the vested interests of key groups of managers, puts a very high price on change.

The main paper quoted the example of work organisation. It's very difficult to think of an area where there is so much consensus about the scope for improvement or, indeed, the direction of improvement. Equally, it is very difficult to think of area where there has been so little movement.

Rule-making, 'employee voice' and legitimacy

The significance of institutions also helps to understand why industrial relations has traditionally put so much emphasis on one particular form of rule making, i.e. collective bargaining. Crucial here is the link between employee 'voice' and legitimacy. As the main paper argues, it is no accident that the pioneers of industrial relations study talked in terms of 'private systems of governance', 'industrial jurisprudence', 'industrial self-government', 'secondary

Industrial relations in outline

systems of 'industrial citizenship' and the like. Or that the European Commission continues to do so. Or that UK governments did so until the 1980s. Encouraging so-called 'procedural regulation' through negotiation has considerable advantages. Crucially, it promotes both 'reflexivity' (the tailoring of the rules to context) and 'legitimacy', which is important in 'compliance' - from involvement comes ownership and from ownership a measure of commitment.

One of the things that representative arrangements such as collective bargaining and 'social dialogue' bring is the opportunity for employee 'voice' both in the making and the administration of the 'rules of the game'. In the absence of any effective involvement in decision making, the strong possibility is that employees will not give the 'governance' arrangements the level of legitimacy that managers need. Employees may comply, in other words, but they may not engage. As the main paper argues, the danger is that this response may confirm managers' prejudices about 'human' behaviour. This may lead them, in turn, to tighten controls and so reduce the prospects of engagement yet further.

Negotiation – the critical process

Another key feature of industrial relations is the considerable emphasis it puts on 'negotiation' in understanding how the 'rules of the game' are made and administered, regardless of the presence of trade unions or the practice of collective bargaining. 'Negotiation', it cannot be emphasized enough, is as much a feature of one-to-one relationships as it is of management-trade union ones. Moreover, it extends far beyond the 'exchange' and 'contracts' with which is popularly associated. Negotiation is a collection of processes that all of us use to define and redefine the terms of our interdependence with other parties. It plays an especially vital role where this interdependence is characterised by uncertainty and incompleteness as in the case of the employment relationship. Nothing, it must be remembered, is automatic about the employment relationship – to put management decisions, collective agreements and employment rights into effect involves dialogue, day-to-day consensus building and 'give-and-take', i.e. 'negotiation'. Indeed, such is the importance of negotiation that, in the words of Rod Martin, the organisation can be likened to 'a system of negotiated order'.

To try to illustrate the full significance that industrial relations attaches to 'negotiation', let me draw on Walton and McKersie's framework that I touch on in the main paper.

Distributive bargaining

Walton and McKersie's starting point is that 'negotiation' is commonly thought of as dealing with distributive issues involving the allocation of resources. These, they emphasise, include power and status as well as economic resources. Effectively there is a fixed or zero sum in which one party wins what the other loses. In terms of tactics, threats and bluffs tend to abound along with every effort to demonstrate commitment to positions.

Industrial relations in outline

Integrative bargaining

Not all issues fall into this category, however. Some issues may be areas of common concern, where a compromise can bring benefits to both parties. Rather than being fixed, in other words, the sum is variable. Different tactics will be found – there will be less threats and bluffs, more use of the timing of agenda items and more focus on ‘persuading’ the other party about where their best interests lie. Walton and McKersie call this ‘integrative’ or ‘co-operative’ bargaining.

Something like *Agenda for Change* in the NHS is an example. There may be intense arguments over the precise trade-offs that have all the hall marks of ‘distributive bargaining’. Agreement can nonetheless bring mutual gains – the major changes in working practices and structures that senior managers seek can also mean considerable improvements in employee’s terms and conditions.

‘Attitudinal structuring’

A third process that Walton and McKersie identify is ‘attitudinal structuring’. The term is something of a mouthful, but has the virtue of saying what it means. Negotiation is not just about exchange or, indeed, decision making. It’s also about defining relationships, influencing attitudes and shaping preferences. This process is therefore critically important in the employment relationship, which is on-going, with a past and a future as well as a present. There is a more or less continuous opportunity for the parties to seek to structure attitudes to their advantage. There is also a more or less continuous temptation to resort to this process rather than the distributive or integrative bargaining discussed above. Hence the suggestion in the main paper that, in my view, ‘attitudinal structuring’ was a key element in the state of denial of the importance of industrial relations that can be associated with many practitioners and policy makers.

The interaction that this process of negotiation gives rise to is also fundamentally important in the wider scheme of things. Crucially, it helps to explain why it is so rarely possible to establish a straightforward link between a particular practice and an outcome. More often than not it is the state of the relationship that makes the critical difference and the policy or practice can have a very different outcome as a result. Such relationships can also take considerable time and effort to change. Moreover, one reversal to original type or a case of what one party sees as a breach of trust can set back years of hard work.

Resolving the ‘collective action’ problem

A fourth process that Walton and McKersie identify is ‘intra-organisational bargaining’. This draws attention to the fact that, wherever groups of people are involved, there are typically fundamental differences of opinion or view to be found between the members. This is true of even the most apparently homogenous groups such as ‘management’. Appreciating the importance of the ‘collective action’ ‘problem’ and the need to

Industrial relations in outline

understand how the parties seek to resolve it is one of the basic building blocks in industrial relations analysis.

Politics and power

Organisations as political systems

The institutional analysis that it encourages means that industrial relations sees the decision processes involved in making and administering 'the rules of the game' as essentially political ones. Again at the risk of repetition, this doesn't just mean 'politics' in the form of government action or lobbying, but also the day-to-day 'negotiation', i.e. consensus building and 'give-and-take', that put management decisions and employment rights into effect.

It isn't just the decision processes that are seen through a 'political' lens, however. The same perspective covers the organisations in which these processes take place. The goal of the organisation may be economic or philanthropic or whatever, but the organisations themselves are political systems.

'Management', it needs to be emphasised, is as much a political system as a trade union or an employers' organisation. Take the relative status and importance accorded to the different management functions. Even the most cursory international comparison leads to the inescapable conclusion that there are fundamental differences that have very little to do with universally objective criteria. Rather they are deeply rooted and reflect the development of individual professions and the power that they have been able to wield in the society. In the UK, the finance function and financial engineering enjoy a pre-eminent position reflecting the structure of financial markets and the raising of capital. In Germany, by contrast, it is engineering that enjoys high reflecting the status enjoyed in the higher education system.

Closer to the subject matter of this annex, a widely held in the UK is that personnel management is very much a 'Cinderella' function. It gets its epithet partly because the majority of personnel managers are women and partly because, as my MBA students quoted in the main paper believe, personnel management is rightly or wrongly associated with low level administrative routine.

The three 'faces' of power

The corollary of putting the emphasis on political process is that power is critical too. In the words of the author of a major recent textbook dealing with political analysis (Colin Hay), "'politics' and 'the political' are concerned with 'the distribution, exercise and consequences of power'". The same could be said of industrial relations.

Power can also be conceptualised in terms of three 'faces'. The first face equates power with decision-making. This is the most obvious 'face' and can be relatively easily studied and monitored. The second 'face' introduces the ability to set the agenda, which may not be as visible and so as easily monitored. The third 'face' is an altogether different proposition on both these counts. It is

what might be described as ideological power and is the ability to seek to shape people's preferences.

Each of these three 'faces' of power will be or should be instantly recognisable to anyone who works in an organisation. Perhaps not so obvious are the implications of the unequal or asymmetrical power relationship that characterises the employment relationship. Self-evidently, managers are in a position not just to make decisions, but also to set the agenda and seek to shape employees' preferences. If managers abuse this power, however, the impact can be counter-productive to say the least. If, for example, they come to be regarded as self-seeking or incompetent or hypocritical or inconsistent, the employee response may be very different from the commitment that managers seek. As well as finding expression in both 'organised' and 'unorganised conflict, this response may take the form of the lack of engagement which Mike's *Change Agenda* identifies as UK managers' major challenge.

Thinking in 'governance' terms

Hopefully, using the language of 'governance' will be more easily understood in the light of these comments. It is not just about moving people on from the pejorative understanding that many have come to have of 'rules' and 'regulation'. Thinking in 'governance' terms is appropriate for many reasons. It captures the fact that there are a number of different sources and levels of the 'rules of the game' - the balance between these different sources and levels is one of the main distinguishing features of national systems. It reminds us that rules involve both rights and obligations on the part of both employer and employee. It therefore links, on the one hand, with notions of 'corporate governance' and corporate social responsibility and, on the other, with concepts such as citizenship and industrial democracy. It therefore brings in the issue of employee 'voice'. It also connects with the study of 'governance' in other regulatory environments and so makes it possible to draw on a wider range of frameworks in research and analysis.

Coming to terms with the complexity

I appreciate that the practitioner and policy maker trying to tease out the implications of the latest thinking or research must sometimes feel as if they are confronted by an impenetrable wall. Much of the complexity reflects the language that academics use. Here, though, industrial relations is no different from other subjects. The same is true of what is known as the 'quantitative turn', i.e. the use of econometric techniques to seek to establish the significance of the relationship between different social phenomena. In industrial relations, however, an additional consideration is the major realignment that is taking place and the different assumptions/starting points/ interests being revealed.

From multi- disciplinary to inter-disciplinary

Industrial relations in outline

There is undoubtedly something of a ferment going on in the industrial relations community. It isn't just the decline of trade unions and collective bargaining that's forcing a re-think, however. As I've argued in the main paper, industrial relations' analytical focus has not been restricted to the collective dimension, even if the policy issues of the day meant that practical attention was. Especially important in my view is the impact of recent thinking in the social sciences in general and, in particular, the cross-fertilisation taking place between them.

Let me quote from my own experience, which I don't think is unique. My thinking has been significantly influenced in recent years as result of working on a number of international comparative projects. In one case, the ESRC's 'One Europe or several?' programme, this brought me into direct contact with a literature, especially in politics, that I almost certainly would never have delved into of my own accord. In several cases, notably three major projects involving the European Foundation for the Improvement of Living and Working Conditions, it meant collaborating with colleagues from other countries with very different intellectual traditions. Here, for example, I found the notion of starting a project with a 'concept paper' rather than a literature review or series of interviews a pretty novel experience to begin with.

Especially important in this process of opening up is the growing tendency for teachers and researchers across the social sciences to work in an inter-disciplinary rather than disciplinary or multi-disciplinary way. The result is the emergence of a common language in which people from different traditional disciplines are beginning to talk with one another. Essentially, it is the language of what might be described as 'political economy'.

Some of this language is very new to industrial relations, even if understanding of what is involved in many of the concepts is long-established. Not surprisingly all of us are at different stages of development, helping to explain what might appear to be an air of crisis, but which I would prefer to describe as one of fermentation. It's this inter-disciplinary journey I find very exciting, albeit it's one into the unknown.

Three main areas are involved. I've tried to set out them out below as briefly as I can.

1 The first turns on the subject matter or object of enquiry. This is known as the *ontological* question. Across most of the social sciences, there are on-going debates about what is/should be their main focus. For example, a major issue in politics is whether 'the political' is to be restricted to studies of 'what politicians do' or whether it is to be the study of political processes more generally. At the same time, there is a growing recognition that a number of the 'big' science or knowledge questions, i.e. the ones that can't be resolved purely empirically, are to a greater or lesser extent common across the social sciences. Table A2 outlines the main ones involved in industrial relations regardless of the specific topic or set of issues being studied. For example, the relative importance of economic and political forces is an issue in any change situation as is the role of ideas and ideology.

2 The second area brings into play views on the role for and nature of theory (*epistemology*). Here there is a range of positions from an emphasis on explanation, understanding and implications through to the desire to incorporate the ability to predict associated with the 'hard' sciences. A key consideration is the final question in Table A2, namely the extent to which actors are seen as being driven by individual preferences with universal application. 'Politicians' and 'sociologists' tend to see such preferences as dependent on historical and cultural context and so restrict themselves to explanation, understanding and implications. 'Economists' and 'psychologists', by contrast, tend to start from the assumption that actors are driven by individual preferences that apply universally, leading them to aspire to prediction.

3 The third area involves *methodology*. This is not just a question of research methods, e.g. surveys as opposed to case studies, but also overall approach. A critical consideration here is the difference between inductive and deductive approaches. In the first instance, the researcher privileges evidence and observation and, on the basis of these, tries to draw some generalisable conclusions. In the second, the researcher starts with a proposition or hypothesis derived from established facts or their theoretical assumptions. They then use empirical enquiry to confirm, reject or modify their proposition.

Sources of variation - focus, theory and methodology

I see the first main distinction within the industrial relations community turning on the *ontological* question – what is/should be the main focus. Everyone teaching or researching in the area thinks that the employment relationship and its governance are important. There is nonetheless a difference of emphasis between those who focus on the employment relationship itself and those who concentrate on its 'governance'. In a recent review of a collection dealing with theoretical developments in the area, Peter Ackers labeled these two groups the 'materialists' and the 'institutionalists'. I think this wholly appropriate in the light of the wider developments in the social sciences and will use the distinction to try to illustrate the different view points.

Table A2 Common questions in the social sciences

The relative importance of economic and political forces in accounting for diversity and change

Much analysis in industrial relations turns on whether the main drivers of change are markets and technology leading to one 'best' way of doing things or institutions generated by the interaction of social actors and reflecting the locus and distribution of power in the wider society.

The relative importance of and relationship between different levels of activity

Each level in industrial relations (the micro, the 'meso' or sector and macro) can be important in setting 'objective conditions' such as the organization structure or industry-wide terms and conditions or legal framework. Each level can also be important in generating ideas about

Industrial relations in outline

'accepted' and 'best' practice. A major issue is the relationship between the different levels.

Structure and agency - how much choice do actors have?

Much discussion in industrial relations assumes that people have considerable choice in what they do. Equally, strong elements of determinism will be found - markets and technology are one source, 'path-dependency' another. A key issue is how structure and agency are connected and how they influence each other.

The role of power

Key issues in industrial relations are the extent to which power is economic, political or ideological; the extent to which it is a resource and so capable of advancing common goals; the extent to which is possessed by individuals as opposed to being embedded in institutions; and the effect on individuals and how they respond.

The role of ideas and ideology in shaping perspectives

Key issues in industrial relations are the ways in which ideas become established as natural and the ways in which some ideas achieve 'hegemony' at the expense of others. Also important is the relationship between ideas and workplace experience – the extent to which ideas are 'free-standing' or reflect economic and social relations.

The extent to which actors are driven by individual preferences that apply universally or that are relative to context

This is the main issue between the different 'types' of 'institutionalists' discussed in the text. '*Rational choice institutionalists*' see actors driven by preferences that apply universally. '*Socio-historical institutionalists*', by contrast, emphasise that such preferences reflect different contexts and different experiences.

Materialists

The first column in Table A3 located at the end tries to summarise the 'materialists'' position on a range of issues. Although to be a 'materialist' is not necessarily to be a 'Marxist', the starting point is Marx's analysis of capitalism. 'Materialists' hold that the 'material' or productive base of society is the dominant consideration in accounting for a society's institutions. Thus, they argue that it is the prevailing 'market capitalism' that gives rise to the main features of the employment relationship discussed earlier along with the associated institutions and modes of thought. Blyton and Turnbull (2004: 41) put the point like this: "It is these features of the employment relationship – *the creation of an economic surplus, the co-existence of co-operation and conflict, the indeterminate nature of the exchange relationship, and the asymmetry of power* – not the institutions of trade unions, employers' associations or government agencies, that makes the subject of employee relations distinctive". (*their emphasis*)

There are important implications for the both the level of and the approach to analysis. The focus on the employment relationship or, to use the preferred term, the 'labour process', makes the workplace itself the centre of attention and case

Industrial relations in outline

studies the favourite research method. 'Materialists' also operate within a predominantly deductive paradigm. In their research and writings, the main activity is involved in demonstrating how the 'structured antagonism' they associate with the employment relationship works out in practice.

A further implication is that many 'materialists' do not see it as their job to tease out the policy or practical implications of their work. Indeed, some do not see their role to be that of empirical researchers at all. Rather they see their main task to be one of 'demystification' - developing critiques of the prevailing managerial and government 'wisdoms', for example, about 'flexibility' or 'partnership' or 'high performance working' or the links between 'globalisation' and industrial relations. Their starting point also leads them to question the likely effectiveness of what they would regard as 'institutional engineering' designed to manage the conflict that they see as intrinsic to the employment relationship in a 'market capitalist' society.

Institutionalists

I think it's fair to suggest that the second group, the 'institutionalists', embrace the main stream. They are a much more diffuse group than the 'materialists, however, and there has yet to be the kind of articulation of position associated with the 'materialists' - many UK colleagues probably wouldn't recognise themselves as 'institutionalists'. It is here especially that the more theoretically grounded work of our European colleagues is important.

As the label suggests, 'institutionalists' tend to concentrate on the 'rules of the game', the organisations that make and administer them, and the rule making processes that are involved. They recognise that the employment relationship is fundamentally important and that it is what distinguishes the field of industrial relations from others. They do not accept, however, that the nature of the employment relationship is a 'given' in the way that many 'materialists' see it - it differs from occupation to occupation as well as from country to country. Just as the activities of institutions cannot be understood in isolation from the employment relationship, so the employment relationship cannot be understood in isolation from the arrangements that govern it. The governance arrangements can and do make the difference.

Again, there are important implications for the both the level of and the approach to analysis. 'Institutionalists' tend to focus as much on the wider institutions of industrial relations as they do on those to be found inside the workplace. This helps to explain the focus on trade unions and the structure of collective bargaining, along with the nature and extent of the legal regulation.

'Institutionalists' can also be said to be 'pluralist' in their approach. They accept that conflict is endemic to the employment relationship. They do not go so far as many 'materialists' tend to, however, in denying the possibility of seeking a better balance of interests between employers and employees to the mutual advantage of both. Overall, the 'institutionalists'' ambition might be said to be to improve the quality of data and analysis available

Industrial relations in outline

to practitioners and policy makers to help bring this better balance about. They therefore tend to go further than 'materialists' do in considering the implications of their research for policy and practice. Not surprisingly, the emphasis tends to be on institutional reform. Their sensitivity to the importance of context, however, means that they usually stop short of offering quick-fix prescriptive solutions with wider application.

'Institutionalists' are far from being a homogenous group, however. A second main distinction beginning to emerge in the industrial relations community is that between '*rational choice institutionalists*' and '*socio-historical institutionalists*'. Here the distinguishing features are different assumptions about *epistemology* (what people believe they are/should be looking for) and *methodology* (the approach to finding out). The second and third columns in Table A3 try to summarise the main differences using the same range of issues as for the 'materialists'.

'*Rational choice institutionalists*' seek to apply to the study of institutions the theoretical rigour associated with economics. They start from the assumption that actors are driven by rational preferences that apply universally, i.e. actors faced with a number of alternative possibilities will always choose the course that they expect to bring them the greatest benefit or utility. Their aim is to produce not just explanation and analysis but also prediction. Much of the thinking has its origins in 'transaction cost' economics and is associated with such Nobel prize winners as Coase and Williamson. As the label suggests, the focus is on contracting relationships and, in particular, relationships that have to cope with two main problems: the difficulties of acquiring adequate information ('bounded rationality'); and concerns about enforcing the contract ('opportunism'). Other things being equal, the assumption is that actors will organise their activities on the basis of market contracts. The open-ended employment relationship and the work organisation will be preferred, however, if they result in lower co-ordination and enforcement costs.

As Simon Caulkin, the Observer management editor recently pointed out, although managers are unlikely to be aware of it, much current personnel practice accords with 'transaction cost' thinking. It's worries about essentially individualistic and opportunistic behaviour that help to account for managerial hierarchy and, despite all the research evidence to the contrary, the 'must-have' individual performance pay. Similar thinking, in the form of 'agency' theory, has had a powerful influence on the approach to corporate governance. It's because managers can't be trusted, goes the argument, that their interests have to be aligned with those of shareholders in the form of stock options and substantial bonuses related to short-term profitability etc.

Like the 'materialists', 'rational choice institutionalists' almost invariably operate within a deductive paradigm testing hypotheses derived from their theoretical assumptions. They have little use for case studies because they believe that any conclusions cannot be held to be representative. They either draw their material from existing empirical sources or, preferably, use survey data.

'*Socio-historical institutionalists*' seek to 'understand and explain' – to shed light on the mechanisms and processes of industrial relations, to highlight, explain and draw implications from what 'works' and 'doesn't work'. They accept the need for more theory "in" industrial relations. They query, though whether the kind of theory the 'rational choice institutionalists' appear to be seeking is possible given the immense complexity of the social phenomena being studied. It's a position that follows from their key assumptions. Whereas '*rational choice institutionalists*' see actors driven by universally applicable rational preferences, '*socio-historical institutionalists*' emphasise that such preferences reflect different contexts and different experiences. Individuals help to produce, reproduce, and modify institutions. At the same time, however, the very institutions that they help to create have a crucial mediating role in shaping their own behaviour – most workplace bullies, as already indicated, would be seen as a product of their circumstances rather than their personality. A further implication is that actors do not always pursue their own material self-interest – instead, they may do what their experience tells them is appropriate in the circumstances.

Even though they didn't use the language, I think it's not unfair to characterise many of the pioneers of industrial relations in the UK as '*socio-historical institutionalists*'. I would include within the list the Webbs, who were the first to coin the term collective bargaining – along with Allan Flanders and Hugh Clegg.

I'd put my own work in the 'institutionalists' camp as well. Indeed, it is in the light of recent developments that I understand better why I had so many problems in writing *The management of collective bargaining; an international comparison* in the first half of the 1980s. I didn't have the language, concepts and framework of 'institutionalism' to guide me through the mass of detail I found myself having to grapple with.

Historically, '*socio-historical institutionalists*' have been associated with the inductive method and, especially in the UK, simply 'finding out about things'. This particular form of induction is also sometimes referred to as 'empiricism' and came to have a slightly pejorative image – 'petty fact-grubbing' was one description. Although the lack of theory was not as total as this language suggests, it nonetheless captures some of the flavour of the approach. In recent years, '*socio-historical institutionalists*' are much more likely to combine deductive and inductive approaches. They continue to make a great deal of use of case studies, but there is also increasing resort to survey evidence either in the form of the WERS output or more focused enquiries.

A forward look

One of the questions I was asking myself when I was writing this annex at the end of 2005 was where might 'industrial relations' as a study be going. A measure of fusion of the different strands seemed the obvious answer in the light of what I'd drafted. I could see evidence of 'materialists' increasingly recognising the importance of institutions and ideas; I could also 'institutionalists' (myself included), taking more and more note of the rich analysis

Industrial relations in outline

emerging from the workplace studies of the 'materialists'. I could also see evidence of the emergence of 'constructivism' – an approach close to 'socio-historical institutionalism', but which puts more emphasis on people's perceptions of reality. A mix of inductive and deductive approaches was also increasingly evident. I couldn't think of a synthesis, though, that brought things together to demonstrate the subject's full potential. I also knew I couldn't achieve one in the short run and probably not in the long run either.

As so often has happened when I've been in intellectual need, it was my Industrial Relations Research Unit colleagues that came to my rescue. On this occasion it was in the persons of Paul Edwards and Judy Wajcman, who is now Professor of Sociology in the Australian National University's Research School of Social Sciences. Together, they have just published a book, *The politics of working life*, which is about 'working in a modern market-capitalist economy, taking the point of view of the questioning observer'. It is organised round three inter-linked sets of ideas. These are *connections and contradictions*, i.e. the mix of competing objectives, such as control and commitment, that shape work organisations; *structures and choices*, which picks up the extent to which people are not just passive victims of the structures in which they work but also capable of influencing them for the better; and the *economic, political and ideological processes* that are involved in managing organisational life – emphasising how ideas interact with economics and politics to account for the particular 'hegemony' of some ways of thinking over others.

In the preface, the authors emphasise that many of the issues may not be immediately recognisable as 'industrial relations'. Yet the 'distinct approach' of 'industrial relations' is acknowledged and is apparent throughout - a field, they add, that is 'broader and richer than might first appear'. Crucially, the argument and illustrations make much clearer than ever before the links between developments in the workplace, the national business system and the wider world of globalisation. I'm certainly not aware of anything coming from an individual discipline that gets remotely close. If works like this are anything to go by, I think that the future of 'industrial relations' looks very bright indeed.

Table A3 Industrial relations: variations on a theme

	<i>'Materialists'</i>	<i>'Rational choice' institutionalists</i>	<i>'Socio-historical' institutionalists</i>
Main focus	employment relationship	institutions of governance	institutions of governance
Main level of analysis	the workplace	the workplace + beyond	the workplace + beyond
Key assumptions	conflict	conflict + co-operation	conflict + co-operation
Key questions	control + resistance	diversity and change	diversity and change
Theoretical possibilities	not an issue; theory is built in	goal is a theory that predicts as well as describes and analyses	goal is understanding and explanation
Method of approach	largely deductive	largely deductive	deductive + inductive
Main disciplines	history + sociology	mainly economics + psychology	history+ sociology + politics
Main research methods	case studies	mainly surveys	surveys + case studies
Key terms/concepts/ language	control/resistance/contradiction	rational expectations	governance/path dependency/ contingency/actor-centred/varieties of capitalism/complexity
Examples	Blyton and Turnbull (2004)/Edwards (1986)/Hyman (1976)/ Kelly (1998)	Marsden (1999)/Traxler et al. (2001)	Visser and Hemerijck (1997)/Hunter and Beaumont (2003; 2005)/Clark (1995)/Marginson & Sisson (2004)

References and further reading

Peter Ackers. 2005. 'Theorising the employment relationship: materialists and institutionalists'. Book review. *British Journal of Industrial relations*. Vol 43, No 3, September.

Peter Ackers and Adrian Wilkinson (ed). 2003 *Understanding work and employment. Industrial relations in transition*, published by the Oxford University Press.

Phil Beaumont and Laurie Hunter. 2003. *Information and consultation: from compliance to performance*. London: CIPD.

Phil Beaumont and Laurie Hunter. 2005. *Making consultation work: the importance of process*. London: CIPD.

Paul Blyton and Peter Turnbull. 2004. *The Dynamics of employee relations*. Basingstoke: Palgrave.

William Brown and Janet Walsh. 1994. 'Managing pay in Britain' in K. Sisson (ed). *Personnel management*, 437-64. 2nd Edn. Oxford: Blackwell.

Simon Caulkin, 'That's the theory, and it matters', *The Observer* Sunday October 20 2005.

Jon Clark. 1995. *Managing innovation and change*. London: Sage.

Paul Edwards. 1986. *Conflict at work: a materialist analysis of workplace relations*. Oxford: Blackwell.

Paul Edwards (ed). 2003. *Industrial relations: theory and practice*. Oxford: Blackwell.

Paul Edwards and Judy Wajcman. 2005. *The politics of working life*. Oxford: Oxford University Press.

Allan Flanders. 1970. *Management and Union: the theory and reform of industrial relations* London: Faber.

Colin Hay. 2002. *Political Analysis. A critical introduction*. Basingstoke: Palgrave.

Richard Hyman. 1975. *Industrial relations: a Marxist introduction*. London: Macmillan.

Richard Hyman. 2004. 'Is industrial relations theory always ethnocentric?' in Bruce E. Kaufman (ed). *Theoretical Perspectives on work and the employment relationship*. Ithaca; ILR/Cornell University Press.

Bruce E. Kaufman (ed). 2004. *Theoretical Perspectives on work and the employment relationship*. Ithaca; ILR/Cornell University Press.

Bruce E. Kaufman. 2004. 'Employment relations and the employment relations system: a guide to theorising' in Bruce E. Kaufman (ed). *Theoretical Perspectives on work and the employment relationship*. Ithaca; ILR/Cornell University Press.

John Kelly, 1998. *Rethinking Industrial Relations*. London: Routledge.

Industrial relations in outline

Paul Marginson and Keith Sisson. 2004. *European integration and industrial relations. Multi-level governance in the making*. Basingstoke: Palgrave.

David Marsden. 1999. *A Theory of Employment Systems. Micro-foundations of societal diversity*. Oxford: Oxford University Press.

Roderick Martin. 2003. 'Politics and industrial relations' in Peter Ackers and Adrian Wilkinson (eds). *Understanding work and employment. Industrial relations in transition*. Oxford: Oxford University press.

Walter Müller-Jentsch. 2004. 'Theoretical approaches to industrial relations' in Bruce E. Kaufman (ed). *Theoretical Perspectives on work and the employment relationship*. Ithaca; ILR/Cornell University Press.

Paul Thompson and Kirsty Newsome. 2004. 'Labour process theory, work and the employment relation' in Bruce E. Kaufman (ed). *Theoretical Perspectives on work and the employment relationship*. Ithaca; ILR/Cornell University Press.

Traxler, F., Blaschke, S. and Kittel, B. 2001. *National Labour Relations in Internationalised Markets* Oxford: OUP.

Visser, J. and Hemerijck, A. 1997. 'A Dutch Miracle'. *Job Growth, Welfare Reform and Corporatism in the Netherlands*. Amsterdam: Amsterdam University Press.

Williamson, O. 1985. *The Economic Institutions of Capitalism: Firms, Market, Relational Contracting*. New York: Free Press.

Walton, R.E. and McKersie, R.B. 1965. *A Behavioral Theory of Labor Negotiations*. New York: McGraw-Hill.