

**INDUSTRIAL RELATIONS
RESEARCH ASSOCIATION**

1995 Spring Meeting

Proceedings of the 10th World Congress of
the International Industrial Relations Association

May 31 - June 4, 1995

Washington, D.C.

PROCEEDINGS OF THE 1995 IRRA SPRING MEETING. Copyright © 1995 by Industrial Relations Research Association. Printed in the United States of America. No part of this book may be used without written permission, except in the case of brief quotations embodied in critical articles or reviews.

Library of Congress Catalog Card Number: 50-13564
ISBN 0-913447-62-5

INDUSTRIAL RELATIONS RESEARCH ASSOCIATION SERIES:

Proceedings of the Annual Meeting

Proceedings of the Spring Meeting

Annual Research Volume

Membership Directory (every fourth year)

IRRA Newsletter (published quarterly) and IRRA Dialogues (published periodically)

Inquires and other communications regarding membership, meetings, publications, and general affairs of the Association, as well as notice of address changes should be addressed to the IRRA national office.

INDUSTRIAL RELATIONS RESEARCH ASSOCIATION
7226 Social Science Building, University of Wisconsin—Madison
1180 Observatory Drive, Madison, WI 53706-1393 U.S.A.
Telephone: 608/262-2762 Fax 608/265-4591

**Proceedings of the 10th World Congress of
the International Industrial Relations Association**

May 31 - June 4, 1995

Washington, D.C.

IRRA

Industrial Relations Research Association Series

Madison, Wisconsin

Printed in the United States of America

PREFACE

Welcome again to the 10th World Congress of the International Industrial Relations Association.

It is with great pleasure that I present to you my Presidential Address, the reports of the Rapporteurs for the five Congress Tracks, and Abstracts of the invited papers that will be presented and discussed at the workshops organized for each track.

We are experimenting with a new approach to organizing and publishing the papers prepared for this World Congress. At past Congresses all the individual papers, rapporteurs' reports, etc. were included in the Congress satchel. As a result individuals were responsible for carrying a large number of papers at the Congress and then carrying or shipping them back home. A selected set of these papers were then sometimes published at a later date in an edited book. However, most of the papers never reached members of our profession who did not attend the Congress.

Our publication strategy seeks to improve on this approach in two ways:

1. We want to provide Congress participants with enough information on the themes, ideas and research results to choose which workshops and related activities to attend during the Congress but not so much that is impossible to read or that it creates a physical or financial burden to take home.
2. We want to ensure that our work reaches the broadest range of colleagues in our profession as soon as possible.

I am therefore happy to report that, in addition to the material in this volume, the individual invited papers will be sent to you within the next several months. We have arranged to have the papers for each track published in a leading research journal in our field. Copies will be sent to you directly as soon as the journals are printed.

The following is a list of the journals and the respective tracks for which each is responsible:

- Track 1: The Global Human Resource Challenge: *The International Journal of Human Resources*.
- Track 2: Emerging Models of Worker Participation and Representation: *The British Journal of Industrial Relations*.
- Track 3: The Challenge of Government Policy: *Labour*.
- Track 4: New Models of Negotiations, Dispute Resolution and Joint Problem Solving: *Relations Industrielles*.
- Track 5: Industrial Relations, Economic Development and Democracy in the 21st Century: *The Industrial Relations Journal*.

In addition, we have arranged for the French language versions of the Presidential speech and rapporteurs' reports to be published in *Revue de Gestion des Ressources Humaines* and the Spanish versions to appear on *Analisis Laboral*.

I want to thank the editors and staff of each of these journals for working with us to bring the fruits of our IIRA Congress to the broader audiences interested in our work.

I also want to thank my colleagues who worked so diligently in managing this publication strategy and designing and editing the materials. Special thanks are due to Susan Wright, Kirsten Reynolds, Kate Mennie-Cecconi, and Brigitte Grossman; and to Paula Voos, Editor-in-Chief of the Industrial Relations Research Association, and Kay Hutchison, IRRA Managing Editor.

We look forward to your feedback on this approach. In the meantime, I hope these materials wet your appetite for what promises to be lively and informative workshop presentations and discussions.

Thomas A. Kochan, President
International Industrial Relations Association

Contents

IIRA Presidential Address

Launching a Renaissance in International Industrial Relations Research	Thomas A. Kochan	1
--	------------------	---

Track 1:

The Global Human Resource Challenge: Managing Diversity in International Settings

Rapporteur's Report	Rosalie L. Tung	16
---------------------	-----------------	----

Invited Paper Abstracts

Employment and Wage Practices of Japanese Firms in the Philippines: Convergence with Filipino-Chinese and Western-owned Firms	Maragtas S.V. Amante	25
Human Resources Strategies and Firm Performance: What Do We Know and Where Do We Need to Go?	Lee Dyer and Todd Reeves	25
Employment Equity, Human Resource Development and Institution Building in South Africa	Frank M. Horwitz	26
Building Integrated Workforces across National Borders: The Case of British and Japanese Engineers	Alice Lam	26
Strategic Compensation in South Korea's Publicly Traded Firms	Michael Byungnam Lee, Vida Scarpello and B. Wayne Rockmore	27
Employee Intercultural Effectiveness in a Multicultural Workplace: Theoretical Propositions, Strategies and Direction for Future Research	Aminu Mamman	27
Extending beyond Borders: Multinational Companies and the International Management of Labor	Paul Marginson, Peter Armstrong, P.K. Edwards and John Purcell	28
Human Resources Management and Industrial Relations in Italy	Serafino Negrelli and Tiziano Treu	28
Strategic International Human Resource Management Approaches in the Maquiladora Industry: A Comparison of Japanese, Korean and U.S. Firms	Yongsun Paik and Mary B. Teargarden	29

The Adoption of International Best Practices in a Western Culture: East Meets West	Mark A. Shadur, John J. Rodwell, Greg J. Bamber and David Simmons	29
Competitive Advantages of Nations: The Role of HRM and its Socio-cultural Context	Monir Tayeb	30
Human Resource Management in German and American-owned Companies: How National Institutions Do and Don't Constrain Organizational Strategies	Kirsten S. Wever	30
Downward Influence Styles in Cultural Diversity Settings	Ryh-song Yeh	31

Track 2:

Emerging Models of Worker Participation and Representation

Rapporteur's Report	Berndt K. Keller	32
---------------------	------------------	----

Invited Paper Abstracts

Multi-union Collective Bargaining Structures in South Africa—Case Studies	Chris Albertyn and Alan Rycroft	39
Industrial Relations: Is France a Special Case?	Jean-Francois Amadieu	39
Worker Participation in Diverse Settings: Does the Form Affect the Outcome, and if so, Who Benefits?	Rosemay Batt and Eileen Appelbaum	40
Participation, Remuneration, Representation and Workplace Performance: The British Evidence	Sue Fernie and David Metcalf	40
Employee Buyouts in Canada: A Blending of Cultures	Morely Gunderson, Jeffrey Sack, James McCartney, David Wakely and Jonathan Eaton	41
Changing Perspectives on Worker Participation in India with Particular Reference to the Banking Industry	Jacob Mankidy	41
Reform—Unions' Future	Greg McLean	42
The Limits of Enterprise Unionism: Prospects for Continuing Union Decline in Japan	James B. Rebitzer and Tsuyoshi Tsuru	42
Works Councils: Barriers or Boost for the Future Competitiveness of German Firms	Dieter Sadowski, Uschi Backes-Gellner and Bernd Frick	43

Track 3:

The Challenge to Government Policy: Promoting Competitive Advantage with Full Employment and High Labor Standards

Rapporteur's Report	Richard B. Freeman	44
<i>Invited Paper Abstracts</i>		
Employment and Competitiveness: The Peruvian Experience	Luis Aparicio-Valdez	52
Wage Austerity and/or an Educational Push: The French Dilemma	Robert Boyer	52
Italy: The Social Consequences of Economic and Monetary Union	Renato Brunetta and Leonello Tronti	53
Wages and Job Creation in Australia and the U.S.	R.J. Gregory	54
Jobs , Labor Standards and Promoting Competitive Advantage: Canada's Policy Challenge	Morley Gunderson and W. Craig Riddell	54
Job Growth and the Quality of Jobs in the U.S. Economy	Susan N. Houseman	55
Employment, Labor Standards and Economic Development in Taiwan and Korea	Joseph S. Lee and Young-bum Park	55
Regulation vs.Deregulation: Which Route for Europe's Labor Markets?	David Marsden	56
Do Labor Market Policies and Institutions Matter? The Adjustment Experience in Latin America and the Caribbean	Martin Rama	56

Track 4:

New Models of Negotiations, Dispute Resolution and Joint Problem Solving

Rapporteur's Report	Jean Sexton	57
<i>Invited Paper Abstracts</i>		
Good Industrial Relations, Joint Problem Solving and HRM: Issues and Implications	Philip Beaumont and R.I.D. Harris	62
Workplace Europe: Direct Participation in Organizational Change—Some Findings	Alain Chouraqui, Ida Regalia and Keith Sisson	62
Global Implications of Recent Innovations in U.S. Collective Bargaining	Joel Cutcher-Gershenfeld, Donald Power and Maureen McCabe-Power	63

Dispute Resolution, Negotiation and Mediation in Greek Industrial Relations: Is there Any Change?	Eleonora Karassavidou and Yannis Markovits	64
Russia: A New Approach Toward Negotiation and Dispute Settlement	Alexander Kurennoy	64
The Interaction of Production, Distribution and Rule Systems in Industrial Relations: The Case of the Korean Auto Industry	Hyo Soo Lee	65
Mediation and Conflict Resolution in Essential Services: The Quebec Experience as a Model of Comparison	Madeleine Lemieux	65
Industrial Action or Collective Bargaining: How to Solve the Problems of the Bulgarian Industrial Relations System	Ekaterina Riberova	66
Models of Negotiation, Dispute Resolution and Joint Problem Solving in Zimbabwe	L.M. Sachikonye	66
Developments in Negotiations and Dispute Resolution in Japan	Yasuo Suwa	67

Track 5:

Industrial Relations, Economic Development and Democracy in the 21st Century

Rapporteur's Report	Loet Douwes Dekker	68
---------------------	--------------------	----

Invited Paper Abstracts

Transforming Industrial Relations in Russia: A Case of Convergence with Industrialized Market Economies?	Greg Bamber and Valentin Peschanski	82
Prosperity without Citizenship: Industrial Relations and Industrial Democracy in Hong Kong	Stephen Chiu and David A. Levin	82
Privatization and Labor Relations in the Countries of Central and Eastern Europe	Vladislav Egorov	83
Democracy, Labor and Development: Transforming Industrial Relations in Africa	Tayo Fashoyin and Segun Matanmi	83
Industrial Relations in Turbulent Times: Changes in Postcommunist Europe	Josef Koubek, Ariane Hegewisch and Chris Brewster	84
Economic Development and Industrial Relations in South and Southeast Asia: Past Trends and Future Directions	Sarosh Kuruvilla	85
Labor Relations, Economic Development and Democracy in the 21st Century	Francisco Zapata	85

Presidential Address to the
10th World Congress of the
International Industrial Relations Association
Washington D.C.
May 31, 1995

**Launching a Renaissance in International
Industrial Relations Research**

Thomas A. Kochan
Massachusetts Institute of Technology

Industrial relations has historically been a field of inquiry and action that values a close link among research, policy, and practice. Each generation of industrial relations scholars and practitioners is judged by how well it addresses the critical employment problems of its day. Indeed, most of the intellectual giants of our field, in the tradition of Marx, the Webbs, and Commons, have moved comfortably between the world of theory and the world of policy and practice. My goal for the IIRA and for this Congress is to carry on this tradition by using our research to debate the key intellectual challenges, public policy questions, and developments in practice occurring in employment relationships today.

An International Perspective

It is appropriate that we take up these questions at a Congress devoted to international industrial relations. The growing interdependence of our economies requires an international perspective toward research and the transfer of knowledge. The central challenge of our generation is to learn from each other and to use this knowledge to adapt local practices in ways that are responsive to the needs of our economies and societies. This is why we have chosen "Learning from Each Other" and "Transferring Innovations Across Cultures" as the themes for this Congress. If we do this well, I believe we can help launch a renaissance in international industrial relations.

An international approach is also essential if we are to make significant advances in industrial relations theory. Over the past decade most of us have focused on rethinking traditional concepts and models on the basis of changes occurring within our respective countries. While an important first step, this approach has now reached its natural limit. Each national system

carries with it certain historical patterns of development and features that restrict the range of variation on critical variables such as culture, ideology, and institutional structures that affect how individual actors respond to similar changes in their external environments. Taking an international perspective broadens the range of comparisons available on these and other variables and increases chances of discovering the systematic variations needed to produce new theoretical insights and explanations. The challenge we face is *how* to modernize both our methods and models to take full advantage of this rich international laboratory.

Enough good work is underway to suggest that we may be in the early stages of a resurgence in research and discussion of international employment practices. Some of this work will be discussed at this Congress. Over the past several years international networks of researchers have been formed among OECD countries and among Asian countries. These networks will report on their first phase of activity and the initial results of studies within specific industries. The number of books and Ph.D. dissertations devoted to international and comparative industrial relations is growing once again after a long lull in activity. Moreover, there is renewed interest and research on labor and employment issues within the basic disciplines of economics, political science, sociology, law, and history that need to be drawn on more fully as we rebuild international and comparative research in industrial relations.

Renewed interest in comparative analysis is not limited to researchers in our field. Practitioners and policymakers are increasingly looking to international experiences as sources of ideas. Competitive "benchmarking" is widely practiced in firms seeking to identify "best practices" among their global competitors. The crisis experienced by many national trade union

movements is sparking greater interest in comparing institutional arrangements for representing workers in different countries for possible adaptation and adoption. New approaches to organizing work, governing the workplace, and resolving conflicts are emerging in various parts of the world in response to the calls for industrial relations and human resource practices to add value to production systems while responding to increased workforce diversity.

Debates over the future of labor and employment policies are occurring in a number of countries as diverse as South Korea, South Africa, Australia, the U.S., and the European Community, and for the first time serious efforts are being made to explore the relevance of policies and practices that appear to work well in other countries. The voice of the World Bank (1995) has been added to those of the ILO and the OECD in proposing how to integrate labor standards and policies with the goals of economic growth, development, and free trade. The task of this Congress, and of our Association in general, is to nurture this resurgence in interest in a way that produces a true renaissance in this field of inquiry and practice. My focus here, therefore, is to outline how we might go about meeting this challenge.

An Adaptive Learning Perspective

Perhaps I should start by making clear how I think we can learn from international experiences and practices. Some would argue, for example, that there is no problem—international competition will lead the best or most efficient practices found anywhere to diffuse naturally across the world markets. Those that fail to adapt will lose market share to their more innovative competitors. At the other extreme are those who see any individual practice as so tightly coupled within a national system, institutional structure, or culture that it is impossible to transfer innovations across national boundaries.

There is some truth to each of these perspectives; however, I believe neither extreme view captures the empirical realities of today's labor markets and employment practices. Increasingly we are observing similar practices emerge across national systems (Locke, Kochan and Piore 1995) that reflect both common pressures of international competition and spreading ideas about how to structure employment practices. At the same time we observe variations within

national systems where traditional and changing practices co-exist within the same industries and markets. Some of the innovations occurring in our workplaces are producing incremental adjustments within existing systems, while in other cases they are producing more fundamental transformations in the basic structures of industrial relations. This mixture of common and varying practices, therefore, is a puzzle that we must sort out.

I believe a more useful way to conceptualize how innovations transfer across national boundaries and to analyze the feasibility of adopting practices from another setting is to use what others (Westney 1987; Cole 1989) have called an "adaptive learning" model. That is, innovations best transfer across national boundaries when individuals combine a deep understanding of their own culture, institutions and systems with an equally thorough understanding of how these practices fit into and contribute to the structure and performance of the system in other countries (Locke and Thelen 1995). With this understanding, it is then possible to compare and analyze how a given practice (e.g., quality circles, works councils, etc.) would "fit into" a local setting. Then a period of trial-and-error experimentation with an imported practice is needed to both test its fit and to observe how it *changes* the other features of the system over time. In this way the end result is either rejection of the innovation for lack of fit, or adaptation and innovation in the system. As Westney (1987) showed in her historical study of the import and adaptation of foreign management practices into Japan from the Meiji era onward, the result is innovation not imitation. This then is what we mean by an adaptive learning approach both to research on international issues and to innovations in practice.

But I believe we must do more than just *study* or *observe* efforts to transfer innovations across borders. In today's environment we must be proactive agents of innovation. That is, we must be skilled in applying an adaptive learning perspective and fostering experimentation with new approaches that hold promise for improving the performance of our respective industrial relations systems. But to do so we must both broaden and deepen our analytical capabilities. The comments that follow draw out what I believe to be some of the key analytical lessons emerging from our research that should guide efforts to promote innovation and experimentation.

Holistic Perspective on Human Resource Practices

The starting point for industrial relations researchers interested in contributing to contemporary debates is to see employment relationships in their entirety, encompassing the full range of employees and the full variety of employment arrangements found in modern economies. More than three decades ago, Clark Kerr and colleagues (Kerr, Dunlop, Harbison and Myers 1960) reminded us that the central focus of our field should be on the structuring of the labor force (i.e. the full range of policies and practices governing employment relationships). His group suggested that the field was focused too narrowly on unions, collective bargaining, and strike activity. Yet we have been reluctant to take up this challenge, remaining instead focused on more familiar paradigm of dividing employment relationships into two groups: labor and management.

More recently the Kerr et al. view has been echoed by many of us who have suggested the need to break down the artificial distinction between human resource management and industrial relations. Indeed, human resource management is currently a major growth area for industrial relations research. Yet, as John Purcell noted at our last World Congress (Purcell 1994), if we are to make a distinctive contribution to this literature and be true to our values and perspective, we must do more than simply replicate the research and paradigms used by management experts and industrial/organizational psychologists who focus on the optimal choice and design of human resource strategies and personnel policies for individual firms. An industrial relations perspective leads us to consider human resource practices from the point of view of all the stakeholders to an employment relationship. We must not only look at the effects of practices on firm performance but also look beyond the boundaries of individual firms to ask what effects these practices have on macroeconomic performance and democratic values. That is, we must consider both the private and public interests at stake in the choice of alternative human resource practices.

Judging from the interest and quality of the research submitted to this and other recent HIRA Congresses, we are making good progress in this area. Moreover, I see at least three aspects of the work presented here that reflect distinctive normative and analytical traditions of industrial relations. First, our work stresses the importance

of viewing employment relationships as composed of a wide diversity of individuals and groups. Second, it argues that human resource practices should not be seen as isolated techniques, but as systems of interdependent activities that are tightly linked to the production and competitive strategies of the firm and its environment. Third, we raise important questions about the effects of globalization of corporate activity on the relative power of the various parties who share an interest in shaping employment relations practices.

Valuing Diversity. As Rosalie Tung notes in her rapporteur's report for the human resources track, diversity in race, gender, culture and other personal characteristics arises from both international and intranational sources. Globalization of economic activity heightens the cultural diversity present in employment relationships. Recognizing and valuing diversity in the labor force is a logical extension of the values underlying industrial relations as a discipline (Barbash 1984). Industrial relations recognizes differences in interests as a natural and legitimate feature of employment relations. However, traditionally, we tend to think of employment relations as being divided into two distinct interest groups: labor and management. Nearly all laws and institutions use this premise as a starting point.

Clearly, this premise requires rethinking. Workplace conflicts involving issues such as discrimination, sexual harassment, work and family policies, or cross-cultural communications breakdowns do not conform well to the labor-management division and, therefore, are not easily resolved through the formal systems of negotiations, grievance handling, or legal enforcement procedures that assume a clear labor-management dividing line. The challenge of diversity, therefore, is to develop new processes and institutions for legitimating differences arising from personal diversity and resolving conflicts and solving problems that arise out of this diversity.

This raises an important intellectual question for us: Should, as suggested several years ago by Robert McKersie (1991), the concept of organizational governance replace the conventional labor-management dichotomy as the metaphor for industrial relations theory and practice? Michael Piore recently explored this question in his book *Beyond Individualism* (1995) by asking what basis can be used to aggregate and integrate the diverse identities, orientations, interests, and cleavages in economic and political affairs when the traditional interest group lines no longer work? I believe

this is one of the central challenges to both industrial relations theory and policy today. It should feature prominently in our discussions at this Congress and on our future research agenda.

We have some things to say and learn from each other on this issue. A number of the special seminars will explore the use of negotiations, problem solving, and alternative dispute resolution (ADR) procedures and systems for addressing these concerns. The challenge is to extend use of these tools beyond the traditional labor-management arena to address issues of concern to the full range of workplace participants. ADR procedures are the newest of these tools. The question is whether they can deliver due process and fair systems of conflict resolution that complement other private and public institutions and legal structures. This could be one of the most important areas of research and public policy debate to come along since the introduction of various employee participation and involvement programs in the 1970s and 1980s.

An industrial relations perspective to ADR adds value by viewing ADR not just from the standpoint of an individual firm seeking to reduce exposure to litigation or to resolve problems within its organizational boundaries but to see it as another component in the larger private and public systems for delivering due process and regulating employment relationships. The better we are at resolving differences within organizations, the fewer public resources that need to be devoted to this task and the more we contribute to organizational self-governance and democracy, goals that are deeply embedded in the value systems of our field. But we must look at these systems from the perspectives of all the parties—individual firms, individual workers, and societies.

We also must be careful not to view diversity simply as a problem to be solved or a challenge to be met. We know that diversity can also be the source of new knowledge, creativity, and learning to individuals and organizations that see differences as an asset rather than as a problem to be managed. An industrial relations perspective, therefore, encourages us to draw on the power of diversity to promote social and economic progress.

Human Resource Systems. Industrial relations has historically viewed employment practices as linked together in ways that add up to a coherent system (Dunlop 1958). In recent years a number of industry studies have taken this perspective and demonstrated its power in modeling and explaining variations in economic

performance. Consider, for example, the auto industry research that will be discussed in one of the special seminars.

One of the reasons “lean production” became a popular “best practice” model for management in the world auto industry is that empirical research conducted over several years (Shimada and MacDuffie 1987; Krafcik 1988; MacDuffie 1995) documented its effects on economic performance. The best-selling book that was based in part on the results of this research, *The Machine that Changed the World* (Womack, Jones and Roos 1990), popularized the “lean production” model and argued that it would eventually spread to production plants around the world. Now an international set of researchers is engaged in an active debate and analysis of whether “lean production” in fact is sweeping the world or whether it is being adapted to fit different cultural and institutional contexts. These studies are finding that in fact lean production is not diffusing in a uniform fashion that resembles a simple “one best way” or “best practice” model of production and human resource practice. Camuffa, Volpato, Comacchio and Micelli (1995) describe what they are observing in Southern Europe as a “Mediterranean model” of lean production. In Germany, the labor movement has its own concept of “group work” that attempts to serve as the functional equivalent of the Toyota work system that underlies “lean production.” Other interesting variants are found in Britain, Australia, and even across plants in the U.S. such as NUMMI, Saturn, and the various plants of GM, Ford, and Chrysler. Our task, therefore, is to first understand why these variations exist and then to assess their effects on the performance of firms and on the economic interests of the workforce.

The same is now happening in research networks active in other industries such as steel telecommunications, apparel, banking, semiconductors, and airlines. These networks are experimenting with research methods that nicely mirror the principles of the adaptive learning model. They build on a strong institutional knowledge of the industry and organizational environment, take a broad approach to assessing how individual practices such as teamwork fit into their local cultures and institutions, and use quantitative tools to assess the effects of different practices on a range of outcomes of concern to the different interests at the workplace—workers, unions, firms, and society. Substantively, this work reinforces the notion that work practices cannot be viewed or studied in isolation since they are tightly intertwined or come

in bundles in which their combined effects are greater than the effects of marginal changes in individual practices.

The Role of Power in Human Resource Management. One of the most neglected issues in the study of human resource policies is the power of those who speak for these issues in the strategic decision making and participate in the governance processes of corporations (i.e., human resource professionals, union leaders, worker representatives on supervisory boards, works council representatives, etc.). Industrial relations researchers need to bring the issue of power back into the study of who determines human resource strategies and how this influences firm performance and worker interests.

Notwithstanding all the rhetoric of human resource professionals that it is important for human resource executives to be involved in strategic planning and decision making, the conclusion reached by the country teams in the first phase of the OECD Network project is that there has been little change in the influence of human resources in corporate governance (Locke, Kochan and Piore 1995). Those countries that by law (such as Germany) or by industrial-organization structure (such as Japan) have given strong weight to human resources continue to do so. Those such as the U.S., Britain and others in which personnel has historically been a weak managerial function, tend to continue in this tradition.

The globalization of choices over investment, location, and competitive strategies heightens the importance of conceptualizing who makes the key decisions that structure employment practices within the firm. One of the most powerful and enduring propositions in industrial relations was developed by John R. Commons at the beginning of this century: The expansion of the market reduces labor's bargaining power unless institutions—unions or government—adapt accordingly and "take wages out of competition." As the paper by Marginson et al. prepared for this Congress suggests, transnational corporations increase the range of options open to employers over where to locate and over what human resource strategies to adopt in different locations. These increased options provide employers with considerable leverage in negotiating with national governments and local employees. To date, efforts at transnational collective bargaining, state regulations, or the negotiations of trade agreements (e.g., NAFTA, GATT, etc.) have not been able to counteract this shift in power.

One experiment on this issue is playing out in the European Community as it implements the directive to establish European Works Councils. But there are good reasons to doubt that these institutions will match the contributions and performance of the German works councils which served as their inspiration and model (Rogers and Streeck 1995). Examining the role and effects of these new works councils and other institutional innovations that attempt to involve employee representatives in discussions of transnational human resource strategies and practices of corporations is an important task for future research.

Institutional adaptation and learning from others has gone farther in the field of human resource management practice than in any other area of industrial relations. International benchmarking—something that Xerox pioneered—is now a common practice in many firms. The growth of transnational corporations therefore provides an opportunity to structure research that informs us about international human resource practices.

The Future of Worker Representation

No issue is closer to the heart and soul of industrial relations than the question of how workers are represented in employment relationships and in national political affairs. No issue is more open to debate at the moment. Unions around the world have been in crisis for much of the past two decades. In many (but not all) countries represented at this Congress, membership has fallen, political influence declined, and managerial resistance to collective bargaining has increased. Yet the examples of Poland and South Africa demonstrate that our deep values—the notion that strong, independent institutions for providing voice to workers are vital to democracy—are as relevant today as they were in the past. The question that must therefore be at the center of our debates and analysis is not whether, but how, to provide workers an effective voice in enterprise and political affairs.

Progress in this area starts with a recognition that the unions are under pressure for more than simply political reasons. We need to take a strong *analytical* view of the problems and ask why are traditional unions experiencing pressures and how might they adapt to the new international economy and the new workforce? An international perspective is especially important here since some labor movements and some institutional forms of representation seem to be doing better than others.

What tentative answers does our research suggest regarding the viability of alternative forms of worker representation? Berndt Keller notes in his rapporteur's report that a wide range of different forms of worker representation and participation are now mixed together in different countries. This mixture includes, from the micro to the macro levels of industrial relations, such processes as work systems that embed employee participation into the job itself or what he and others call on-line participation, "off-line" problem solving groups, union-management committees, works councils, collective bargaining at various levels (workplace, enterprise, industry, region, etc.), co-determination or other forms of representation on corporate boards, employee stock ownership arrangements, and various forms of tripartite consultation.

This wide range of representative forums and processes seems appropriate, given the diversity of the modern workforce and the variety of employment arrangements that exist in a modern economy. No single model or process is likely to suffice. Keller also notes, however, that often these participatory and representative arrangements do not fit together neatly into a coherent "system." The most specific problem seems to be how they either complement or replace more traditional forms of collective bargaining and union activity. While collective bargaining will continue to serve as an important vehicle for worker representation, those labor movements that see collective bargaining as the sole or exclusive means for providing workers a voice in enterprise affairs will do so at their own peril. Everett Kassalow (1983) made this point in a paper prepared twelve years ago at the Sixth IIRA World Congress in Kyoto. It is an even more accurate prediction today than it was then.

The papers to be discussed at this Congress suggest a variety of hypotheses about what types of forums and processes fare better than others in today's environment. Work systems that embed participation directly in the design of jobs seem to have a greater chance of surviving over time and are performing more effectively than off-line problem solving processes. Works councils that represent the full range of employees in an enterprise appear to have increased in importance relative to unions and collective bargaining in Europe (Turner 1991). Local unions and works councils that have been able to develop partnerships or joint governance arrangements with employers (Katz and Sabel 1985; Verma and Cutcher-Gershenfeld 1993; Rubinstein, Kochan and Bennett 1993) have been more successful in adjusting to their

changed environments than those that remain isolated or constrained by the standards or traditions of their national organizations. This suggests that innovations are likely to arise from decentralized, grass-roots organizations that are both linked to the individual firm and horizontally to other groups in their community. Unions that provide valued labor market services and that can maintain the allegiance of workers as they move across employers and through different cycles of their careers are more successful than those in which membership is contingent on being employed at a particular workplace (Hammarstrom 1994). Unions whose leaders reflect the demographic make up of the membership do better than those with a leadership elite that does not (Eaton 1993). Unions that do not impose large economic costs on the employers with whom they bargain, relative to their non-union competitors, do better than those that impose a significant union-nonunion cost differential (Blanchflower and Freeman 1992). Unions that represent the broad interests of all workers in a society will contribute more to economic growth and welfare in newly industrializing countries than those who represent the interests of a narrow elite group of workers (World Bank 1995). Unions that provide a full array of services to members from individual representation in dispute resolution, training, and labor market assistance, to collective bargaining, to a voice in day-to-day and strategic decision making will do better than those that promote only one or a subset of these activities.

These are mainly hypotheses that at best have partial evidence behind them at this point in time. I present them here only to stimulate more research that takes advantage of the natural experimental laboratories that are unfolding across the world as unions and these various representational institutions struggle to adapt. Our task is to find more creative ways to test these or other hypotheses about what will constitute the effective institutions for worker representation in the future. It is time to move beyond the tired debates over whether or not unions have outlived their usefulness and are destined to continue to fade into history.

Union leaders have been slower to learn from each other than have employers. But the Australians proved it is possible to do so and might serve as a model for their counterparts in other countries. Their study tours to Europe and the publication of *Australia Reconstructed* (1987) launched the debate that produced the changes in labor policies and structures now under way in that country (Lansbury and Niland 1995).

Current and former labor leaders in South Africa are now doing the same and the new draft labor law provides a laboratory for testing the ability to appropriately adapt practices and models from others. The British Trade Unions Congress has debated the relevance of both European style works councils and governance arrangements and U.S. approaches to employee participation and union-management partnership arrangements. Even in the U.S. where the labor movement historically rejected models of representation from other countries, a growing number of labor leaders are expressing interest in exploring the relevance of works councils, board representation, and other approaches to representation in addition to the American model of collective bargaining with exclusive representation. Our task is to provide the data and evidence from international experiences to bear on these debates within national labor unions and to broaden the array of alternative approaches considered.

Negotiations and Dispute Resolution

Collective bargaining has been and will continue to be the central tool for workers and employers to jointly decide the terms and conditions of work in many settings around the world. But given the changes in the labor force and in the institutional structures for worker representation discussed above, it is clear that a wide variety of structures and processes for negotiations, conflict resolution, problem solving, and employee participation will be needed in the future. Moreover, as will be demonstrated in a number of the Congress special seminars, the tools and techniques of state-of-the-art negotiations and conflict resolution are changing. These new techniques go under various names such as interest based bargaining, mutual gains bargaining, win-win negotiations, ADR, etc.

Many of these new techniques are American innovations that are now being debated and tested in other national settings. Essentially all of these techniques attempt to move away from the stereotype of American-style distributive bargaining—starting with a long list of extreme demands and whittling them down slowly until the threat of a strike produces a flurry of last minute compromises and eventually a settlement. We now have examples of their use in Eastern Europe, Australia, Israel, Ireland, South Africa, and Britain, among others. Obviously each country must adapt these techniques to fit its particular negotiating culture, however, it is

clear that some of these practices are adaptable and transferable. So are some of their limitations. As several cases of interest-based bargaining in the U.S. have demonstrated, negotiating teams use these new techniques at their own peril if they do not educate their constituents on what they are doing. Intraorganizational pressures serve as constraints on the ability of negotiating principals to engage in anything other than the more visible symbols of hard bargaining.

Negotiations, dispute resolution, and cooperative problem solving have served our field well as the means for translating our values into practice. If these techniques fail, industrial relations systems fail to add value to their societies and instead become costs that political leaders and the general public seek to minimize or suppress. So the stakes in developing and adapting these new techniques to fit the problems and employment settings of today are very high. For this reason, a number of special seminars are devoted to these issues and I propose the IIRA make a special effort to develop international networks and groups to foster the study and dissemination of knowledge and skills on these topics.

Democracy, Development and Industrial Relations

Industrial relations scholars have historically argued that support for basic labor standards, freedom of association, free trade unions, collective bargaining, and related institutions for worker voice both are necessary features of a democratic society and contribute to economic development in newly industrializing nations. These are bedrock principles that have guided the work of the ILO over its seventy-six year history. The conventional argument is that failure to adhere to these principles will produce or reinforce totalitarian societies and hold back economic progress for the working classes. The result will be an industrializing strategy that benefits only an elite group of investors, highly educated professionals, and those in or with access to political power.

These principles have not fared well either in most other theories of economic development or in the policies of most newly industrializing countries. Instead, they have had to do battle with macroeconomic development models that stress the importance of investment and that generally either ignore or are skeptical of worker rights and labor standards. These models and those who advocate them fear that unions

distort labor markets by pushing up wages for an elite within the formal sector of the economy, and encourage over-expansion of the public sector, excessive subsidies to inefficient private firms, and labor-management conflicts that further discourage investment. Countries that allow this to happen tend to devolve into what has been described as an import substitution development strategy (i.e., a strategy that seeks to protect and develop less efficient domestic industries from international competition).

The alternative development strategy is to encourage exports by drawing on the comparative advantages of developing countries, particularly their labor cost advantages vis-à-vis more highly industrialized nations. To maintain comparative advantage on labor costs, those countries following export-oriented growth strategies believe it is necessary to hold down wages, limit or control unions, and suppress labor conflict to keep the economy attractive to foreign investors and customers. Education and training become important as an economy moves gradually from labor intensive to higher technology and higher value added goods and services. But promoting investment in education and training does not automatically result in greater democratization of labor market institutions and practices (Amsden 1989). Countries that have been especially successful, as measured by their rates of economic growth using this model in recent decades, are Singapore, Hong Kong, Taiwan, and Korea. These now serve as the models for their less developed neighbors, Malaysia, Indonesia, and even China and Vietnam.

Is there an alternative to these contrasting approaches to economic development and industrial relations? I believe answering this question is the greatest challenge facing the study of industrial relations in newly industrializing countries around the world. The soon to be published report of the World Bank titled *World Development Report 1995: Workers in an Integrated World* agrees with the need for an alternative strategy for linking labor and economic development policies. This report provides a useful starting point for development of a new model that might serve the goals of both increased market efficiency and worker welfare in ways that are consistent with our values. The report suggests that the way to link labor and development policies is to (1) identify and support those fundamental labor standards that, if violated, would be inconsistent with basic moral values (e.g., discrimination, forced labor, hazardous work, etc.), (2) recognize and support

free trade unions that promote democracy and worker voice but do not become an inside elite that represent only a small fraction of the population, (3) encourage development of workplace institutions that can allow workers and their representatives to monitor and enforce labor standards consistent with their particular needs, resources, and stages of development, (4) encourage investment in education, training, and programs that support and encourage transition from low- to high-productivity work, and (5) support open markets, free trade, and mobility of capital and labor resources.

While the World Bank report is refreshing for suggesting the need to develop new ways of thinking about how to link development and labor policies, we must go farther in identifying *how* this can be done effectively. The World Bank has little if anything to say about the types of institutions for worker representation and workplace conflict resolution that can perform the functions listed above. This is a task for industrial relations researchers. We do not lack for opportunities to take up this task. Four areas of the world—East Asia, Africa (especially South Africa), Eastern Europe, and Latin America—provide laboratories for experimenting with different strategies for linking economic development and industrial relations policies. Each poses special challenges to industrial relations theory and practice.

Asia. The rapid growth rates of the four East Asian tigers (Hong Kong, Korea, Taiwan, and Singapore) pose significant challenges to industrial relations assumptions and theories developed by Western scholars. How are we to interpret the success of these countries and their general lack of democratic industrial relations principles?

Hyo Soo Lee's provocative paper prepared for this Congress challenges Western industrial relations theorists to take a new approach to the study of employment relations in Asian enterprises and economies. He suggests that the Confucian heritage of Asian cultures does not fit well with the starting assumptions of Western industrial relations theory. Instead of viewing employment relations as a subset of an economic system in which conflicting interests and labor-management conflict are at the center of our models, he suggests embedding the study of industrial relations in an enterprise model that sees employment practices as part of the larger production and governance system of the organization. Instead of seeing conflict as the natural order, he suggests Asian industrial relations theory must do a better job of incorporating the

values Asians place on harmony, respect for authority, and the development of the mind—both analytical and attitudinal aspects of the mind—and use these as the central building blocks for understanding how Asians approach employment issues and relationships.

This does not mean that conflict is not present or that its suppression by state policies or authoritarian management styles should be legitimated. Instead, he shows that the episodic ebb and flow of conflict in Korean industry reflects the periods of suppression and explosion of workplace tensions that result when the state and employers fail to find acceptable ways of linking their human resource and production policies. His point is that the ways workers express their voices and represent their interests at the enterprise and in national affairs must take into account these cultural values, state policies, and organizational considerations.

This argument implies that there is a place for unions and other institutions of worker representation in Asian industrial relations models but it is one that needs to be guided by a stronger theory of how to fully utilize and integrate workers' skills, voice, and motivation with systems of production that produce mutual benefits and that are governed by rules for sharing the gains equitably. In this way, Asian countries are more likely to try to learn from the "late development" model of Japan (Dore 1973) than from Western approaches that stress either Western industrial relations values and institutions or neo-liberal development models. Efforts to import Western assumptions about conflict and freestanding collective bargaining need to be adapted considerably to be useful in these cultural contexts.

This view of Asian industrial relations is likely to spark sharp debate within our field. Some will see it as a standard misuse of Confucianism to rationalize repression of worker rights and democratic values. Others will see it as an effort to learn from the human resource practices, competitive strategies, and corporate governance structures that contributed to Japan's rapid growth in the postwar period (Aoki 1988). While I am not able to resolve this important debate, I do know that our Western models and values about industrial relations institutions do as poor a job of explaining contemporary practices and performance in Asia as they did in trying to interpret Japanese industrial relations practices in the postwar period. A theory of industrial relations that does well in Asia has yet to be developed.

Eastern Europe. The political transformation of Eastern Europe poses a different but equally fundamental challenge: The rise of neo-liberal economic theory, most notably in what is known as "shock therapy" in Poland, has left workers in that country with relatively weak institutions for representation and voice in enterprise affairs (Weinstein 1995). This is especially ironic given the role of Solidarity in leading the political transformation of this country and sparking similar movements in other countries of Eastern Europe.

Questions are now being raised about the effectiveness of "shock therapy" and similar neo-liberal policies followed in other Eastern European countries. Amsden, Kochanowitz and Taylor (1995), for example, argue that these policies failed to learn from the late development models of the successful Asian countries discussed above. They suggest that investment in education, egalitarian income distribution, and appropriate state policies, and a well-educated and efficient state bureaucracy, are key building blocks for economic development today. Yet even these critics have little to say about the role of industrial relations institutions. Industrial relations researchers need to fill this void.

Most of the new governments of Eastern Europe have enacted labor laws that provide for trade union rights, collective bargaining, and in some cases, works councils or other institutions for giving workers a voice in enterprise decision making and governance. Indeed, many Western industrial relations experts played important advisory roles in drafting these laws. Others are providing technical assistance regarding the design and administration of mediation agencies, arbitration systems, and labor courts and training labor and management representatives in negotiations and problem solving techniques. The next step would appear to be to put these laws, institutions, and skills to use and to document their contributions to nurturing democracy and improving economic performance in these countries. The special seminars devoted to negotiations provide a good venue for addressing these issues.

South Africa. South Africa presents a special opportunity for industrial relations scholars and policymakers to both experiment with and learn from new ways to integrate growth and development with labor market policies and institutions. For industrial relations to be successful in South Africa it must contribute to the enormous tasks of promoting job creation and investment while at the same time redistributing wealth, improving living standards, and overcoming the long

history of discrimination and social divisions of its apartheid past. The new draft labor relations code benefited from inputs from a number of international experts, including IIRA members. It borrows heavily on the German model of industrial relations with its emphasis on industrial unions, sectoral bargaining, and works councils. Moreover, the government's ambitious Reconstruction Development Plan (RDP) recognizes the need to link labor market and macroeconomic and social policies if the country is to gradually improve living standards. The terms of reference for the Minister of Labor's newly created Comprehensive Labor Market Commission lays out this challenge in precise terms:

The RDP is rooted in a strong commitment to employment creation, to fair remuneration and working conditions, to industrial democracy, and to the elimination of racial and gender-based discrimination in the labor market. Active labor market policies, productivity enhancement and stable macroeconomic environment are key mechanisms for meeting the RDP's employment-related objectives.

South Africa is well represented at this Congress. I am personally delighted to welcome these delegates to the IIRA and to congratulate them on the leadership role that democratic labor unions played in the political and social transformation process in South Africa. Their achievements stand, along with their colleagues in Eastern Europe, as the two most significant contributions to democracy and freedom of our time. Now they face the challenge of making the new South Africa work. I hope the discussions that will take place here and the professional networks that carry forward will help to meet this challenge.

Latin America. The situation in Latin America is equally interesting for different reasons. The movement toward democracy in this region in the past decade has been impressive. With it comes the same challenges to design and implement democratic industrial relations principles. The pressure to do so is made more emphatic by the North American Free Trade Agreement (NAFTA) and the stated goal of extending NAFTA to additional Central and South American countries. The biggest debates over NAFTA in the U.S. and Canada have come over whether Mexico, and presumably other countries that might join later, are willing and able to enforce their labor laws. This, as the World Bank report suggests, is probably the

wrong way to promote trade and improve living standards. Emphasis might better be placed on developing workplace institutions capable of helping to enforce these laws.

The Canadian internal responsibility system for enforcing safety and health regulations (and the similar systems found in ten U.S. states) might serve as initial models for consideration and potential adaptation. These require, however, effective democratic trade union or works council institutions in the workplaces. The framework for labor policy and development outlined above might serve as a useful discussion guide for deliberations over how to achieve effective and efficient enforcement of labor standards and a gradual improvement in working and living conditions in this part of the world.

Jobs, Labor Standards and Economic Policy

If the ultimate objective of economic policy is to improve living standards, then the ultimate contribution of employment policy to this goal lies in improving the rate of job growth *and* the quality of employment conditions. Yet, for too long those studying these issues have been divided into two separate camps: economists who view job growth as the key objective and view efforts to impose labor standards or improve working conditions as market distortions, and; industrial relations researchers who favor labor institutions and standards designed to protect and improve working conditions. The papers prepared for this Congress begin to suggest a new analytical perspective may be emerging, one that is not a simple compromise between these two perspectives but that is based on evidence suggesting the record is more complicated than either camp would suggest. The emerging view is that future policy must be better informed by the changing nature of work and employment practices, and by the role played by institutions at the micro level of our economies.

These papers lay out the problem quite clearly. Labor standards and rigid work systems associated with what Boyer and others have called the Fordist mode of production and labor regulation are giving way, haltingly to be sure, to more flexible forms of work. Flexibility may foster productivity growth. However, the growth in productivity has not produced the number of new jobs required to replace those lost and to absorb increases in labor supply. Moreover, the new jobs being created are bi-polar in quality. Productivity growth in manufacturing tends to be associated with losing "good" jobs of semi-

skilled blue-collar workers and middle managers whose best alternatives are lower wage service industry jobs. At the same time, technological changes, the changing nature of work organization, and other forces are leading to increased demand for highly educated and high-skill workers, professionals, and managers. The net result is increased wage and income inequality and/or long spells of unemployment for displaced workers.

Different countries experienced different combinations of results, with the U.S. producing the greatest inequality in wages, Canada and much of Europe experiencing higher unemployment, Australia doing relatively poorly on quantity and quality dimensions. In short, labor markets have not performed well in responding to the structural and organizational changes in the world economy. Nor can we identify countries with policies and/or institutions that have performed well on both the quantity and quality of jobs criteria. So it has not been a good decade for many of the world's workers.

Yet the threads of a new perspective in labor market analysis and policy are emerging among those who look carefully at *changes* in patterns of work and the *types or forms* of labor market institutions that can contribute to both productivity growth and improvement in quality of employment conditions. This work focuses on ways to link investments in education and training with wage determination (e.g., skill-based pay, gainsharing, profit sharing, employee stock ownership plans, etc.), work organization design, and private mechanisms (unions, works councils, labor-management committees, board representation, alternative dispute resolution systems, etc.) for enforcing employment standards in flexible ways. If this type of interchange and analyses between labor economists and industrial relations researchers is nurtured, the gap between economic policy and labor policy has a good chance of being closed. The IIRA can provide a venue for this type of interchange. The papers to be discussed at this Congress are an excellent beginning.

Methodological Issues

For too long comparative industrial relations was dominated by two types of research. First, the lack of an analytical model for comparison meant that research remained largely descriptive of historical developments or current practices. Second, when analytic comparisons were invoked, they tended to be at the level of national systems or broad typologies. The U.S. industrial

relations system was typically described as decentralized while Sweden served as the model of a highly centralized and integrated labor market and collective bargaining system. The Japanese industrial relations system was characterized by its "four pillars" (enterprise unionism, seniority wage structures, the Spring wage offensive, and lifetime employment). The problem with these typologies is that they both glossed over variations in practices within national systems and failed to produce a parsimonious set of "system types" that could explain variations in employment outcomes. The closest efforts to do so came among economists who sought to predict inflation and unemployment performance by the degree of centralization of bargaining (Cameron 1984; Calmfors and Drifill 1988). Even here disagreements over how to classify certain systems led to confusion over results. Thus this work, while rich in institutional detail, failed to produce an analytical framework suitable for hypothesis testing needed to move analysis forward.

The new international research takes a more micro and comparative approach by drawing on common and varying practices and trends within and across national systems. In the OECD and the Asian IR/HR network projects we use changes in four sets of practices as windows on developments within and across national systems: work organization, compensation structures, staffing and employment security, and skill formation and training. Consistent with the adaptive learning perspective, we embed the comparisons of these practices in their overall system, recognizing, as Locke and Thelen (1995) have suggested, that each practice plays a somewhat different role within its particular industrial relations system. Thus we need to be sensitive to these different contexts in making these comparisons.

Rogers and Streeck (1995) and Freeman (1994) have taken a similar approach in their recent studies of works councils and labor markets in various countries. The advantage of this approach is that it can combine well-structured comparisons needed for hypothesis testing with the deep institutional understanding necessary for drawing conclusions about the applicability of these practices in different settings.

In some areas we can go a step farther and carry out quantitative comparisons where cross national data exist or can be collected, as in the Cranfield University human resource management project (Brewster and Hegewisch 1994), the earlier Industrial Democracy in Europe study (IDE, 1981), or in the various cross-national

studies of union density (Visser 1994; Blanchflower and Freeman 1992) and strike activity (Hibbs 1976; Shalev 1983). Ultimately, it will be the combination of careful contextualized comparisons, deep institutional analysis, and large scale quantitative comparisons that will reinvigorate this field, if we are successful in fostering a dialogue among the researchers engaged in these different approaches.

This leads to a final point about advances in methodologies for international research. In the past several years, IIRA members have begun to experiment with the use of electronic communications via an E-mail network as a source of information exchange and debate. While still in its experimental stage, I believe that, if used properly, this technology can both lower the costs of international research and dialogue and speed the transfer of useful knowledge and learning. Papers can be discussed in draft form, research puzzles explored, and policy issues debated. I hope everyone will look at the network technology that will be displayed at this Congress and consider ways to use it creatively. My hope is that we can continue to experiment with the use of electronic bulletin boards on topics of special interest. A proposal for doing so in the area of workplace and employment dispute resolution will be discussed at several of the special seminars devoted to this topic. I look forward to learning from the results of this experiment and others like it that might be created as a result of this Congress.

Linking Research to Policy and Practice

If we are to be true to our traditions, we must be proactive in using our research to inform debates over public policies and developments in private practice. This is one of the benefits of an Association such as ours that explicitly mixes academics and professionals from all aspects of our field. Indeed, I believe we have a particular obligation at this stage in our history to become more proactive in using our research to shape the alternatives considered in policy debates. The reason is that in so many situations, incremental adjustments of existing policies or practices are not sufficient to meet the challenges of the day.

Allow me to draw on a parochial example to make this point. In the U.S. we recently experienced an effort to find a compromise between business and labor for modernizing American labor and employment law. The Commission on the Future of Worker Management Relations, ably led by its chairman, Former Secretary of

Labor and former IIRA President John Dunlop, labored for nearly two years to develop recommendations for updating our laws to support employee participation, reduce conflicts over worker rights to join a union, and encourage private resolution of workplace disputes. The result, at least to date, is, unfortunately, continued stalemate. Neither the organized interests of business nor labor were able or willing to negotiate compromises to improve the performance of the existing system. At the same time, neither the business nor labor representatives who testified and worked with the Commission were willing to consider seriously any fundamentally new approaches or ideas for structuring worker-management relations.

As a result, the Commission's recommendations stopped short of proposing any alternatives to the current U.S. institutions such as works councils, board representation, employee stock ownership, labor courts, or various forms of individual or non-exclusive union representation. The issues of corporate governance and the weak role of human resources were not addressed since this would have opened a debate about the very nature of the objective functions of American corporations. The structure, governance, and leadership of the labor movement were not critically analyzed even though some of these features may also limit diffusion of innovations. Nor could the Commission vigorously critique the way in which labor policy is situated in economic policy making or in the political process, even though in our individual writings some of us on the Commission have criticized U.S. labor policy for being marginalized as "interest group politics" rather than treated as an integral aspect of the nation's economic policy and strategy.

The point of this local example is simple. Unless the research community is willing to address these more fundamental questions and bring them into the debates over policy and practice, new ideas will not be raised and the potential for using the international marketplace of ideas to promote experimentation and adaptive learning will not be realized. Policy making within our respective countries will be limited to debates over incremental adjustments of existing practices and traditions, or worse, will remain stalemated until an economic or political crisis forces more fundamental change. Then the changes that will be imposed may not be those that we would prefer. Perhaps we in the U.S. are living through such an experience at the moment.

Is a New Paradigm Emerging?

Given the resurgence in research, policy debates, and innovations in practices reviewed here, can we see the contours of a new paradigm emerging for international industrial relations? I believe we can, but whether it will eventually be described as a renaissance will depend on how well we nurture and develop it. Here, then, in summary, is what I believe the key features of this new paradigm are and what we must do to develop its full potential.

1. *Theory.* At the micro level the new approaches to theory building and testing lie in linking industrial relations and human resource practices to models of production and service delivery that emphasize flexibility, quality, speed to market, and integration of cross-functional activities. These models in turn need to be embedded in theories of the firm and corporate governance that pay attention to the power and influence of labor and human resource strategies and outcomes. Ultimately these models need to be tested for their effects on the economic performance of the enterprise and on the interests of workers and other key stakeholders in employment relationships.

At the macro level both political science and economics offer opportunities for deepening industrial relations theory. Industrial relations needs to be linked to theories of the competitive advantage and economic growth both in newly industrializing and advanced industrialized nations. For industrializing nations, debates over labor standards and free trade unions must be informed by the arguments supporting export-oriented growth strategies and opening of markets, and building institutional capacity to compete and improve living and working conditions. A new growth model that balances investments in human capital, collective bargaining, works councils or other institutions that can effectively enforce and adapt labor standards, and a stable climate for investment is needed to provide a pathway to development that can achieve adequate economic growth and is consistent with the democratic labor market and industrial relations institutions we value. In advanced industrialized countries, the macro challenge to industrial relations lies in demonstrating how a labor policy that promotes and supports democracy, innovation, and learning among workers, labor representatives, and employers help societies remain competitive at high and improving standards of living.

2. *Methods.* The emerging methods of the new international research are more varied,

analytical, and precise than the descriptive or broad classifications that dominated prior work in this field. Micro research, informed by the contextualized comparisons advocated by Locke and Thelen (1995) offers a new strategy for taking advantage of the best of both institutional and comparative analysis. To achieve maximum generalizability, this work needs to be well informed and guided by the theoretical perspectives noted above. No single method is powerful enough to address all these challenges. Industrial relations researchers of the future will need to have the deep institutional knowledge that is needed to place a problem or body of data in context and be skilled in using state-of-the-art quantitative and qualitative tools. Moreover, we need to be creative users of networks and teams in conducting research and communicating our results to each other and to our professional colleagues more quickly and at an earlier stage of the research process than has traditionally been the case. Experimenting with use of modern electronic media is one promising way to do so.

3. *Linking to Policy and Practice.* If the new international industrial relations research is to reach its full potential we need to close the circle by more effectively using its findings to inform policy and practice. At this juncture in history, this requires a willingness to *challenge* prevailing practices and institutional positions more directly and aggressively than we have tended to do in the past. We need to encourage and support more experimentation with international "best practices" in ways that promote adaptive learning and institutional change. And we must study and work on the implementation of innovations to help in the process of adapting them and the institutions in which they are embedded to maximize their chances of success. This is the action-oriented aspect of our field that adds a dimension of practicality not often found in the disciplines that focus on pieces of the industrial relations puzzle rather than on the whole picture.

Finally, we need to be willing, from time to time, to step beyond the constraints of the interest group battles by calling for, when warranted, more fundamental change in industrial relations policies, institutions, and workplace practices. Now, I believe, is just such a time, as it was at the time of Marx, the Webbs, and Commons. Our generation, like those before us, will be judged by whether or not we carry on this heritage with equal imagination, clarity, and consequence.

References

- Amsden, Alice H. 1989. *Asia's Next Giant*. New York: Oxford University Press.
- Amsden, Alice H., Jacek Kochanowicz, and Lance Taylor. 1995. *The Market Meets its Match*. Cambridge, MA: Harvard University Press, 1995.
- Aoki, Mashahiko. 1988. *Information, Incentives and Bargaining in the Japanese Economy*. New York: Cambridge University Press.
- Australia Reconstructed*. 1987. A report of the Australian Confederation of Trade Unions, Melbourne.
- Barbash, Jack. 1984. *The Elements of Industrial Relations*. Madison, WI: University of Wisconsin Press.
- Blanchflower, David G., and Richard B. Freeman. 1992. "Going Different Ways: Unionism in the U.S. and Other Advanced OECD Countries." *Industrial Relations*, pp. 56-79.
- Brewster, C., and A. Hegewisch. 1994. *Policy and Practice of European Human Resource Management*. London: Routledge.
- Calmfors, Lars, and John Drifill. 1988. "Bargaining Structure, Corporatism and Macroeconomic Performance." *Economic Policy* Vol. 3, pp. 13-61.
- Cameron, David R. 1984. "Social Democracy, Corporatism, Labour Quiescence, and the Representation of Economic Interest in Advanced Capitalist Society." In John H. Goldthorpe, ed., *Order and Conflict in Contemporary Capitalism*. New York: Oxford University Press, pp. 143-78.
- Cole, Robert. 1989. *Strategies for Learning*. Berkeley: University of California Press.
- Dore, Ronald. 1973. *British Factory-Japanese Factory*. Berkeley: University of California Press.
- Dunlop, John T. 1958. *Industrial Relations Systems*. New York: Holt.
- Eaton, Susan. 1993. "Women Workers and Labor-Management Relations: Lessons from Canada," Washington, D.C.: U.S. Department of Labor Women's Bureau.
- Freeman, Richard B. 1994. *Working under Different Rules*. New York: Russell Sage.
- Hammarstrom, Olle. 1994. "Local and Global: Trade Unions in the Future." In John R. Niland, Russell D. Lansbury, and Chrissie Verevis (eds.), *The Future of Industrial Relations*. London: Sage, pp. 152-63.
- Hibbs, Douglas, A., Jr. 1976. "Industrial Conflict in Advanced Industrial Societies." *American Political Science Review*.
- IDE. 1981. *Industrial Democracy in Europe*. New York: Oxford University Press.
- Kassalow, Everett. 1983. "Trade Unions in an International Context." *Proceedings of the Sixth World Congress of the International Industrial Relations Association*, Kyoto, Japan.
- Katz, Harry C., and Charles F. Sabel. 1985. "Industrial Relations and Industrial Adjustment in the Car Industry." *Industrial Relations*.
- Kerr, Clark, John, T. Dunlop, Frederick Harbison, and Charles Myers. 1960. *Industrialism and Industrial Man*. Cambridge, MA: Harvard University Press.
- Krafcik, John F. 1988. "Triumph of Lean Production System." *Sloan Management Review*, pp. 41-52.
- Locke, Richard, Thomas Kochan, and Michael Piore. 1995. *Employment Relations in a Changing World Economy*. Cambridge, MA: MIT Press.
- Locke, Richard, and Kathleen Thelen. Forthcoming 1995. "Apples and Oranges Revisited." *Politics and Society*.
- MacDuffie, John Paul. 1995. "Human Resource Bundles and Manufacturing Performance: Organizational Logic and Flexible Production Systems in the World Auto Industry." *Industrial and Labor Relations Review*, pp. 197-221.
- McKersie, Robert B. 1991. "Governance: A Framework for our Field." *Proceedings of the Industrial Relations Research Association*. Madison, WI: IIRA, pp. 1-10.
- Lansbury, Russell D., and John Niland. 1995. "Managed Decentralism? Recent Trends in Australian Industrial Relations and Human Resource Policies." In Richard Locke et al., eds., *Employment Relations in a Changing World Economy*. Cambridge, MA: MIT Press.
- Piore, Michael. 1995. *Beyond Individualism*. Cambridge, MA: Harvard University Press.
- Purcell, John. 1994. "Human Resources Management: Implications for Teaching Theory, Research and Practice in Industrial Relations." In John R. Niland, Russell D. Lansbury, and Chrissie Verevis, eds., *The Future of Industrial Relations*. London: Sage, pp. 203-19.
- Rubinstein, Saul, Thomas Kochan, and Michael Bennett. 1993. "The Saturn Partnership: Co-Management and the Reinvention of the Local Union." In Bruce E. Kaufman and Morris Kleiner, eds., *Employee Representation*. Madison, WI: Industrial Relations Research Association, pp. 339-70.
- Shalev, Michael. 1983. "Strikes and the Crisis: Industrial Conflict and Unemployment in Western Nations." *Economic and Industrial Democracy*.
- Shimada, Haruo, and John Paul MacDuffie. 1987. "Industrial Relations and Humanware." Working Paper, MIT Sloan School of Management.
- Turner, Lowell. 1991. *Democracy at Work*. Ithaca, NY: Cornell University Press.
- Verma, Anil, and Joel Cutcher-Gershenfeld. 1993. "Joint Governance in the Workplace: Beyond Union-Management Cooperation and Worker Participation." In Bruce E. Kaufman and Morris M. Kleiner, eds., *Employee Representation*. Madison, WI: Industrial Relations Research Association, pp. 197-234.
- Visser, Jelle. 1994. "Union Organization: Why Countries Differ." In John R. Niland, Russell D. Lansbury, and Chrissie Verevis (eds.), *The Future of Industrial Relations*. London: Sage, pp. 164-84.

- Weinstein, Marc. Forthcoming 1995. *The Transformation of Post-Socialist Poland*. PhD Dissertation, MIT Sloan School of Management.
- Westney, Eleanor. 1987. *Imitation and Innovation*. Cambridge, MA: Harvard University Press.
- Womack, James, Daniel Jones, and Daniel Roos. 1990. *The Machine that Changed the World*. New York: Rawson.
- World Bank. 1995. *World Development Report 1995: Workers in an Integrated World*. Washington, DC: The World Bank (June).

RAPPORTEUR'S REPORT: TRACK 1

The Global Human Resource Challenge: Managing Diversity in International Settings

Rosalie L. Tung
Faculty of Business Administration
Simon Fraser University
Burnaby, Canada

In the recent past, managing diversity has emerged as a strategic challenge in the area of human resources/industrial relations (HR/IR). Governments and industry in many countries have initiated programs and policies to contend with this phenomenon. In Track 1, we seek to explore some of the fundamental issues associated with managing diversity, such as: What does managing diversity mean? What has accounted for this interest in managing diversity? Why is it important to manage diversity, and how can we manage diversity? Each of these issues is examined below.

What Does Managing Diversity Mean?

Managing diversity can be classified into two broad categories: Cross-national and intranational. Managing cross-national diversity refers to managing the interface between peoples of two countries, such as that between expatriates and host country nationals. Managing intranational diversity, on the other hand, refers to coping with the realities of an increasingly diverse, both ethnic- and gender-wise, workforce in a given country (Tung 1993). It is important to note that the diversity agenda does not merely embrace ethnic and gender differences, the focus of most research, but also includes differences in age, sexual orientation, religion, physical and/or mental capabilities.

To date, much of the published literature on diversity in the management area has focused on cross-national differences. The literature on expatriation (Black and Gregersen 1992; Tung 1988), for example, has been devoted to the interface between peoples from two or more national cultures, such as integrating expatriates with host country nationals in foreign assignments. Research has shown that the rates of expatriate failure in U.S. multinationals can reach 30% to 40% (Copeland and Griggs 1985; Tung 1981). These failures are costly to the company in time, money, and human resources.

The estimated cost of a failed assignment is approximately one million dollars, including costs of expatriating and repatriating the employee and his/her family, salary, and other allowances/premiums associated with overseas living (*Wall Street Journal*, December 11, 1989:B1). The focus of research on managing cross-national diversity has been on the identification of selection criteria and the design of training programs to facilitate cross-cultural communication and, hence, promote effective teamwork involving members of the home country (i.e., parent headquarters) and the host country (i.e., subsidiary operation).

In the field of management, fewer publications are available on the subject of managing intranational diversity. Managing intranational diversity focuses on how to effectively integrate cultural subgroups within a given nation. In the North American context, for example, the focus is on how to integrate a traditionally white-male workforce with new organizational participants, such as women, people from various ethnic and religious backgrounds, the physically handicapped, and people with different sexual orientations.

The papers included in this track are, fortunately, evenly divided between managing cross-national and intranational diversity. Six of the fifteen papers address the subject of cross-national diversity: (1) Amante examines the human resource (HR) approach and practices of U.S., Filipino-Chinese and Japanese employers in the Philippines; (2) Caligiuri and Stroh study the human resource management (HRM) strategies pursued by a sample of U.S. multi-nationals in their worldwide operations; (3) Nam explores the relations between American and Korean partners and compares these with Japanese and Korean partners in the financial sector; (4) Paik and Teagarden investigate the patterns of interactions between American, Japanese and Korean bosses, on the one hand, and their Mexican employees, on the other, in

the maquiladoras; (5) Shadur, Rodwell, Bamber, and Simmons examine the differences in management styles between Japanese and non-Japanese firms in select industries in Australia; and (6) Yeh compares and contrasts the downward influence styles of American, Japanese, and Taiwanese managers.

Six other papers focus on the issue of managing intranational diversity: (1) Horwitz, Bowmaker-Falconer, and Searll report on a national database which tracks affirmative action and diversity policy by industry sector of more than one million employees in South Africa; (2) Lam presents the case study of a Japanese acquisition of an established British electronics firm; (3) Mamman develops a theoretical framework for analyzing the relationship between psychological and sociobiological backgrounds and intercultural effectiveness; (4) Marginson, Armstrong, Edwards, and Purcell study HR practices in 176 U.K. companies, a third of which are owned by North American and other European countries; (5) Negrelli and Treu examine the difference in HR/IR practices between state-owned and private firms in Italy; and (6) Wever investigates the attitude toward unions in seven large chemical companies in Germany, three of which are U.S. owned.

The remaining three pieces in this track cannot be classified into either of these two broad categories, although they have important implications for managing diversity. In its broadest sense, managing diversity also refers to the multiplicity or variety of practices that firms can use to deal with organizational realities and challenges. Dyer and Reeves focus on the bundling of "mutually reinforcing or synergistic sets" of HR practices and its relationship to organizational effectiveness. The leading paradigm among HR/IR scholars and practitioners around the world is strategic human resource management (SHRM) (i.e., "developing internally consistent bundles of human resource practices—human resource strategies—which are properly matched or linked to extant organizational contexts, most notably business strategies"). The rationale for bundling stems from the belief that a "combination (of strategies)...should produce greater performance effects than any of the individual human resource practices of which they are composed." Lee, Scarpello, and Rockmore investigate the fit between a firm's compensation system and its business environment in 75 publicly traded South Korean companies. Tayeb presents a theoretical framework which relates HRM to a nation's competitiveness in the international economic arena.

It is important to note that while the focus of managing cross-national diversity differs from that of managing intranational diversity, there are similarities in the dynamics and processes of managing the interface between members of two separate national cultures and among peoples of different subcultures (or groups) within a given country. The most salient similarities appear to be twofold: (1) The acculturation process¹ between members of the host and home countries is essentially similar to that among peoples from dominant (white males in the North American context) and subordinates (women and ethnic minorities) within a given country. (2) The style and patterns of communication across subcultures in a given country can be as significant as that between peoples of two or more national cultures (Tung 1993). Tannen (1990), for example, coined the term "genderlect" to characterize the differences between male and female communication in the United States. According to Tannen, "talk between women and men is cross-cultural communication" (p.18).

Despite similarities, there are important differences between managing cross-national versus intranational diversity. Such differences can be classified into three categories: (1) Legislation: in countries, such as the United States and Canada, employment practices in the context of managing intranational diversity are prescribed by law, whereas the legislation in the context of managing cross-national diversity is fairly mixed; (2) Magnitude: the employment of expatriates as a percent of a nation's total workforce is on the decline, whereas the employment of women and ethnic minorities in the domestic workforce is definitely on the rise; and (3) Time horizon: expatriates involved in managing cross-national diversity do so on a short-term (temporary) basis, depending upon the duration of the assignment, whereas those involved in managing intranational diversity are expected to have a long-term (permanent) commitment to such policies and practices (Tung 1993).

Why the Interest in Managing Diversity?

Three major developments have contributed to the growing need to relate and work effectively with peoples from different societal, cultural, and economic backgrounds. The first development is the formation of global strategic alliances across entities from different countries. The second is the increasing globalization of the workforce. The third development is the emergence of the network structure. Each of these factors is briefly explained below.

Formation of Global Strategic Alliances

The first development, the formation of global strategic alliances, stems from the growing realization by many companies that in order to compete effectively in the twenty-first century, it is often necessary to cooperate with one's competitors in new product development, production and/or marketing. Furthermore, many of these relationships will be with foreign partners whose cultures are significantly different from one's own. Consider the case of Canada, for example. Traditionally, Canada's inward and outward foreign direct investment (FDI) were with the industrialized west. This profile is changing, however. By the late 1980s, Singapore and Indonesia were the third and seventh, respectively, most important countries of destination for Canada's outward FDI; and Japan and Hong Kong had emerged as the fourth and ninth most important countries of origin for inward investment in Canada (*Statistics Canada*). The enactment of the North American Free Trade Agreement (NAFTA) has translated into more trade and business agreements between Canada and Mexico. Paik and Teagarden's findings on effective HR practices in the maquiladoras have important implications for successful economic collaboration within NAFTA.

In the past, when the majority of Canada's outward and inward FDI was with the United States and the United Kingdom, countries which are culturally similar to Canada's, managing and/or working with nationals from the host societies did not present significant problems. With the changing composition of countries of destination and origin for outward and inward FDI, there is an urgent need for Canadian managers² to develop a new repertoire of skills and abilities to manage and/or work with peoples whose culture and value systems can be significantly different from those at home. Research (Tung 1994) has shown, for example, that the mindsets of East Asians toward business, including the way they define cooperation and competition, are significantly different from those in North America.

Seven pieces in Track 1 examine the cultural gap that exists among countries and its implications for HR/IR practices. Amante found that Filipino subsidiaries of Western multinationals tended to adopt Japanese-style management practices; whereas the Japanese-owned firms usually espoused a polycentric approach to HR practices. In the case of Filipino-Chinese owned firms, the style was mixed: the older generation emphasized "loyalty, trust and even familistic

personal relations in their human resources," while the younger generation sought to adapt their styles and practices to meet the "demands of a competitive and ever changing technology and economy." Nam found that job enrichment and autonomy were emphasized in the American-Korean joint venture bank, whereas loyalty, "exemplary interpersonal skills," organizational commitment and corporate welfarism were stressed in the Japanese-Korean joint venture bank. Paik and Teagarden discovered significant differences in the HRM designs of U.S., Japanese, and Korean operations in the maquiladoras: the American operations tended to espouse a "human resource" approach, the Japanese adopted a "control" design, and the Koreans used a "human relations" approach. Shadur et al. found "little evidence of the four pillars of Japanese management being transferred to or adopted in Australia." Wever concluded that "notwithstanding the existence of manifold legal, political and social constraints on managerial discretion" in Germany, there can be significant differences in HR styles between U.S. and German managers—American managers tended to use a unilateral model, whereas their German counterparts relied upon a negotiated framework. Yeh found that Japanese managers used "more assertiveness, exchange and higher authority strategies" than their American counterparts. Despite close cultural proximity, the Japanese managers used an influence style that was dissimilar from that of the Taiwanese managers. Mamman's theoretical piece asserted that an "employee's sociobiological background.. ethnicity, age, country of origin, educational/professional attainment, and religion...can impinge on intercultural effectiveness..."

While emphasizing cross-national cultural differences, it is equally fallacious to fall into the trap of "cultural stereotyping." Maruyama (1992), for example, hypothesized that there are four epistemological types (H,I,S,G) which can account for two-thirds of the world's population. He suggested that these four epistemological types can be found in all cultures, although one mode (or a mix thereof) tends to dominate in a given society. For example, the "H" type is more prevalent in the United States, while the "S" mode is more dominant in Japan. Maruyama's view is in line with reality since a cursory review of members of any societal group will immediately reveal that there can be significant intra-group/intranational differences. Three pieces in this track highlight such intranational differences. In a literature review of available studies which seek to develop taxonomies of

human resource strategies among predominately U.S. companies, Dyer and Reeves identified “as few as three and as many as nine” strategies. Negrelli and Treu found differences in HR/IR practices between state-owned and private enterprises in Italy, with the former paying less attention to effectiveness and performance. Lee et al. discovered variations in compensation systems in publicly traded South Korean companies, depending upon the degree of environmental uncertainty. Both papers support the contention that there can be significant variations in HR/IR practices within a given country.

Globalization of the Workforce

The second development which has contributed to the need to relate and work effectively with peoples from different culture and subcultures is the increasing globalization of the workforce. This phenomenon has been spurred by two primary factors: (1) the easing of barriers to immigration and emigration in many countries, and (2) the lower birthrate and overall aging of the workforce in the industrialized countries have resulted in a growing emigration of younger employees from the less developed countries to the industrialized countries. Johnston (1991) has dubbed this phenomenon as the “Global Workforce 2000.” Considering the case of Canada, one sees a dramatic change in the ethnic composition of its workforce. In 1982, for example, fewer than 10,000 immigrants came from Africa and the Middle East. In 1992, this increased more than four-fold to over 40,000. Perhaps the most significant increase (in absolute numbers) has come from the Asia/Pacific region. In 1982, under 40,000 immigrants arrived from this region. In 1992, however, over 120,000 immigrants were admitted from this region. During the same decade, the number of immigrants from the United States and Europe have declined slightly (*Immigration Canada*). It is estimated that in the city of Toronto alone, for example, there are peoples from 170 different cultural subgroups. This dramatic shift in the ethnic mix of immigrants into Canada has led to unhealthy tensions and conflicts in the workplace and in society, at large (Lipp and Clarke, in press).

According to the U.S. Department of Labor, only 15% of new entrants to the workforce from 1985 to 2000 will be white males. As such, management policies and practices which once served organizations staffed primarily by white males at the professional and managerial levels may be rendered inoperative. Kanter (1979), for

example, illustrated how men, despite the best of intentions, may create obstacles to the advancement of women in organizations. Women professionals and managers have complained about the “glass ceiling” and “brick wall” effects (*Newsweek*, August 24, 1992). Research has shown that the rate of turnover among women and African Americans in professional jobs can be high (Cox 1991).

Emergence of the Network Structure

Organizational downsizing, necessitated in part by the global recession of the late 1980s, has led to a substantial reduction in the workforce in many industries. In fact, several industry leaders have been moving in the direction of the network structure. Jack Welch, CEO of General Electric, for example, has decreased the number of layers between the president’s office and product divisions from nine to four. Welch’s goal is to reduce this ultimately to one layer—his so-called notion of “boundarylessness” (Bartlett and Ghoshal 1989; Tichy and Charan 1990; Charan 1991). Besides reducing the number of levels in an organizational hierarchy, the network structure calls for greater interaction among employees from different functional groups, area specializations, and geographic locations around the world to work together to engage in new product design and development and in manufacturing. This greater interconnectedness and interdependency among organizational units located in disparate corners of the global have become possible with the quantum advances in telecommunications and data processing. Instantaneous access to a wide variety of data and information from geographically dispersed countries has become a reality.

In addition, the network structure requires greater responsiveness to customers and suppliers. In fact, suppliers and customer representatives are often included as members of “in-house” teams to improve product design and output. The evolution of this new organizational form means that organizational participants must not only be able to work closely with peoples from other countries, but must also be adapt at understanding and grasping the interaction among multiple functions and disciplines. These multiple functions and disciplines, by themselves, constitute yet another form of diversity.

To benefit from these three developments, it is imperative that managers and employees be able to work together with people from diverse nationalities and cultures. In the case of South Africa, for example, (the focus of the paper by

Horwitz et al.) the very survival of the "new" South Africa is contingent upon that country's ability to manage effectively such diversity.

Why Is It Important to Manage Diversity?

Research (Yanklevich 1978; Howell 1982) has shown that the average North American employee expands about 25% of his/her potential on the job. Furthermore, such research has indicated that the level of effort expanded by an individual is dependent, to a large extent, on how the person feels about the people he/she works for and with. In light of these findings and the new organizational realities alluded to in the previous section, organizations can turn these new challenges into exciting opportunities to raise organizational efficiency (Cox and Blake 1991).

Five manuscripts in Track 1 attempt to relate the management of diversity to firm performance and/or organizational effectiveness. Caligiuri and Stroh, adopting Heenan and Perlmutter's classification, identified four HRM strategies in the international context: ethno-, poly-, regio-, and geo-centric. They studied the recruitment, selection, and socialization policies and practices in a sample of U.S. multinationals. Through a questionnaire survey, Caligiuri and Stroh provided some support that multinationals which espoused a geocentric HRM strategy were associated with a higher level of financial performance than those adopting an ethnocentric approach. Based on literature review, Dyer and Reeves presented a taxonomy of HR strategies, ranging from "traditional," "control," and "mass production" strategies, on one end, to "innovative," "commitment," and "flexible production" strategies, on the other. Dyer and Reeves hypothesized that the latter set is superior and asserted that such strategies should have a positive relationship with productivity. While suggesting one set of strategies as superior, Dyer and Reeves (similar to Lawler 1992; Kochan and Osterman 1994; and Pfeffer 1994) subscribe to a contingency perspective (i.e., the most appropriate human resource strategy depends upon the specific organizational environment, structure, and process technology confronting the firm). In Nam's comparative analysis of an American-Korean joint venture bank and a Japanese-Korean joint venture, he found that the HR approach espoused by the latter (emphasis on corporate welfarism and organizational commitment) was associated with better financial performance. Drawing upon Porter's (1990)

"competitive diamond," Tayeb introduced the concept of "cultural repertoire" which is tied to the quality of a country's HR supply and management. She argued that some nations have a rich "cultural repertoire" (such as the United States and Japan) and therefore can excel in many industries, while countries which are deficient in this regard (such as Iran) do not appear to possess a competitive advantage in any industry. Lam identified three types of merger strategies: extension, redesign, and collaborative. Her case study of a Japanese acquisition of an established U.K. firm in the electronics industry in 1992 is an example of a collaborative merger characterized by "interface cooperation." The latter is defined as one where there is "a clear division of labor" between the acquiring company and the acquired company. While the acquisition is functional at present, she suggested that this form of cooperation can be "potentially unstable and has limitations." Lam's assertion is consistent with Rieger and Wong-Rieger's (1991) typology of acculturation processes. Based on Berry's (1980) two dimensions of acculturation—cultural preservation and partner attractiveness—Tung (1993) identified four patterns of interaction between peoples of two national cultures or across members of different subcultures in a given nation. These are: integration/pluralism, assimilation, deculturation, and separation. Integration represents the most optimal form of interaction since the better elements from the various cultures or subcultures are combined to bring about an efficient deployment of resources and materials. The most dysfunctional form of interaction is separation where each group disdains the culture or subculture of the other group. As such, both groups are either incapable of working with each other or one group (usually the subordinate group) is "prevented from participating fully in the culture of the dominant group" (Rieger and Wong-Rieger 1991:4).

While there is no evidence to suggest that the relationship between the Japanese acquiring company and the acquired British firm in Lam's case study is moving toward separation, the interaction resembles the deculturation mode where "each group retains its distinct set of norms and behaviors" (Tung 1993:466). Lam attributes this to the "politically sensitive" nature of the Japanese acquisition. "There is an implicit agreement, prior to the acquisition, that (the British firm) would be run and managed as a European company, with a high degree of autonomy from its Japanese parent."

How Can We Manage Diversity?

The term, managing diversity, can be problematic since it may suggest that there is something inherently perverse about diversity; hence the need to control or manage it. Consequently, many have chosen to use the term, valuing diversity, instead. Tung (1993) identified two general categories of programs to develop proficiency in handling cross-national and intranational differences. These are: (1) programs designed to raise participants' consciousness/awareness about differences in values, attitudes, patterns of behavior, and communication that may exist across cultures or sub-groups; and (2) programs designed to develop new skills and competencies, including communication competency, proficiency in other languages, and negotiation skills.

Programs to Raise Consciousness/Awareness

While most people prefer the familiar ("homophily") and fear the dissimilar (Ibarra 1992), in valuing diversity, it is important to look beyond the differences to capitalize on the attributes which make each individual/subgroup unique and distinct. Langer (1989) coined the term "mindfulness" to refer to the need to raise consciousness/awareness so that we can free ourselves from traditional mindsets in order to innovate and make progress. In her book by that title, Langer (1989) identified the problems associated with "mindlessness," the opposite of mindfulness. She characterized mindlessness as a state "[W]hen our minds are set on one thing or on one way of doing things, mindlessly determined in the past, we blot our intuition and miss much of the present world around us" (p.118). In contrast, mindfulness encourages "openness to new information...and different points of view" (pp.66-8). Langer (1989) highlighted the pitfalls associated with mindlessness by presenting a situation where the subjects (able-bodied children) were asked to select members for a team for activities such as pinning the tail on the donkey, a sing-along, or soccer. The pool of potential team members included children who are blind, those who are in wheelchairs, and others who have no apparent physical disability. Langer noted that while there may be a natural tendency for the subjects to select other able-bodied children, on closer introspection (mindfulness), however, for a game of pinning the tail on the donkey, there is actually an advantage to selecting the children who are blind; for a sing-along, it does not

matter whether the children have use of their sight or whether they are in a wheelchair; and for a game of soccer, the children with no apparent physical disability appear most appropriate. This led Langer (1989:168) to conclude that mindfulness can result in "less *indiscriminate* discrimination."

In managing cross-national and intranational diversity, the objective of such consciousness/awareness raising programs is to make managers "mindful" of the fact that women and members of other cultures or subgroups, because of their upbringing, may espouse different values and assumptions which can affect the way they cooperate, compete, communicate, plan, organize, and are motivated. In short, the objective is to reduce prejudice by "increasing discrimination" (Langer 1989). Thus the goal in valuing diversity is to capitalize on the strengths and distinctive attributes of each individual or subgroup so that the whole will be greater than the sum of the parts.

While examining and accepting such differences, it is equally important that people not lose sight of the commonalities that bind them toward certain common objectives, such as higher productivity, enhanced profitability, and so on. Studies on international business negotiations (Tung 1984, 1991) have shown that positive outcomes are contingent upon effective conflict resolution and the ability to recognize the common interests that can bind the two parties to the negotiation. Without the latter, there is no incentive for the partners to work together. Thus the process of valuing diversity—that of emphasizing commonalities as well as dissimilarities—resembles the double-faced Navajo rug analogy developed by Beulah Rohrlach (Howell 1982). One side of the Navajo rug represents societal norms characteristic of the entire nation (i.e., commonalities); the other side constitutes personal adaptation based on subgroup and individual differences (i.e., dissimilarities). The beauty and value of a Navajo rug is derived from the fact that while there are commonalities, it is possible and desirable to preserve and retain the distinctive attributes of the various subcultures and groups which constitute the whole (Tung 1993). The Navajo rug analogy echoes Kluckhohn's assertion, "In some respects, all men are the same; in some respects, some men are the same; in some respects, each man is unique."

Marginson et al. explored this theme in their paper by studying the development of international management teams in a sample of U.K. firms, a third of which are North American or

other European owned. They found that there was a greater tendency for companies which pursue global strategies to develop international management teams through the rotation of senior managers. Through assignments and intensive interactions with executives from other countries, managers acquire useful knowledge and insights on how people from other cultures perceive, interpret, analyze and synthesize information, thus, influencing their behaviors. Consequently, international management teams can become effective mechanisms to help senior managers develop a more geocentric perspective.

Programs to Develop New Skills and Competencies

Some skills and competencies which are crucial to effective intercultural interaction are communication competency, proficiency in other languages, and negotiation skills.

Communication competency. Miscommunication can create misunderstanding, lead to conflicts, and thus pose barriers to cooperation. Effective communication, on the other hand, can break down such misunderstandings and thus facilitate performance in an organizational setting. Miscommunication can arise when the message intended by the sender fails to resemble the message perceived by the receiver. This gap between intention and perception can stem from the different fields of experience of the sender and the receiver, including the meanings/interpretation assigned to specific words and the encoding/decoding of messages on either side (Howell 1982; Ronen 1986). These different fields of experience are largely culture based. Members of high-context cultures (such as Japan, Latin, and Mediterranean countries) flourish on implicit messages whereas members of low-context societies (such as the United States, and northern European countries) insist on directness. An estimated 70% of the world's population is high context (Hall 1976).

Utilizing the five-stage model of communication competency developed by Howell (1982) and subsequently adapted by Ting-Toomey (1992), Tung (1993) has applied it to the process of cross-national and intranational communication. The five levels of communication competency are: unconscious incompetence, conscious incompetence, conscious competence, unconscious competence, and unconscious super-competence. Unconscious incompetence, on one end of the continuum, may stem from ignorance (i.e., a member of one group may

unintentionally insult members of another without being aware that he/she has done so). An example of unconscious incompetence in a cross-national context is an American equating the Koreans with the Japanese. An American who is unaware of the historical baggage between the Koreans and Japanese may think he is paying the Koreans a compliment by referring to their country as the "Second Japan." In the intranational context, an example of unconscious incompetence is Ross Perot's use of "your people" in addressing African Americans at a gathering of the NAACP in June 1992. While Perot was apparently unaware of the potentially racist connotation associated with the phrase, the term "your people" does allude to a "we/they" separation and hence can be interpreted as insulting to minorities.

With unconscious super-competence on the other end of the continuum, the person becomes truly bicultural and bilingual (in the cross-national context) and moves with spontaneity between one set of cultural norms and another. The goal of managing cross-national and intranational diversity is to attain level 3 (conscious competence), and hopefully, levels 4 (unconscious competence) and 5 (unconscious super-competence). However, to progress to these stages in the five-phase model of communication competency, three minimal requirements must be met: (1) A willingness to acknowledge that differences do exist across cultures and cultural subgroups; (2) a genuine attempt to understand such differences; and (3) a desire to value the diversity between groups and among subgroups, the intent of which is to combine the better elements from all groups to mobilize effectively resources to advance organizational goals and performance. To advance to the stage of unconscious competence or unconscious super-competence, the diversity agenda has to become second nature to the organizational participants. Thus managing diversity cannot be relegated to the exclusive domain of one or several people in the organization nor can its agenda be dealt with only occasionally. Rather, the diversity agenda must pervade all levels of the organizational hierarchy and all aspects of organizational functioning so that it becomes an integral and vital part of the organization. As Mammam advises, it is better for organizations to adopt proactive rather than reactive strategies in dealing with diversity. Proactive strategies allow companies to value diversity and thus derive synergy, rather than to respond passively to developments and thus seek to contain or control the phenomenon.

Proficiency in other languages. While knowledge of the host society's language will not always guarantee effective interaction and communication with local nationals, it does promote greater understanding of the subtleties and innuendos of the culture and norms of the target country. Referring to the Japanese language, for example, Cramer (1990:89-90) noted that "Japanese is more than a language—it is a window into a way of thought and action that is very different from our own...It's what you don't say that's sometimes more important than what you do say. It's how you say it...[I]n a multi-party negotiation...those participants who do speak (Japanese) have some cultural fluency that allows them to measure the flow of the negotiations with a great deal more sensitivity."

Tannen (1990) has shown that there can be significant differences between male and female communication patterns in the United States. She found that women, similar to members of high-context cultures, tend to use qualifiers and tag questions and make more indirect requests. In her opinion, these do not stem from insecurity or insincerity; rather, such usage is largely a function of their subgroup or cultural upbringing.

Negotiation skills. In a 1987 study by Korn/Ferry International and Columbia University Graduate School of Business, senior executives were asked to identify and rank order the ten most important skills to be possessed by chief executive officers for two time periods: 1988 (present) and the year 2000 (proverbial future). "Negotiation/conflict resolution" skills were ranked as fourth in importance for 1988 and third in importance in 2000 (*Twenty-First Century Report* 1989). The developments alluded to earlier in this paper the formation of global strategic alliances, the emergence of the network structure, and global workforce 2000—explain why it is increasingly important for executives of the future to possess strong negotiation/conflict resolution skills. These developments necessitate greater and more intensive interaction between peoples of different societies and systems, thus, substantially increasing the incidence of conflict and tension among the groups.

Summary and Conclusion

In summary, as we pause on the threshold of the third millennium, valuing diversity constitutes a strategic challenge to governments and industry. As notes earlier, valuing diversity does not merely embrace managing cross-national and

intranational differences. It also includes valuing the diversity of practices and approaches to analyzing and solving problems that confront organization. Thus valuing diversity represents a significant opportunity for organizations to capitalize on such variety to raise organizational efficiency and, ultimately, to improve national competitive advantage. These new organizational realities and challenges have accounted for the growing popularity of the SHRM paradigm which seeks to relate human resource practices to business strategies with the specific objective of raising organizational performance. The papers in this track have done a good job in addressing this strategic challenge, including the what, why, and how of valuing diversity.

Endnotes

¹Acculturation refers to "the process by which group members from one cultural background adapt to the culture of a different group" (Rieger and Wong-Rieger 1991).

²This need applies to managers in other countries which face a similar predicament.

References

- Bartlett, C., and Ghoshal, S. 1989. *Managing across Borders: The Transnational Solution*. Cambridge, MA: Harvard Business School Press.
- Berry, J.W. 1980. "Acculturation as Varieties of Adaptation." In A.M. Padilla, ed., *Acculturation: Theory, Models and Some New Findings*. Boulder CO: Westview Press.
- Black, J.S., and Gregersen, H.B. 1992. "Serving Two Masters: Managing the Dual Allegiance of Expatriate Employees." *Sloan Management Review*, (Summer), pp. 61-71.
- Charan, R. 1991. "How Networks Reshape Organizations—for Results." *Harvard Business Review*, (September-October), pp. 104-15.
- Copeland, L., and Griggs, L. 1985. *Going International*. New York: Random House.
- Cox, T. 1991. "The Multicultural Organization." *The Executive*, Vol. 5, no. 2, pp. 34-47.
- _____. 1993. *Cultural Diversity in Organizations: Theory, Research and Practice*. San Francisco: Berrett-Koehler Publishers, Inc.
- Cox, T. and S. Blake. 1991. "Managing Cultural Diversity: Implications for Organizational Effectiveness." *The Executive*, Vol. 5, no. 3, pp 45-56.
- Cramer, B.A. 1990. "Developing Competitive Skill: How American Businesspeople Learn Japanese." *Annals of the American Academy of Political and Social Science*, Vol. 511, pp. 85-96.
- Hall, E.T. 1976. *Beyond Culture*. Garden City, NY: Anchor Press/Doubleday.
- Howell, W.S. 1982. *The Empathic Communicator*. Prospect Heights, IL: Waveland Press, Inc.

- Ibarra, H. 1992. "Homophily and Differential Returns: Sex Differences in Network Structure and Access in an Advertising Firm." *Administrative Science Quarterly*, Vol. 37, pp. 422-47.
- Immigration Canada*.
- Johnston, W.B. 1991. "Global Workforce 2000: The New World Labor Market." *Harvard Business Review*, Vol. 69, no. 2, pp. 115-27.
- Kanter, R.M. 1979. "Power Failure in Management Circuits." *Harvard Business Review*, Vol. 57, pp. 65-75.
- Langer, E.J. 1989. *Mindfulness*. Reading MA: Addison-Wesley Publishing.
- Lipp, D., and Clarke, C. In press. *Kiki: Dangers and Opportunities—The Crisis facing U.S.-based Japanese Companies*. Chicago IL: Intercultural Press.
- Maruyama, M. 1992. "Changing Dimensions in International Business." *Academy of Management Executive*, Vol. 6, no. 3, pp. 88-96.
- Newsweek*, August 24, 1992.
- Pfeffer, J. 1994. *Competitive Advantage through People*. Boston MA: Harvard Business School Press.
- Porter, M.E. 1990. *The Competitive Advantage of Nations*. New York: The Free Press.
- Rieger, F., and D. Wong-Rieger. 1991. "The Application of Acculturation Theory to Structuring and Strategy Formulation in the International Firm." Paper presented at the Strategic Management Society Annual Meeting, Toronto.
- Ronen, S. 1986. *Comparative and Multinational Management*. New York: Wiley.
- Statistics Canada*.
- Tannen, D. 1990. *You just Don't Understand: Men and Women in Conversation*. New York: Ballantine Books.
- Tichy, N., and Charan, R. 1991. "Speed, Simplicity, Self-confidence: An Interview with Jack Welch." *Harvard Business Review*.
- Ting-Toomey, S. 1992. "Cross-cultural Face Negotiation: An Analytical Overview." Paper presented at the Pacific Region Forum, Simon Fraser University, Canada.
- Tung, R.L. 1981. "Selection and Training of Personnel for Overseas Assignments." *Columbia Journal of International Business*, Vol.16, no. 1, pp. 68-78.
- _____. 1984. *Business Negotiations with the Japanese*. Lexington MA: Lexington Books, D.C. Heath.
- _____. 1988. *The New Expatriates*. Cambridge, MA: Ballinger Publishers.
- _____. 1991. "Handshakes across the Sea: Cross-cultural Negotiating for Business Success." *Organizational Dynamics*, Vol. 19, no. 3, pp. 30-40.
- _____. 1993. "Managing Cross-national and Intra-national Diversity." *Human Resource Management Journal*, Vol. 23, no. 4, pp. 461-77.
- _____. 1994. "Strategic Management Thought in East Asia." *Organizational Dynamics*, Vol. 22, no. 4, pp. 55-65.
- Twenty-first Century Report: Reinventing the CEO*. 1989. Study conducted jointly by Korn/Ferry International and Columbia University Graduate School of Business.
- Wall Street Journal*, December 11, 1989, p. B1.
- Yankelovich, D. 1978. "The New Psychological Contracts at Work." *Psychology Today*, Vol. 2, p. 47.

Abstracts of Invited Papers: Track 1

The Global Human Resource Challenge: Managing
Diversity in International Settings**Employment and Wage Practices of Japanese Firms
in the Philippines: Convergence with Filipino-Chinese
and Western-owned Firms**

Maragtas S.V. Amante
University of Philippines, PHILIPPINES

In foreign-owned Philippine firms, human resource approaches and practices tend to converge. Japanese-owned firms localize their human resource practices by emphasizing local standards and practices in compensation, hiring, recruitment, job assignments, and the like.

On the other hand, Western-owned firms tend to adopt well-known Japanese-style practices. Filipino-Chinese-owned firms tend to be traditional, emphasizing both informal and hierarchical control mechanisms which puts a premium upon loyalty and trust through familistic, informal but hierarchical control mechanisms. As the owners of these firms pass on control to the next generation, they tend to hire professional managers. These managers include younger generation Filipino-Chinese educated abroad. They are torn between the rational and traditional norms and practices insisted upon by their Confucian-oriented elders and the demands of a competitive and ever-changing technology and economy.

It is quite meaningless to attach adjectives like “Japanese,” “Filipino-Chinese,” or “Western” to universal concepts such as industrial relations and human resources approaches—the search for the best approach in work relations goes beyond the issue of convergence or divergence.

**Human Resources Strategies and Firm Performance:
What Do We Know and Where Do We Need to Go?**

Lee Dyer
Cornell University, U.S.A.

Todd Reeves
AT&T - Global Information Solutions, U.S.A.

Do human resource strategies—defined as internally consistent bundles of human resource practices—contribute to organizational effectiveness? “Maybe,” this review of the applicable research suggests, but it’s not clear how or why. Specifically: (1) Bundles have been shown (in one study) to be more effective than their individual components at enhancing labor productivity; (2) Not all bundles are equally effective, though—some configurations are clearly better than others not only at enhancing labor productivity, but also at controlling employee turnover and improving product quality; (3) The more effective bundles, however, are by no means identical from study to study, belying the existence of a clearly superior human resource strategy and making it difficult to explain the results; and (4) There is no convincing evidence that the explanation lies in the contingency hypothesis—that is, in the notion that the more effective bundles are those which fit best with extant business strategies (or organizational contexts). But, these observations are based on a limited number of studies which are generally lacking in theoretical rigor, non-cumulative, and focused on quite narrow samples. At this juncture, then, it seems that the strategic human resource management bandwagon, notwithstanding its conceptual allure, is barreling along on a rather fragile empirical undercarriage.

**Employment Equity, Human Resource Development and
Institution Building in South Africa**

Frank M. Horwitz
University of Cape Town, SOUTH AFRICA

The process of economic and social reconstruction in South Africa has harnessed capital, organized labor, and state agencies in emergent tripartite macro-policy forums; in particular, the National Economic Forum and National Education and Training Forum. Public policy on human resource development, affirmative action, and diversity issues is increasingly an outcome of negotiations in these structures. However, although significant legislative developments on these issues are envisaged in the near future, micro-institutional adaptation has not been adequately researched. The nomenclature of valuing diversity may have ambiguous connotations in South Africa. The apartheid state was constructed on the ideological basis of ethnic fragmentation rationalized by ethnic and cultural diversity. At the same time, diversity is now a social reality in seeking to build common national and organizational goals, symbols, and identity. This paper discusses structural and labor market factors associated with the process of employment equity and diversity management in South African organizations. A research project at the Graduate School of Business, University of Cape Town, has established a national data base covering one million employees which enables benchmarking of company and sectoral practices in regard to affirmative action, diversity policy, training and development expenditure and skills formation. The project has also begun to longitudinally track diversity representation at all levels across a major sector using common jobs evaluation/grading standard for comparability. The project considers both quantitative and qualitative factors in human resource development. Findings from this project will be presented and critically evaluated.

**Building Integrated Workforces across National Borders:
The Case of British and Japanese Engineers**

Alice Lam
University of Kent, U.K.

The frameworks within which national management systems, labor markets, and skills development are organized are heavily institutionalized and generally are an integral part of a country's employment system. As firms extend their operations across national borders and seek alliances or partnerships with foreign firms, they increasingly need to create integrated teams of managers and technical specialists across different countries. This is causing firms to modify and reshape many of their existing management and work practices in order to achieve cross-cultural integration.

This paper examines the case of a Japanese takeover of an established European firm in the electronics industry. More specifically, it analyses how the differences in organizational culture and management practices affect the operation of joint management and product development teams. It also explores how the two companies attempt to resolve problems of "cultural conflict" by gradually transforming their established management systems. The study is based on in-depth case studies and interviews with British and Japanese engineers directly involved in joint product development activities in the merged company.

My previous research in British and Japanese electronics firms highlights very different patterns of work organization and skills formation of engineers in the two countries. For example, the Japanese model of engineering formation, being primarily organizational based, tends to put strong emphasis on the mastery of a wide range of knowledge and skills through a slow process of structured job rotation and on-the-job training. This appears to be incompatible with the career expectations of British engineers which stress professional specialization and early project management responsibilities. Moreover, Japanese firms' strong emphasis on using multi-functional project teams and close integration of the product development cycle also stands in sharp contrast with the functional and segmented approach in British firms. The paper discusses the implications of these differences for the operation of cross-cultural project teams. It also looks at the strategies adopted by the two partner companies in achieving coordination and cross-cultural integration.

The paper addresses the issue of transfer of management knowledge and ideas across national borders through the process of international mergers and takeovers. It provides a concrete analysis of organizational learning and raises the question of how far corporate policies can override national differences to create a global company.

Strategic Compensation in South Korea's Publicly Traded Firms

Michael Byungnam Lee
*Georgia State University, U.S.A., and
The Lucky-Goldstar Group, KOREA*

Vida Scarpello
Georgia State University, U.S.A.

B. Wayne Rockmore
East Tennessee State University, U.S.A.

This strategic compensation model based on contingency theory of organizations poses that a fit between the organization's business environment and compensation system will affect the firm's performance. This proposition was tested with a set of Korean sample data of 75 publicly trade companies within 34 three-digit Standard Industrial Classification codes.

Measures

Environmental uncertainty. The environmental uncertainty measure assesses the executive's perception of the effect of seven environmental components on the business unit's operations. An index score is calculated for each of the seven environmental component responses by multiplying the importance of the component by the rate of change in the component.

Compensation system characteristics. An eight-item measure, representing eight compensation system characteristics discussed in the literature, applicable to Korean firms, was used in this study.

Firm Performance. This variable was measured by indexes reflecting the average annual gain or deficit in ROA (return on asset) and EPS (earnings per share) reported over the previous five-year period before the survey. The measure was developed by Rockmore (1992).

Procedure and Sample Data

The English version questionnaire on the executives' perception of the task environment uncertainty, and compensation system characteristics was first translated into Korean language by the author and then it was sent to an outside subject expert to be back-translated into English.

Employee Intercultural Effectiveness in a Multicultural Workplace: Theoretical Propositions, Strategies and Direction for Future Research

Aminu Mamman
Northern Territory University, AUSTRALIA

This paper attempts to identify some of the key factors that can impinge on employee intercultural effectiveness in a multicultural workplace. Behavioral, attitudinal, cognitive, and personality factors have been recognized as the main psychological factors that can impinge on intercultural effectiveness. Because intercultural effectiveness can be influenced by employees' sociobiological background, employees' ethnicity, age, country of origin, educational/professional attainment, and religion, is noted as among the factors that can impinge on intercultural effectiveness as well. In addition to these factors, employees' intercultural effectiveness is argued to be influenced by prior experience and organizational factors such as structure, systems, and policies. Given the significance

of sociobiological background, strategies for managing this background have been presented. Finally, the paper offers direction for future research.

Extending beyond Borders: Multinational Companies and the International Management of Labor

Paul Marginson
University of Warwick, U.K.

Peter Armstrong
Sheffield University, U.K.

P. K. Edwards
Templeton College, U.K.

John Purcell
University of Oxford, U.K.

Multinational companies (MNCs) are playing a central role in driving forward the globalization of economic activity. The paper investigates the potential consequences of MNCs' globalizing strategies for the management of labor. It is argued that a growing number of MNCs have the ability to exercise coercive comparisons of labor performance between operations in different countries. It also examines the extent to which MNCs have the capacity to develop international management teams. Empirically the paper draws on findings from a representative survey of employee management conducted in 1992 among MNCs operating in the U.K.

The survey identified clear evidence of transnational forms of management organization, including in the personnel sphere. Regular international meetings of personnel executives and a worldwide personnel policy committee were reported in one-third of MNCs. But it also underlines that moves to globalism are uneven. Structures and policies to develop international management teams are found primarily among certain types of MNCs. Most striking was the extent to which MNCs are actively engaged in the management of nonmanagerial employees at the international level. Seven out of every ten companies monitored labor performance across sites in different countries. Monitoring of labor performance was more common among MNCs with global tendencies: those organized along international business lines and those where production or service provision is integrated across countries. Above all, regular meetings of personnel managers from different countries had a strong impact on performance monitoring.

The broader significance of performance monitoring at the international level lies in the decisions on investment and disinvestment which flow from the use of this information. As MNCs, keen to attract future investment, develop continental production strategies, pressures on local workforces for performance improvements are likely to intensify. Conversely, where extensive markets are serviced from just one or a few sites, the importance of labor performance to MNCs is likely to be enhanced. Indeed, labor considerations were most commonly rated "important" in decisions on locating investments among those MNCs with international management structures. These developments pose considerable challenges for organized labor which remains primarily local and national in its organizational focus.

Human Resources Management and Industrial Relations in Italy

Serafino Negrelli
Brescia University, ITALY

Tiziano Treu
Catholic University of Milan, ITALY

Evolution of industrial relations and human resource management in Italy in the last decade is analyzed through qualitative case studies, quantitative surveys and a combination of qualitative/quantitative data originated from network researches.

In the 1980s, the complementary industrial relations/human resource management in Italy were based of the trade-off between employment security, work flexibility, and industrial adjustment. In the 1990s this complementarity is under the pressures of a second restructuring process (and privatization) of the Italian enterprises.

The last surveys underline that the basic features of industrial relations were not altered, but the data confirm the critical importance of the relationship between industrial relations and human resource management and also the fragility of this balance.

**Strategic International Human Resource Management
Approaches in the Maquiladora Industry:
A Comparison of Japanese, Korean and U.S. Firms**

Yongsun Paik

Loyola Marymount University, U.S.A.

Mary B. Teargarden

San Diego State University, U.S.A.

The maquiladora option has made Mexico an increasingly attractive off-shore manufacturing site for multinational enterprises (MNEs) seeking global competitiveness. However, MNEs often encounter human resource management (HRM) challenges as they attempt to leverage these maquiladora benefits. MNEs use three approaches to international human resource management (HRM) design in addressing these challenges—a mechanistic, “control” approach; a *paternalistic*, “human relations” approach; and a *developmental*, “human resource” approach. This paper compares and contrasts these IHRM design approaches in Japanese, Korean, and U.S. maquiladora manufacturing operations in Mexico, identifies implications for the management of diversity based on these findings, and discusses the related competitiveness implications.

**The Adoption of International Best Practices
in a Western Culture: East Meets West**

Mark A. Shadur

Queensland University of Technology, AUSTRALIA
and

John J. Rodwell, Greg J. Bamber and David Simmons

Contemporary organizations face changing economic and strategic realities that include global competition, fragmentation of the marketplace and the increased expectations of customers. Within this context there have been several models advanced to explain organizational performance. It has become common to consider these in terms of “best practices,” those strategies which can increase an organization’s competitiveness. Internationally in recent years, best practices may be said to have emanated from the U.S.A., some European countries and Japan; however, the question remains, Can international best practices be transferred to Australia or elsewhere? Focusing on Japanese management, we examine the extent to which these best practices have been adopted in three important industries in Australia: automotive, information technology, and tourism. Since companies in Japan have been seen as harbingers of these best practices, we compare the level of adoption in Japanese and non-Japanese companies in these Australian industries.

Differences between Japanese and non-Japanese companies were more apparent in the automotive industry with only a few differences found for the information and tourism industries. The main differences between the two ownership categories were in areas of unionization and union-management relations, that is areas that may be influenced more by institutional arrangements than by culture differences. Perhaps the most interesting finding from the comparative research was that there were few differences between the Japanese and non-Japanese companies in Australia. These characteristics include: organizational structure, labour turnover, teams as part of the organizational

structure, levels of training, use of ringi-style decision making, security of employment, employee welfare schemes, the use of and success with performance appraisal and performance-related pay, and a wide range of quality systems. The key pillars of Japanese management are not being

transferred, and we cannot expect to see identical arrangements regarding other management practices. But the differences between Japan and western countries such as Australia are very gradually declining.

Competitive Advantage of Nations: The Role of HRM and its Socio-cultural Context

Monir Tayeb
Heriot-Watt University, SCOTLAND

This paper sets out the theoretical background and main hypotheses of an ongoing literature-based project conducted by the author. The main premise of the study is that there are broad links between the competitive advantage of nations and the management of their human resources at macro and micro levels, and that the socio-cultural characteristics of the nations play a significant role at both levels.

The issue of adapting HRM practices to the socio-cultural context, on the one hand, and to macro-economic performances of nations, on the other, is under-researched relative to other areas of cross-cultural studies. The present study, building mainly on Porter's (1990) model but also that of others, is intended to make a useful contributions to this field. This paper, however, does not discuss the study's research methodology and its findings so far, but only its underlying propositions and arguments.

The paper starts by discussing some of the causes of macro-level advantages in human resources. The focus is then brought down to the micro-level analyses of HRM practices, such as the what and how of management, ability to adopt foreign practices, expatriates management and the management of a multi-cultural workforce. Each section or subsection ends with one or more propositions that crystalize and clarify the arguments advanced in that section.

Human Resource Management in German and American-owned Companies: How National Institutions Do and Don't Constrain Organizational Strategies

Kirsten S. Wever
Consultant, U.S.A.

The primary reason underlying American managers' distaste for unions is a principled aversion to political or institutional "constraints" on the workings of the free market and on the freedom and discretion of employers to allocate resources as market forces would dictate. Not surprisingly, then, American companies operating in other countries—which are more heavily "institutionalized" than the US economy—try to avoid or bypass these to the extent that it is possible to do so. This is supported by empirical evidence concerning the views, policies and strategies of managers in American-owned chemical companies operating in Germany, regarding human resources and employment relations. The evidence also indicates that substantial variations in human resources styles and policies are feasible within the German system of employment relations, notwithstanding the existence of manifold legal, political and social constraints on managerial discretion. German companies operate in ways that are strikingly different from their American competitors.

However, when compared to those of German firms, the views, policies and strategies of managers at U.S.-owned companies can be seen to entail clear political and economic costs, as well as certain benefits. That is, in the German context it can make economic sense to work with what American managers would view as "institutional constraints"—unions and works councils—rather than trying to weaken and work around them. I conclude that the competitiveness of firms—and indeed economies more broadly—by no means requires a simple minimization of institutional

constraints on managerial discretion and strategy, but rather depends on the development of strategies and policies that make the most of a given locally available set of resources and conditions.

Downward Influence Styles in Cultural Diversity Settings

Ryh-song Yeh

The Chinese University of Hong Kong, HONG KONG

This study used the cultural value of individualism to explain direct interpersonal influence behavior used by Japanese and American expatriates and indirect structural influence pattern which together have molded the influence behavior of Taiwanese managers. As predicted, the collectivists (Japanese expatriates) were found to use more assertiveness, exchange and higher authority strategies than the individualists (American expatriates). The difference in downward influence style between Taiwanese managers in Japanese and American subsidiaries did reveal the acculturation effects of Japanese and American organizational cultures. The familiarity with local cultural values and language increased the frequency of using influence for Taiwanese managers, but it did not render the Japanese a similar influence style as the Taiwanese.

RAPPORTEUR'S REPORT: TRACK 2

Emerging Models of Worker Participation and Representation

Berndt K. Keller
Fakultat für Verwaltungswissenschaft
University of Constance
Konstanz, Germany

During the last two decades we have started to experience major changes in all traditional institutions of worker representation. The pace of change has even accelerated since the early 1980s. The reasons for these recent micro and macro challenges are quite different; they include major political changes, economic strain, organizational and industrial restructuring, more national and international competition, global competitiveness, flexible concepts of production, the introduction and implementation of information technology in all sectors of the economy, and the growing need for more numerical and functional flexibility.

Authors of Track 2 reports differ widely in their strategic assessments, but they agree on at least one aspect of global importance: They stress the urgent need for developing new models of participation and representation to replace or complete with the traditional institutions. Not all of the general trends in our numerous experiments hold in detail for every finding. But nonetheless there are, indeed, some emerging patterns. New models are frequently directed toward more cooperative decision making, more employee involvement, more labor-management consultation and mutual trust instead of largely defined management prerogatives, overt or hidden labor conflicts, antagonism and mistrust.

The forms and extent of the emerging models differ to a considerable degree not only between but within countries according to variables such as unionized vs. nonunionized settings, sector-based vs. enterprise-based unions, the degree of former and present state interference, various forms of representation, consultative vs. substantive participation, etc. These new concepts of employee involvement should lead to improved economic performance such as higher productivity, product quality and improved IR.

Changing Patterns of Representation and Participation

National reports from developed/industrialized, as well as from less-developed/less-industrialized countries, present a broad overview of fundamentally changing patterns of representation and participation in different parts of the world.

In the case of the new South Africa with its persisting heritage, innovative bargaining regimes involving more than one union are supposed to overcome the well-known deficiencies in the traditional majoritarian and all-comers systems of union recognition and representation which did not adequately meet the collective interests of both parties. Albertyn and Rycroft draw from their detailed case studies (of the Durban City Council and the Health Department) when claiming that within a constitutional framework multi-union and pluralist collective bargaining structures could possibly serve as a model for organizations and more cooperative IR. The newly emerging structures represent rival unionism and create a pluralist model of recognition with strict proportional representation. The described examples of innovation have led to more information for unions about the employer's business, a higher level of consultation and worker participation in managerial decision making, and an atmosphere of mutual trust stimulated by the obligation to bargain in good faith.

These tentative suggestions about the multi-union collective bargaining structure as a possible model for organization and as a regime for more cooperative forms of IR—not only in South Africa—are somewhat counterintuitive: Our experience from other countries shows that this specific form of organization can easily lead to difficulties and/or rivalry in interunion

relations and can create interoccupational problems. Even solid conclusions for one country with a unique set of constraints and opportunities are difficult to generalize.

Our second report on a non-industrialized country reveals a completely different structure of development. Mankidy examines the changing perspective of worker participation in India with special reference to one major sector: the banking industry. India has a surprisingly long history of legal and voluntary approaches of participation. But none of these different experiments (including board-level participation, works councils, joint management councils and quality circles) have resulted in any substantial accomplishment or had a visible positive effects; one of the major reasons was the uncompromising attitude of trade unions. After major changes in IR have taken place in the recent past (including a significantly lower number of strikes and lockouts, a gradual decline of trade unions, plus a shift in their attitudes toward more and better collaboration), a scenario of more cooperative IR and participative management has been emerging. Recent experiments with grass-roots-level participation include, among others, worker cooperatives, buyouts and employee stock option plans; the concept of quality circles has grown especially in a variety of industries.

The banking industry, the backbone of the economy, is an excellent example of this gradual emergence of a more positive IR climate within the severe pressures of the current macro-economic adjustment processes. This sector has faced a new trend of decentralized collective bargaining which used to take place at the industry level, an attitudinal change and remarkable reorientation of trade unions toward collaboration, and new value orientations of younger, better educated employees. Former perspectives on worker participation at the board level have been moved toward experimentation with more effective models of participation at the grass roots, primarily with the introduction of quality circles. Thus the case study of the banking industry substantiates the general trends.

All other Track 2 reports focus on industrialized countries. (Unfortunately we had no reports on Eastern or Central European countries.) In the case of Australia, McLean argues in favor of an extension of union's traditional role of representation in the workplace from a trade union perspective. He urges active union participation in the reform process and in changes at the workplaces, industry, infrastructure, etc. Unions should seek close cooperation with progressive and enlightened management

in the processes of change in order to promote members' interests with respect to present and future training needs and the development of new or additional skills. Detailed analysis of case studies support these strategic demands.

In order to better understand the nature of deunionization in Japan and the current prospects for reversing this trend, Rebitzer and Tsuru conducted a survey that questioned a sample of employees about wages, benefits and attitudes toward unions. Their major results are: (1) Japanese unions are finding it more difficult to organize new firms than in previous periods and that this difficulty is not the result of the employment expansions in previously nonunion industries or occupations. (2) The direct effect of unions on wages and benefits is currently very small; there is no difference in the cost of union labor relative to nonunion labor. (3) The absence of union wage and benefit differentials is likely to severely limit the attractiveness of unions for the nonunion workforce—instrumentally oriented nonunion employees are only interested in unions to the extent that they improve wages and working conditions. (4) Japanese unions dramatically improve the ability of employees to voice dissatisfaction on workplace issues, but this aspect of unionization is not highly valued by individuals.

Thus the enterprise union model typical for Japan has its important limitations. In contrast to traditional textbook wisdom, it does not provide a viable alternative: Unions adopt an accommodating position and do not bargain very aggressively because of their identification with the enterprise and its competitive position; therefore they are not very attractive for nonmembers. The overall result has been a slow but steady decline in union density, second only to the dramatic decline in the US. Interestingly enough, new forms of participation are not mentioned although such forms of representation are more frequent in Japan than in other OECD countries.

A form of worker participation not explicitly dealt with in the vast majority of the other reports is the subject of the paper by Gunderson et al. on Canada. They analyze employee buyouts of otherwise failing companies, in general, and illustrate the issue by means of a prominent case study, in particular. Such buyouts represent one possible policy to respond to dramatic restructuring and to make up for the associated job losses in many economies. They can also be seen as a possible form of varied employee participation in workplace decision making. The general pros and cons are manifold

depending on the perspectives of relevant actors. Evaluation studies of employee ownership generally find a positive impact on workers attitudes and behavior as well as on productivity, profitability and long-run survival of the organization. Key ingredients in the successful negotiation of buyouts are: support of all of the relevant actors, economic viability of the restructured organization, real change instead of merely cosmetic modifications, government support, expertise, time, and leadership.

There is optimism for the potential of worker buyouts despite the “clash of cultures” between labor and management. The collective agreement and governance arrangements are designed to change and transform the company culture from one of conflict to one of cooperation and joint governance. This analysis of a completely different form of workplace decision making reminds us that participation takes quite different forms and has a broad range.

According to recent surveys, workplace innovations and worker participation have positive outcomes. Batt and Appelbaum review the relevant literature and then ask two questions in the U.S. context: Do distinct forms (on-line work reorganization experiments vs. off-line participation programs) have different results on outcomes (i.e., firm performance and workers)? And if so, who benefits from which type of innovation—employees, employers, or both? In contrast to this bilateral analysis, recent research has focused only on the effects on company performance.

According to their detailed analysis of occupation-level data in widely divergent settings (three distinct occupations in telecommunications and apparel), work reorganization and on-line participation have consistently stronger effects on job satisfaction, organizational commitment, and perceptions of work group quality than does off-line participation, which is almost always insignificant in this analysis. Both workers and firms benefit from self-managed teams through enhanced jobs and greater work group quality, respectively. On-line or team-based participation also has a significantly greater effect on employee attitudes and perceptions. Firms benefit from team-based production through greater work-group quality. Surprisingly, observed outcomes are similar across widely divergent occupations.

For the U.K., Fernie and Metcalf illuminate the consequences of the decay of traditional collective IR coupled with the spread of human resource management techniques and the growing importance of authoritarian workplaces.

They use national establishment-level data to examine the effects of three forms of participation (i.e., employee involvement, contingent pay, and different forms of collective representation) on different economic and IR variables—productivity level, productivity growth, change in employment, climate of relations between management and labor, quit rates, and absenteeism rate. All three independent variables are much more likely to influence economic than IR outcomes. Furthermore, Fernie and Metcalf study the respective performance of three major models of workplace governance (employee involvement, collective bargaining, and authoritarian).

Workplaces with employee involvement governance have the best productivity performance, but authoritarian workplaces have lower quits, lower absenteeism and a better IR climate than employee involvement workplaces. Union presence lowers the quit rate but is negatively correlated with productivity levels and growth. Collective representation is crumbling. Workplace governance exerts a profound influence on different outcomes, but no one system is superior or inferior on all counts.

Sadowski et al. ask whether the dual system of worker representation in Germany in general, and the works councils, in particular, is an efficient institution in the sense that necessary cooperation is guaranteed. They analyze the effects of works councils in two selected areas, namely personnel turnover/employment security and vocational training/skill formation in order to assess the impact of works council on the competitiveness and success of German industry.

The empirical findings show that works councils are organizationally efficient (i.e., they balance out employers’ and employees’ interests). The dismissal rate and the quit rate are lower in firms with a plant-level interest representation; union density is not statistically significant. Personnel problems are dealt with in a cooperative manner. Works councils leave the area of initial vocational training to external agencies of worker representation (i.e., trade unions) and do not make use of their legal rights. In the area of additional training, they concentrate on fields where divergent interests are obvious and severe; policies are restricted to the traditionally defensive role. The legal structure is found to be institutionally efficient because it guarantees these results. The dual system remains stable—even in times of crisis and pressure such as the recent recession and German unification. Employee involvement strategies are considered to be complements and

not substitutes for institutionalized workforce participation. The analysis focuses on selected areas of works council activities, not on new forms of participation; unions seem to be of secondary importance.

Amadieu reminds us that the general conditions or the IR legal framework of IR can create serious obstacles for new models. In the case of France the basic features are: weak and divided unions with extremely low levels of membership, too many and ineffective employee representation bodies, too many levels of collective bargaining and lack of authority, ineffective industry-wide agreements, no joint settlement of industrial conflict and grievance. Prospects for future success in this special case are rather gloomy. New basic rules are necessary.

Conclusions

Some preliminary conclusions from the Track 2 studies are as follows. Unions as representatives of collective interests are in a more defensive and more difficult strategic position than they were two or three decades ago in less hard times. This overall result has been confirmed by the reports from developed as well as from developing countries. It is valid despite the fact that unions have changed their past attitudes to a considerable degree towards more cooperation and active involvement in economic restructuring and managerial decision making.

Despite these enormous changes there are significant differences in the present status and future prospects of unions. In some countries they are deeply involved in developing and implementing different new forms of participation in the process of economic restructuring (Australia is just one example); in others they are more or less completely excluded from basically the same processes. Their degree of involvement is positively correlated with the existence of statutory safeguards and institutional arrangements to bilateral decision making and former experiences with union cooperation.

The institutional and statutory embeddedness seems to be one crucial variable for relative success or failure. Formerly strong unions tend to remain influential (Germany among others), formerly weak unions tend to lose even more power and influence (France and the U.S. are typical examples). The long-term decline of union density and power often started two or three decades ago (i.e., long before new forms of participation were introduced; Japan is, among others, a typical case). Reports from some countries hardly mention unions at all

(U.K. among others), others focus on recent innovative union activities (Australia, for example). The change of attitudes, the flexibility of strategies, and the ability of adaptation to a whole series of new challenges seem to be the crucial variables for present survival and future success.

We find empirical evidence for new forms of participation as substitutes for marginalized union influence as well as for the co-existence of old institutions and new forms of representation. In any case, new actors become more and more important. Unions will definitely not be able to reverse these dominating trends; careful acceptance of the new models of more direct employee involvement, not straightforward opposition, is the only viable alternative.

In the current period of global economic and societal transitions, numerous experiments with new forms and techniques of participation have been undertaken including quality circles, team work/autonomous work groups, economic and financial participation (among others stock and shared ownership), and even employee buyouts of financially troubled firms. But emerging practices also encompass *prima facie* unexpected areas of shared interest such as skill formation/training requirements, new forms of performance-related compensation, and even governance of the enterprise. We find these incremental, piecemeal approaches not only in industrial production (automobiles may be the most prominent examples, also in apparel) but also in different service sectors (banking, among others). So far there are no exact data on the number, percentage, and characteristic features of the involved organizations.

The economic and IR outcomes of these experiments are manifold, less coherent than probably expected, and difficult to generalize. For the time being, the chances of transferring existing knowledge and recent innovations to other enterprises, sectors, or even countries seem to be rather limited because necessary preconditions such as the legal frameworks, actors' interests, implementation strategies, and the adaptation to enterprise-specific needs are rather different.

This enormous diversity is perhaps the reason for the astonishing fact that the authors' recommendations for public policies remain very rare and vague. Another reason is that the strategic choices of the state and governments within the implementation of these new forms and the transformation of IR seem to be rather limited, although some sort of legislative support would

be helpful for their long-term survival and development.

Old forms of employee representation were and are indirect-representative, collective, and institutionalized; new models of participation tend to be more direct, individual, and more or less informal. A combination of different forms of direct ("on-line") and far-reaching involvement yields more positive results than single, isolated steps toward improved economic performance. According to our present knowledge, no one form is superior on all counts.

Employers and management often initiate the new forms unilaterally on a more or less informal and voluntary basis, whereas they resisted vehemently the introduction of the old institutions which were, in the end, installed multilaterally either by legislation or by collective bargaining. In contrast to the old forms, current management approaches frequently do not contain explicit roles for unions but try to introduce "union-free" techniques. Nowadays, participation schemes have increasingly become key elements in management demands, motivated by purely economic objectives compared to employees and their representatives who pursue partially differing interests. This fits well into the generally accepted hypothesis that management has become the key actor in the ongoing process of decentralization and human resource management.

New forms of participation seem to be more important and more frequently introduced in countries without a long history of established, explicit employee representation complementing collective bargaining as a second, but interrelated mode of interest representation. Collective bargaining addresses with the terms and conditions of employment; the separate body deals with information and participation in enterprise decision making. Japanese enterprise unions and job control unionism in the U.S. are probably the most prominent examples for one group of countries. Continental European countries can be found at the opposite end of the spectrum.

If requirements (statutory provisions) for worker participation are rather strict, the probability of introducing new forms of representation is lower than in the opposite case. Germany and the U.K. are typical examples.

Within these more permanent than transitory trends of decentralized systems of collective bargaining, IR and/or employment relations representation seems to gain in importance at the level of the individual workplace. Governance of the new national, more segmented systems of either pure or managed decentraliza-

tion (that management mainly has demanded and pushed forward as part of a general strategy of deregulation) will be more difficult than before.

Areas for Future Research and Discussion

Despite the results of recent research, there are more questions than answers for the time being. Some of the main ideas for discussion and future research include the following: The relationship between new forms of worker participation and labor market developments. What are the consequences of these new models for the changing structure of labor markets? Is there a tendency toward further segmentation or even dualization between winners and losers of participation schemes, between key groups and marginalized workers? In asking these questions, we assume that there cannot be only winners and that not everybody will be able and willing to participate actively. Furthermore, we take for granted that at least some new forms could be used as instruments of rationalization.

In the vast majority of enterprises, not all employees will be given the opportunity to participate because returns on investment in individual human capital are most likely to differ significantly. What are the most frequent criteria of selection applied by management (age, gender, skill level, full-time employees, ethnicity, among others)?

Most of our recent research has focused on the impact of new forms of representation on different economic outcomes such as firm performance, cost reduction/productivity, efficiency and product quality. In contrast to these factors, much less attention has been paid to employee-related outcomes and the impact on workers such as improvements in working conditions, job satisfaction, personnel commitment, more industrial democracy and humanization of work. We should start to ask why different new forms of participation matter for companies as well as for employees and under what specific conditions do they occur.

In reviewing the existing literature and the Track 2 papers, one gets the impression that all experiments with direct forms are successful and that all participants on both sides benefit from the results. The fact that failed experiments are not mentioned may be due to different reasons; however, either there are no failures or they have not been documented. If the latter assumption is correct we should be provided with more opportunities to learn from mistakes already made by others.

What is the relationship between old institutions of indirect-representative interest representation and new forms of direct participation? Do they necessarily and always compete or can they be complementary ingredients of a new participative structure? Can the power of existing works councils and/or enterprise unions be strengthened if they manage to be integrated into the new forms?

What will be the nature of the future relationship between collective bargaining as the major old form of interest representation and the different new forms of participation? Mainly in those countries without a long tradition of worker representation, there seems to be a growing understanding between all major actors that traditional collective bargaining institutions need to be supplemented by a second mode of more or less direct interest representation and decision making at the enterprise level. Exactly the same question must of course be asked for countries with a long history of legally established regulations and frequently used mechanisms of codetermination. But the answers could be rather different because the integration of various forms of interest representation might be easier to achieve in the latter case, whereas the status and importance of collective bargaining could be further challenged in the former. On the other hand, bargaining agendas could become more crowded because of newly emerging issues.

The broad and general consensus on participation achieved by both sides does not necessarily imply that there are no more differences of interest. What are the exact subjects within a possibly all-encompassing range of new rights? Are different forms merely consultative or could they become substantive/delegative? Do they or could they possibly challenge the well-established scope of managerial prerogatives to a considerable degree? There seems to be a significant difference between a comparatively far-reaching delegation of autonomy in personnel/operational, task-related matters and much less participation in strategic decision making (such as investment and technological choice).

Our analysis has been strictly limited to individual countries. However, the inter- and supra-national level is gradually gaining in importance. Within the European Union the directive regarding "the establishment of European committees or procedures in community-scale undertakings and community-scale groups of undertakings for the purposes of informing and consulting employees" was finally passed in 1994. These "European works council" have an

indirect-representative character, but all important details of worker representation have to be negotiated at the level of the individual enterprise. The directive provides various combinations of legally and contractually introduced elements of participation, whereas on the national level such rights are defined either by legal enactment or by contractual agreement. The directive also creates the opportunity for establishing different combinations of collective representation and more direct forms. This challenging mixture could lead to qualitatively different forms of old representation and new participation within the same broadly defined legal framework and not to some sort of "harmonization" of different national systems of interest representation.

References:

- Eaton, A.E., and P.B. Voos. 1992. "Unions and Contemporary Innovations in Work Organization, Compensation, and Employee Participation." In L. Mishel and P.B. Voos, eds., *Unions and Economic Competitiveness*. New York: Armonk.
- Bean, R. 1994. *Comparative Industrial Relations. An Introduction to Cross-National Perspectives*, 2nd ed. New York: London.
- Beisheim, M., D. Eckardstein, M. Müller. 1993. "Partizipative Organisationsformen und industrielle Beziehungen." In W. Müller-Jentsch, Hg., *Konfliktpartnerschaft. Akteure und Institutionen der industriellen Beziehungen*, 2.erw.u.verb.Aufl. München-Mering.
- Bellace, J.R. 1993. "Managing Employee Participation in Decision-Making: An Assessment of National Models." In R. Biagi, ed., *Participative Management and Industrial Relations in a Worldwide Perspective*. Boston: Deventer.
- Blanpain, R. 1993. "Managerial Initiatives and Rights to Information, Consultation and Workers' Participation in the EC Countries." In R. Biagi, ed., *Participative Management and Industrial Relations in a Worldwide Perspective*. Boston: Deventer.
- Fürstenberg, Fr. 1993. *Individual and Representative Participation, Dualism or Dilemma, Research and Practice in Human Resource Management 1*.
- Gill, C., and H. Krieger. 1992. "The Diffusion of Participation in New Information Technology in Europe: Survey Results." *Economic and Industrial Democracy*, Vol. 13.
- Hyman, R., and A. Ferner. 1994. *New Frontiers in European Industrial Relations*. Cambridge: Oxford.
- Industrial Democracy in Europe (IDE)-International Research Group. 1993. *Industrial Democracy in Europe Revisited*. Cambridge: Oxford.
- Kibler, L. 1994. "Industrial Modernization by Workers' Participation." *Economic and Industrial Democracy*, Vol. 15.

- Lansbury, R.D. 1994. "Workplace Europe: New Forms of Bargaining and Participation." In IIRA, ed., *4th European Regional Congress: Transformation of European Industrial Relations-Consequences of Integration and Disintegration. Plenary 2: Workplace Europe-New Forms of Bargaining and Participation*. Helsinki:IIRA.
- Levine, D.I., and L.D. Tyson. 1990. "Participation, Productivity, and The Firm's Environment." In A.S. Blinder, ed., *Paying for Productivity. A Look at the Evidence*. Washington.
- Poole, M. 1986. *Industrial Relations: Origins and Patterns of National Diversity*. London-Boston.
- _____. 1992. "Industrial Democracy." In G. Széll, ed., *Concise Encyclopedia of Participation and Co-management*. New York.
- Sisson, K. 1994. "Workplace Europe: Direct Participation in Organisational Change. Introducing the EPOC Project." In IIRA, ed., *4th European Regional Congress: Transformation of European Industrial Relations-Consequences of Integration and Disintegration. Plenary 2: Workplace Europe-New Forms of Bargaining and Participation*. Helsinki: IIRA.
- Sperling, H.J. 1994. *Innovative Arbeitsorganisation und intelligentes Partizipationsmanagement. Trend-Report Partizipation und Organisation*. Marburg.
- Strauss, G. 1989. "Workers' Participation and U.S. Collective Bargaining." In C.G. Lammers and G. Széll, eds., *International Handbook of Participation in Organizations. For the Study of Organizational Democracy, Co-operation and Self-Management*, Vol. 1 Organizational Democracy. Oxford.
- _____. 1992. "Workers' Participation in Management." In J.F. Hartley and G.H. Stephenson, eds., *Employment Relations. The Psychology of Influence and Control at Work*. Oxford.

Abstracts of Invited Papers: Track 2

Emerging Models of Worker Participation and Representation

Multi-union Collective Bargaining Structures in South Africa—Case Studies

Chris Albertyn
*Federal Mediation and Conciliation Service
Independent Mediation Service of South Africa
CANADA*

Alan Rycroft
University of Natal, SOUTH AFRICA

This paper considers innovative bargaining regimes involving more than one union which have recently been established in certain organizations in South Africa. The structures of bargaining described in the paper reflect an endeavor by the parties concerned to overcome the deficiencies in the majoritarian and in the all-comers systems of union recognition and representation.

The paper provides a brief but necessary historical and legal background to explain the conditions in which the bargaining regimes were established. It considers the motivation of the parties who adopted the multi-union constitutions and the degree to which their interests have been realized in the new bargaining structures.

The paper concludes by making certain tentative suggestions as to the relevance of the structures as a possible model for organizations, both inside and outside of South Africa, in which the traditional all-comers or majoritarian systems of union recognition do not adequately meet the interests of the employer and of the employees.

Industrial Relations: Is France a Special Case?

Jean-Francois Amadiou
University of Tours, FRANCE

Although the peculiarity of the French system of industrial relations has been exaggerated, it is nonetheless marked by some features which are, in effect, handicaps. They include: weak and divided trade unions, too many and ineffective employee representation bodies; too many levels of collective bargaining, ineffective industrywide agreements, and no joint settlement of labor disputes and industrial conflict. Can we see any improvement in the situation as a result of European integration and the trends towards internalization?

Our intention is to show that except for the simplification of our system of representation (gradual disappearance of workforce delegated since December 1993), other features appear, if anything, to be hardening.

We shall demonstrate this with regard to (1) union weakness and disunity; (2) collective bargaining, currently in a crisis situation; and (3) the parity principle in the handling of complaints and collective conflict. Our observations are based on the results of studies we made in 1993 and 1994 for the Commissariat general au Plan and the Ministry of Labor.

**Worker Participation in Diverse Settings:
Does the Form Affect the Outcome, and if so, who Benefits?**

Rosemary Batt
M.I.T and Cornell University, U.S.A.

Eileen Appelbaum
Economic Policy Institute, U.S.A.

This paper examines similarities and differences in outcomes of workplace innovations across three diverse occupational groups: network craft workers and semi-skilled office workers in telecommunications services and semi-skilled machine operators in apparel. Drawing on detailed worker surveys, the paper considers two questions: What are the effects of off-line employee participation programs versus on-line work reorganization experiments; and who benefits from which type of innovation: employees, employers, or both? We use ordered logit and multivariate regression analysis to examine the effects of off-line versus on-line participation on worker's satisfaction with their jobs, on their commitment to the companies they work for, and on their perceptions of their performance.

Three findings are significant. First, on-line participation—either through the job design characteristics associated with team-based production systems or through team effects or synergies that transcend particular job characteristics—has consistently stronger effects on job satisfaction, organizational commitment, and perceptions of work group quality than does off-line participation which is almost always insignificant in these analyses. Second, workers benefit from team-based systems through enhanced jobs that are more likely to produce a sense of accomplishment and make better use of worker's skills. They are more likely to have influence over decisions affecting the way work is done and are more likely to enjoy greater work-group cooperation and/or informal training and information sharing. Together these produce greater overall job satisfaction, although in two cases, the increased workload (network craft) or stress (sewing machine operators) associated with teams has a negative effect on job satisfaction. Third, firms benefit from team-based production through greater work group quality, as reported by workers. In one of the three cases (network craft), teams also have a positive effect on organizational commitment, and this commitment in turn is a significant determinant of perceived work group performance. In a second case (sewing machine operators), teams have a negative effect on commitment, but commitment is insignificant as a determinant of work group quality.

**Participation, Remuneration, Representation
and Workplace Performance: The British Evidence**

Sue Fernie and David Metcalf
London School of Economics, U.K.

Establishment-level data from the 1990 British Workplace Industrial Relations Survey are used to analyze links between employee involvement, contingent pay, collective representation, and six different indicators of workplace performance: productivity levels and growth, employment changes, the climate of management-employee relations, quits, and absenteeism. This information is then distilled to study the respective performance of three forms of workplace governance: employee involvement, collective bargaining, and authoritarian. Workplaces with EI governance have the best productivity performance, but authoritarian workplaces have lower quits, lower absenteeism, and a better climate of industrial relations than the EI workplaces.

Employee Buyouts in Canada: A Blending of Cultures

Morley Gunderson
University of Toronto, CANADA

Jeffrey Sack
Sack Goldblatt Mitchell Barristers and Solicitors, CANADA

James McCartney
McCarthy, Terault (representing Algoma Steel Corporation), CANADA

David Wakely
Wakely and Thorup (representing Algoma Steel Corporation), CANADA

Jonathan Eaton
Amalgamated Clothing and Textile Workers Union, CANADA

Employee buyouts are analyzed as a possible policy to respond to restructuring and the associated job losses. After dealing with some definitional and classification issues, the pros and cons of employee buyouts are analyzed from the perspective of the different industrial relations actors. Evaluation studies of the impact of employee ownership on worker attitudes and behavior, as well as on the productivity, profitability, and long-run survival of the organization are reviewed. The ingredients of successfully negotiating an employee buyout are analyzed. These issues are then examined through a case study of the prominent Algoma Steel employee buyout in Canada.

Changing Perspectives of Worker Participation in India with Particular Reference to the Banking Industry

Jacob Mankidy
National Institute of Bank Management, INDIA

India has had a long history of workers' participation starting with the initial experiments launched in Tata Iron and Steel Company in 1918. Over the years, different models such as board-level participation, works councils, quality circles, etc. have been tried with diverse results. Most of these experiences have also been sufficiently studied and reported.

Industrial relations provides the immediate backdrop for participative management. In the recent past, major changes have been taking place in the industrial relations scenario in India. Observations indicate that trade unions are becoming less militant and are now more amenable to infusion of new ideas, managements are gradually learning from their earlier experiences and are exploring possibilities of democratization of workplaces, and workers are becoming more critical of the traditional trade union leadership. There are recent instances of workers forcing leaders out of unions and coming together without regard to political idealogics. These changes will have a major impact on future approaches to workers' participation.

Simultaneously, due to the current macro-economic adjustment processes, industrial enterprises are under great pressure to perform effectively. Consequently even workers in declining units are demanding worker ownership which could turnaround some of these companies. The successful experiences of two Bombay-based engineering companies have further demonstrated that workers are capable of delivering results.

Worker participation was initiated in the banking industry at the board level after nationalization. The industry is currently at the crossroads and is under severe pressure from various quarters. Customer service is very poor, and everyone, including the government, is unhappy with the functioning of bank organizations. Despite a workforce of approximately 900,000 persons, the economic performance of most banks has been very low. However, several signals are visible that could facilitate future performance. Trade unions which were highly militant in the past are showing interest, and the stage is set for ushering in information technology. These factors are helping bank organizations evolve meaningful models of participation.

Reform—Unions' Future

Greg McLean

Public Utilities Salaried Officers' Association, AUSTRALIA

As a full-time practicing union official for more than 14 years, I have seen: the pressures placed upon unions in Australia as they move away from a centralized system to a decentralized system, the impact of microeconomic reform, and the pressures for improved productivity.

These pressures have required managers and boards to utilize all resources to achieve their productivity goals. This in turn has led to greater employee participation and sometimes unintentional exploitation. However, most managers appreciate the willingness of employees to take on greater responsibility and to play a larger role in the overall outcomes of the organizations.

Employees have taken to this task, in most cases, with significant interest as they realize that not only do their future salary increases depend on (or are significantly affected by) this, but quite often their very job security—less productivity means less staff. For that matter, increased productivity in the short term also means less—but not to the same extent.

These pressures mean that the involvement of all in the output of the organization is not only here to stay, but is an essential feature to maintain the competitive edge in the future.

Thus employees as union members need to become aware of the issues of change and frequently do not want the union standing in the way of change. They want the cooperation and support of the union to become aware of change and to participate in its direction.

Members also want the benefits of this change through improved salary, work conditions, and job security—the traditional issues unions have pursued. Thus a small works council (etc.) could be seen as a small in-house union.

This means that the union must assess the needs of its members and address them. Whether such needs be workplace reform, additional membership benefits (welfare workers, holiday resorts, legal services), or whatever. For the union to survive, its principles must reflect the local rank and file.

Current opportunities for change exist not only for employers and employees, but for the unions. This means that a union must expand its training and services and be there to assist members with workplace reform. The results achieved will depend upon the commitment of its officials and the realization that unless the employer is doing well, the members will not.

The Limits of Enterprise Unionism: Prospects for Continuing Union Decline in Japan

James B. Rebitzer

Massachusetts Institute of Technology, U.S.A

Tsuyoshi Tsuru

Hitotsubashi University, JAPAN

Many OECD countries have experienced declining union density. During the 1970s and 1980s, the country that experienced the most dramatic union decline after the United States was Japan. In order to better understand the nature of “de-unionization” in Japan and the current prospects for reversing union decline, we conducted a survey for the Japan Institute of Labor (JIL) that questioned a sample of union and nonunion employees about their wages, benefits, and attitudes towards unions. This paper is an analysis of the data collected in the JIL survey.

Four major results emerge from our study. First, Japanese unions find it difficult to organize new firms and this difficulty is not the result of the expansion of employment into previously nonunion industries or occupations. Second, the direct effect of unions on wages and benefits in Japan is very small in the current period. Third, nonunion workers (particularly males) are interested in unions to the extent that they improve wages and working conditions. Thus the absence of union wage and benefit differentials severely limits the ability of unions to attract new members. Fourth, Japanese unions dramatically improve the ability of employees to “voice” dissatisfaction on workplace issues—but this aspect of unionization is not highly valued by individual employees.

**Works Councils: Barriers or Boosts for the Future
Competitiveness of German Firms?**

Dieter Sadowski

Uschi Backes-Gellner

Bernd Frick

University of Trier, GERMANY

The paper analyzes the contribution of works councils to the overall success of German firms during the last few decade. It is argued that a successful implementation of flexible specialization strategies is the cornerstone of German prosperity. The acquisition and effective utilization of firm-specific skills is a precondition of successful flexible specialization. Effective skill utilization itself needs cooperation between employers and employees in order to safeguard the specific investments of either side. Thus the crucial question is whether the dual system of worker representation in Germany, and particularly the parts of the works council therein, is an efficient institution in the sense that it guarantees the necessary cooperation. In analyzing the effects of works councils on personnel turnover and vocational training, we find works councils to be organizationally efficient (i.e., they balance out employers' and employees' interests). The legal structure underlying the dual system is found to be institutionally efficient because it guarantees this result. Even in times of crisis and exposure to significant pressure, the dual system seems to remain stable as is illustrated by recent labor market developments triggered by German unification and the last recession.

**The Challenge to Government Policy:
Promoting Competitive Advantage with
Full Employment and High Labor Standards**

Richard B. Freeman
Center for Economic Performance
London School of Economics
London, England

Labor institutions, policies, and outcomes differ greatly around the world. No economy sets wages, determines working rules, settles problems in just the same way as any other. No company practices labor relations in just the same way within the same country, much less in its plants across countries. This variation is one of the joys of studying labor relations—giving us the same high that naturalists get from the variety of animals and plants found in every corner of the world or that Edward Wilson and his fellow entomologists get from ants. The variation in labor relations is also one of the frustrations of our subject: how can we account for the wider variety of ways of dealing with labor problems in market economies than of dealing with most other economic problems? Which features of any given labor relations system are fundamental to its operation? Which features are irrelevant? Does the special way “we” organize worker-management relations or intervene in the market explain “our” economic performance? Or is our special way of doing things froth on the ocean of market forces? Should social science view labor institutions through neo-classical economics lenses or does some other vision provide greater understanding of what is happening and better guidance to policy? Are labor standards, unions, and company and government policies good, bad, or irrelevant to wages, employment, and output growth?

These are some of the questions that underlie the papers in this Cook's Tour of labor relations around the world. The papers cover less developed countries (LDC) and advanced countries (AC). While there is considerable overlap in the topics and analyses—globalization, the collapse of communism and renewed belief in the efficacy of markets, and the transmission of

ideas have brought similar issues to the center of discussion in all countries—I follow standard practice and consider separately LDCs and ACs. To justify this I note the fundamental difference in economic goals between LDCs and ACs. In the advanced countries, the prime issues are: in the short and medium run to lower unemployment or ameliorate growing inequality; in the long run to innovate fast enough to keep ahead of the specter of factor price equalization—wages driven down to third world levels as a result of globalization and the spread of advanced technology to all corners of the globe. In the LDCs the goal is to grow rapidly and catch-up sufficiently with the ACs to “enjoy” their unemployment/distribution problems and the fruits of factor price equalization—wages rising to advanced country levels as a result of globalization and the spread of advanced technology to all corners of the globe. I bring the two strands of discussion together in the conclusion.

The Advanced Countries: Rich but Troubled

One broad impression emerges from the papers on advanced countries. Everyone is troubled about the state of the labor market in their country. The trouble in France (Boyer) is that, as in most of the EEC, there seems no way to reduce unemployment to the levels of the 1950s-1970s (Marsden). Canada (Gunderson and Riddell) and Australia (Gregory) have some similar troubles, along with rising inequality of earnings among the employed. The Italians (Brunetta and Tronti) are concerned with government employment and pensions and the possible conflict between joining a common European currency and Italy's social institutions. In the U.S., where unemployment is lower than

in most advanced countries, there are problems of income inequality and declining real wages, of growth of joblessness among the less skilled, and expansion of involuntary part-time work (Houseman).

This picture of labor markets in trouble is not a matter of carping by academics. To be sure, academic social scientists are the drama or movie critics of public discourse: If we didn't find fault with the existing social order and didn't believe that the world would be better off if society followed our guidance, what would our social function be? Even the strongest devotees of the invisible hand find fault with the world—in unions, government interventions, other interferences with the free market. I do not doubt that if the Pearly Gates are open to social scientists, our predecessors are hard at work writing papers about where the Lord went wrong organizing heaven. (In case You are listening, pay attention to Adam or Alfred, but watch out for Karl). The unhappiness with labor developments in advanced countries shown in these papers is not, however, largely a matter of academic carping. To the contrary, it reflects real problems that affect our citizenry and show up in social and political attitudes. The advanced countries appear to be in the midst of a sea-change in the labor market: a massive twist in the demand-supply balance against the less educated and skilled men who constituted the bulwark of workers in traditional capitalism. This twist takes the form in the U.S. of rising inequality; reduced employment or weeks worked by less skilled workers, even with lower pay (Houseman), and of a remarkable ahistoric drop in real wages for male employee. Between 1979 and 1993 the real median pay of men fell by 15% while that of low decile men fell by over 20%. The rate of loss of real wages of American men accelerated from 1989 to 1993 compared to 1979 to 1989—a fact which goes a long way to explaining the 1994 midterm Congressional election results. The decline of real earnings and growth of inequality was accompanied by an erosion of employer-provided benefits, especially for the low paid. In 1980, 37% of workers had no employer-provided health insurance. In 1992, 45% had no employer provided health insurance. Among high school dropouts, 69% had no insurance in 1992. Similarly, employer-provided pension plans became less common among men (though the opposite was true for women as they increased the amount of time worked). And for all its heralded flexibility the U.S. market failed to deliver full-time jobs to an increasing number of employees:

in 1969, 2.5% of the workforce was involuntarily employed part time; in 1993, that proportion had more than doubled to 5.2%. Any European analyst or policymaker who believes that the U.S. deregulated labor market has *the* solution to advanced country economic problems should read Houseman's paper and tables or the work of any other U.S. labor market analyst. If this is the best the invisible hand can do, maybe the five fingered super-hero needs some help from Batman or Spiderman.

The situation outside the U.S., where governmental and institutional interventions in markets are greater, is equally troublesome. In Australia inequality rose as in the U.S., though from a lower base level, and at a more modest pace in the upper deciles of the distribution. Real wages increased but unemployment went from far below the U.S. level to far above the US level (Gregory). France developed a massive unemployment problem concentrated on those with little schooling and suffered from a lack of adequate vocational skill formation (Boyer). Even in the context of high unemployment OECD Europe, France looks bad. Are the Italians doing well? Brunetta and Tronti stress the difficulties Italy will have keeping pace with other continental countries if they move to a common currency, the need for massive changes in the Italian public sector and pension system, and the painful effects these and other recent adjustments will have on Italian labor. Even the stolid Canadians are worried about their economic future. Canada has high unemployment, a large public sector deficit, unemployment benefits that retard adjustments in some provinces, and high labor standards that free trade with the U.S. may erode (Gunderson and Riddell). While there were no papers about Sweden or the U.K. or., the story of problems in the job market would have been the same.

In many of these countries, moreover, uncertainty about future job market prospects and the worsened opportunities for many citizens has produced a volatile electorate, as recent elections in Canada, the U.S., Italy, have shown. In the U.K. people talk about the absence of a "feel-good" factor among voters despite a reasonably robust economic recovery. In France there is suspicion that "expert technicians" have misled the country. Many oppose free trade. To be sure, we have not seen massive repudiation of standing governments throughout the OECD, but we have seen more instability than in quite some time.

What explains this trouble in the job market? Many analysts have examined the pos

causes for the twist in the market against the less educated and low paid. Some believe the culprit is trade with LDCs—where workers have comparable productivity to low-skill Westerners and are paid a tenth as much—but evidence suggests a more modest role for trade. Most analysts blame biased technological change, in part because we have a penchant for labelling what we don't know as technical change. I am dubious of this explanation, popular though it is, as I cannot readily comprehend why technical progress would have turned so suddenly against the vast bulk of the male working population by such a massive amount as to reduce real earnings: isn't technology supposed to make most of us—not just the super-rich and super-skilled—better off? Boyer offers a broader vision of the possible dimension involved in "biased technological change": the decline of Fordist modes of manufacturing, that also fails to satisfy me: it applies to manufacturing but not to retailing, where the growth of mega-stores and franchised eateries has, if anything, moved production toward assembly-line type work.

But none of the papers in Track 4 devotes much space to probing these and other explanations. I think this is wise. Whatever its causes, the important task is to find cures to the problem of high unemployment or rising inequality. If there was a necessary connection between causes and cures, finding the causes would be essential to finding the cure. But there is no such connection. Just as glasses can cure myopia, a largely genetic problem, so too could we in principle devise employment or training or redistributive policies to cure unemployment/wage problems due to trade (technology) without resorting to protectionism (Luddite destruction of machines).

It is easier to explain why the advanced country labor market problem shows up in different ways in different countries than why the world market has twisted against some workers. In the less regulated labor market of the U.S., and to some extent in the U.K. and Australia, wage setting permits considerable inequality in pay. In the U.S. it permits a sizeable drop in real wages for average workers. Thus the problem of a market shift against less skilled men shows up largely in the form of declining real wages and greater inequality. In the more regulated labor markets of Europe, institutions maintain pressure for real wages to rise, and make it difficult to adjust relative wages, so the problem shows up more in joblessness.

In a global economy, many wonder whether countries can preserve high labor standards or distinct national ways of operating (assuming they want to) or whether everyone will be driven down to the lowest standards. Gunderson and Riddell are concerned that standards can adversely affect competitiveness, though they note that there is an incidence problem in determining who pays the costs of higher standards. I do not worry about this problem as long as we live in a world of flexible exchange rates. If my country's high standards harm competitiveness, a modest devaluation will restore competitiveness. I keep my standards and pay some extra cost for imported goods. If Common Market countries choose to have a common currency or if Canada fixed its exchange rate with the U.S. dollar, there might be something to worry about in the effect of standards on competitiveness, but even here the evidence suggests that our gut reaction that standards raise costs and reduce competitiveness may be erroneous. In the global market it is the high labor standard regulated Germans who run trade surpluses and whose currency is continually being revalued upward and the relatively low-standard U.S. that runs trade deficits and devalues regularly.

In his comparison between Australia and the U.S., Gregory rejects the notion that much if any of the differential performance of the U.S. and Australia is attributable to relative wage flexibility. The decile distribution of pay widened in Australia as it did in the U.S. Unemployment grew in Australia, but not in the U.S., though Houseman's evidence shows that the groups with relative wage declines also suffered relative losses in employment. There is surely a relative employment/relative wage trade-off—Boyer gives evidence that the minimum wage in France has been related to youth joblessness—but the most recent work on the minimum wage and wage councils in the U.S. and U.K. and Gregory's evidence for Australia suggest that employers are not sufficiently sensitive to moderate changes in relative wages in these countries to have much effect on employment, and certainly not enough to explain cross-country differences in unemployment. In the U.S. and Australia there has been a "spectacular hollowing out of the employment distribution of male full-time jobs" that has no apparent connection to changes in the earnings distributions.

If differences in relative wage patterns don't explain country differences or changes in

joblessness, what does? Gregory notes—correctly in my view—that it is the difference in aggregate real wages that is most closely associated with the difference between U.S. and Australian employment performances. In the U.S. real wages were constant/falling but employment per capita grew; in Australia, real wages rose but employment per capita fell. GDP per capita grew at about the same pace. Almost exactly the same pattern differentiates the U.S. from OECD-Europe. For whatever reason and through whatever mechanisms, the U.S. chose to divide its growth of GDP per capita into growth of employment while Europe and Australia chose to do this with growth in real wages. A neo-classical analyst might argue that Australians and Europeans ought to be happy with their performance: more GDP per capita with less work; while Americans ought to be the troubled ones: more GDP per capita with more work, the two-earner household, more hours, and less leisure. But unemployment is not leisure, even with a high replacement rate. On survey after survey, the unemployed express less happiness than others. So the advanced countries (Japan excluded) have managed to produce two undesirable labor market outcomes. There is something real to criticize in the U.S. and Europe, Australia, Canada.

Are There Policy Solutions?

What solutions might ameliorate or resolve the labor market problem facing advanced countries?

The most popular solution in the OECD—the orthodox solution, as it were, for nearly all job market ills—is deregulation of labor markets and increased pay differentials. The evidence that deregulation can have a first order effect on joblessness is minimal at best. Gregory rejects the notion that more inequality in pay—a standard consequence of deregulation—will induce greater employment. Brunetta and Tronti endorse some form of deregulation and rationalization of the Italian public sector to increase efficiency, not to cure joblessness. General reductions in real wages, cum the U.S., may create considerable job growth for some period, but this is surely not a viable long-term solution for advanced countries in general, particularly if the job growth takes the form of export expansion, due to increased “competitiveness.” In addition, a lengthy period of declining real wages can adversely affect the attitudes of much of a nation. If you anticipate a long-term future of constant or falling real wages, you are likely

to be less inclined to generosity to the poor; you may end up saving less rather than more to preserve a desired standard of living. You may favor tax cuts to gain greater real pay, even though this could foreclose needed public investments or increase the government deficit and possibly make it more difficult to raise money for needed private investments, or force reductions in benefits to the truly needy.

Different OECD countries have tried various policy initiatives to deal with the unemployment problem. Boyer summarizes French policy experiences and finds no winners. Rather, he concludes that a slew of devices, satisfactory in theory (with one exception we would all vote “yes” for trying them out), have yielded negligible results in France:

- Special tax breaks for companies who agreed to keep on workers that they had planned to lay off. This one failed the basic incentive test: so many companies immediately announced that they were about to lay people off that the government was forced to withdraw the incentive almost immediately.
- Reduced minimum wages for young people. Most economists endorse youth subminimum on the notion that new entrants have less productivity and to encourage on-the-job training. French youth thought otherwise and forced the government to back off.
- Recurrent large subsidies for low-skills job creation.
- youth employment incentives, low-wage training, exemption from social insurance contribution.
- Guidelines for low-wage increases in nationalized industries and the public sector.

Here are some policies from other countries that have also failed to solve the joblessness problem:

- Eliminating payroll taxes for employees hired from the long-term unemployed (Netherlands). The take-up rate was minimal and unemployment remains high.
- Swedish active labor market programs designed to train to cope with that country’s sharp rise in joblessness. These programs cannot cope with the 10% to 12% joblessness (open unemployed plus those on programs) that developed in the early 1990s.

Boyer suggests the possibility that some mixture of job training/education and greater flexibility in employment regulation might

together make a dent on the unemployment problem. If policies taken one at a time don't succeed, *maybe* a big push with several policies could yield synergies—interactions—that would succeed. Boyer presents this scheme with appropriate humbleness: "Would they succeed? ...they may, provided they take into account institutional complementarity between labor reforms, macroeconomic and monetary policies, financial regulations, and a well-ordered trade regime...This is a huge task..." Perhaps I am reading too much into his cautious wording, but I do not think he believes France is up to this task. The left will oppose policies which erode social contracts absent the promise of clear gains; while orthodox thinking would kill instantly any recovery that threatens inflation.

Marsden reminds us that policy does not mean government policy. Company employment policies can also affect labor market outcomes. Flexibility within a firm can substitute for external labor market flexibility and conversely. Most of the policies he examines make re-employment of displaced workers more difficult—internal labor markets create insiders and outsiders—and he favors more occupation-based training and job markets. In a world where huge multinationals are arguably the cutting edge capitalist institution and where only Germany seems to have created a viable apprenticeship system, it is hard to see how to create more occupation-based markets or how such would affect employment.

Brunneta and Tronti offer a grab-bag of policies specific to current Italian problems. They note that Italy has made a substantial effort to reform some aspects of the labor market and wage setting: freezes in bargaining and pay caps in the public sector; the 1993 tripartite agreement that abandoned the *scala mobile*; institution of wage bargaining every two years on a national and industry level; encouraging company negotiations every four years over profit-sharing; privatizing the public employment relation so that the public sector behaves more rationally and so on. Whether these labor reforms, changes in pensions, taxes, and government budget restraints will allow Italy to qualify for a common currency, if such develops, is unclear. Whether the benefits of such a development would in fact exceed the costs of getting there is even less clear.

Gunderson and Riddell stress that policy should focus on easing adjustments to change rather than trying to stop the forces causing change or, more controversially, trying to create new jobs. They favor the World Bank solution

of getting incentives right rather than focusing on outcomes, and offer the example of unemployment insurance in Newfoundland to show how screwy incentives can mess up a labor market. There is a rationality to the moderate policies that they endorse (which include warnings to conservative governments that simply privatizing or enacting regulations that require the private sector to undertake traditional public responsibilities are no panacea), but neither Gunderson and Riddell nor anyone else could reasonably expect those policies to restore the world of full employment, rising real wages, and secure jobs. Realizing this, they conclude by putting on the table some more radical options for North America: work-sharing, encouraged by removing the ceiling on payroll taxes, easing firing regulations, new regulations for nonstandard employment, and serious international labor standards. Work-sharing has some potential in Europe where employees welcome extra vacation days, but not in the U.S. where the skilled would simply take on second jobs. Removing the ceiling on payroll taxes has a logic, but it is a tax increase which would be hard to sell in the U.S. International labor standards appeal to North Americans and the French; they may do some good; but they will not reverse the tilt in the job market against the less skilled.

The bottom line of these papers and the current state of our knowledge does nothing to alleviate the gloom with which I began this section. We can show that the orthodox medicine of tearing down labor institutions and letting relative wages widen will not cure unemployment, while it will exacerbate inequality and poverty problems. But we don't know what medicine to suggest.

The saving grace in this epoch of labor market troubles is that none of our societies has thus far exploded as a result of unemployment, rising inequality, and falling wages. Crime has risen in many countries and remains high in the U.S. despite perhaps the most massive incarceration of criminals in history, but the average unemployed worker and the average worker facing secular decline in real or relative earnings has not reacted in ways to force governments to address these problems forcefully. If two decades ago someone had said Spain would be peaceful with 25% unemployment, that American workers would put up with twenty-five or so years of falling real wages, that the French or Australians would live with 10% unemployment, Britain with rising inequality and high unemployment, and so forth, we'd have thought him or her mad. But that is the lesson of the last

decade or so. Perhaps being rich makes it easier to be troubled. My guess is that short of a major social explosion, our countries will muddle on; policy will continue much as it has; academics will be critical; opposition parties will claim it's all the governments' fault (and change their tune shortly after election); etc. Short a social explosion, no one will take whatever dramatic change in thinking and policy might truly turn the situation around. Eventually, some bright social scientist will revive long-cycle theories—Kondratieffs and whatever—and convince us there is nothing to do but wait until...

LDCs: Trying to Get Rich and Troubled

Debate over labor market policies in LDCs usually pits "distortionists" who believe that any divergence from market principles are harmful against "institutionalists" who believe that institutional interventions can help resolve problems. In this debate the experience of Latin American labor markets is usually presented as evidence for the distortionist case. Think of Peronist-type unions gaining wages and protection for a minority of urban workers; public sector employees enjoying privileged positions in labor markets; Uruguay's European-style social security systems in a country with a modest GDP per head; diverse interventions that might be defensible if they reduced wage inequalities but have done no such thing; and various wage-indexation schemes that have not contributed to stable macro outcomes. To be sure, there are arguable cases of institutional successes in Latin America: there is the Pacto in Mexico to control wage inflation and preserve industrial peace that may prove critical in the current crisis; there are functioning unions in Columbia and Costa Rica that no one sees as doing economic harm; and Pinochet repression to obtain a free market is not the full Chilean story—Chile has done well as a democracy creating innovative market-oriented labor institutions rather than abolishing everything under the sun. Still, the bulk of analysts of Latin American economies tend to take a distortionist line.

The experience of East Asian labor markets is an area of greater contention. At one stage some analysts claimed that these economies were truly *laissez-faire*. But Wade, Amsden, and others have effectively demolished that claim: Korea, Taiwan, and Singapore at least have intervened in markets in diverse ways, including at various times suppression of independent unionism (Korea), requiring that firms provide

fringe benefits (Taiwan), state determination of wages and huge payroll taxes (Singapore). The repressive policies are the sort of interventions that few distortionists favor (or would admit to favoring): forcing free markets down people's throats with guns and torture does not an Adam Smith world create). Such policies also do not seem to work in many places, if at all, vide Burma, various African dictatorships, and the run-of-the-mill Latin American dictatorships. Eventually these policies run out of steam even where they may worked, vide Korea. Since the East Asian economies have been the growth successes of the past twenty or so years, advocates of the distortionist view and those of the institutionalist view invariably seek to interpret them in ways consistent with their views.

In my 1992 World Bank Conference paper, I bemoaned the fact that the distortionist-institutionalist debate was largely one of rhetoric. The number of studies that examined whether and where the evidence supported distortionism or favored interventions was shockingly rare. Thus Martin Rama's contribution to this track deserves attention. His work is the first of what promises to be a stream of new research that will move the debate from rhetoric to exploration of reality. He and his coworkers have put together a new cross-country set of data on labor institutions of the sort that any rational discussion of distortionism vs. institutionalism requires. I have some doubts about the value of cross-country analyses by itself—it is easy to err through inability to know that policy X means X in one country but means B in another country. Cross-country analyses need detailed case studies for their findings to be fully acceptable. One way Rama deals with this problem is to limit his study to the Latin American and Caribbean areas which reduces somewhat the possible range of meaning to be attached to the various measures he employs. His research strategy is to add various indices and measures of labor market rigidities to growth equations for output, employment, employment in manufacturing and labor costs. By looking at four outcomes rather than a single one, he is able to give a more complete and rich picture of the effects of policies and institutions than is normally done.

The resulting analysis suggests that the distortionist claim that some interventions in this region have been harmful to growth has some merit: an overall index of labor market rigidity is modestly negatively correlated with growth of output, though not with any other outcome measure (controlling for output growth)—the

percent union and government employment appear to be the main culprits (there is no separate private sector unionization measure in his data). This provides some support for the case that Peru's path should be through a relatively liberal economic program (Aparacio-Valdez). But Rama also finds that the number of ILO Conventions a country accepts is positively related to growth, which provides some support for the institutionalist view as well and finds little effect for minimum wages on outcomes.

As in any body of new work-in-progress, there are diverse problems with the current results which leads Rama to a careful and cautious conclusion. One wonders how addition of product market interventions might affect the results, how measure of the effectiveness of interventions (difficult to obtain from such a large number of countries) might affect the results, how alternative indices of overall inflexibility that would embody possible interactions might affect results, the extent to which labor policies are endogenous to economic developments, and so forth. One also wonders how the labor interventions are related to inequality and poverty, given a possible distribution-efficiency trade-off.

Assuming Rama's results are correct, they should be followed by more disaggregate analyses of the independent variables, so that we know which union policies and which government employment policies are causing harm and, conversely, what it is about adherence to good labor standards that makes them positively related to growth. The sign of a promising path of new research is that it leads one to ask for more, and this is precisely what this new study does. More.

The labor relations experiences of Korea and Taiwan (Lee and Park) differ from those of Latin America.

First, and foremost, these are countries with a high degree of income equalization. Many analysts have noted the egalitarian distributions in East Asia but favor cultural explanations (It's Confucianism) or strong (repressive? and smart) government explanations for their success (the notion that *laissez-faire* was the reason for success is factually non-sustainable at this point). Perhaps more should be made of the limited income inequality at the outset. In Korea inequality has been falling as a result of development—the exact opposite of the pattern of change in the U.S. In Taiwan, low inequality has been maintained while industry wage differentials have narrowed. Is the social de-

mand for interventions less when markets produce more equitable solutions than when they produce massive Brazilian inequalities?

Second, both Korea and Taiwan are improving their labor standards, introducing or raising minimum wages, freeing up unions, adding more teeth to labor laws. Even if you are a died-in-the-wool distortionist, the direction of change is clear: as countries develop, citizens demand, and the state will deliver, more standards. The lesson of Korea and Taiwan to institutionalists is that there may be an appropriate level of standards for given levels of development and for given initial levels of inequality. These countries may have chosen better the timing for strengthening standards. The lesson for distortionists is that simply opposing standards and interventions is probably a losing battle: better to study them and determine the most efficacious way to introduce them into a market economy. Lee and Park direct attention at one of the great outcome failures in both Taiwan and Korea: high levels of industrial accidents—a failure that social interventions could beneficially address.

Third, they stress the fact that Taiwan's less repressive labor regime has left it with a more peaceful path toward higher labor standards and freedom of association than Korea's more repressive regimes in the past. As a result of its more genteel control of union activity, Taiwan has a greater choice of ways to bring labor into company and national decision making than Korea may have. Lee and Park suggest the need for new more cooperative labor organizations in place of confrontational unions (works councils?) and greater tripartite participation in policy making.

There is much in this story that reverberates with Rama's cross-country analysis. It would be informative to see if a cross-country analysis of Asia would be consistent with the detailed country evidence. It would also add to our knowledge to see detailed country studies of Latin American and Caribbean countries with differing levels of labor market rigidity on Rama's scaling: Barbados vs. Belize or El Salvador or Paraguay vs. Uruguay.

The Institutional Conundrum

The theme that unifies both the analyses of ACs and LDCs is the search for the right set of government and private policies and labor institutions to create better labor market outcomes. Absent a full-fledged framework or model of how labor markets and societies

operate in the presence of institutions, we are a bit adrift in this endeavor. The competitive market model warns us that interventions may yield undesirable outcomes, but we know that this model is incomplete and must be used with caution in assessing actual policies and events. At the same time, to neglect its insights would be dangerous. Markets exist. People do what they can for themselves and their families or firms. Competition has important virtues. And the mere fact that an intervention *can* improve matters does not mean that it will. Governments are far from ideal socially minded intervenors in economic affairs.

The conundrum is that until we have a better institutionalist model than amendments or criticism of market models, we must rely to a greater extent than is desirable on our own judgments and prejudices in weighing the virtues of policies and institutions against their costs. In the case of the labor problems facing the advanced countries, I find it difficult to imagine *the* market solving them: the problem is that the 1980s-1990s market solution is socially undesirable. When Boyer suggests that a program of interrelated policies might be a step in the right direction, I hope he is right; but I know nothing in economic science to support this claim. In the case of the labor problems facing the LDCs, I find it difficult to imagine *the* market solving them: even the virtuous growth of employment and wages and equality

in Korea and Taiwan leave some problems for policy and institutions: demands for worker voice and participation and for reductions in accidents, and so on. But whether proposed institutional changes will “fit” in these societies and make matters better is hard to say. The research goal should be to try to develop a more systemic analysis of institutions in labor and other areas that would give us better clues as to when and how to intervene. We need our own super-hero to assist the Invisible Hand. Policymakers, of course, cannot wait for us to provide scientific answers to the labor troubles of our time. They must rely on their judgements, hopefully informed by papers like those at this session and the more objective assessments and judgements that academic researchers and analysts can offer.

References

- Amsden, Alice. 1989. *Asia's Next Giant: South Korea and Late Industrialization*. Oxford: University Press.
- Freeman, Richard. 1993. “Labor Market Institutions and Policies: Help or Hindrance to Economic Development.” World Bank Economic Review, Proceedings.
- Wade, Robert. 1990. *Governing the Market: Economic Theory and the Role of the Government in East Asian Industrialization*. New Brunswick, NJ: Princeton University Press.

Abstracts of Invited Papers

Track 3: The Challenge to Government Policy:
Promoting Competitive Advantage with
Full Employment and High Labor Standards

**Employment and Competitiveness:
The Peruvian Experience**

Luis Aparicio-Valdez
PERU

Our goal is to develop a viable alternative for Peru and similar countries to successfully link employment and competitiveness under two main criteria. The first one refers to the use of a competitive strategy that is based on differentiation, not on cost reduction. It is expected that such approach will generate employment on the basis of creating quality for consumers where those opportunities exist. The state should support the approach mainly because differentiation is designed to generate employment in an environment where heavy competition is taking place and where, therefore, differentiation needs to be supported by a dominant force in the country.

The second criterion has to do with the position of the country in world competition based on the country's comparative advantages within a framework of market economies. Some of these advantages today relate to manufacturing flexibility, a scheme that has deep consequences on labor contracts and wage levels, and a massive reduction of labor costs so as to allow for greater savings for companies. As a consequence of the latter, however, we observe an increasing deterioration of the standards of living as populations grow and the means to pay for them are scarce and unevenly distributed.

In practice, this alternative can be expressed in a proposal of which some of the important components should include professional training, incentives to the small-sized firms, and a new role of the government as a promoter of both jobs and social development at the same time.

Despite Peru's limited economic development, both as a producer and a consumer country, it has a role to play in international economic competition. Furthermore, from the comparative and competitive advantages that Peru can offer to production and consumption depends on its achievements in employment generation and sustenance.

The new environment in which international competition takes place, the continuous uncovering of new markets, the revaluing of work, and the speeding of the modernization process of less developed countries, all have improved the opportunities for countries like Peru to be more competitive and, at the same time, create and improve the jobs that their peoples need.

**Wage Austerity and/or an Educational Push:
The French Dilemma**

Robert Boyer
CEPREMAP, FRANCE

Can policymakers achieve simultaneously national competitiveness and human resources development, full-employment and rising living standards? In retrospect, the French experience is illuminating since it provides rather impressive achievements until the sixties and since then, a slow erosion of industrial relations, job creation and welfare in spite of renewed effort in order to promote a high-wage, high-skill, full-employment economy.

In many respects the French configuration is quite specific. Facing weakly organized business associations and workers reunions, the State has been driven to the forefront of industrial relations

via significant and recurring interventions in collective bargaining, welfare management, training and education. In France the education system is the main mechanism for social stratification and allocation to highly skilled jobs at the detriment of vocational and on the job training: meritocracy used to help in legitimizing rather large but stable income inequalities. Finally, all the postwar governments were pursuing Keynesian contra-cyclical policies in order to maintain quasi full-time employment.

Thus, until the early '70s, these features have been delineating a quite successful variant of Fordism (i.e., the self-reinforcing interaction of productive modernization, mass production, rising living standards and mass consumption). Rapid growth was pushing the French economy toward full employment, or even more likely, work scarcity, as evidenced by the rise of immigration. Thus the momentum of consumption was very active, whereas general education has been extended to a wider fraction of each age cohort. Consequently, one observed simultaneously full employment, rising standards of living and a continuous upgrading of skills, even if unequally distributed between white and blue collars, manual workers and professionals.

Since the early '80s, the situation has drastically changed with the deterioration of French economic and social performance. The unemployment rate which was the lowest among European countries is now among the highest. The inability to cope with a fiercer international competition has brought a complete reversal in economic policies: Some observers now see the minimum wage as an obstacle to job creation at the very moment when nominal wage increases are kept under severe control both by unemployment and State interventions. Simultaneously, politicians and managers are increasingly convinced that high skills are required in order to be competitive: the diffusion of information technologies, the competition by quality and servicing, the ability to shift from one product to another, all call for polyvalent workers.

This paper investigates the compatibility of these two strategies: should governments promote labor market flexibility in order to take into account the currently limited skills of rank-and-file workers or, on the contrary, should they implement a big push education and training in order to capture more of the information rents associated to new technologies? Could these two objectives eventually be combined? In fact, the first option seems to make the pursuit of the second quite difficult. France turns out to be quite close to the American configuration concerning skill heterogeneity but far away in terms of unemployment. Institutional, statistical, and theoretical arguments are presented in order to substantiate this main conclusion.

Italy: The Social Consequences of Economic and Monetary Union

Renato Brunetta

Leonello Tronti

Giacomo Brodolini Foundation, ITALY

Joining the European Monetary Union will bring Italy, as well as the other European countries, a series of considerable advantages. These can be summed up as deriving from utilizing the economies of scale created by a wide market, becoming more competitive as a result of its greater strength, using internal resources to the full, and so on.

However, due to the delays and inefficiency accumulated, Italy must rapidly adopt a series of adjustment and stabilization policies for inflation, the public debt, the labor market, welfare system, etc. The adjustment processes already in act have proved to be anything but painless, and there is no reason to believe that the near future will be any different. In 1994, Italy in theory finds itself at a crossroads: either proceed along the road to economic and financial adjustment—the line adopted following the commitments made at Maastricht to achieve EMU—or deny these obligations and fall back into the ways of the past, such as those that existed in the 1980s (and briefly described in the first section).

In an attempt to address the main social problems and areas of reform induced by the European convergence, we first describe the Maastricht Treaty's constraints and the Italian difficulties in matching them. We then briefly review the main theoretical result of recent economic literature in explaining the Italian structural misalignment, that is, the Sectoral Dualism Approach relating to the different behavior of the internationally exposed and protected sectors.

A description is then given of the economic policy measures since 1992, and special emphasis

is devoted to the Tripartite Agreement of July 23, 1993, which has profoundly changed the Italian industrial relations and wage bargaining systems. Relevant information is also offered about the new rules on public employment, a central issue in the reform strategy.

Other rules relevant to the industrial relations system reviewed in the paper are: (1) the new rules on public pensions, which are presently the main source of social conflict; (2) the main instruments for managing labor redundancies and maintaining worker's incomes; and (3) training policies and training needs.

While assessing the remaining problems that lie on the Italian convergence path with Europe, concluding remarks are presented on the need for the adoption of a European incomes policy and for a strong advance in the harmonization of welfare systems.

Wages and Job Creation in Australia and the U.S.

R. J. Gregory

Australian National University, AUSTRALIA

Early in the 1970s and after two decades of parallel changes, the pattern and rate of job creation in Australia and the U.S. began to diverge markedly. In the U.S., the proportion of the population employed full-time has increased 13%, the largest increase since the recovery from the 1930s depression. In Australia the change has been in the opposite direction. The full-time employment histories are reflected in unemployment rates, but the impact has been muted. The average Australian unemployment rate increased from 3.5% to 9.2% and the duration lengthened from 12.7 to 58.2 weeks. In the U.S. increases in unemployment have been minor.

It is a major challenge to understand why the U.S. labor market has created so many full-time jobs and the Australian labor market so few. One possible set of explanations might be found in the wage behavior of each country. Some commentators have argued that the poor employment record in Australia arises because labor market institutions fail to generate sufficient downward wage flexibility. These arguments are strengthened by the experience of wage outcomes of the 1970-75 period when U.S. real wage growth stagnated and Australian real wages increased markedly—by 25% for men and 60% for women—and remained high despite rising unemployment and a falling full-time employment/population ratio.

The argument that Australian labor markets lack sufficient wage flexibility can be divided into two parts. One part emphasizes the need for increased downward flexibility of economywide average wages. The other emphasizes the need for increased downward flexibility of relative wages across classes of workers. This paper presents the comparative data for the U.S. and Australia to explore relationships between wage changes, job creation, income distribution and growth. This essay is an exercise in broad brush economic history rather than an application of tightly specified theoretical models and econometric estimation.

Jobs, Labor Standards and Promoting Competitive Advantage: Canada's Policy Challenge

Morley Gunderson

University of Toronto, CANADA

W. Craig Riddell

University of British Columbia, CANADA

Canada, like most economies, is facing the difficult policy challenge of promoting its competitive advantage under global competition while at the same time trying to protect jobs as well as the labor standards of those jobs. The policy challenge is made difficult by the trade-offs that are usually involved. Promoting competitive advantage in high-wage countries like Canada invariably means engaging in high value-added production, with high labor productivity being crucial. The dynamic restructuring this entails, in turn, means difficult and costly labor adjustment and job losses—losses

that may not be offset by the job creation elsewhere. This is so because the higher productivity that is necessary for competitive survival, by definition, implies less labor input needed for any given level of output. A “Catch-22” occurs: Productivity is key to the survival of high-wage jobs, but productivity improvements means fewer employees are required.

Trade-offs are also involved with respect to competitiveness and job creation on the one hand and labor standards on the other hand. Labor standards are increasingly necessary to provide a safety net to cushion the adjustment consequences, but their cost consequences can reduce competitiveness and investment—and the jobs associated with that investment. Depending upon where they are applied, labor standards can also foster bifurcation of the labor force into protected sectors of “good jobs” and unprotected sectors of “bad jobs.” Labor standards may also substitute or complement trade unionism as an alternative mechanism for regulating the employment relationship.

Clearly, striking a balance among these difficult trade-offs is a daunting policy challenge. As discussed subsequently, this is made more difficult by the fact that the amount of freedom policymakers have in this area may be severely constrained by the fiscal crises of governments and by the credible threat of capital mobility and plant location decisions being directed into countries with low labor standards.

The purpose of this paper is to discuss the policy challenge facing Canada in promoting competitive advantage consistent with job creation and reasonable labor standards. Canada’s current labor market performance and the associated institutional, legal, and policy environment is first discussed. This is followed by an analysis of the issues of international competition and labor standards as well as job creation. The paper concludes with a discussion of the key elements of labor market policies to promote competitive advantage consistent with job creation and viable labor standards.

Job Growth and the Quality of Jobs in the U.S. Economy

Susan N. Houseman

W.E. Upjohn Institute for Employment Research, U.S.A.

During the 1980s employment grew rapidly in the United States, prompting many analysts to label the U.S. economy the great American job machine. But while aggregate employment increased rapidly during the 1980s, many did not benefit from the expansion. Among less educated prime-age males, unemployment rates rose and labor force participation rates declined sharply. Moreover, although job growth was high, many argued that the quality of American jobs—as measured by wages, benefits, and job security—deteriorated. The decline of jobs in the high-paying manufacturing sector and the growth of jobs in the low-paying services sector, the growth in part-time and temporary employment, and the general decline in real wages among less educated, less skilled workers have been presented as evidence of an erosion in job quality.

The issue of job growth and job quality in the American economy has sparked extensive debate among policymakers and academics over the last decade. The aim of this paper is to critically examine the evidence on job growth and on wages and other indicators of job quality in the U.S. economy during the 1980s and 1990s. To place the American experience in perspective, selected comparisons are made to the experiences in other industrialized countries.

Employment, Labor Standards and Economic Development in Taiwan and Korea

Joseph S. Lee

Chung-Hua Institution for Economic Research, TAIWAN

Young-bum Park

Korea Labor Institute, KOREA

Full employment and high labor standards are important goals of economic development. However, they are not necessarily mutually compatible. As experience from developing countries

shows, some countries do well in creating jobs but do poorly in improving wages, benefits, and working conditions—others do the opposite, while some perform poorly on both accounts.

Taiwan and Korea seem to be the exceptions; they have done well on both accounts. How did they achieve this marvel? What policies did they adopt to achieve these twin goals? What lessons does their success have for policymakers in other developing countries? These are the questions we address in this paper. A comparative study of the policies adopted by Taiwan and Korea to achieve full employment and high labor standards is interesting and valuable because, although Taiwan and Korea adopted similar policies to achieve full employment, they adopted very different policies to achieve high labor standards. This has important implications for industrial relations in these two economies and lessons for policymakers in other countries.

In the following sections we first review the improved economic conditions and labor standards of these two economies and then discuss the policies adopted in accomplishing these twin goals. Possible lessons to be learned by public policymakers in other countries are discussed in the final section.

Regulation vs. Deregulation: Which Route for Europe's Labor Markets?

David Marsden

The London School of Economic and Political Science, U.K.

The likely impact of “deregulation” and “re-regulation” policies on unemployment differs according to the section of the labor market concerned. The paper analyzes three broad sections: unskilled, low paid jobs, skilled white- and blue-collar jobs, and higher management and professional jobs. The deregulatory agenda has most to offer at the extremes but could undermine productivity levels in the middle section where “cooperative exchange” is important. A joint regulatory framework is needed to promote trust relations in this middle section but conflicts with deregulation of the low-skilled and managerial sections. The conclusion explores the policy trade-offs.

Do Labor Market Policies and Institutions Matter? The Adjustment Experience in Latin America and the Caribbean

Martin Rama

The World Bank, U.S.A

This paper analyzes the effects of nine labor market policies and institutions on the economic performance of 31 countries in Latin America and the Caribbean over the period 1980-92. The set of variables used to describe labor market policies and institutions includes the number of ILO conventions ratified by each country, the mandatory annual and maternity leave regimes, the social security contributions paid by workers and the payroll taxes paid by employers, the relative size of government employment, the ratio of minimum to average wages, the amount of severance pay received in case of dismissal, and the union membership rate. The effect of these variables on economic performance is assessed by means of cross-country regressions on aggregate panel data, with the growth rates of output, employment (total and in manufacturing) and wage costs as the endogenous variables. The results indicate that labor market has a mildly negative impact on economic performance with payroll taxes, government employment, and unionization driving most of the action. The six other policies and institutions considered appear to be relatively benign.

RAPPORTEUR'S REPORT: TRACK 4

New Models of Negotiations, Dispute Resolution, and Joint Problem Solving

Jean Sexton
Department of Industrial Relations
Laval University
Quebec, Canada

Conflicts, tensions, and disputes are at the heart of industrial relations. At the end of the day, understanding, preventing, and finding solutions to them constitute the very subject matter of our field. This is nothing new. However, what is new are the efforts of imagination and experimentation being made just about everywhere in the world for sometime now to find new, effective means to achieve the very purpose of industrial relations, that is, the resolution of disputes.

This track is devoted to all of these new methods. What we are striving to do here is to learn from each other and to evaluate the results of these new methods. The experiences presented here are many and varied. I would like to express my gratitude to the authors who have presented papers on this subject: Professors Beaumont and Harris (Scotland); Cutcher-Gershenfeld, Power, and McCabe-Power (United States); Hyo Soo Lee (South Korea); Sachikonye (Zimbabwe); Chouraqui, Regalia, and Sisson (France, Italy, and Great Britain); Karrasavidou and Markovits (Greece); Ribarova (Bulgaria); Kurennoy (Russia); and Madeleine Lemieux (Canada). Each of the authors refers to a particular experience. Taken together, these nine papers contain a multitude of diverse observations which constitute an intricate approach to the subject. We will attempt to integrate them in this report.

We will proceed as follows: First, we will re-examine the notions of conflicts, tensions, and disputes and their essential characteristics in our field of study. Next, from the nine presentations given, we will attempt to bring out the approaches and attitudes needed for the new models examined to work well. It will then be possible to concentrate, first, on certain techniques of labor relations and, then, on human resource management techniques, attempting, of course, to integrate the two.

Conflicts, Tensions and Disputes

As our late friend Jack Barbash (1984:131) noted, conflict in industrial relations, or even the threat of conflict, is normal and even necessary. However, in our field conflict has unique characteristics.

Certainly all conflicts come to an end. This can happen when one or several of the parties disappear, or a conflict can be resolved through some resolution procedure or other. However, the end of conflict does not mean that the conflict situation has completely disappeared. Thus talking about conflict resolution means, in the short term, being in a context where conflict is defined by precise goals which each party is trying to achieve.

Conflict in industrial relations is unique in that it exists, expresses itself, takes place, and is resolved in a context of interdependence between the parties. In such a context, if the conflict is resolved through the disappearance of one of the two parties, then it is possible that there will be no more industrial relations. This can happen sometimes. Take the example of a total, permanent shutdown of a firm at the time of a dispute.

Thus through survival instinct, a conflict is bound to end one way or another because it is expensive (Touzard 1977:83). It is expensive both economically and psychologically. In economic terms, these are the costs which the parties impose on themselves, such as loss of earnings during a strike. There are also psychological costs because all conflicts require mobilizing the energy of individuals, groups, and social classes concerned. However, these economic and psychological costs can at a certain point exceed the cost that individuals, groups or firms are able to bear, either because the damages suffered are very extensive or because continuing the dispute could jeopardize survival.

When the cost of disagreement becomes greater than the cost of agreement, most of the time the dispute ends.

In a context of interdependence between the parties, as is the case in industrial relations, conflicts, tensions and disputes involve: (1) applying a strategy or using a method to find a solution; (2) a question of dynamics—the parties may agree on a very good solution to a given problem at a given time, but this can in itself become a problem in the future; and (3) finding a solution which permits the two parties to save face since they still have to live with each other.

Traditionally, three methods of dispute resolution have been used: collective bargaining, mediation or conciliation, and arbitration. On the other hand, new tools and technologies for negotiating and resolving labor disputes have been developed and practiced in many places throughout the world. Similarly, in different countries new forums for worker participation and labor-management partnerships have developed the following themes as part of workplace restructuring efforts: total quality management, flexible manufacturing strategies, and strategies for economic development. Moreover, we have seen the creation of all kinds of joint committees at every level, as well as property and profit sharing, participatory management, concertation and a series of new collective bargaining techniques and approaches.

What all of these models have in common is that they clearly express the willingness of participants to resolve conflicts and disputes. The problem should not be stated so much as the choice of a new model but rather as the attitude of people wanting to resolve a conflict or a dispute in the first place. It is a question first and foremost of attitudes, approach, and even of philosophy and culture.

Attitudes, Approaches and Values

According to the nine papers presented, the results of efforts to find new ways of trying to solve conflicts, tensions, and disputes are based on, among others, attitudes, approaches, and values. These are related to the way in which the industrial relations system is viewed, the link between labor relations and human resource management, and the internalizing of responsibility by the parties.

The Industrial Relations System

From the papers presented, a continuum emerges ranging from the most to the least

probability of success of new models of dispute resolution. This depends on the way a country, a sector, or business conceives of industrial relations.

Hyo Soo Lee of South Korea gives the Asian view of industrial relations. Basically, his thesis is that Asian practitioners and academics have a negative image of the Western model of industrial relations because the latter focuses too narrowly on the role of conflict and its resolution through formal negotiation in the workplace. Moreover, he maintains that the Western model does not sufficiently take into account the role of the mind, attitudes, or creative capacities of workers. This is not the case in Asia, given the legacy of Confucius and Buddha. In fact, it is quite the opposite. In that part of the world, the mind is considered as important as, if not more important than physical abilities. This is why Asians put a great deal of emphasis on education and spiritual development.

According to Lee, there is also a divergence between the Asian and Western models with regard to the role of business in society. Asian society is based on a concept of community which advocates harmonious relations between humans and between humans and nature. For Lee, Western societies are based on the concept of legal contract or common law founded on individualism and puritanism.

The concept of relations in a Confucian society is based on filial piety, loyalty, benevolence, faith and courage. Certainly such relations are invisible and intangible, however they greatly influence individual behavior and rules in the community.

Thus, for the workplace to be seen as a community, an Asian model of industrial relations must redefine the very concept of industrial relations. In this case then, spirit, cooperation and conflict in industrial relations must be synthesized. In fact, Lee proposes a model based on "humanware."

At the other end of the continuum, there are conceptions of industrial relations which are unable to incorporate the role of the individual, compromise, and tolerance of opposing views. The evidence presented by our colleagues Kurennoy of Russia, Sachikonye of Zimbabwe, Karrassavadou and Markovits of Greece, and Ribarova of Bulgaria are eloquent proof of this. The predominance of the state, centralization, and interference are certainly not a creative source for resolving conflicts, tensions and disputes.

Thus such a continuum suggests that new models of dispute resolution will have all the

more chance of success if the prevailing model of industrial relations favors individuals, their spirit and their creativity.

The Link between Labor Relations and Human Resource Management

Our colleagues are giving us a clear message. Dispute resolution will be all the more successful if in everyday life there is an effective link between labor relations and human resource management in terms of approaches and attitudes. One cannot be conceived of without the other. Moreover this message is very much like Kaufman's approach (1993).

However, translating these ideals into practice is not so straightforward. Although it is currently fashionable to advance such an approach, in practice very little organizational and government strategy unites labor relations and human resource management.

Furthermore, according to Beaumont and Harris, British unions see collective bargaining and human resource management as complementary and favor the introduction of human resource management through an approach of joint partnership.

The Responsibilities of the Parties

Another common denominator emerging from these texts with regard to the importance of approaches, attitudes, and values for the success of models of dispute resolution is the acceptance of responsibility by the parties and its direct involvement in everyday activities. This can be a concrete expression of the link between labor relations and human resource management.

Hyo Soo Lee talks about spontaneous cooperation between employers and workers. Chour-aqui, Regalia and Sisson recount the European experience of direct participation. They examine the European Union's twelve member states and the three applicant countries Austria, Finland and Sweden. They note that for employers, the active involvement of employees is essential for increasing efficiency. In several cases, unions not only expect that direct participation will result in the improvement of working conditions, they also explicitly express their expectations in terms of economic objectives.

This acceptance of responsibility by the parties is also noted in the analysis by Cutcher-Gershenfeld, Power and McCabe-Power. The emphasis they put on problem-solving negotiation and target-specific bargaining necessarily implies such an acceptance of responsibility

through, among other things, a genuine exchange of information.

Mutual responsibility is equally essential for better dispute resolution in the public sector. Lemieux presents the Quebec experience in essential services where a consensus approach through mediation is favored in order to protect health and the public in case of dispute. This search for a consensus can only be successful if the parties concerned are really responsible.

In brief, approaches, attitudes, and values have a fundamental effect on the success of the methods used to solve conflicts. This suggests that we must understand and influence these approaches and attitudes in order to achieve positive results.

Labor Relations Techniques

Beyond the question of attitudes, approaches, and values, a great number of experiments have been carried out all over the world during the last ten to fifteen years in order to improve the efficiency of the labor relations system. Our aim here is not to discuss all these experiences, but only to focus on those presented here by our authors and collaborators.

Cutcher-Gershenfeld, Power and McCabe-Power present recent innovations in cooperative approaches to negotiations (mutual gains negotiations, interest-based bargaining, win-win negotiations and target-specific bargaining). These innovations have common underlying principles. First, we concentrate on problems and not people. Second, we propose options that represent mutual benefits. Moreover, we systematically avoid proposing solutions before having properly defined the problem. Lastly, we establish mutually acceptable criteria for evaluating the solutions put forward. Consequently, this involves information sharing, resorting to a systematic bargaining process, and concentrating on interests and not people.

However, these innovations in bargaining based on interests and problem solving raise a number of questions. First, there often is great confusion about the appropriate use of power in a problem-solving context. Second, managing internal differences is both a threat to the success of a collaborative process and a key to its success. Moreover, we could not explore these new bargaining approaches without understanding thoroughly their historical and institutional contexts. Here, the mutual exchange of information is both essential and difficult. And, the use of such a form of bargaining leads to the problem of having several concurrent forums for

dialogue and exchange. Also, different points of view related to gender, social class, region, culture, etc. must be dealt with. And lastly, several problems may arise depending on the context.

To illustrate the change that resorting to interest-based bargaining necessitates, the authors present the introduction of target-specific bargaining step by step. In this type of bargaining more people are involved in the process, more topics are covered, and a problem-solving approach is used. All this is supported by a full and open sharing of information from a common data base. Essentially, it involves coming to the bargaining table with a set of problems to be solved rather than with demands.

Can this bargaining model be introduced outside the United States? The authors refer to their personal experience in Poland and South Africa to answer this question. The most important cultural question deals with values and hypotheses that guide the approaches of mutual gains negotiations. At the end of the day such concepts can certainly be rooted in other cultures but they will inevitably be changed once they are put into practice. We should therefore be cautious in transferring this model in its pure form. However, the authors remain optimistic about the applicability of its principles.

The presentation of this approach clearly demonstrates that while it is attractive, it requires a return to basics, to attitudes and values. Moreover, such an approach requires a great deal of maturity and experience and not blind trust, as stressed by our colleagues from Greece, Karassavidou and Markovits. Broadening the topics negotiated and using the problem-solving approach involve the integration of human resource management.

Human Resource Management

Beaumont and Harris' study is very significant as regards human resource management. According to them, the British experience shows that the introduction of human resource management practices is more characteristic of the unionized sector than the non-unionized sector. However, their analysis of data from the 1990 Workplace Industrial Relations Survey suggests that management's motives for introducing such practices come from their dissatisfaction with the current state of labor relations and their desire to improve them, which is not the case at

all in the non-unionized sector. Such relations in the unionized sector would explain the relative lack of partnership in introducing these human resource management practices. Moreover, Beaumont and Harris study the experience of the paper industry in Great Britain where human resource management practices co-exist easily with cooperative labor relations where the partnership approach is very much in evidence. However, some of the factors that have encouraged the development of partnership in the paper industry are apparently less present in other industries. This is not good news for the British union movement. Nevertheless, the experience shows the potential need as much as the importance of recent initiatives in active intervention programs from third parties in order to move labor relations away from their traditional conflictual orientation.

These results might be worrisome. In fact, employers use human resource management and its practices as a substitute for bad labor relations. This could make human resource management completely dysfunctional. Practical and real integration of both approaches into everyday activities is certainly more preferable.

Conclusion

Negotiation, dispute resolution, and joint problem solving are certainly not new subjects. What we wish to discuss in particular in this track are new models. A lesson can be drawn from the experiences presented here. In a context of industrial relations where conflict is permanent and even necessary and the parties are interdependent, all efforts to solve the conflict successfully will depend on the parties' approaches, attitudes and values and their real willingness to settle it. The institutional and legal context is of utmost importance. State interference and centralized bargaining structures do not seem to encourage the settlement of disputes but rather perpetuate and aggravate them.

Disagreements will always exist. And for reasons of efficiency and equity, we should always find ways to settle them. Nevertheless, I believe that beyond techniques of dispute resolution, it would be very worthwhile to carry out more research into approaches, attitudes and values in conflict resolution. Industrial relations, understood in very broad terms, incorporate both techniques and values. They perform relatively well in terms of techniques. However, in terms

of values they are very weak (Barbash 1991). Yet, industrial relations as a field of study and intellectual experience requires an understanding of its philosophical foundations and its intellectual origins. And it is exactly when studying conflict that this becomes important.

References

- Barbash, Jack. 1984. *Elements of Industrial Relations*. Madison, WI: The University of Wisconsin Press.
- _____. 1991. "Industrial Relations Concepts in the USA." *Relations industrielles/Industrial Relations*, Vol. 46, no. 1, pp. 91-117.
- Kaufman, Bruce. 1993. *The Origins and Evolution of the Field of Industrial Relations*, Ithaca, NY: ILR Press.
- Touzard, Hubert. 1977. *La médiation et la résolution des conflits*, P.U.F.

Abstracts of Invited Papers: Track 4

New Models of Negotiations,
Dispute Resolution and Joint Problem Solving

**Good Industrial Relations, Joint Problem Solving
and HRM: Issues and Implications**

Philip Beaumont

R. I. D. Harris

University of Glasgow, SCOTLAND

In advanced industrialized countries the concept of “good industrial relations,” which is increasingly endorsed by academics, practitioners and policymakers, has two leading elements: (1) a collective bargaining relationship characterized by a relative cooperative, joint problem-solving orientation; and (2) HRM practices which go beyond collective bargaining to address the information, consultation, and involvement needs of individual employees. In Britain the Advisory Conciliation and Arbitration Service (ACAS) has an active program of joint working parties designed to facilitate change along these lines. The success of the program is assessed by participants’ perceptions of change in the overall employee (union)-management relationship, an approach which is similar to that pursued in many empirical studies conducted by academics.

In this paper we utilize information contained in the 1990 Workplace Industrial Relations Survey in Britain to examine the relevance and meaningfulness of perceptual notions of “good employee (union)-management relationships.” The issues to be examined include whether such perceptions are unique to individuals, vary systematically between plants, change over time and are associated with tangible innovations and changes that are consistent with the conceptual notions of good industrial relations as defined above. In addition the results of some research in the paper and board industry in Britain will be drawn upon to illustrate some of the leading factors and influences that have stimulated and facilitated change along these lines.

**Workplace Europe: Direct Participation in
Organizational Change (EPOC)—Some Findings**

Alain Chouraqui

CNRS, FRANCE

Ida Regalia

IRES, ITALY

Keith Sisson

University of Warwick, U.K.

This paper will present the first results of the program EPOC, (funded by the European Foundation for the Improvement of Living and Working Conditions), a major investigation into the nature, effects, and extent of “European Direct Participation in Organizational Change.” The main focus of the investigation, which began in 1992, is on the then twelve member states of the European Union at that time and on some actual candidates (Austria, Finland, and Sweden).

The aim of the project is twofold: (1) to try to fill knowledge gaps (i.e., to create a systematic and comprehensive overview on the actual reasons, conditions, forms, regulation, diffusion, social and economic impact of direct participation in Europe; this includes to understanding of the various

practical types of DP, their competitiveness and/or on working conditions); and (2) to try support the discussion of the social partners in Europe on this topic by presenting them a serious statement on the actual situation.

The present paper presents an outline of the project and the preliminary results of the Social Partners' Study. On the one hand, initial results (1) require definition of DP as a diversified process, actually dominated by managerial approaches, and (2) distinguish between consultative and delegative participation. On the other hand, a frequent lack of firm and stable attitudes appears on this topic among the social organizations at peak and sector levels.

Global Implications of Recent Innovations in U.S. Collective Bargaining

Joel Cutcher-Gershenfeld
Michigan State University, U.S.A.

Donald Power
Federal Mediation and Conciliation Service, U.S.A.

Maureen McCabe-Power
Human Systems Development Group, Inc., U.S.A.

Collective bargaining in the United States is increasingly polarized toward contentious and cooperative extremes. At one extreme, we find the collapse of negotiations into bitter strikes or even complete escape by employers from the union-management relationship. At the other extreme, we find joint partnership that encompasses decisions on nearly every aspect of business operations. A wide range of domestic and global factors are driving the polarization of the bargaining process with growing international competition, changing demographics, and strategic choices by firms and unions being among the most important factors. This paper is focused at just one of the two extremes—recent innovations in cooperative forms of collective bargaining.

We believe that these innovations have the potential to help drive change in a wide range of worksites—in the U.S. and abroad. We come to this view based on direct experience in over one hundred settings, as well as through our analysis of larger trends in industrial relations. It is important, however, to understand the wide range of innovative practices that are possible, as well as the many dilemmas and complexities associated with the recent initiatives.

The innovations have many names, including mutual gains negotiations, interest-based bargaining, win-win negotiations, and target-specific bargaining. While all of these approaches to negotiation have many common features, there are important differences in the focus, scope and end results associated with each. We will begin by reviewing the wide range of highly cooperative approaches to negotiations. This goes from a one-time collaborative approach on a single issue to the construction of a full living agreement based on these principles. Then we will focus on one of the more comprehensive and extensively utilized models, which is termed target-specific bargaining. This approach is notable for the way it involves the full workforce in the bargaining process and the way that it substantially expands the scope of negotiations. Finally we will explore some of the cross-cultural implications associated with applying the new forms of bargaining outside the U.S. context.

Underlying the analysis in this paper is a core assumption, which is that labor-management will inevitably bring a mixture of common and competing motives or interests to the employment relationship. As such, industrial relations will always feature mechanisms or processes for surfacing and resolving conflicts. In focusing on cooperative innovations we not only recognize that there are conflictual dimensions to the relationship, but we believe that the very success of the cooperative efforts depends on the capacity to handle highly divisive issues.

Dispute Resolution, Negotiation and Mediation in Greek Industrial Relations: Is There Any Change?

Elonora Karassavidou
Aristotle's University of Thessaloniki, GREECE

Yannis Markovits
Institute of Education in Contemporary Forms of Labor, GREECE

During the last fifteen years, the world economy—in particular the advanced industrial countries—have been experiencing a series of radical and continuous transformations at both the macro- and micro-level. These changes challenge the assumptions about the basis of employment structures and amount to no less than a shift away from the traditional postwar industrial relations system to a new order.

In this paper, in an attempt to get a deeper understanding of the contemporary developments taken place in the industrial relations area, a four-phase development frame of industrial relations is formulated. The “New Industrial Relations” is classified into two main strands: the first strand implying reconstruction and innovations in collective bargaining and dispute resolution seems to be preferred by the EEC. The second strand, represented by the human resources management, emerged in the United States. Although each of the strands presupposed a quite different philosophy, management style, and techniques, they appear at the same time to have some common elements, and their future perspectives depend heavily on “high-trust” employment relationships.

Greece—a latecomer with a significant delay in the new industrial relations debate—has adopted the first of the aforementioned approaches, indicating an “U-turn” change in 1990 in its industrial relations system.

This decision, although taken in the light of harmonization with the relevant policy of EEC, seems to fit better with the characteristics and historic specificities of the Greek industrial relations context. The institutionalization of “free collective bargaining” at a national, industry and plant level, third party intervention on a voluntary basis, and the establishment of the Organization of Mediation and Arbitration (OMED) represent the core of the new status quo in employee-employer relations in Greece. In particular, concerning OMED, it is argued here that it represents an interesting experiment not only on the Greek dispute resolution landscape but in the Western world as well. A general evaluation (first phase of a research project in process by the two authors) of the two years experience of OMED gives support to the view that a gradual, positive change in the atmosphere of the Greek industrial relations appears to take place.

Russia: A New Approach toward Negotiations and Dispute Settlement

Alexander Kurennoy
Academy of National Economy, RUSSIA

The first and foremost task of the state in regulating social relations is to ensure the effectiveness of regulation. The 1993 report on safeguarding human and citizens rights in the Russian Federation includes a special section “On Safeguarding Labor Rights.” It points out the growing violation of labor rights and the weakening protection of labor in Russia today. We believe that the major problem is the state’s inability to effectively control and implement legal norms and liability.

The less the state regulates labor relations, the more important become legal norms and liability; especially in the transitional period in which the Russian society finds itself today. We place much hope in state labor inspection which would control labor relations in all enterprises irrespective of their forms of property. Previously union labor inspections performed these functions of the state.

Labor relations today lacks effective enforcement of legislation. There are many reasons for this. For instance, there is no clear division between the issues solved in different legislative acts; the acts themselves do not match; there are no special legislative bodies or procedures; the level of legal technology is insufficient; and so forth.

Finally, there comes the problem of liability. Legal liability is one of the essential elements of

the legal system, an instrument of implementing the rights and duties of the subjects of legal relations; it is one of the major guarantees of such rights and duties.

The equality of the parties of the labor relations should also be reflected in mutual liability. The liability of state bodies and business in labor relations is provided by legislation (though, in many cases it is only a formality). A true and adequate liability of the other party in labor relations (i.e., the liability of employees and their representative bodies) is almost non-existent. This fact often leads to labor conflict. Employees put forth demands without correlating them with the capacities of their employers or the state. What's more, there is no restraining factor, such as a possible liability (including financial liability), or the possibility of imposing sanctions.

The Interaction of Production, Distribution and Rule Systems in Industrial Relations: The Case of the Korean Auto Industry

Hyo Soo Lee

Yeungnam University, SOUTH KOREA

This paper proposes to view industrial relations as a synthesis of production, distribution, and rule systems rather than to regard these three systems (PDR systems) as independent forces. This PDR model focuses on the actors' strategic choices for PDR systems, that is, subsystems of industrial relations system and their interaction mechanisms. The contents and interactions of PDR systems determine the performance levels of industrial relations (i.e., productivity, flexibility, innovation, fairness, and satisfaction). This model can be used to analyze nonunion workplaces as well as unionized settings by embracing collective bargaining as a subsystem of the rule system. The general framework of the model is illustrated by using data from the Korean automobile industry, which is particularly well suited for this purpose since it reflects different combinations of PDR practices over its history. This model demonstrated that the best practice of future industrial relations will be established by PDR systems in which the creative human resources are maximized and the actors spontaneously cooperate.

Mediation and Conflict Resolution in Essential Services: The Quebec Experience as a Model of Comparison

Madeleine Lemieux

President

Conseil des Services Essentiels, CANADA
(Quebec Essential Services Council)

The right of public service employees and public servants to strike was recognized by the Quebec legislature in the mid-1960s. Soon the need was felt to establish mechanisms for determining essential services during strikes.

After earlier attempts failed to generate expected results, the government adopted current legislation in 1982 that created the Conseil des services essentiels (Quebec's essential services council)—the first permanent body devoted to the question of maintaining essential services during strikes in the public services and, since 1985, in the public sector. Although the creation of this body and its mechanisms were greeted with skepticism, everyone concerned now agrees that the evidence is conclusive.

One of the factors that has contributed significantly to this success is the consensual approach taken to determine essential services. The law requires that the parties negotiate. One of the Council's objectives is to facilitate agreement between the parties. Thus as soon as the Council was created, it established a mediation service dedicated to this objective.

Mediation is at the very heart of all interventions by the Council and is used in several situations. First, when lists of essential services are being developed, it is the mediator's task to help the parties to agree on which services will be provided to the population, or at the very least, to help them reduce the gap which separates them before the Council proceeds to an evaluation of the sufficiency of the proposed services. Secondly, during a strike the Council will use mediation to attempt to

resolve difficulties in interpreting or applying a list or even an agreement on essential services. Finally, the services of the mediators are also called upon when the Council exercises its remedial powers. In the case of a conflict, regardless of type or origin, the Council may make an order aimed at ensuring the service to which the public is entitled. The exercise of these powers will generally be preceded or followed by the use of mediation in order for the parties themselves to find the solution to labor relations problems that affect service to the public.

By stressing the search for consensus and by entrusting an independent and neutral third party to solve disputes, the Quebec legislature wanted to dejudicialize this sector of labor relations. The legislature has also helped to depoliticize it, at least in public services. The legislation and its application is in keeping with the search for a fair balance between exercising the right to strike (a result of the right to affiliate recognized in democracies) and the public's right to services despite labor conflicts.

Industrial Action or Collective Bargaining: How to Solve the Problems of the Bulgarian Industrial Relations System

Ekaterina Riberova
BULGARIA

Current industrial relations developments in Eastern European countries are distinct and unique. Reform in the wider society, which began after 1989, has resulted in new conditions which affect industrial relations trends.

First, new economic conditions have emerged. The transition from a centralized economy to a market economy has been accompanied by painful changes in employment systems, social security, and living standards. Prior to reform, most of the regional population relied on the state for jobs, income, and basic existence. Now people work and live in a new economic and social environment, and most of them are under stress.

Second, a transition from a totalitarian to an open society is underway in these countries. Changes in the political structures are accompanied by strong contradictions and antagonism between the old and the new politics. Most of the citizens (with the exception of those over the age of 60) have no experience with a democratic society. They lack experience with the negotiation process and are unwilling to compromise. This affects not only political life and public administration, but also with the activity of non-governmental organizations. The social actors are not familiar with the use of flexibility in dealing with rivals or even with partners. In addition, new social differentiation has appeared and social organizations are still in a state of flux, with many being extensions of those existing 1945-89 or are even reborn organizations from those existing before 1945.

Third, in most of Central and Eastern Europe a process of restoring national independence is taking place. In many countries, including Bulgaria, it is coupled with various ethnic conflicts. Nevertheless, the fact that some human rights policies have begun to be implemented, indicates ethnic conflict is not inevitable. Most of the problems are exacerbated by the current economic crisis. Unemployment, poverty, and social insecurity predominantly affect ethnic minorities and produce conflicts between ethnic groups.

Models of Negotiation, Dispute Resolution and Joint Problem-Solving in Zimbabwe

L. M. Sachikonye
Zimbabwe Institute of Development Studies, ZIMBABWE

Most countries in Africa are currently initiating economic reform programs in an attempt to redress structural problems which beset their economies in the 1970s and 1980s. The depth of economic reforms varies from country to country. However, the reform measures typically include reduction of central government expenditure and deficits, trade liberalization, privatization, and currency devaluation. Industrial relations necessarily undergoes restructuring as a consequence of

change in the trade and investment regimes and public sector expenditures. Some of the outcomes of the reform measures include a substantial number of layoffs in the public sector and changes in employment practices in the private sector, as well as a relaxation of regulations pertaining to employment security. Zimbabwe is one country implementing reform measures (known as the Economic Structural Adjustment Program [ESAP]; the program runs from 1990 to 1995). However, adjustment programs are also currently being implemented in such diverse countries as Ghana, Zambia, Mozambique, and Tanzania.

In this paper, we explore the extent to which economic liberalization is contributing to changes in the content of industrial relations with specific reference to Zimbabwe. However, comparative experiences from elsewhere in Africa will be drawn upon for purposes of illustration. The main body of the paper will address three interrelated issues: the content of the models of negotiation (principally collective bargaining), dispute resolution, and joint problem solving. The current experiences will be explored together with the constraints on these particular models.

Developments in Negotiations and Dispute Resolution in Japan

Yasuo Suwa

Hosei University, JAPAN

Japan has been classified as a country where people avoid explicit confrontations as much as possible. Harmonious labor-management relations are often deemed an indication of that socio-cultural aspect of the Japanese society. In fact, Japan has lost less than ten days a year per 1,000 employees by reason of industrial actions since mid-1980s. There have been only 3,233 cases filed by the court in 1993 when the figure drastically increased compared to the previous five-year average of 1,968.

However, such phenomena cannot be explained by merely referring to the socio-cultural characteristics of the Japanese society. Prior to the '60s, we lost more than 200 days a year per 1,000 employees through labor disputes, and we saw even fewer new labor lawsuits (465 in 1955 and 529 in 1961).

There are numerous factors that have contributed to the reduction in the number of labor disputes including: bitter experiences of industrial disputes in 1940s and 1950s; prolonged economic growth; corporate policies and practices that give priority to employment security; well-developed internal labor market, various employee-involvement devices; the well-diffused labor and management joint consultation procedures; enterprise unionism; mature labor-management relationships, particularly in large companies; and so forth.

Among those factors, the establishment of the internal labor market and related labor policies may have contributed immensely to the stabilization of labor-management relations. Seniority-based promotion and wage increase practices combined with the long-term employment or employment security have influenced attitudes of core employees who have tended to have a double image of company's prosperity and their success. Strong communication between labor and the management reduces differences in opinion of the both parties and promotes mutual understandings which restrains the conflict of interests.

The Japanese model has recently been challenged by changes in the Japanese society. Environmental conditions remodel the framework of industrial relations. Emerging factors such as the decline of the union density (24.1% in 1994), a shift toward more flexible and individualized personnel management, aging human resources inside and outside internal labor markets, the growing number and importance of female workforce, rapidly developing information technologies, and an increase in part-time workers and other types of non-core employees must be taken into account.

Issues discussed in the paper include the introduction of employee representative and/or ombudsperson system especially in non-union firms; and the importance of revitalizing grievance procedures, professional training for union officials, and the reformation of labor relations commissions with the introduction of advisory and conciliation processes. These can be described as new support systems for individual workers in the labor market. Proper negotiations and dispute settling mechanisms are indispensable to the balance of interests between labor and the management.

RAPPORTEUR'S REPORT: TRACK 5

Industrial Relations, Economic Development and Democracy in the 21st Century

Loet Douwes Dekker
Graduate School of Business Administration
University of Witwatersrand
Johannesburg, South Africa

Track 5 contributors faced the challenge of considering the nature of democracy and development and how they shaped and were shaped by key structures and processes of the industrial relations system in the country or region selected for analysis. Explicit in the program announcement is the search for a new paradigm, and in this report such evidence is discussed in relation to my perspective on industrial relations (Douwes Dekker 1995).

Framework of Analysis

Rights and Obligations

Workers are not commodities, and the industrial relations system of a country should acknowledge that reality. This implies that the rights of freedom of association are endorsed to ensure the parties are involved in the process of rule-making to counter certain negative market effects. These rights, central to ILO services and embodied in its conventions, are to organize and associate freely; to enter into collective bargaining; and, as Blanpain reminds us, to use industrial action, as otherwise workers are reduced to collective beggars. The ILO Committee on Freedom of Association has adduced that the rights of freedom of association are dependent on civil liberties.¹ The ILO is, thus, an important reference group for Track 5. This fits with the nature of the IIRA, as it was not only "begotten" by that unique international agency, but provides the Secretariat—a crucial resource to ensure our independence from other ideological influences and to reinforce the voluntary nature of the IIRA.

All contributors, either explicitly or implicitly, suggest the pattern of workplace industrial relations has to move from adversarialism to cooperation. This requires consideration of the dimensions of trust and formalization. Rights imply obligations essential to the high ideals of the parties. Will the notion of the peace obliga-

tion for the duration of an agreement be honored by both parties and, through that self-restraint in behavior and conduct, achieve a balance in expectations?

Planning and the Socially Excluded

In his contribution, Zapata stresses that there is increasing pressure on the formal sector from excluded groups whose circumstances can lead to the "banalization of violence." "As exclusion becomes structural, as technology decreases the number of the fortunate who can enter the formal labor market, as youth becomes a kind of sin that puts people 'outside' consumption, work and participation, these phenomena can only become more acute." Hence, whereas the rules and structures of industrial relations in industrialized countries could be shaped by the assumption of full or near full employment, the reality for the 21st century is that a significant percentage (30% or more) of working people will not be formally employed. Development means creating linkages and not reinforcing cleavages between the so-called formal and informal sectors.

Therefore, the first signal about the new paradigm is that in order for the formal industrial relations system to have legitimacy, the socially excluded have to be incorporated into economic and social policy formulation. This raises challenging issues, in particular, the process of planning. A number of contributors, as well as Rogers (1994), emphasize the need for actors to avoid a reactive role and to become more proactive in social policy formulation.

Levels of the Industrial Relations System

The industrial relations system emerged when craftsmen in the "workshop" bargained rules about entry and exit. This enterprise level has remained the crucial domain for wealth creation. The emergence of general unions reinforced

industry-level occupation by the parties to achieve job protection. However, when large national companies became a reality, some of those conglomerates requested exemption from industry agreements: Their sophisticated human resource practices required flexibility and specialized forms of work organization. This extreme example of the "isolated firm" created a second possible level in the system. The debate about the appropriate level of collective bargaining, namely industry level or enterprise level, emerged in the U.S. and U.K. as a means to justify the need for flexibility in workplace rules. The debate then spread to the more social democratic countries, where the appropriateness of centralized industry-level bargaining for minimum wages and working conditions was not seriously questioned. In those primarily Western European countries, the concern became more one of identifying the complementarity of levels rather than endorsing either one policy or the other. The social democratic countries also used national bilateral and tripartite negotiations to cope with economic crisis, specifically the need for socioeconomic restructuring after World War II. These national agreements dealt less with substantive issues and more with procedures and principles (e.g., productivity improvement and shop stewards' rights) and issues such as vocational training and active and passive labor market policy measures. These five potential levels in the IR system are depicted in Figure 1, as applicable to South Africa. All contributors focused on the tripartite and enterprise levels. The nature of centralized industry collective bargaining was hardly discussed. The influence of transnational companies was not analyzed.

The Industrial Relations Actors

The utilization of the IR system is dependent on the propensity of the actors. That willingness and ability is influenced by endorsement and enforcement, by legislation, by freedom of association rights. Without those societal values, unionism will be suppressed as authoritarian tendencies are an ever-present resource for governments in power. Capitalism does not need democracy. The willingness of employers to exercise collective bargaining and utilize tripartism is dependent on effective employers' associations. Most contributors described unions and analyzed their problems. But employers and their associations were generally ignored. Does that suggest insufficient rigor in description and analysis just because employers operate in terms

of the norms of a market society supported by an implicit neo-liberal ideology?

Evidence of support for freedom of association and, at times of crisis, use of tripartism is found in the willingness of the labor market parties to forge relationships, seek consensus, and obtain sufficient acknowledgement from the State to gain a degree of semi-public status. The parties can be referred to as social partners when they voluntarily enter into national bilateral agreements which include trade-offs on ideological preferences. Such bilateral accords (the ILO refers to basic agreements) provide a bulwark for the maintenance of industrial democracy. The use by Chiu and Levin of the notion of industrial democracy endorses the importance of workers and employers exercising industrial citizenship.

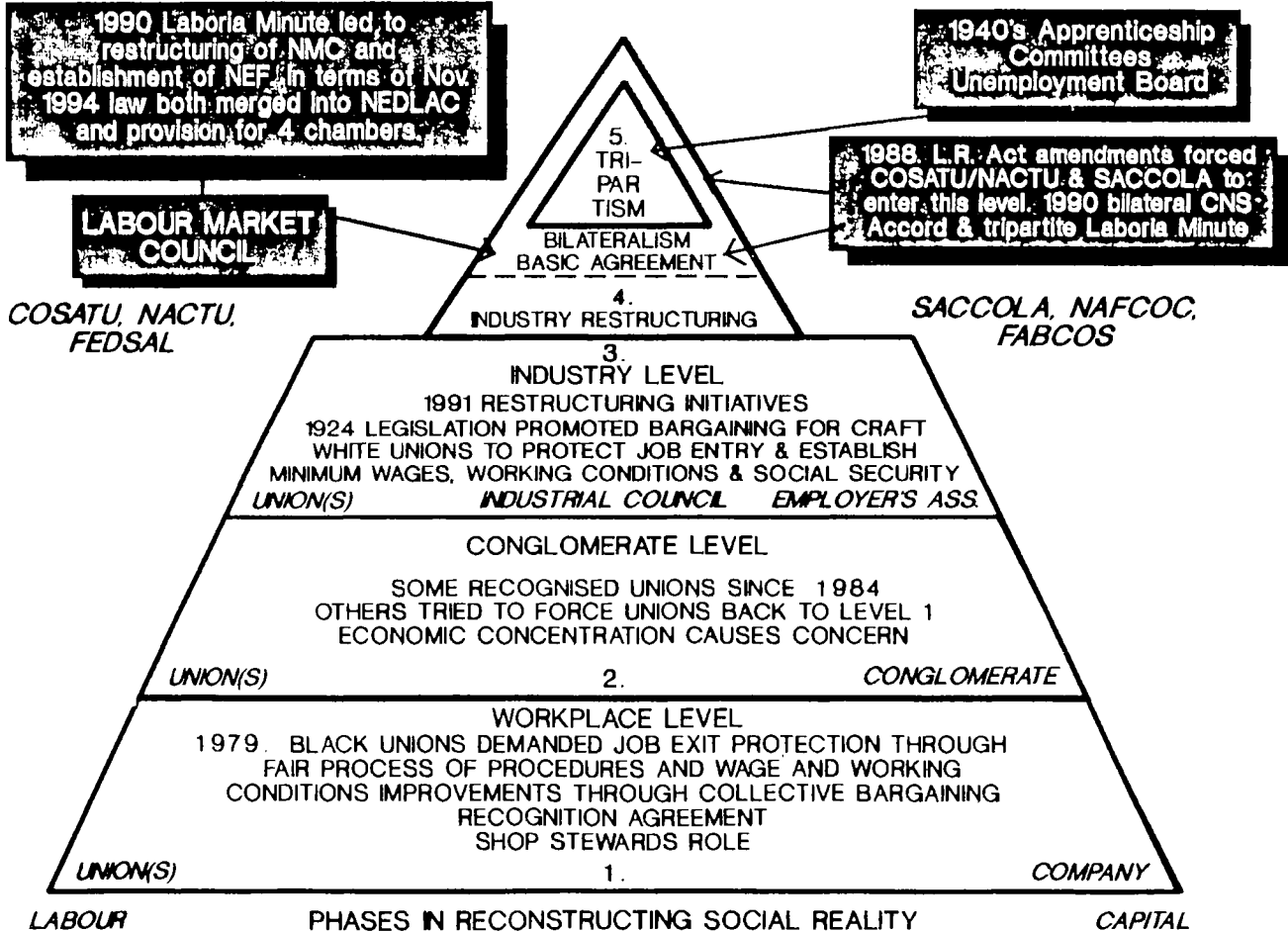
Thus in Track 5, the democracy dimension can be operationalized. That dimension is the societal endorsement of freedom of association and civil liberties with the labor market parties exercising industrial citizenship to take up the challenge of establishing a system of self-governance for conflict resolution at relevant levels of the IR system, including the national tripartite level. As mentioned by a number of contributors, this requires a willingness to use appropriate third-party intervention and, surely, relationship-building services.

The State should provide those intermediary services of mediation and arbitration, as well as acknowledge the semi-public status of the labor market parties but in democratic tripartite structures. But who does the State actually support: capital for revenue or labor for legitimacy? The tendency is the former, particularly where unemployment is high. As Rogers notes in the paper on social exclusion, the State acts (1) as excluder because, in serving the interest of a dominant group, its economic policy either fails to integrate a particular group (e.g., the youth) or against their will through "social workfare," and (2) through regulation of markets as an agent of redistribution. It should, therefore, be active in bringing the excluded into the formal economy. It is in work that labor is socialized, gains an identity, earns an income, and endorses the legitimacy of the system. "But at the same time the moral authority of the state is hounded. It cannot effectively represent the interests of the excluded groups against other groups on which it depends, indeed, itself acts as an excluder in some domains. Excluded groups have to be able to formulate their own needs and to integrate them in the process of policy definition" (Roger et al. 1994:46). How

Figure 1

LEVELS OF THE INDUSTRIAL RELATIONS SYSTEM

↑ TRADE OFFS
↓ COLLECTIVE BARGAINING



do IR practitioners position themselves in relation to tensions between the actors, the State, and the excluded?

Tensions and Labor Standards

Evidence about Russia and Latin America suggest labor standards are essential. The inherence of industrial conflict between employer and workers is reflected in the debate over the appropriateness of labor standards, in particular international conventions of the ILO. Are labor standards obsolete and a hinderance to economic progress? Should economic progress come first to provide the *means* whereby standards of living and quality of life are improved? Or are standards essential for maintaining social progress as their *erosion* leads to exploitation, increasing the gap between rich and poor and, thus, the likelihood of social instability and engendering circumstances for violence. Should that erosion of standards be countered by a social clause in trade agreements? (Sengenberger and Campbell 1994; Portes 1994.)

The tension between “free” trade and “fair” trade can become self-defeating but can also be used creatively by the parties to lift the issue through interactive planning to creative solutions above the circularity of the debate. This potential can be more readily achieved if the notions of social time and social space are developed. That is, the ability of the parties not to always be caught up in linear time and to create social space to exercise human rights,² as well as the creation of a waste-removal function for the industrial relations system (Douwes Dekker 1995b).³ Labor standards, if creatively applied, ensure those dimensions can be utilized by the parties. They ensure that a country’s progress is not only measured by indices of economic growth, but also by social criteria. What is the responsibility of the IR practitioner and analyst in promoting labor standards?

Country and Regional Analysis

South and Southeast Asia

Since the 1980s, countries in Asia have attracted attention for their economic growth. Analyses have revealed the strong role in shaping the economy played by the State and not as assumed, market forces of the newly industrialized countries (NICs). In their comprehensive analysis, Kuruvilla and Ratnam identify two primary strategies which were adapted by the State as circumstances changed. They were:

(1) the import substitution industrialization (ISI) strategy which focused on low-technology consumer and industrial goods for local consumption and subsequently focused on heavy industries; and (2) the export-oriented industrialization (EOI) strategy which focused on attracting foreign investment into light industry for export and subsequently on upgrading technology to achieve higher value-added production. This required skill development.

These deliberate managed choices required specific industrial relations practices which were “fitted” onto the country’s unionization patterns and institutional arrangements. In ISI countries, trade unionism was tolerated but not promoted through enforcement of basic worker rights, although over time the importance of collaborative efforts between unions and employers and the State were identified. In EOI countries, trade unionism was avoided or suppressed and over time nonunion practices introduced. Decentralized institutional arrangements and skills development were emphasized. Thus the requirements of foreign investors were accommodated. Kuruvilla and Ratnam suggest that the industrial relations system in the 21st century should adopt the goals of stability and flexibility, as well as efficiency and equity. They also stress that the globalization tendency will paradoxically result in economic regionalism and also that each country will evolve its own industrial relations institutional arrangements.

Hong Kong

Chiu and Levin’s fascinating and detailed study of Hong Kong’s achievement of prosperity without citizenship raises, as a unique situation, some pertinent issues for the future of industrial relations. As their title suggests, the analysis reveals that prosperity was at the cost of industrial democracy. Improvements were unevenly recorded over the past 25 years in terms of:

(1) standards of employment (where the greatest progress occurred); (2) equality of treatment; (3) employee representation, in terms of joint consultative forums outside the union influence—not in terms of collective bargaining; and (4) unions obtaining positions on public advisory and policy-making bodies. The underdeveloped role of trade unions at the workplace, except in the civil service, was reflected in the unionization rate of 9.5% in manufacturing industry. The recorded improvements in working conditions over time can be used to support the argument that economic progress precedes social advancement and trade unions are not a neces-

sary institution. But the authors point out that uncertainty faces Hong Kong due to: (1) the lack of employee commitment to the firm, (2) the reluctance of employers to invest in workers skills or upgrade technology, (3) the availability of cheap labor across the border, and (4) the unlikelihood of China encouraging workers' participation after the transfer of sovereignty.

The authors rhetorically ask, "Do unions really matter?" It can be argued that if freedom of association rights had been encouraged, workers would now gain from strong unions in order to help manage those uncertainties. The answer is "Unions do matter!"

The role of time has to also be acknowledged. Had the assessment been made eight years ago, the conclusions with regard to prosperity would have been less positive. Social time and social space do matter. But how?

Central and Eastern Europe

Egorov's thoughtful contribution on privatization and industrial relations in countries of Central and Eastern Europe highlights that employers as a distinct interest group play a central role only in social democracies. Egorov states:

The major change brought by privatization into labor relations system of these countries is the emergence of a new interest group; i.e., employers as distinct from the State. While workers' participation is gradually acquiring economic viability through wider recourse to profit-sharing and share-ownership schemes, the managerial prerogative which was limited, in the past, is also being "enriched" with functions and certain rights necessary to meet the requirements of the newly emerging market environments (p. 7).

Privatization and industrial relations reforms are, thus, potentially interdependent processes. As an instrument for establishing a plural society, privatization changes ownership patterns and, hence, generates some changes and accelerates others. But will it lead to good industrial relations? The valuable contribution by Peschanski and Bamber on changing IR in Russia offers pertinent insight into the changes from pre- to post-*perestroika* in regard to the IR actors and processes for conflict reconciliation. They find two different types of unions: the independent unions, few in number and weak but which perform typical union functions (their influence was out of proportion with low membership

strength); and the unions of small entrepreneurs and members of workers' cooperatives. They also note that the real function of employers was performed by enterprise managers; but whether in the state or non-state sector they continued to play a traditional paternalistic role. Where employers associations emerged they were mainly political lobbying organizations. Membership was low and a multiplicity of organizations aimed to represent employers but hardly any engaged in collective bargaining.

The sound contribution by Koubek, Hege- wisch and Brewster suggests that there are certain conditions necessary to achieve good industrial relations. The paper compares changes in the Czech Republic and the new Federal Lander of East Germany. From the perspective of equity in the workplace, the comparative data on what happened to unions and personnel managers is revealing. The West German co-determination framework was introduced in East Germany and enabled personnel departments to control line managers, which was not possible in the Czech Republic. Thus, although in terms of the present situation, trade union membership is higher in the latter country and redundancy lower, this tendency will not be maintained.

This pertinent evidence forcibly focuses on the role of the human resource function. Is there a need for an international labor standard to ensure these symbolic analysts do not become denizens serving poor industrial relations and the short-term goal of competition? If industrial relations brings the collective dimension to the business strategy agenda, how can we assist the human resource function which tends to focus on the employee development dimension and establishes what John Purcell calls the sophisticated consultative management style? Co-determination leads to joint control of frontiers of change instead of each side extending their frontier of control. Is this signal from a periphery? Can IR practitioners ensure the HR function is not subordinate to uncontrolled capitalism by developing a standard relating that function to a bilateral or tripartite code of conduct and behavior?

Latin America

No contributions were received from Latin America; therefore, ILO publications were reviewed.⁴ Alvarez (1994:367) describes the endemic crisis facing Latin American countries. "It is manifested in a series of negative factors, such as galloping inflation, declining economic growth, increased unemployment and underde-

velopment, reduction of real wages, exorbitant growth of external debt, and falling prices of export products." Furthermore, the coexistence of traditional and industrial society forms an obstacle to development. The political and industrial systems are characterized by restrictions on human and civil rights (especially the right to organize) as well as low levels of representation in the employers' and workers' organizations; consequently, it is a culture based on hostility rather than cooperation. He notes that the region has been open to fruitless experimentation by economists and politicians, and he identifies a number of conditions necessary for the success of tripartism: a climate of rights including freedom of association within a context institutional stability and support for social dialogue by the three actors; access to adequate information; technical capacity; and strong, representative labor market parties (p. 349). In his analysis of the Argentinean situation, Madrid (1994:287) suggests that the powers of employers "have increased to an excessive degree, giving a market authoritarian character to the employment relationship. As a result the principles of labor law have faced a crisis with declining protection afforded to workers and the disregard, in fact or in law, of the guiding principles of the ILO." He is critical of the State for moving away from the protection basic human rights and workers and toward protection of itself from worker protests and the guarantee of employers' investments. Can such authoritarian tendency be overcome?

Portes suggests that the analysis of the problem and, hence, development of the solution both overlook certain realities. In terms of the search for new paradigm signals, his approach challenges the Eurocentric paradigm. He states that surplus labor is a reality, and it will be used as a competitive advantage. He suggests policymakers can avoid the sterile debate about whether or not there should be intervention in terms of labor standards and points out that the distinction between informal and formal economy is conceptually irrelevant. His research identified three types of "informal sectors" which were dynamically linked to the modern economy: (1) people in survival jobs (begging, shoe-shining, casual street vending); (2) people in independent informal enterprises serving the low-income population (small repair, sale of prepared food, etc.), and (3) people in enterprises subordinate to formal firms through vertical subcontracting arrangements. (See Figure 2.) He further differentiates labor standards into (1) basic rights against forced labor, child labor and

involuntary servitude; (2) freedom of association and other civic rights to gain recognition and identify grievances; (3) survival rights to a living wage; accident compensation; a limited work week; etc; and (4) security rights against arbitrary dismissal, retirement compensation and survivors (dependents) compensation, as well as occupational safety and health. Portes suggests that a dialectic can be identified between these standards and the types of "informal" employment, in particular, if it is acknowledged that the nature of survival and security rights are dependent on local conditions and best left to bargaining among workers, employers and the government (once basic and civil rights are operationalized). Most democratic countries endorse the latter categories. Gradualism within a context of the actors' responsibility is recommended. Thus policymakers will be asked to endorse the first two sets of rights and to focus on State incentives to achieve improvements in labor standards for the last two sets of rights. The promotion of flexible specialization demonstrated in industrial districts is conducive to this approach.

Africa

The contribution by Fashoyin and Matanmi captures the challenge of "the sleeping giant": the African continent. In terms of current Western criteria for evaluating a region, Africa is a mess. International agencies accept defeat, but a "home-grown" solution has not obviously emerged. But what stirring, angered by Eurocentric greed and norms in terms of what should be and how to go about it, are to constitute the basis of development in that continent? Internally, the authors record poor investment performance in critical industries made worse by ill-advised social, financial and economic measures; also agricultural pricing policy, investment strategy, choice of technology, exploitation and use of human resources. In fact, lack of clear policies makes it difficult to evaluate management and planning strategies. Externally, the authors note natural disasters and vulnerability to external shock (e.g., the 1970 oil price). The drought was exacerbated by low-level agricultural output. International commercial and financial forces (e.g., lack of foreign exchange earnings) has deepened the crisis as reflected in the severe debt, the service of which absorbs most of export earnings. The imposed privatization and other structural adjustment programs have reduced job opportunities and brought other negative social consequences.

Thus the formal economy has declined and this accelerated the already weak position of unions. Whereas the political and union movements supported each other in the pre-independence phase of those countries, the unions were suppressed by the new governments in power and labelled elitist in their goals. The prevailing notion of development in the post-independence period denied unions a role. It was said unions in developing countries should subordinate self-interest to national development interest. Fachoyin and Matanmi reject that view and also the assumption that if unions primarily serve the "production function" in the workplace, their appeal to workers will be undermined. They argue that unions can and have transformed society, should doggedly confine themselves to their primary objectives, and refuse to be "captured" and exploited by political parties. Their assessment reveals that unions participating in politics in the post-independence period brought self-destruction and detracted from whatever gains they would have achieved had they resolutely confined themselves to "industrial activities." They recommend that unions be reactivated. That would require the State to adopt an enabling role and, hence, support for international labor standards.

The New Paradigm: Flashes and Glimpses on the Periphery

Can IR practitioners predict and prepare for the future? Ackoff and Garajedaghi warn against doing so. If it is unwise for us to predict the future from present projections, how do we exercise our responsibility to the IR actors? In some countries the parties are struggling for recognition and identity. In other countries they are caught up in the myth of the total free market and, hence, no IR—at least no unions. In other countries they need to manage change but are caught up preemptively in crisis after crisis. Some respond reactively, genuinely believing no change is the best strategy. The contributors have incorporated in their analysis the notion of strategic choice which Kochan, McKersie and Cappelli (1984) introduced. How can the actors be assisted to understand what choices they face in terms of the societal time and space dimensions of their society? Can we as "Magicians" or symbolic analysts (see Figure 3) assist the labor market parties to become social partners *and* help the State perform an enabling and empowering function, as well as act as agents for the socially excluded—the critical interest group of the new paradigm?

Track 5 evidence reinforces that good IR does not come automatically. It has to be worked at.

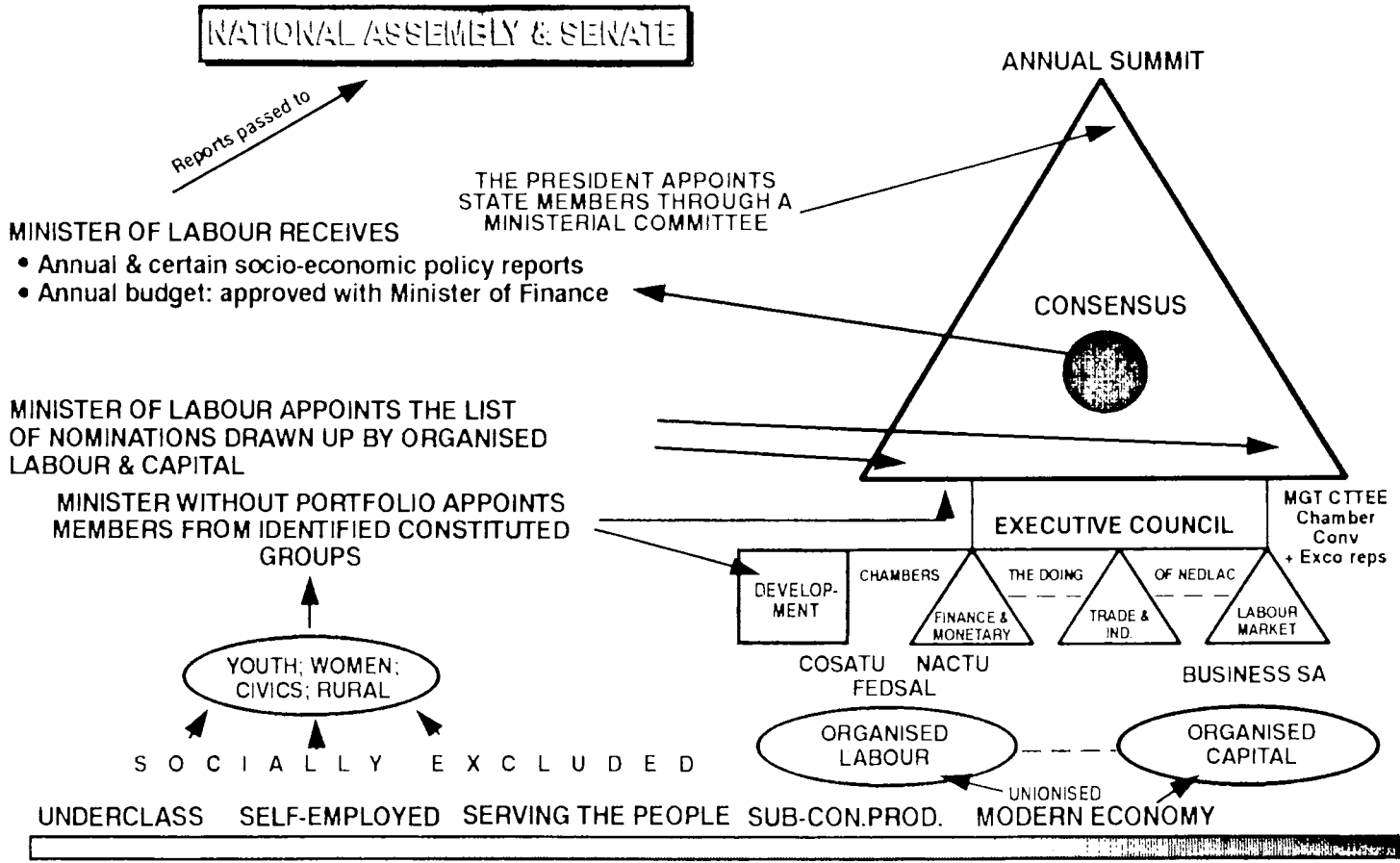
Zapata's contribution helps identify a further dimension of the new paradigm. He suggests that the meaning of work and capital and, hence, ownership are already drastically changing. The organization of production and distribution, the conception of work as cognitive rather than manual, and the type of interaction between capital and labor will be very different in the 21st century. Work is changing at shop-floor level. Even manual workers are required to exercise less physical and more mental effort such as attention, perseverance, dexterity, etc. But the knowledge society does not require higher levels of learning or academic training of all workers; in fact Taylorist concepts have to be adopted to the new ways in which production is organized. Zapata points out these changes are not conducive to unionization, and this explains the decreasing unionization rates most countries have experienced.

Zapata observes the control of capital has also changed. Power in the production system has changed (i.e., from the entrepreneurs as providers of capital to bureaucrats of pension schemes, given that financial capital is concentrated in those funds). Will capitalism be devoid of capitalists in the 21st century? The experience in Eastern Europe suggests effective and cohesive employers' associations, which understand the importance of lobbying the State *with* unions instead of unilaterally, have to be developed. This suggests an explicit international labor standard on industrial citizenship and that a social clause in trade agreements is imperative. What incentives are needed for the individual employer to accept the imperative of industrial citizenship?

These potential signals of the new paradigm can be of benefit to the union movement. The "creeping" manner in which pension schemes influence national policy with regard to investment priorities is increasingly being used. Hence the relevance of South Africa experimenting with a Monetary and Finance Chamber (Figure 2). The democratization tendencies for accountability and disclosure of information will put pressure on the "bureaucrats" to justify their decisions or be evaluated through development of social indices in the competitive market. But company boards remain a reality. In South Africa unions utilize market forces of unit trusts to influence company board investment decisions.⁵ Albeda (1994:270), in his succinct summary of the Netherlands's experience, recommends that the role of unions and em-

Figure 2

NEDLAG



CIVIL SOCIETY

ployers' associations should be endorsed by each society. Should unions be empowered with responsibility for social security administration?

Tripartism is seen as important by all contributors. How can it be democratized? How to ensure governments do not revert to authoritarian tendencies. Trebilcock, in her overview of country studies, concludes that the erosion of power of the nation State in favor of multinational enterprises and international lending agencies is probably the most serious challenge to tripartite cooperation today. This requires international structures and standards but also reform of national institutions. Some crucial trends are identified which will enhance such country institutions and can balance the multinational tendency. Doesn't the concern about authoritarian tendencies of the State and the imperative for unions to remain independent (presumably also employers' associations) suggest that those labor market parties with State incentives formalize their power base in a bilateral institution? (Douwes Dekker 1992). Should regionalized tripartite bodies become responsible for labor market and social security policy not only to implement programs but to decide on the parameters? (Trebilcock et al. 1994). The creative tensions can be made manifest if the dialectic between labor standards and employment in the "informal" sector is deliberately tackled. This can counter the concern of newly industrialized countries that the social clause is a Eurocentric device to disadvantage them. Incentives and compulsions are crucial to success of such experiments.

South African experimentation to "square" an aspect of tripartism appears to bring insurmountable challenges: The requirements of mandating, policy formulation, resolutions, voting, etc. do not fit the lack of a representative organizational base of the unemployed; marginalized and other socially excluded. How will new identities be forged for the youth, the women, the minority groups to facilitate their involvement and obtain their endorsement of the modern economy? Some new understanding might come if the current imbalance in rewarding people for work and punishing those without lies in the emergence of anarchical tendencies which manifest when the groups are excluded and their circumstances engender recourse to violence. This also requires coping with dilemmas of the nature of financing passive or active labor market policies and the dangers of "cradle to grave" social welfare, as well as the neo-liberal solution of workfare (Standing 1990).⁶

Can workplace relationships become cooperative? This question brings to prominence the pioneering work by Fox on trust, followed by Purcell's development of a diagnostic tool. Most contributors stressed (1) the need for economic development in the face of globalization which requires, as Sienghai identified for Thailand, political stability and industrial peace through tripartism; and (2) improved productivity and competitiveness in the enterprise in order to attract foreign investment, enter export markets, or compete with imports. Fox analyzed the contradiction in Western industrialized society because its form of work organization creates low-discretion work roles and relations. Efforts to induce occupants to see their role in high-trust terms are not successful. He concluded that the struggle for managerial ideology of common purpose and high-trust relations is in vain (Fox 1971:315). This is now supported by the American fact-finding report on future workplace relations: Workers' participation experiments are difficult to sustain (Commission on the Future of Worker-Management Relations 1994). Hence, as the contribution by Koubek et al. stressed: Legislation for co-determination is needed to ensure efficiency is complemented with equality and democratic norms.

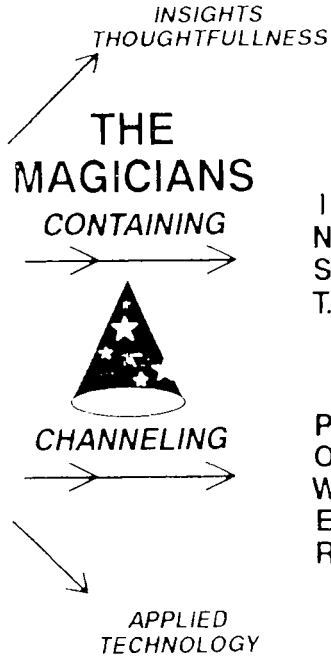
How can cooperation be promoted? The crises posed by the socially excluded and global competition force the labor market parties to rethink the use of positional power and to adopt interest-based bargaining. The change toward a cooperative relationship pattern can also be achieved if the energy put into adversarial strategies is transformed. But how? Purcell built on Fox by juxtaposing degrees of trust and degrees of formalization to develop a diagnostic tool for analyzing the relationship patterns. Four ideal types were revealed: uninhibited antagonism or antagonistic constitutionalism and adapted cooperation or cooperative constitutionalism (Purcell 1981). In trying to answer what drives the achievement of high-trust relationship patterns, four archetypal roles were superimposed on Purcell's inverted grid to explain how accessing their energy can lead to a cooperative relationship pattern (Douwes Dekker 1995b, see Figure 3). These archetypes are:

1. The *Warriors* of both parties who lead the struggle for human rights; they capture space or protect it to ensure it is not suppressed. Union activists lead the "fight" for identity and recognition. Employers initially remain determined not to lose their right (an assumed prerogative) to manage. Disruptive tactics

Figure 3

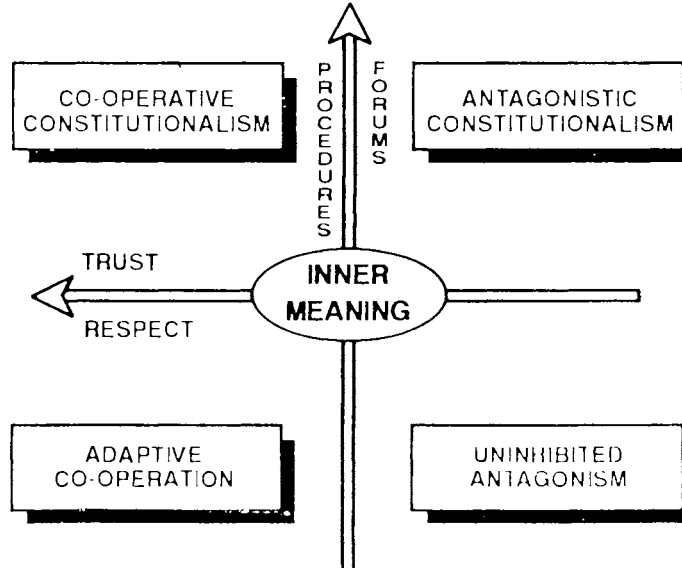


THE SOCIETAL KING TO CELEBRATE BOUNDARIES, ORDER, JUSTICE



I
N
S
T.

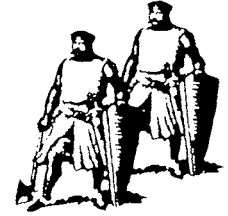
P
O
W
E
R



AGAPE THE SACRED RELATIONSHIP



THE WARRIORS THE INHERENT STRUGGLE



such as petitions and violations of norms are used to generate guilt feelings among employers when they defend the status quo. This leads to retaliatory tactics by either side and causes stagnation of relations as the energies of the other archetypes are inadequately accessed. Thus, how can Warriors be transformed into *Knights* to achieve reparation and reciprocity?⁷

2. The *King* embodies the implicated order. This role requires Warriors to accept institutionalization to bring self-restraint to power-play tactics and shadow fighting and thus to go beyond projections of fears and anxieties by “inventing the other.” The King is honored when the parties sign a recognition agreement or basic agreement and relies on labor standards to evoke knighthood in the Warriors. The ILO in its conventions becomes the King for good IR. Does the IIRA wish to be the handmaiden?

3. The *Magician* or symbolic analyst assists the Warriors when basic needs of identity and recognition are sufficiently satisfied and the underlying security and development needs become the focus. The Magician reveals to the Warriors of both sides that there is a different reality if the King is honored and that Knighthood is endorsed as a step toward statesmanship. In the field of good industrial relations, Magicians are mediators who focus on relationship-building and help the parties “enter the now of the moment.” The notion of good or sound IR by implication suggests that if a system displays “bad” IR, it suffers from a wastage problem, the relationship stagnating because of blockage. Can we facilitate “wastage” removal? (See endnote 3.)

4. The “*Agape*” role is crucial for those parties who acknowledge the interests of the other side. In South Africa, the notion of *Ubuntu* is increasingly identified as essential to the emergence of African management in the Afrocentric firm (Lessem and Christie 1994). It operates through this archetype (i.e., Afrocentric understanding based on “I feel the other, therefore I am” instead of the Western “I think—therefore I am.”

Can the incorporation of these archetypal roles assist our analysis and enhance our ability to help the parties institutionalize their conflict more effectively?

The archetypal energies can also be negatively evoked.⁸ The notion of democracy was related to the concept of industrial citizenship

within the context of human rights. The nature of good workplace industrial relations and an awareness of the dangers of accessing energy which only serves the interest of “denizens” has been discussed. Max-Neef based his work on the Latin American experience. His analysis is applicable to our attempts to read the periphery signals and to incorporate the socially excluded. The Human Scale Development provides a holistic perspective on the process dimensions of development:

Development is focused and based on the satisfaction of fundamental human needs, on the generation of growing levels of self-reliance, and on construction of organic articulation of people with nature and technology, of global process with local activity, of the personal with the social, of planning with autonomy, and of civil society with the State (Max-Neef et al. 1989:6).

This perspective goes beyond conventional economic rationale, since it applies to human beings and establishes a relationship between needs (fundamental) and satisfiers (at a moment in time). The emphasis on needs brings understanding of specific deprivations and the potential of local measures to satisfy those needs. It clarifies why suppressed groups are apathetic or use disruptive tactics, and how violence can emerge as an end and not only a means. The following axiological needs must be holistically satisfied: Subsistence, Idleness, Protection, Creation, Affection; Identity, Understanding, Freedom, Participation. Max-Neef postulates that a dialectic process can be engendered between those axiological categories in terms of the values they emphasize *and* the second set of needs or existential categories, namely, Being, Having, Doing and Interacting. The underlying assumption of this rapporteur’s report is that the involvement of people through interest groups in existential needs leads to their acceptance of the limits of resources experienced by a society or their inadequate distribution at a moment in time. Thus a space strategy of endorsing the existential needs creates willingness to accept that certain manifestations of axiological needs will only be satisfied for, perhaps, the next generation. Max-Neef develops a grid by juxtaposing both sets of needs to reveal the satisfiers. Built into that resulting matrix or grid are realities of time and rhythms.⁹ The grid also clarifies the choices which interest groups have to make. In the industrial relations subsystem, these are the labor market parties. Targets or

goals of development are refocused when negotiated satisfiers operationalize human needs through time and space. This focus on the process dimension of development further reinforces the need for facilitation and for enabling incentives from the State to achieve relationship building. This is a clear signal from the periphery and this fits with the notion of interactive planning with its focus on decision-makers identifying the gap between desired ends and limited resources.

Why must we take our role as symbolic analyst and even Magician seriously? Koubek et al. alert us to the danger of the HR function accessing—or being forced to access—the “dark” energies of the Magician; the HR/IR practitioner becoming a denizen. The personnel function in East Germany served the secret service. That potential for authoritarian subversion is always present, particularly if controllers of capital do not want to be beholden to employers’ associations (i.e., exercise industrial citizenship). John Purcell (1992) reminded us at the Sydney Congress that if the HR practitioner is not to serve only the isolated firm, institutional support is prerequisite. Sound or good IR is a semi-public good which requires definition in labor market institutions. Van der Post (1995:47) reminds us that institutions deal with those aspects of life which cannot be explained rationally and are conscious fortification which civilized culture raises to cope with life. Hence, can the IIRA spearhead a campaign for an international labor standard helping Magicians in specific countries define the “how” of achieving the best IR/HR practices?

Strength to all of you as symbolic analysts. Courage to those of you also taking on the role of Magician.

Endnotes

¹The needed civil liberties to ensure freedom of association include: (a) The right to freedom and security of person and freedom from arbitrary arrest and detention; (b) Freedom of opinion and expression and to seek, receive and impart information; (c) Freedom of assembly; (d) The right to a fair trial; (e) The right to protection of the property of trade union organizations.

²Is time to be understood as rigidly divided or is it relative? Douwes Dekker (1995b) suggests that although time is an essential dimension to good industrial relations—as reflected in phases of procedures—the labor market parties should attempt to overcome “hurry-sickness.” Similarly, space as a dimension is relevant to understanding how an IR system works. Societal space focuses on human

rights—or their lack of them.

³Shirom identified key components to analyze an IR system: input and power propensity of the parties, structure and process, output in the form of an agreement, and his innovative stress on outcome to identify responsibilities and the feedback loop to check on the “health” of the system of interaction. It is suggested that the notions of dissipative structure (wastage elimination) and retreat where time is denied its hurry sickness, are added to those components. The notion of dissipative structure reflects the tension between order and chaos and the challenge of creative resolution. The RBO (relationship by objectives) is a form of retreat. South Africans use the term “*bos-beraad*”; (i.e., the meeting of the symbolic analysts in the “bush” to take stock as to where they are; work through a crisis; and agree on the way forward). The wastage disposal component of a system interacts with the local environment (boundary spanning) by consuming energy from it and by throwing the by-product of this energy utilization back into that environment.

⁴See three ILO publications: (1) Trebilcock’s compilation of country-specific chapters on tripartite cooperation in national economic and social policy making (Trebilcock et al. 1994); Sengenber and Campbell (1994) on the occasion of the ILO’s 75th anniversary; and Rogers et al. (1994) publication on social exclusion.

⁵In South Africa the union movement has influenced company boards toward democratic processes and good IR in an innovative way. Unions control an investment fund (the Community Growth Fund) which allows workers’ pensions money to utilize the unit trust mechanism and only invest in those companies which comply with a set of 13 criteria. Hence choice is again being put before symbolic analysts of company boards within the constraint that they know their decisions are open to semi-public scrutiny, as well as accountability to pro-union decisionmakers (Douwes Dekker 1992).

⁶Standing (1990) warns that workfare stigmatizes the poor by associating certain activities with prior failure and by eroding the universal right to income support even further than recent labor market developments have done. Workfare represents a movement away from the national insurance principles of social security. It also derives from a strange concept of mutual obligation—strange because it is not clear that either “mutual” or the notion of “obligation” can be satisfactorily defined. In the more flexible society emerging in modern industrialized economies, diversity of behavior should be facilitated rather than curtailed by mechanisms designed to pressure the poor to conform to some set of state-determined norms.

⁷Retribution and retaliation are both “backward” looking strategies which lock a relationship into the past. Effective relationship building requires the parties to consider reciprocity and reparation, both processes which acknowledge their interdependence and are future oriented.

⁸The energy of the archetypal roles can be negatively accessed: The King can manifest as the Tyrant whose rage allows for exploitation and pursuit of self-

interest. Limited access to the King manifests in the negative shadow of the weakling Prince who lacks confidence when criticized. Hence, private deals and secret meetings. If the energy and courage of the Warrior is not directed, the dangers of masochism and sadism emerge as interdependence of relationship slips into domination. For example, the scope for "sweet-heating" or pay-offs between leaders of management and the union for personal gain, or determination to destroy a specific person on the "other side." The sentiment "I will get you," emerge as a tactic. This tendency is reinforced by the existence of security forces and central intelligence agencies in some countries. The Magician can become a manipulator, particularly if the role of the King cannot become manifest and only one party approaches him or her. Some Magicians are charlatans or warlocks. Some will control information or news; some will assist warriors to orchestrate rallies or propaganda activities. The thwarted Magician will act without wisdom. The Agape—the negativity of the Agape state comes about if there are no boundaries and if impotence emerges because indirect democratic processes are deemed not to be important.

"The following example illustrates the relevance of the matrix when the actualization dimension is reflected in the content of the matrix. In particular, the "Interacting" existential need meets with the axiological or value needs and reveal the following satisfiers: The notion of space for projection, affection (closeness), creation (expression) and freedom; The notion of settings (space) for participative interaction, namely: communities, churches, family, etc.; The notion of settings (space) for creation namely: schools, university departments, community and family groups; The notion of settings (space) for identity in the sense of where one belongs; The notion of time for creation, idleness and also freedom (time).

Max-Neef stresses that the "interacting" column registers location and milieu (i.e., spaces) which only manifest at a specific moment (time). This meaning of "interaction" is revealed more effectively by the Spanish work *Estar* or the German word *Befinden*. Food and shelter must not be seen as needs, but as the satisfier revealed in the matrix of the fundamental need for subsistence. Also, education, study, investigation and mediation are satisfiers of the need for understanding. Promotion of quality of life and health schemes are satisfiers of the need for protection. Satisfiers are thus modified according to the rhythm of history and vary according to culture and circumstances, including that crucial factor of affordability in a country's policy program. They include among other things, forms of organization, political structures, social practices, values and norms, context, mode, types of behavior and attitudes "all of which are in the permanent state of tension between consolidation and change...." Thus through the incorporation of satisfiers in the scale, it is possible "to speak of realizing, experiencing or actualizing needs through time and space" (Max-Neef et al. 1989).

References

- Ackoff, R., J. Gharajedaghi, and E. Vergare. 1984. *A Guide to Controlling your Corporation's Future*. Wiley, Chichester.
- Albeda, W. 1994. "The Netherlands." In A. Trebilcock et al.
- Alvarez, H. 1994. "Latin America." In A. Trebilcock, et al.
- Commission on the Future of Worker Management Relations. 1994. *Fact Finding Report*, U.S. Department of Labor, Washington DC.
- Crouch, C., and A. Pizzorno (eds). 1978. *Resurgence and Class Conflict in Western Europe*. London: McMillan.
- Douwes Dekker, L. 1992. "Shaping the Private Sector: Basic Agreements between Organized Capital and Labor." *South African Journal of Labor Relations*, Vol 16, No 1.
- _____. 1993. "Bilateralism and the Community Growth Fund." *Bilateralism Review*, Vol 2, No 1, Bilateralism Project, University of the Witwatersrand, Johannesburg
- _____. 1995a. "NEDLAC. Creative Tensions to Avoid Tendencies towards Authoritarianism." *Industrial Democracy Review*, Vol 3, No 4, University of the Witwatersrand, Johannesburg.
- _____. 1995b. *Industrial Relations, Time # Space: The South African Challenge*. The Industrial Democracy Program, University of the Witwatersrand.
- Dowie, F. "Progress Report on the Establishment of Business SA." *Bilateralism Review*, Vol 2, No 4, University of the Witwatersrand, Johannesburg.
- Fox, A. 1973. *Beyond Contract: Work, Power and Trust Relations*. London: Faber and Faber
- Johri. 1994. "India." In A. Trebilcock, et al.
- Koehan, T., R. McKersie and P. Campbell. 1984. "Strategic Choice and Industrial Relations Theory." *Industrial Relations*, Vol 2, No 1.
- Lund, F. 1993. "The Role of Social Security in Development." *Bilateralism Review*, Vol 2, No 3, University of the Witwatersrand, Johannesburg.
- Lessern, R., and P. Christie. 1993. *African Management: Knowledge, Concepts and Applications*. Johannesburg: Knowledge Resources.
- Madrid, J.C.K. 1994. "The ILO and Current Trends in Principles of Labor Law in Argentina." In W. Sengenberger and D. Campbell.
- McDonald, F. 1994. *Initial Report, Industrial Districts - A Viable Contribution towards Economic Reconstruction in South Africa*. Bilateralism Project, University of the Witwatersrand, Johannesburg.
- Martens, G. 1994. "French-speaking Africa." In A. Trebilcock et al.
- Max-Neef, et al. 1989 "On Human Scale Development—An Option for the Future." *Development Dialogue*, Vol 1, No 1, Dag Hammers Rjold Foundation.
- Portes, A. 1994. "By-passing the Rules: The Dialectics of Labor Standards and Informalization in less Developed Countries." In W. Sengenberger and D. Campbell.

- Purcell, J. 1981. *Good Industrial Relations*. London: McMillan.
- _____. 1992. "Human Resource Report." *9th World Congress of IIRA*. Sydney, Australia.
- Reich, R. 1991. *The Work of Nations: Preparing Ourselves for 21 Century Capitalism*. Simon Schuster.
- Rogers, G., et al. 1994. "Overcoming Exclusion: Livelihood and Rights in Economic and Social Development." International Institute for Labor Studies, ILO, Discussion Paper DP/72/1994.
- Standing, A. 1990. "The Road to Workfare: Alternative Welfare or Threat to Occupation?" *International Labor Review*, Vol 129, No 6.
- Sengenberger, W., and D. Campbell. 1994. *International Labor Standards and Economic Interdependence*. International Institute for Labor Studies, ILO Publication, Geneva.
- Trebilcock, A. 1994. "Tripartite Consultation and Cooperation in National-Level Economic and Social Policy-making: An Overview." In A. Trebilcock et al.
- Trebilcock, A., et al. 1994. *Towards Social Dialogue, Tripartite Co-operation in National Economic and Social Policy-making*. International Labor Office, ILO Publication, Geneva.
- Van der Post, L. 1955. *The Dark Eye of Africa*. London: Hogarth Press (reprinted, Lowry Publishers, Braamfontein).

Abstracts of Invited Papers: Track 5

Industrial Relations, Economic Development and
Democracy in the 21st Century**Transforming Industrial Relations in Russia:
A Case of Convergence with Industrialized Market Economies?**

Greg Bamber and Valentin Peschanski
Queensland University of Technology, AUSTRALIA

This paper aims to analyze and evaluate the unfolding patterns of industrial relations (IR) and human resources (HR) in Russia. How can we characterize the IR/HR institutions, policies, and practices that are developing in Russia? There is an increasing degree of autonomy for managers and employers in Russia (which, arguably, does not yet have employers' associations of the type that are more usual in industrialized market economies). After tracing the legacy of the traditional or "old unions" from their Soviet predecessors, we discuss the role and influence of the "new unions." This discussion is in the context of the still dominant role of the state. In conclusion, we show how contemporary IR/HR arrangements in Russia include important continuities, but also significant changes toward some of the types of arrangements that are more typical of industrialized market economies (IMEs).

**Prosperity without Citizenship:
Industrial Relations and Industrial Democracy in Hong Kong**

Stephen Chiu
University of Hong Kong, HONG KONG

David A. Levin
The Chinese University of Hong Kong, HONG KONG

The historical experience of the advanced capitalist societies suggests that as industrialization progresses there is a shift in the political structure of industry from authoritarian and paternalistic to more democratic modes of governance. A key issue for the comparative study of industrial relations is whether a similar evolutionary process will occur among late industrializers as their economics progress. Hong Kong has been viewed as a case of a society that has achieved a relatively advanced level of economic development without substantial movement toward more democratic modes of enterprise governance. We argue however that some progress toward democratization of employment relations has been taking place although unevenly. We attempt to explain this uneven advance of democratization with reference to the form of Hong Kong's industrialization, the policies of the colonial administration, and the character of the Hong Kong labor movement. Finally, we consider the impact of recent economic and political changes for the future of industrial democracy in Hong Kong and note some of the costs and benefits associated with the Hong Kong experience.

Privatization and Labor Relations in the Countries of Central and Eastern Europe

Vladislav Egorov
International Labor Office, SWITZERLAND

This paper addresses one of the key elements of reforms currently being undertaken in the countries of Central and Eastern Europe. Privatization plays a twofold role in these countries' transitions toward democracy and a market economy. From the angle of ideological and political transformation, privatization is an important instrument for establishing a pluralistic society based on the principles widely accepted and successfully applied in age-old democracies. In this regard, privatization is considered a guarantee to make the process of change in the countries of Central and Eastern Europe irreversible. On the other hand, privatization is an ultimate objective of the economic restructuring that aims to establish in these countries an economy based on the principle of a multiplicity of ownership patterns.

Privatization and labor relations reforms are interdependent processes in the countries of Central and Eastern Europe. On the other hand, labor relations patterns and institutions are involved in this process of ownership change. This kind of interaction was put into motion in the initial stages of privatization, when its concepts and policies were first elaborated. Since privatization in these countries is a gradual and relatively lengthy process, its effects on labor relations are also felt little by little. The further privatization goes, the more changes occur.

The paper examines the interaction of privatization and labor relations. It begins with an analysis of the main features of privatization currently evolving in the countries of Central and Eastern Europe (its normative base, institutional framework, stages, patterns, etc.). The second part of the paper attempts to shed light on such issues as respective roles and involvement of the social partners in this fundamental process of ownership change. The paper ends with a brief examination of how labor relations develop (or may develop) in the newly emerging private business in these countries.

Democracy, Labor and Development: Transforming Industrial Relations in Africa

Tayo Fashoyin
University of Lagos, AFRICA

Segun Matanmi
Lagos State University, AFRICA

The subject matter of this paper is significant because it brings together three interconnected concepts that appear to basically underlie any meaningful discussion of industrial relations in the African context. Even though these terms are conceptually separable, they can hardly be isolated from one another as a result of their interplay within the context of employment relationships. For example, the term "democracy" is useful in the discussion of the orientation of labor groups, just as labor has salience in the analysis of various issues of social and economic development.

It is clear that certain characteristics have been associated with the concept of democracy. These are, among others: anti-authoritarianism, consensual decision process, majority rule and representativeness. When applied to the world of work, industrial democracy connotes *workers' participation*, which is an arrangement that guarantees employees role in some aspects of operation of an enterprise; *workers' control*, which is a mechanism by which workers gain appreciable power in juxtaposition to managerial power, or *workers councils*, which is essentially another organizational system that facilitates the exercise of full control by workers over the running of an enterprise.

Nevertheless, the organizational profiles of African labor movements reveal a predominance of internal practices that are still a far cry from democratic tenets. But, it is also appealing to find that, even though unions in countries such as Nigeria, Ghana, Burkina Faso, and Benin have welcomed dictatorial (military) regimes that had dislodged democratic civilian governments, unions have continued to support the clamor for the installation of viable democratic governance.

Our argument in this paper is that the labor policies that have been in vogue since independence in African states have, on the whole, restricted the role of trade unions in the development process, although some notable achievements have been made at the enterprise level. However, the wind of change, characterized by the spreads of democratic values in Africa presents yet another opportunity for African unions to contribute meaningfully to development. In the foreseeable future, however, the only feasible avenue for unions is through participation in tripartite national institutions and bilateral negotiations at the enterprise level, both for the promotion of democratization and national development.

**Industrial Relations in Turbulent Times:
Changes in Postcommunist Europe**

Josef Koubek
Prague School of Economics, CZECH REPUBLIC

Ariane Hegewisch
GERMANY

Chris Brewster
Cranfield School of Management, U.K.

The process of differentiation of former socialist countries in Central and Eastern Europe manifests itself in many economic and social forms. One key area is industrial relations. In this paper we will use the examples of East Germany and the Czech Republic to examine the impact of different paths of postcommunist restructuring on industrial relations and human resources management at enterprise level.

Since 1989, East Germany and the Czech Republic have followed fundamentally different routes of transformation. The West German approach to the restructuring of East Germany after reunification can be described as a sharp shock, with an extensive privatization program and a high cost in terms of levels of unemployment. The key elements in the Czech restructuring policy, on the other hand, were currency devaluation linked to a macroeconomic stabilization program, with a more moderate privatization program; unemployment at 3% is the lowest in the region.

Different paths have also been followed in restructuring industrial relations. East Germany has been reorganized along the lines of the "dual" West German model of collective bargaining and enterprise-level co-determination and participation. While the new Czech system of industrial relations provides for centralization in terms of national/industrywide collective bargaining but allows for comparative deregulation at the enterprise level.

This paper will briefly outline the industrial relations and personnel management systems in Communist countries prior to the collapse of communism, the current economic situation of the two countries, and changes in the overall framework for industrial relations. The paper will then draw on the results of two linked research programs of personnel management and industrial relations in 200 Czech (conducted during 1993) and 200 East German organizations (conducted during 1992 and repeated during 1993) to compare what has happened to trade unions and personnel management at the organizational level. It will examine the evidence on trade union membership and influence at the organizational level; the transformation of the personnel function; and the increasing role of line management in areas such as workforce reductions, rewards and industrial relations.

The paper concludes by arguing that, despite the greater trade union membership and the lower level of redundancies and unemployment in the Czech Republic, the institutional stability imposed on the East German system suggests a greater likelihood of positive industrial relations in East Germany.

Economic Development and Industrial Relations in South and Southeast Asia: Past Trends and Future Directions

Sarosh Kuruvilla
Cornell University, U.S.A.

In this paper, we present the argument that in the Asian region, there is a close interaction between industrial relations policy and the industrialization strategies adopted for economic development. Using examples from several countries we show that the development strategy impinges on national industrial relations policy as well as workplace industrial relations practices, indicating some convergence. However, we also note that the specific institutional arrangements that countries have adopted to meet national IR policy goals vary considerably, and we identify different models that have been followed.

Thereafter, the paper outlines key trends in Asian industrial relations during the last decade in terms of union decline, decentralization, compensation, job security, industrial conflict, and other IR indicators. A final section discusses emergent global trends and Asian realities, lessons we have learned from the Asian experience, and argues that the task for the 21st century is for industrial relations systems to adopt the goals of stability and flexibility as well as efficiency and equity to meet the interests of the parties. In particular, we suggest that this principle is the only recommendation we can offer, given that countries will evolve their own unique institutions and regulations that are consistent with their own culture and previous institutional history.

Labor Relations, Economic Development and Democracy in the 21st Century

Francisco Zapata
Mexico College, MEXICO

The paper (1) focuses on the changes that have occurred and will continue to occur in the meaning of work and capital and from this diagnosis, (2) draws pertinent conclusions concerning labor relations, economic development, and democracy.

Within the context of the transformation of capitalist society in the last third of the 20th century related to the decrease of the weight of manufacturing both in terms of GDP and employment both in industrialized and industrializing countries, it is possible to conclude that the organization of production and distribution, the conception of work as mental rather than manual, and the type of interaction between capital and labor in the 21st century will be very different from what was the case for the last hundred years.

Also, the change of the meaning of capital, from a conception related to the entrepreneur to one focused on pension funds which have taken over the financial systems, poses questions concerning the configuration of what is and will be the meaning of ownership and, therefore, of power within the productive system.

These questions relate directly to the problem of the reconstruction of the labor relations system as it was conceived in the 20th century. What was mostly a hostile interaction, where conflict instead of consensus motivated social actors and confrontation was the order of the day both in political and ideological terms, became a space of concertation by the end of the century. In addition, changes within the way the political system related to the industrial relations system have also modified the way in which workers participate in the political system and as a result the operation of the democratic system has also experimented changes. Finally, the industrial relations system becomes more restricted at the level of the factory and much more important in the macro-level negotiations. It is in these terms that we can foresee what will be developing in the 21st century.

Officers of IRRA for 1995

PRESIDENT:

Walter J. Gershenfeld, Arbitrator

PRESIDENT-ELECT:

Hoyt N. Wheeler, University of South Carolina

PAST PRESIDENT:

Lynn R. Williams, United Steelworkers of America

SECRETARY-TREASURER:

David R. Zimmerman, University of Wisconsin—Madison

EDITOR-IN-CHIEF:

Paula B. Voos, University of Wisconsin—Madison

NEWSLETTER EDITOR:

Rachel Hendrickson, National Education Association

CHAPTER ADVISORY CHAIR:

Janet R. Conti, New York State United Teachers

ADMINISTRATOR AND MANAGING EDITOR:

Kay B. Hutchison, National Office

EXECUTIVE BOARD MEMBERS:

Katharine G. Abraham, Bureau of Labor Statistics

Peter H. Cappelli, Wharton School, University of Pennsylvania

Janet R. Conti, New York State United Teachers

Bernard E. DeLury, AT&T

John A. Fossum, University of Minnesota

Daniel G. Gallagher, James Madison University

Jack Golodner, Dept. for Professional Employees, AFL-CIO

Morley Gunderson, University of Toronto

Rachel Hendrickson, National Education Association

Marlene K. Heyser, Orange County (CA) Transportation Authority

Joan Ilivicky, Arbitrator

Ruth Milkman, University of California—Los Angeles

Jay S. Siegel, Harvard University

John R. Stepp, Restructuring Associates, Inc, Washington DC

LEGAL COUNSEL:

Steven B. Rynecki, von Briesen & Putrell, S.C., Milwaukee WI

Past Presidents of IRRA:

1948	Edwin E. Witte	1972	Benjamin Aaron
1949	Sumner H. Slichter	1973	Douglas H. Soutar
1950	George W. Taylor	1974	Nat Goldfinger
1951	William M. Leiserson	1975	Gerald G. Somers
1952	J. Douglas Brown	1976	Irving Berstein
1953	Ewan Clague	1977	Ray Marshall
1954	Clark Kerr	1978	Charles C. Killingworth
1955	Lloyd Reynolds	1979	Jerome M. Rosow
1956	Richard A. Lester	1980	Jack Barbash
1957	Dale Yoder	1980	Rudolph A. Oswald
1958	E. Wight Bakke	1982	Milton Derber
1959	William Haber	1983	Jack Stieber
1960	John T. Dunlop	1984	Wayne L. Horvitz
1961	Philip Taft	1985	Everett M. Kassarlow
1962	Charles A. Myers	1986	Lloyd Ulman
1963	William F. Whyte	1987	Michael H. Moskow
1964	Solomon Barkin	1988	Phyllis A. Wallace
1965	Edwin Young	1989	Joyce D. Miller
1966	Arthur M. Ross	1990	Robert B. McKersie
1967	Neil W. Chamberlain	1991	James L. Stern
1968	George P. Shultz	1992	Ernest J. Savoie
1969	Frederick H. Harbison	1993	George Strauss
1970	Douglass V. Brown	1994	Lynn R. Williams
1971	George H. Hildebrand		

INDUSTRIAL RELATIONS RESEARCH ASSOCIATION

7226 SOCIAL SCIENCE BUILDING
UNIVERSITY OF WISCONSIN-MADISON
1180 OBSERVATORY DRIVE
MADISON, WI 53706-1393 USA

ADDRESS CORRECTION REQUESTED

NON-PROFIT
ORGANIZATION
U.S. POSTAGE

PAID

MADISON, WI
PERMIT NO. 1034