



INTERNATIONAL LABOUR ORGANISATION

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PUBLICATIONS



# ELEMENTS OF A SOUND INDUSTRIAL RELATIONS SYSTEM

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## A. INTRODUCTION

The purpose of this Paper is, first, to provide an overview of events (some of them external to the industrial relations system) which have influenced, or are influencing, the development of industrial relations. Labour relations should be seen as an essential part of management systems and techniques, and not as a discipline or activity apart from management. It then seeks to explain what sound industrial relations and labour relations policy formulation are, and thereafter to underline the importance and objectives of sound industrial relations in the current - and to some extent the future context. It next examines the role of various systems and mechanisms at different levels (national/industry/enterprise) as well as their contribution to promoting sound industrial relations. It also attempts to identify some of the elements which may generally be regarded as features of a good industrial relations system. It is not suggested that all these elements should co-exist in a system for it to qualify as a sound one, but rather it is intended to point out available options which can help to transform a conflictual system into a more cooperative one. Finally, the Paper identifies current issues in industrial relations.

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## B. FACTORS INFLUENCING CHANGE

### Management Practices

Changes in labour relations within an organization are often affected by management practices. Therefore attitudes towards industrial relations should be understood in the background of theories and practices relating to the management of enterprises and organizational behaviour. In this context it is useful to note two important - and diametrically opposite - theories about management. The first and earlier theory is to be found in the scientific management school (best represented by F. Taylor), which viewed the worker as a mere cog in the organizational structure. Since, according to Taylor, the worker does not possess creative ability let alone intelligence and wisdom, the elements of a human-oriented management system which promotes sound industrial relations such as communication, consultation and participation, found no place in the theory. The hallmarks of organizations based on this model are centralized and clear lines of authority, a high degree of specialization, a distinct division of labour, numerous rules pertaining to authority and responsibility, and close supervision. This concept of management can be seen as an ideal breeding ground for an industrial relations system based on conflict rather than on cooperation.<sup>(1)</sup>

The opposite theory, appropriately styled the human relations school, had as one of its earliest and greatest exponents, Douglas McGregor. He gave an impetus to the development of a management theory which focused on the human being as part of an enterprise which, in turn, was viewed as a biological system, rather than as a machine. Human relations, trust, delegation of authority, etc. were some of the

features of this theory. In the preface to his classic The Human Side of Enterprise<sup>(2)</sup>, Douglas McGregor underlined the necessity to learn

"about the utilization of talent, about the creation of an organizational climate conducive to human growth.... This volume is an attempt to substantiate the thesis that the human side of enterprise is 'all of a piece' - that the theoretical assumptions management holds about controlling its human resources determine the whole character of the enterprise. They determine also the quality of its successive generations of management."

Two basic realities of an organization in McGregor's model is the dependence of every manager on people under him and the potential of people to be developed to match organizational goals. He therefore postulated that people are not by nature resistant to change in an organization, and that people have the potential to be developed and to shoulder responsibility. As such, management's main task is to organize business in such a way as to match people's goals with organizational ones. McGregor believed that the dynamism for organizational growth is found in the employees of the organization. It could be said that in McGregor's Theory Y (as it is called) is to be found the essence of human-oriented management and workplace industrial relations systems. The events noted in the succeeding paragraphs which are compelling enterprises to pay greater attention to the human factor in management, serve to vindicate McGregor's basic theory propounded as far back as 1960, if not earlier.

However, subject to exceptions (such as Japan in Asia) most large enterprises continued to be dominated by hierarchies. This is reflected in the classic "strategy, structure, systems" (the three Ss) of modern corporations, vividly expressed by two writers:

"Structure follows strategy. And systems support structure. Few aphorisms have penetrated western business thinking as deeply as these two. Not only do they influence the architecture of today's largest corporations but they also define the role that top corporate managers play."<sup>(3)</sup>

As explained by Bartlett and Ghoshal<sup>(4)</sup>, in this concept of an enterprise top level managers see themselves as the designers of strategy, the architects of structure, and the managers of systems. The impact of the three S's was to create a management system which minimized the idiosyncrasies of human behaviour, emphasized discipline, focus and control, and led to the view that people were "replaceable parts".<sup>(5)</sup>

The basic flaw - particularly in the context of today's globalized environment - of this concept is that it stifled the most scarce resource available to an enterprise: the knowledge, creativity and skills of people. Successful enterprises have now moved away from this corporate design, and their philosophy, which has transformed corporations enabling them to compete in the new competitive environment, consists of the following:

"First, they place less emphasis on following a clear strategic plan than on building a rich, engaging corporate purpose. Next, they focus less on formal structural design and more on effective management processes. Finally, they are less concerned with controlling employees' behaviour than with developing their capabilities and broadening their perspectives. In sum, they have moved beyond the old doctrine of strategy, structure, and systems to a softer, more organic model built on the development of purpose, process, and people."<sup>(6)</sup>

Those enterprises which have effected a successful transformation to a more 'people focused' organization recognize that the information necessary to formulate strategy is with their frontline people, who know what is actually going on, whether it be in the marketplace or on the shopfloor. The chief executive

officer, for instance, can no longer be the chief architect of strategy without the involvement of those much lower down in the hierarchy.

How do these developments relate to enterprise level labour relations? In essence, they heighten the importance of the basic concepts of information sharing, consultation and two-way communication. The effectiveness of the procedures and systems which are established for better information flow, understanding and, where possible, consensus building, is critical today to the successful management of enterprises and for achieving competitiveness. As such, the basic ingredients of sound enterprise level labour relations are inseparable from some of the essentials for managing an enterprise in today's globalized environment. These developments have had an impact on ways of motivating workers, and on the hierarchy of organizations. They are reducing layers of management thus facilitating improved communication. Management today is more an activity rather than a badge of status or class within an organization, and this change provides it with a wider professional base.<sup>(7)</sup>

The present trend in labour relations and human resource management is to place greater emphasis on employee involvement, harmonious employer - employee relations and mechanisms, and on practices which promote them. One of the important consequences of globalization and intense competition has been the pressure on firms to be flexible. Enterprises have sought to achieve this in two ways. First, through technology and a much wider worker skills base than before in order to enhance capacity to adapt to market changes. Second, by introducing a range of employee involvement schemes with a view to increasing labour-management cooperation at the shop floor level, necessary to achieve product and process innovation. Achieving flexibility does not depend on the absence of unions. Organization flexibility

"depends upon trust between labour and management. It implies that workers are willing to forego efforts to establish and enforce individually or through collective action substantive work rules that fix the allocation of work, transfer among jobs, and workloads. Organizational flexibility also implies that workers are willing to disclose their proprietary knowledge in order to increase labour productivity and the firm's capacity for innovation".<sup>(8)</sup>

Manufacturers in Japan and Germany were more successful than those in Britain and France in achieving this flexibility. The former two countries after World War II institutionalized labour management consultation.<sup>(9)</sup> Many organizations have successfully transformed themselves to promote the role of trust.<sup>(10)</sup> In both strategies involving the use of technology and promotion of innovation, employees are a critical factor. The requirement of organizational flexibility and its industrial relations and human resource implications have had a major impact on the way organizations are structured (less hierarchical), how authority within the firm is exercised (less unilateral), and on how decisions are arrived at and work organized (through information sharing and consultation, transfer of more responsibility to employees and cooperative methods such as team work).

Traditional assumptions that efficiency is achieved through managerial control, technology and allocation of resources have given way to the view that efficiency is the result of greater involvement of employees in their jobs, teams and the enterprise. Organizations which have made this shift tend to reflect the following characteristics: few hierarchical levels; wide spans of control; continuous staff development; self managing work teams; job rotation; commitment to quality; information sharing; pay systems which cater to performance rewards and not only payment for the job; generation of high performance expectations; a common corporate vision; and participative leadership styles. It hardly requires emphasis that achieving most of these requires training. In Asia too there is a keen awareness in the business community that radical changes are necessary to sustain Asia's dynamic growth. The point is well made by a noted Asian:<sup>(11)</sup>

"The earlier generation's recipe for success hinged on hard work, smart moves, the right business and political connections, monopolies, protectionist barriers, subsidies, access to cheap funds and, in many cases, autocratic leadership and a docile labour force. The 'global village' is this system's nemesis. ... the new 'Global-Asian' manager has to exercise greater levels of leadership than before, and balance this with being an entrepreneur, modern manager and deal-maker skilled at public relations. To this has to be added coaching, team-building and motivating the company, the ability to visualize, plan strategically, market and re-engineer products and services, and the belief in a customer driven culture."

None of these shifts is feasible without a substantial change in traditional modes of dealing with people in an enterprise.

### **Industrial Relations Theories and Attitudes**

At its inception, the labour market was dominated by the classical economics view which espoused free and unregulated labour markets. This laissez-faire capitalism led to social injustices and inequities since labour did not have the power to bargain with employers on terms which even approached a degree of equality in bargaining strength. Industrial relations, therefore, initially came to espouse a degree of labour market regulation to correct this unequal bargaining power. Consequently industrial relations developed in the context of the theory that problems in labour relations emanate largely from market imperfections which operate against the interests of labour and cause imbalances in the power relationships of employers and employees. These imperfections were external to the enterprise. Additionally, the dominant position of the employer in what was formerly called the "master and servant" relationship prevented labour from enjoying rights. These causes for labour problems - external and internal to the enterprise - needed to be addressed through a range of initiatives, both by the State through protective labour laws, conciliation and dispute settlement machinery, by voluntary action on the part of employees to protect themselves and further their interests through trade unionism (but backed by State interventions to guarantee this right in the form of freedom of association), and by redressing the balance of power (through collective bargaining).

The focus on relations external to the enterprise - especially through national and industry level collective bargaining - was initially welcomed even by employers in several industrialized countries because it reduced competitive advantage based on labour costs. Besides, collective bargaining in particular transferred one of the most conflictual aspects of the employment relationship - wages - out of the workplace, and made it the responsibility of the respective representatives of employers and employees. Unions naturally welcomed it as it gave them an influential base outside the workplace. When 'transferred' to developing countries, this concept sometimes had disastrous consequences because it facilitated the politicization of unions. Moreover, the workability of a system of industrial relations in which the emphasis was on decisions outside the enterprise presupposes a high degree of literacy, education and awareness among employees able to monitor the actions of their representatives operating at a level removed from the workplace.

However, regulation of the external labour market did not necessarily address all the causes of labour problems. A more pluralistic view recognized that labour problems or issues do not relate only to conflict between employers and employees. They include many other forms of problems such as low productivity, absenteeism, high labour turnover, lack of job security, unsatisfactory or unsafe working conditions, non recognition of performance in standardized wage systems, and lack of motivation. Many of these problems cannot be addressed through measures directed purely at the external labour market, and require measures to be taken within the enterprise. Therefore another view, emanating from human resource

management and increasingly important since the 1980s, is that labour problems arise not so much from factors external to the enterprise, as from unsatisfactory management of human resources within the enterprise. Corrective action should include the installation of human resource management policies and practices embodied in concepts such as recruitment and selection, leadership and motivation, employee development and retention, etc. The objective is to ensure a convergence of organizational and individual goals, and to balance individual and organizational needs.<sup>(12)</sup> With the pressures on enterprises to adapt and change, it is not surprising that employers are pushing for greater concentration on issues at the enterprise level. In the final analysis the quality of an industrial relations system has to be judged by how it works in practice - and that means at the workplace level.<sup>(13)</sup> This relative neglect provided the 'space' for the rise of human resource management.

Neither view is entirely correct or entirely incorrect, because industrial relations problems do flow from circumstances both external and internal to the enterprise. The problem is that there has been over-emphasis on the environment external to the enterprise, so that inadequate attention has been paid to the policies and practices needed within the enterprise. As a result, we may have lost sight of the fact that in the final analysis sound labour relations have to be built up from within an organization. The environment external to the enterprise should be facilitative, and at times "protective" in the sense that it needs to prescribe certain basic standards relating to such areas as social security, safety and health, freedom of association, weekly and other holidays and rest periods, etc.

In more recent times industrial relations has been influenced by other social sciences such as organizational psychology and behaviour. Traditionally economics and law were two main influences on industrial relations, which led to a concentration on macro level industrial relations, and therefore on unions, government and collective bargaining. Organizational behaviour has been influenced by psychology which centres on the individual, and by social psychology which focuses on relationships between people and on group behaviour. It is easy to see, therefore, why human resource management has been influenced by organizational behaviour. Paradoxically industrial relations, though dealing with 'relation', has until recently largely ignored the social sciences relevant to behaviour and human relations. While labour problems are the result of imperfections in the employment relationship, industrial relations should be seen as the theories and methods which have been developed over time to address and correct these problems, in both the external and internal labour markets.

During the past decades labour relations was viewed by governments as a means of preventing or minimizing conflict. In South and South East Asia this objective was achieved through dispute prevention and settlement mechanisms external to the enterprise (e.g. conciliation, arbitration and labour courts). In South Asia the objective was also achieved through restrictions or prohibitions on the freedom of action of employers in matters such as termination of employment, closures and even transfers of employees. On the other hand, several South East Asian countries resorted to measures to restrict trade union action and to control unions, as well as to avoid union multiplicity. While in South Asia the focus of industrial relations was on equity from the point of view of workers and unions, in South East Asia the emphasis was on economic efficiency and less on worker protection laws. Low unionization in many Asian countries, strong governments in South East Asian countries and South Korea, and perceptions that unions could be potential obstacles to the direction of economic development led to a relative neglect of industrial relations. Moreover, hierarchical management systems and respect for authority, which have mirrored the external social system, have been inconsistent with consultation, two-way communication, and even with the concept of negotiating the employment relationship. Japan, however, was an exception where, since the 1960s, workplace relations and flexibility facilitated by enterprise unionism dominated industrial relations in the larger enterprises. Australia and New Zealand continued to focus on centralized industrial relations, though the emphasis has radically changed in New Zealand during this decade, and is changing in Australia.

But major changes are taking place in Asia. Employers as well as some governments are viewing labour relations from a more strategic perspective i.e. how labour relations can contribute to and promote workplace cooperation, flexibility, productivity and competitiveness. It is increasingly appreciated that how people are managed impact on an enterprise's productivity and quality of goods and services, labour costs, quality of the workforce and its motivation, and on the prevention of disputes as well as on aligning employee aspirations with enterprise objectives.

### **International Factors**

The establishment of a sound or harmonious industrial relations system is a central theme for governments, employers, workers and their representatives, in their endeavours to achieve economic and social development. Several changes on the international scene presently exert a major influence on how industrial relations needs to be viewed.

The internationalization of business, intense competition and rapid changes in technology, products and markets have increased the need for economies and enterprises to remain or become competitive. These trends have in turn necessitated a greater reliance than before on workers' skills, productivity and cooperation in achieving competitiveness.

The new information technology, the limits of which are not known in terms of its potential to effect change, is exerting a tremendous impact on the structure of organizations, the nature of work and the way it is organized, and even on the location where work is performed. In societies of the future information and knowledge will be - as in fact they already are - crucial to competitiveness. Technology is already facilitating changes in organizational structures so as to create flatter organizations. This has resulted in less management by command and supervision, in more emphasis on cooperation, information-sharing and communication, and in a more participative approach to managing people. Modern technology now makes it possible for aspects of work to be performed outside the enterprise, for example from home, and even outside national borders, and this trend is being given a further push by the influx of more females into employment and their preference in some cases, for part-time work. Developing countries are also feeling the impact of these changes.

Many countries are undergoing a process of industrial restructuring which, in some cases, include privatization of public sector undertakings and technology upgrading. This process has resulted in several social consequences such as redundancy, all of which have sometimes strained the relationships between employers and workers (and unions) and between the latter and the government.

Another feature is the changes occurring in the workforces, to varying degrees, in both industrialized market economies and developing economies. Many countries have witnessed the emergence of workforces with higher levels of education and skills which need to be managed in a manner different from the way in which employees, especially blue collar employees, have hitherto been managed. This factor will assume more critical proportions in the future as a result of the increasing importance of the service sector and the growth of knowledge-intensive industries. The skills of an employee are, therefore, an issue on which the interests of employers and employees converge, and the "development" of the employee is now of mutual advantage to both employers and employees. Consequently, there is a greater need than before for a cooperative and participative system of industrial relations. Further, the many emerging work arrangements do not fit into the traditional employment relationships. Increasing numbers of enterprises are differentiating between the core and peripheral workforce, which consists of those whose work can be performed by persons outside the enterprise who specialize in it. The tendency is to contract with outsiders to perform this work. Even manufacturing companies are becoming essentially assembly firms, and many service organizations now act as brokers, "connecting the customer with a

supplier with some intervening advice".<sup>(14)</sup> Another category of employees consists of the increasing number of temporary and part-time employees in the rapidly expanding service industries, some of which experience peak periods (hotels, airlines, shops) requiring a flexible labour force. Thus, instead of one workforce, we are moving towards these various groups, each with different contractual arrangements and requiring to be managed differently. The indications are that at the beginning of the next century less than half the workforce in industrialized countries will be in full-time employment as we know it.<sup>(15)</sup> These trends will not be confined to the highly industrialized countries, but will appear in the fast growing economies of Asia as costs rise, competitiveness increases, and more women participate in economic activity.

The role of unions is changing. During the cold war, political considerations sometimes dominated or influenced union activities, attitudes and their role, especially in some of the developing countries. Unions are now gradually concentrating more on their traditional role in industrial relations, which is to improve the working conditions of their members and to protect their interests through negotiation.

22 As a result of intense competition for goods and services and the recognition of the enterprise as an important engine of growth to an extent unknown in the past, the centre of gravity of industrial relations is now more than ever before the workplace, and managing human resources is now receiving the attention it should have been given much earlier.

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## **C. THE IMPORTANCE AND OBJECTIVES OF SOUND INDUSTRIAL RELATIONS**

A sound industrial relations system is not capable of precise definition. Every industrial relations system has to take into account, and reflect, cultural factors. Systems cannot change culture, but only behaviour within a cultural environment. As such, one can only describe some of the elements which have generally come to be recognized as contributing to a sound industrial relations system. These elements would constitute a sort of 'check-list'. A relatively sound industrial relations system will exhibit some of these elements.

A sound industrial relations system is one in which relationships between management and employees (and their representatives) on the one hand, and between them and the State on the other, are more harmonious and cooperative than conflictual and creates an environment conducive to economic efficiency and the motivation, productivity and development of the employee and generates employee loyalty and mutual trust. Industrial relations itself may again be described as being concerned with the rules, processes and mechanisms (and the results emanating therefrom) through which the relationship between employers and employees and their respective representatives, as well as between them on the one hand and the State and its agencies on the other, is regulated. Industrial relations seek to balance the economic efficiency of organizations with equity, justice and the development of the individual, to find ways of avoiding, minimizing and resolving disputes and conflict and to promote harmonious relations between and among the actors directly involved, and society as a whole. The rules, processes and mechanisms of an industrial relations system are found in sources such as laws (legislative, judicial, quasi-judicial), practices, customs, agreements and arrangements arrived at through a bipartite or tripartite process or through prescription by the State.<sup>(16)</sup>

Industrial relations operates at different levels - at the national level, at the level of the industry and at the enterprise level. The elements which reflect a sound industrial relations system at all these levels are not necessarily the same. At the national level industrial relations operates so as to formulate labour relations policy. In market economies this is usually done through a tripartite process involving government, employers and workers and their representative organizations. At the industry level industrial relations often takes the form of collective bargaining between employers' organizations and unions. This process may result in determining wages and other terms and conditions of employment for an industry or sector. It may also result in arrangements on issues which are of mutual concern such as training, ways of avoiding or settling disputes, etc. At the enterprise level the relationship between employers and workers is more direct, but the interests of workers may be represented by unions. Employers' organizations, however, are not usually involved (though sometimes they are when negotiations take place between them and unions in respect of enterprise issues) at the enterprise level in representing the employers' interests with workers or their union, but this does not mean that they do not have an important promotional role at this level. Sound industrial relations at the national level build trust and confidence between representatives of workers and employers. Sound relations at the enterprise level builds trust and confidence between workers and management, which is the point at which the system must ultimately be effective. Effectiveness at one level would naturally have some impact on the other.

A sound industrial relations system requires a labour management relations policy (LMRP). There are many specific objectives of such a policy, all of which go to make up the policy at the national level. The following are some of the objectives, the emphasis varying from country to country depending on the priorities and stage of development of each of them at any given point of time:

- i. Employment and job security and increased employment opportunities.
- ii. Raising living standards through improved terms and conditions of employment.
- iii. Productivity improvement which enables employers to be more competitive and to increase their financial capacity to raise the living standards of the employees.
- iv. Minimizing conflict, achieving harmonious relations, resolving conflicts through peaceful means and establishing stable social relationships. In Western industrialized societies "harmony" and "harmonious relations" are not explicitly referred to either as an objective or as a means, though basically it represents an important objective in such societies. However, this concept is explicitly referred to in many Asian societies. Development has an economic and social dimension on the one hand and a cultural dimension on the other. The economic and social aspects involve guiding or influencing economic and social change in a desirable direction. This means not only economic development measured in terms of growth rates and per capita incomes, but also equity in terms of income distribution and employment opportunities, life expectancy, population growth rates, literacy, poverty alleviation, etc. As aptly stated by John Kenneth Galbraith<sup>(17)</sup>: "It is one of the least advertised, and for the very affluent the least attractive, of economic truths that a reasonably equitable distribution of income throughout the society is highly functional."

A sound industrial relations climate in an enterprise is essential to a number of issues which are critical to employers, employees and the community. The efficient production of goods and services depends to an extent on the existence of a harmonious industrial relations climate. Efficiency and quality depend on a motivated workforce, for which a sound industrial relations climate is necessary. Productivity - a key consideration of profitability, the ability of enterprises to grant better terms and conditions of employment and for economic and social development - needs a sound labour relations base. Productivity does not depend on individual effort alone. Many mechanisms which contribute towards productivity gains are workable only where there is teamwork and cooperation e.g. small group activities, joint consultation mechanisms. Therefore labour management relations should be geared to creating the climate appropriate to securing the cooperation necessary for productivity growth. Labour Management Relations (LMR) and

Labour Management Cooperation (LMC) are also important to the creation of a culture which is oriented towards innovation, adaptable to and encourages change, where authority is decentralized and two-way communication, risk-taking and maximizing opportunities are encouraged, and where the output rather than the process is what matters. Changing attitudes, awareness and behaviour to move from a counter-productivity to a productivity culture requires the appropriate labour management relations climate based on labour management cooperation.

The experience of countries and regions which have good productivity records underlines the link between labour management relations and productivity. For example, the Japanese productivity movement which began in the 1950s emphasized employment security, and this fact did much to secure acceptance by unions of the productivity movement at that time. The Japan Productivity Centre, which was supported by the government, reached agreement with the national labour organization and employers on the following matters:

- a. In the long-term, productivity increases employment security. Therefore redundant workers should be relocated by the employer.
- b. Concrete measures to enhance productivity should be decided through labour management consultation which will be promoted.
- c. Productivity gains should be distributed fairly among management, employees and customers.

Similar principles were recognized by the productivity movement in Europe. The underlying theme here relevant to the present discussion is that all three principles mentioned above form a part of labour management relations and cooperation.

Another important link between labour management relations and productivity has arisen in the context of recent events in many societies and major changes in industrial relations such as the move towards labour market flexibility. The latter involves the need for employers to adopt, in the interests of competitiveness, new working time and work arrangements, atypical contracts of employment, new methods of pay and remuneration, and control over the size of the labour force. These developments have partly resulted from intense competition, new technologies, shorter product life and so on, all of which require flexibility in the use of resources if an enterprise is to remain productive and competitive. These changes are more likely to achieve the objectives of increased productivity, if they are introduced through cooperation and consensus at the enterprise level. Therefore labour management relations and cooperation have a vital role to play in achieving, with the least possible conflict, the changes of the type referred to above which are critical to productivity and competitiveness in the modern enterprise.

A sound labour management relations system is important to the removal of one of the main objections of workers and unions to productivity drives by employers. Productivity increases have sometimes been opposed by workers and unions on the grounds that they do not result in equitable sharing of benefits to workers and that increased productivity may lead to redundancy. Developing understanding of basic productivity concepts and of the methods of increasing productivity, as, well as of the formulation of equitable productivity gain-sharing schemes help to dispel such suspicions. This task is easier where there are mechanisms which provide for dialogue and two-way communication between management and workers. Labour management relations therefore play a crucial role in securing acceptance by workers and unions of the need for productivity improvement, and also in obtaining their commitment to achieving it.

Cooperation between management and workers or unions facilitates not only a settlement of disputes or disagreements but also the avoidance of disputes which may otherwise arise. At the industry level the relationship between employers' organizations and representatives of workers is a precondition to

collective bargaining. Where collective bargaining takes place at the enterprise level, management workers/union relations determine to a great extent the success or otherwise of collective bargaining. At the national level a good relationship between representatives of employers and workers enables them to effectively participate in labour-management relations policy formulation and to arrive at a consensus.

The importance of cooperation in industrial relations and the stability achieved through it to gain economic competitiveness are well illustrated by Germany and Japan. Writing at the end of the 1980's, Wolfgang Streek<sup>(18)</sup> stated:

"Despite its relatively small population, West Germany is still the world's largest exporter of manufactured goods, ahead of both Japan and the United States..... Among the larger economies, the West German is, more than any other, exposed to world market pressures. It is only against this background that the high degree of stability and mutual cooperation in West German industrial relations can be understood, and it is this stability and cooperation that has in the past accounted for part of the country's competitive success in world markets."

This cooperation is reflected in Germany's system of collective bargaining (which has often shown wage restraint), in the system of co-determination, and in the vocational training system to which employers and unions have made a substantial contribution, thus ensuring a highly skilled workforce producing goods of the highest quality attractive to the global marketplace. While this cooperation does not imply an absence of conflict, yet when conflict occurs it has usually been resolved through compromise solutions. The participative management system also explains the relatively easy acceptance by German workers of technological change.

In a broad sense, therefore, labour management relations policy formulation (LMRP) should aim at achieving social justice through a process of consensus by negotiation so as to avert adverse political, social and economic consequences. Labour relations reflects the power structure in society, and it emphasizes negotiation and reconciliation by peaceful means of the interests of government, workers and employers who are the main participants in the system. Consensus enables the policy formulated to be implemented with the minimum of conflict as it has the support of all three parties. This is in fact reflected in the ILO's principle of tripartism. In the final analysis, labour management relations policy seeks to achieve development through establishing conditions which are fairer, more stable and more peaceful than they are at any given moment of time. Labour management relations policy also seeks to achieve an acceptable balance between labour and management, necessary for a negotiated development strategy and the establishment or preservation of a society which is essentially pluralist.

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## **D. A SOUND INDUSTRIAL RELATIONS SYSTEM AT THE NATIONAL AND INDUSTRY LEVEL**

### **Introduction**

Labour-management relations policy formulation is one of the significant tasks at the national level, and its successful formulation and implementation can influence the labour relations climate at the industry and enterprise levels. Such policy formulation, however, can be formulated not only at the national level through a tripartite process, but also at the industry level on a bipartite basis as between employers' and workers' organizations. Whether bipartite policy formulation becomes a part of national policy depends

largely on the respective strengths of employers' and workers' organizations. In some of the industrialized market economies there is a greater likelihood than in developing countries of bipartite policy formulations being reflected in national policies due to the strength of the employers' and workers' organizations. In Sweden, for instance, in the past, the agreements between the union and the employers' organization tended to be translated into national policy instruments. The policies and methods of training of workers, for example, reflected what the two social partners had identified as appropriate for the industry. Or again, in Belgium the State recognizes the two social partners as the main formulators of social policy through collective bargaining; even the social security system is managed by the two social partners. The pervasive influence of bipartite arrangements is felt only where there is a 'balance of power' between the social partners. There is less likelihood of bipartism impacting on national policy formulation in developing countries due to strong central governments in many cases, and their assumption of the role of identifying the direction of economic and social policies. The relative weakness of employers' and workers' organizations or of one of them, or the inability of such organizations to agree on the fundamentals of what the labour relations policy should be, often prevents bipartism from influencing national policy formulation.

### **Freedom of Association**

The fundamental premise of a sound industrial relations system is the recognition and existence of the freedom of association accorded to both employers and workers. This freedom should include recognition of organizations of workers and employers as autonomous, independent bodies, subject neither to their domination by each other or by the government. Observance by states of the basic principles of the ILO Convention relating to Freedom of Association and Protection of the Right to Organize No. 87 (1948) is often regarded as the yardstick by which a country's recognition of this freedom is measured.

In essence, the Convention postulates that workers and employers, without distinction whatsoever, have the right to establish and to join organizations of their own choosing with a view to defending their respective interests, subject to national legislation which determines the extent to which the guarantees in the Convention will apply to the armed forces and the police. Such organizations have the right to draw up their own constitutions and rules, to elect their representatives in full freedom, to organize their administration and activities and to formulate their programmes. Public authorities are required to refrain from any interference which would restrict this right or impede the lawful exercise of this right. The organizations are not liable to be dissolved or suspended by administrative authority. Organizations have the right to establish and to join federations and confederations which are entitled to the same rights and guarantees, and to affiliate with international organizations. The acquisition of legal personality by these organizations shall not be subject to restrictive conditions. In exercising the rights provided for in the Convention, employers and workers and their respective organizations are required to respect the law of the land, which should not impair the guarantees in the Convention both in respect of its content and its application.

### **Tripartism and Labour Policy Formulation**

Tripartism is the process through which the foundation for a sound industrial relations system can be laid at the national level. Ideally, tripartism is the process whereby the government, the most representative workers' and employers' organizations as independent and equal partners, consult with each other on labour market and related issues which are within their spheres of competence, and jointly formulate and implement national policies on such issues. However, this ideal situation is seldom reflected in practice, especially in developing countries or in societies with fairly authoritarian governments which believe that the direction of economic and social development is largely their responsibility. A more realistic model where developing countries are concerned is one in which a government consults the most representative

employers' and workers' organizations on labour market and related issues which are within their spheres of competence, and takes account of their views in national policy formulation and its implementation.

There are many examples of tripartite mechanisms at the national level, as well as informal applications of tripartism. In many countries there are minimum wage fixing bodies which reflect the participation of all three parties, often leading to a consensus on minimum wages, and sometimes on other minimum terms of employment. In some countries (as in Australia in recent years), agreements are reached at the national level among the three partners after a process of bargaining on important social policy issues. The principles agreed upon in the 1950s in Japan as a forerunner to its productivity movement did much towards assisting that country's productivity growth. In Japan, the Industry and Labour Conference has been a major form of cooperation at the national level, and consultative mechanisms (both tripartite and bipartite) exist at the industry level. In Singapore the National Productivity Board is a tripartite body, and is credited with much of the success in productivity improvement there. Tripartite participation in Singapore's National Wage Council has avoided a potential conflict on wages. The introduction of a flexible wage system in Singapore was made possible by a tripartite approach towards reaching a consensus on the issue in the late 1980s.

At the national level the mechanisms and procedures could be either formal and institutionalized, or else informal and ad hoc. Where the labour administration system consults, on an ad hoc basis, workers' and employers' organizations on subjects falling within their purview, it represents a method of policy formulation on labour management relations. Sometimes these consultations may take place between the two social partners and other public authorities. For instance, a finance ministry may consult the social partners on an issue relating to wage policy.

National level policy formulation can take place through institutions which provide for periodic tripartite discussion and consultation. There are also examples of institutions with functions limited to a particular subject matter such as training, social security, minimum wages (for instance minimum wage fixing bodies) and safety and health. Such specialized bodies may even cover collective bargaining, as in the case of the Singapore National Wage Council created in 1972, which was empowered to issue annual guidelines to coordinate collective bargaining with overall economic policy so as to ensure that wages remain consistent with economic development.

Labour management relations policy formulation may take place and be reflected in basic agreements or codes or industrial relations charters in which all three parties in the labour relations system have participated. Some such agreements may be bipartite, and may cover a variety of subjects including principles and procedures of labour relations such as freedom of association, trade union recognition, collective bargaining, labour-management cooperation mechanisms, procedures for the prevention and settlement of disputes, etc. The 1983 Australian national consensus (Accord) and the succeeding Accords on economic questions among the government, trade unions and employers contributed towards increased employment and profits, and a reduction in the days lost on account of strikes.<sup>(19)</sup> Other examples include the agreements negotiated by the Tripartite Labour Conference in India (in particular the Code of Discipline of 1958), the Code of Practice for Industrial Harmony (Malaysia 1975), the Code of Practice for the Promotion of Labour Relations (Thailand 1981), the Pancasila Labour Relations (Indonesia) and the labour policies resulting from tripartite consultations in Pakistan. Referring to the failure to implement some of these last mentioned arrangements J. Schregle<sup>(20)</sup> points out:

"However, failure in practical implementation is not necessarily a valid argument against the concept as such of basic agreements or negotiated industrial relations charters or codes of conduct. The very idea of reaching agreement on these matters between the social partners is in line with a forward-looking tripartite approach to labour relations. The

alternative is legislation and increased government intervention, a proposition to which most employers, and also many trade unions, in the region would object as a matter of principle. So the only remedy is to improve the practical application of basic agreements by delegating more power and authority to the central bodies of employers' and workers' organizations."

The desire to formulate and practice a tripartite approach to the solution of social policy issues depends very much on the existence of a value system in a society which underpins the whole system, and reflects an acceptance of the principles of cooperation, consultation and, most important, pluralism. Such a value system generally operates in the industrialized market economies. In societies where a tradition of democracy is absent so is tripartism, or else it tends to be a 'cosmetic' exercise.

The contribution which tripartism can make to the establishment of a sound industrial relations system can hardly be over-emphasized. Tripartism's rationale is to be found in the principle of democracy, the essence of which is a sharing or diffusion of power flowing from the encouragement or recognition of various pressure groups in a society as an effective safeguard against the centralization of power. It has been aptly remarked that "every source of independent power in a democracy is part of its strength, so long as it can be guided to seek its outlet through the democratic political system".<sup>(21)</sup> Tripartism as a process is a part of a pluralistic outlook on society through which stability is maintained, freedom of association being the sine qua non, because without the right of association the interest groups in a society cannot function effectively. As expressed by H.A. Clegg<sup>(22)</sup>, pluralism's

"theme is that men associate together to further their common interests and desires; their associations exert pressure on each other and on the government; the concessions which follow help to bind society together; thereafter stability is maintained by further concessions and adjustments as new associations emerge and power shifts from one group to another. "

Acceptance of the principle of sharing power entails recognition of the fact that capital and labour represent two important pressure groups in society, if for no other reason than that both of them taken together are the principal providers of goods and services and wealth-creators in a market economy.

### **The Role of the Law**

Industrial relations systems are founded on a framework of labour law which exerts an influence on the nature of the industrial relations system. However, recourse to the law and its potential to influence the resulting industrial relations system may sometimes be over-emphasized. It is useful, therefore, to examine, from three points of view, the role of the law in influencing an industrial relations system - what its objectives should be and the areas it should cover, as well as what the law cannot achieve.

In any working situation people need to cooperate with each other if there is to be maximum gain to themselves, to management and to society as a whole. Cooperation, however, is not easily obtained as people working together have conflicting interests. Employees are primarily concerned with the security of their jobs and what they can earn, and the employer with what he can produce as cheaply as possible to obtain the maximum profit. When these conflicting interests have taken definite form and shape, the State has often stepped into protect some of these interests through legal control. Labour law has amply demonstrated the sociological theory that

"law is a social institution which seeks to balance conflicting interests and to satisfy as many claims as possible with the minimum of friction."<sup>(23)</sup> Since the law must necessarily

determine those interests which most urgently require protection over and above other interests, those of labour, where they lack self-reliance, have invariably formed a significant class of interests which the law protects. Hence, especially in some developing countries, the legal rules of an industrial relations system have been judged to some extent by the degree to which they further this end.

The three main functions of the law in an industrial relations system have been described<sup>(24)</sup> as auxiliary, regulatory and restrictive. The first function is the support it gives to the autonomous system of collective bargaining, its operation and observance of agreements. The second function is one of providing a set of rules governing the terms and conditions of employment and supplementing those created by the parties themselves. The greater the coverage by collective bargaining, the less will be the regulatory function of the law. The third function prescribes what is permitted or forbidden in industrial conflict with a view to protecting the parties from each other, and the public from both of them.

One major objective of labour law is to create the legal framework which is necessary for employers, workers and their organizations to function effectively and as autonomous groups in the industrial relations system. Hence the law should protect the freedom of association so that the two parties are accorded the protections and guarantees found in the ILO Convention on the Freedom of Association and Protection of the Right to Organize No. 87 (1948). Since one of the major purposes of such association is to enable workers and employers to protect and further their interests, the law should also provide the legal framework needed to promote collective bargaining. In this connection the ILO Convention on the Right to Organize and Collective Bargaining No. 98 (1949) would provide the necessary basis for such legislation.

A second important function of labour law is to prescribe the minimum terms and conditions of employment which should be observed by employers in the course of conducting business. Therefore, the legal system often contains provisions stipulating the minimum conditions which must be observed in areas such as compensation for industrial accidents, social security, safety and health in enterprises, the minimum age of employment. Some countries may consider it appropriate to prescribe minimum wages. The basic rules to be followed in terminating employment may be another area of the employment relationship which would need to be covered by minimum standards. Methods for settling disputes, both individual and collective, through institutions such as labour courts, arbitration and conciliation systems, have not been an uncommon feature of State intervention through the law.

A third, and more general role for the law in industrial relations is as an instrument of social change. The law does not always merely or solely reflect contemporary thinking in society and does not necessarily lag behind social and other values. It sometimes anticipates them and can, on occasion, be employed to fashion new ideas and to effect changes in behaviour. It is not always possible to leave crucial and complex social issues to be solved through purely voluntary action such as collective bargaining. Sometimes, especially in developing countries, the absence of strong and independent trade unions reduces the effectiveness and role of voluntary action, and necessitates greater regulation through legal prescription. In such situations desirable measures such as remedies for unfair dismissal, protection against acts of anti-union discrimination, the minimum conditions a contract of employment should conform to, safety requirements, etc., are prescribed by the law. But intervention on this ground should not lead to the introduction of rigidities in the labour market through overregulation.

Legal prescription should be viewed as merely laying down minimum terms and defining the permissible boundaries of action within which the two parties (employers and workers) must operate. Over regulation through law could have adverse consequences on building a sound industrial relations system through voluntary action, and on the competitiveness of enterprises. This has been perceived to be so in countries

such as India and Sri Lanka, where employers have for some time canvassed for greater flexibility and less legislative control over industrial relations. A plethora of laws makes rapid adaptation to change difficult, and avoidance of laws can be a preoccupation of employers in such circumstances. Over regulation is sometimes based on the misconception that sound industrial relations can be achieved through the law. The creation of harmonious industrial relations needs to be achieved by other, nonlegal means; the law cannot 'compel' parties to establish good relations. By way of analogy, in a different field of human relations, the law can prescribe the rules to be followed if people wish to marry. But the law cannot create a happy relationship or marriage. Similarly, harmonious industrial relations can be achieved not primarily through the law but through better human relations and human oriented practices at the enterprise level. Some countries, such as those in South Asia, which have a tradition of a plethora of labour laws, have tended to overlook the fact that if the energy expended by the State in enacting and enforcing a mass of labour laws had been spent in finding ways and means of encouraging mechanisms and systems geared to achieving sound labour relations, better results may have been achieved. In such countries parties tend to look to the law for the solution of what are essentially human relations problems, and creativity and innovation in industrial relations are consequently stifled. As a result, attention is focused more on dispute settlement rather than on dispute prevention, when emphasis on the latter is one way of building a sound industrial relations system.

Statute law is one of the specific means used by the State to condition industrial relations outcomes, and represents the most direct means of State intervention. Statutory regulation of minimum terms and conditions such as minimum wages, working conditions, safety and health, social security and protection become terms and conditions in contracts of employment which must conform to them; they cannot be 'bargained' away. Other statutory provisions may be of a more facilitating nature such as ones which establish the conditions and the environment for collective bargaining (e.g. rights of association, unfair labour practices, conciliation services); they are no less fundamental and important. Another - and more indirect - method through which the State influences industrial relations is the system of labour courts, tribunals or arbitration, which are a common feature in many countries. Through these institutions the State seeks to dispense equity in the employment relationship, and they may also protect collective interests as in the case of trade union rights. Such institutions have been considered necessary where the normal system of courts does not have the power or jurisdiction to apply equitable principles and to take into account the realities of the employment relationship, which results in a rather 'legalistic' view of labour relations. The pronouncements of these courts often constitute important limits to the freedom of action of the actors in industrial relations. Still another method of State intervention is through its 'administrative' role, for example, as conciliator or mediator.

### **Collective Bargaining**

Collective Bargaining may take place at the national, industry or enterprise level. It could be said that collective bargaining is a means of settling issues relating to terms and conditions of employment and has little to do with labour management relations policy formulation. Nevertheless collective bargaining may reflect - sometimes explicitly and at other times implicitly - labour management relations policy e.g., on wage guidelines, termination of employment procedures. It can also be a means of developing policy formulation at the industry level. For instance, arrangements and agreements resulting from collective bargaining may provide ways in which wages could be adjusted to meet increases in the cost of living, in which event they will constitute an agreed policy on this issue. They may link a part of wage increases to productivity increases or provide for productivity gain sharing in other ways, in which event they represent policy on aspects of productivity. Methods of dispute settlement would reflect a desire for the peaceful resolution of disputes.

In a more general sense, collective bargaining (which has its supporters as well as its critics)<sup>(25)</sup> is a critical element in pluralism. As Harry Arthur's explains:<sup>(26)</sup>

"Why does pluralism place collective bargaining at the centre? Because, as adherents and critics agree, in the pluralist vision, labour and management, as autonomous interest groups, can and should jointly fix the rules of employment upon terms which represent an acceptable compromise between their competing interests. But is this process of negotiation and compromise a good in itself? Pluralists believe that it is, although their rationales vary: collective bargaining replicates the processes by which conflict is and should always be resolved in a democracy; it projects democratic values into the workplace; it preserves the autonomy of social forces as against the pervasive influence of the state; it is faithful to - but makes more acceptable by its mobilization of countervailing power - the conventional marketplace techniques of economic ordering in a capitalist economy; it ensures the participation, and thereby the moral commitment, of those most directly concerned with outcomes; it represents a significant advance over abusive and oppressive unilateral employer control."

Collective bargaining, inasmuch as it promotes democracy at the enterprise as well as at the national and the industry levels (depending at which level collective bargaining takes place), is an important aspect of a sound industrial relations system.

### **Nature of Collective Bargaining**

The ILO Convention No. 98 (1949) relating to the Right to Organize and to Bargain Collectively describes collective bargaining as:

"Voluntary negotiation between employers or employers' organizations and workers' organizations, with a view to the regulation of terms and conditions of employment by collective agreements."

There are several essential features of collective bargaining, all of which cannot be reflected in a single definition or description. They are as follows:

- i. It is not equivalent to collective agreements because collective bargaining refers to the process or means, and collective agreements to the possible result, of bargaining. There may therefore be collective bargaining without a collective agreement.
- ii. It is a method used by trade unions to improve the terms and conditions of employment of their members, often on the basis of equalizing them across industries.
- iii. It is a method which restores the unequal bargaining position as between employer and employee.
- iv. Where it leads to an agreement it modifies, rather than replaces, the individual contract of employment, because it does not create the employer-employee relationship.
- v. The process is bipartite, but in some developing countries the State plays a role in the form of a conciliator where disagreements occur, or may intervene more directly (e.g. by setting wage guidelines) where collective bargaining impinges on government policy.
- vi. Employers have in the past used collective bargaining to reduce competitive edge based on labour costs.

### *Some Pre-conditions for Successful Collective Bargaining*

A pluralistic outlook involves acceptance within a political system of pressure groups (e.g. religious groups, unions, business associations, political parties and so on) with specific interests with which a government has dialogue, with a view to effecting compromises by making concessions. Pluralism implies a process of bargaining between these groups, or between one or more of them on the one hand and the government on the other. It therefore recognizes these groups as the checks and balances which guarantee democracy. It is natural that in labour relations in a pluralist society collective bargaining is recognized as a fundamental tool through which stability is maintained, while freedom of association is the sine qua non without which the interest groups in a society would be unable to function effectively. There can therefore be no meaningful collective bargaining without freedom of association accorded to both employers and workers.

The existence of freedom of association does not necessarily mean that there would automatically be recognition of unions for bargaining purposes. Especially in systems where there is a multiplicity of trade unions, there is a need for predetermined objective criteria operative within the industrial relations system to decide when and how a union should be recognized for collective bargaining purposes. The obvious way would be to recognize the most representative union, but the criteria used to decide it and by whom may differ. It is in some systems determined on the basis of the union needing to have not less than a particular percentage of the workers in the enterprise in its membership. This may be decided by a referendum in the workplace, or by an outside certifying authority (such as a labour department or an independent statutory body), or by reference to "check off". There may be a condition that once certified as the bargaining agent there cannot be a change of agent for a prescribed period (e.g. one or two years) in order to ensure the stability of the process.

Especially in developing countries some of which have a multiplicity of unions, there is sometimes a problem of unions being unable to secure observance of agreements by their members. Where a labour law system provides for sanctions for breaches of agreements, the labour administration authorities may be reluctant to impose sanctions on workers. Where there is frequent non-observance of agreements or understandings reached through the collective bargaining process, the party not in default would lose faith in the process.

Support of the labour administration authorities is necessary for successful collective bargaining, and this implies that they will:

- i. provide the necessary climate for it, e.g. provide effective conciliation services in the event of a breakdown of the process, and provide the necessary legal framework for it to operate in where necessary;
- ii. not support a party in breach of agreements concluded in consequence of collective bargaining;
- iii. as far as is practicable, secure observance of collective bargaining agreements;
- iv. provide for the settlement of disputes arising from collective bargaining if the parties themselves have not so provided.

It is an obvious condition for successful collective bargaining that both parties bargain in good faith. Otherwise the process is unlikely to yield positive and enduring results.

Representative and strong unions are necessary to ensure that there is an equality in the bargaining positions of the parties and to ensure the observance of agreements. Where the employer is represented by an organization which is the other party to the process, such organization should be similarly effective.

Both the management and union should keep their managers and members respectively well informed as a lack of proper communication and information can lead to misunderstandings and even to strikes. Sometimes managers and supervisors who are ill-informed may inadvertently mislead the workers who work under them about the current state of negotiations, the management's objectives and so on. In fact, it is necessary to involve managers in deciding on objectives and solutions, and such participation is likely to ensure greater acceptance - and therefore better implementation - by them.

### *Advantages of Collective Bargaining*

It is sometimes claimed that in non-industrialized countries settlement of wage issues through collective bargaining - especially on a national or industry wise basis - can be an obstacle to a wage policy to promote specific economic objectives because wage rates are not necessarily fixed on criteria designed to promote specific economic and social objectives (other than as compensation for cost of living increases), and that they often tend to reflect the bargaining strength of the parties or the supply and demand conditions of labour. With some exceptions (such as Japan) wage increases through collective bargaining in Asia pay little attention to productivity, individual or group performance and to skills. However, collective bargaining has many advantages which have been claimed for it as a means of resolving differences between management and employees, though it has made little positive contribution to higher productivity and higher earnings by linking pay to performance and skills.

Collective bargaining has the advantage that it settles issues through dialogue and consensus rather than through conflict and confrontation. It differs from arbitration because the latter represents a solution based on a decision of a third party, while arrangements resulting from collective bargaining usually represent the choices or compromises of the parties themselves. Arbitration may invariably displease one party because it usually involves a win/lose situation, and sometimes it may even displease both parties.

Collective bargaining agreements often institutionalize settlement through dialogue. For instance, a collective agreement may provide for methods by which disputes between the parties will be settled. This has the distinct advantage that the parties know beforehand that if they are in disagreement there is an agreed method by which such disagreement may be resolved.

Collective bargaining is a form of participation. Both parties participate in deciding what proportion of the 'cake' is to be shared by the parties entitled to a share. At the end of an agreed term labour again insists on participating in deciding what share of the fruits of their labour should be apportioned to them. Collective bargaining is a form of participation also because it involves a sharing of rule making power between employers and unions, and this has eroded areas which in earlier times were regarded as management prerogatives e.g. transfer, promotion, redundancy, discipline, modernization, production norms. However, in some countries such as Singapore and Malaysia, certain subjects such as promotion, transfer, recruitment, termination of employment on grounds of redundancy or reorganization, dismissal and reinstatement, and assignment of duties within the scope of the contract of employment, are regarded as management prerogatives and outside the scope of collective bargaining. But collective bargaining suffers from the drawback that it seldom deals with how to enlarge the "cake", as the way of increasing the share of each party without eroding competitiveness.

Collective bargaining agreements sometimes renounce or limit the settlement of disputes through trade union action or lock out. Therefore collective bargaining agreements can have the effect of guaranteeing industrial peace for the duration of the agreements, either generally or more usually on matters covered by the agreement.

Collective bargaining is an essential feature in the concept of social partnership towards which labour relations should strive. Social partnership in this context may be described as a partnership between

organized employer institutions and organized labour institutions designed to maintain non-confrontational processes in the settlement of disputes which arise between employers and employees.

Collective bargaining has valuable by-products relevant to the relationship between the two parties. For instance, a long course of successful and bona fide dealings leads to the generation of trust. It contributes towards some measure of understanding by establishing a continuing relationship. Once the relationship of trust and understanding has been established, both parties are more likely to attack problems together rather than each other.

In societies where there is a multiplicity of unions and shifting union loyalties, collective bargaining and consequent agreements tend to stabilize union membership. For instance, where there is a collective agreement employees are less likely than otherwise to change union affiliations frequently. This is also of value to employers who are faced with constant changes in union membership and consequent inter-union rivalries, resulting in more disputes in the workplace than otherwise.

Collective bargaining agreements which determine wage rates on a national or industry level, place business competition on a more equal footing as a result of some standardization of the costs of labour. This is probably a less important advantage today in the face of technological innovations and productivity drives.

Perhaps most important of all, collective bargaining usually has the effect of improving industrial relations. This improvement can be at different levels. The dialogue tends to improve relations at the workplace level between workers and the union on the one hand and the employer on the other. It also establishes a productive relationship between the union and the employers' organization where the latter is involved in the process.

As between the employer on the one hand and his employees and union on the other, collective bargaining improves relations for the following reasons or in the following ways:

- a. It requires a continuing dialogue which generally results in better understanding of each other's views.
- b. Where collective bargaining institutionalizes methods for the settlement of disputes, differences or disputes are less likely to result in trade union action.
- c. It could lead to cooperation even in areas not covered by collective bargaining arrangements.

As between unions on the one hand and employers' organizations on the other, collective bargaining improves the industrial relations climate in the following ways:

- a. It acts as a means of exerting influence on the employer or the employee, as the case may be, where the unreasonable position of one party results in a deadlock. The employers' organization or the union, as the case may be, has an interest in exerting influence on its respective members; the maintenance of the relationship between the two parties is seen as important to issues well beyond the current dispute. Both parties know that the current dispute is only one of many situations which are likely to arise in the future, and that a good relationship needs to be maintained for the overall benefit of their respective members.
- b. The entry of a union and employers' organization into a dispute facilitates conciliation or mediation. Sometimes one or both parties are able to divorce themselves from the main conflict, or from their position as representatives of their members, and mediate with a view to narrowing the differences and finding compromise solutions.
- c. Collective bargaining often leads employers' organizations and trade unions to establish links, and to look for and increase areas of common agreement. This in turn ensures to the benefit of their respective members.

As between unions and their members, collective bargaining tends to enhance the stability of union membership. Employees who perceive that their union is able to secure collective bargaining agreements, or obtain concessions through collective bargaining, are less likely to frequently change their union affiliations.

### ***Current Collective Bargaining Trends***

In no country can it be said that collective bargaining has been entirely at the industry or enterprise level, since each system has a mix of both, even though not in equal measure. However, industrialized market economies have generally practiced bargaining at the industry level, except in the USA where there has been more bargaining at the plant or enterprise level. Industry level bargaining in the USA has mainly been in specific sectors such as coal, steel, trucking and construction.

During the last decade there has been a move towards more enterprise level bargaining in many countries due to numerous reasons. There has been a decline in union membership in several countries such as the USA, Britain, France, Netherlands and Australia. Increasing unemployment and difficult business conditions have made employers reluctant to commit to wage policies at the industry or national level. The emergence of governments in some industrialized countries more favourably disposed towards private enterprise has resulted in allowing market forces to operate, thus weakening negotiations at the national level. Many employers view centralized bargaining as facilitating a more equal distribution of incomes (which is one reason why many unions prefer centralized bargaining), but as depriving employers of the ability to use pay as an instrument for productivity improvement and to compensate for skills and performance. Strategic compensation systems are workable only if introduced at the enterprise level to match the goals sought to be achieved. In Sweden, which has been an extreme case of centralized bargaining, one of the strategies of the Swedish employers during the last ten years has been to decentralize collective bargaining. Germany, another country well-known for centralized bargaining, is displaying a tendency towards decentralized bargaining. The push by employers for flexibility in the context of increasing global competition has resulted in many flexibility issues such as new working time arrangements, atypical contracts and pay systems being needed to be dealt with largely at the enterprise level.

Compared with industrialized countries, collective bargaining in Asia has been minimal. There has been an increasing tendency towards bargaining on wages and terms and conditions, which has sometimes resulted in some form of arrangements among governments, employers and unions which lay down certain guidelines as in Singapore, and the Accords from 1983 onwards in Australia. Asia has had a mixture of industry and enterprise level bargaining, with the latter predominating. Apart from low unionization rates in several Asian countries which militate against industry level bargaining, increased competition and the need for flexibility does not make industry level bargaining popular in Asia. The Japanese have demonstrated how a combination of enterprise level bargaining and shopfloor level mechanisms enable enterprises to adapt to rapidly changing business conditions and also to increase productivity.

In most countries, therefore, the tendency is to see the enterprise as the centre of gravity of industrial relations. It is likely that some of the main concerns of employers such as productivity, quality, performance, skills development, the need to be competitive and to make rapid changes to adapt to the global marketplace, will eventually result in less centralized collective bargaining.

## Labour Courts

The agents of change in industrial relations are usually trade unions, employers and their organizations, governments through legislation and administrative action, and the system of courts which may be a combination of the normal courts and special courts or tribunals set up to deal with matters pertaining to labour. These special courts vary in nature from country to country. They include labour courts and tribunals and arbitration systems - the latter sometimes the creation of collective bargaining agreements which provide for arbitration to settle disputes. Labour courts have been established in several countries because the normal system of courts and the system of law they administer cannot adequately deal with labour relations issues, which require an equitable rather than a purely legal approach. Therefore labour courts are often empowered to decide industrial relations issues on a mixture of equitable and legal principles. For instance, a demand for higher wages cannot in many legal systems be decided by the civil courts except on the basis of what has been contracted for or has been prescribed by a statute if any; in short, only as an enforcement matter.

Courts and tribunals have generally not been a major factor in bringing about change in industrial relations in industrialized countries. The role of the 'courts would normally be limited to their powers of interpretation, which do not provide much scope to effect major changes in industrial relations. As in the case of legislation, the role of the courts can have little impact on the basic attitudes of management and workers towards each other at the enterprise level and can, therefore, do little to improve relations as such. The normal civil courts have not evinced an appreciation of labour issues, especially in Britain where, at the turn of the century, many decisions of the courts had to be reversed by legislation to enable trade unions to fulfil their role. However, there are some exceptions. In Germany the Federal Labour Court "has become at least as important as the legislator as far as regulations in the field of labour are concerned."<sup>(27)</sup> In that country the courts have been responsible for formulating many of the rules relating to strikes. The use of the injunction in the USA during the early stages of its industrial relations evolution is another example. Australia is a good example of an industrialized country in which the courts system, as represented by the earlier Court of Conciliation and Arbitration and since 1988 the Australian Industrial Relations Commission, has had a fairly major influence on industrial relations. In India and Sri Lanka a labour court system, coupled with the pronouncements of appellate courts, have had a significant impact on the formulation of the rules applicable to the relations between employers and workers. In those two countries thousands of court decisions have enunciated the rules regarding such issues as the grounds on which termination of employment may be considered fair or unfair; the principles of wage fixation; when trade union action may be considered legal or illegal, justified or unjustified; and even what forms of trade union action are permissible or not permissible.

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## E. SOUND LABOUR RELATIONS AT THE ENTERPRISE LEVEL

### Introduction

In the final analysis the quality of relations between employers and employees in an enterprise depends on the policies, practices and procedures which exist at the enterprise level to deal with both individual and collective issues, and to promote labour-management cooperation. There are, therefore, numerous enterprise level mechanisms in different countries. Their effectiveness is to an extent conditioned by the particular corporate culture or philosophy relating to the management of people. The development of enterprise level industrial relations facilitates, as it did in Japan, adjustments to structural changes. Indeed, it is a way of reconciling the need for enhanced management flexibility with the need to ensure that

employees' concerns are taken account of and their cooperation obtained without which successful change would hardly be possible.

### **Human Resource Management Policies and Practices**

The elements of a sound industrial relations system are closely linked to a progressive human resource management policy translated into practice. Harmonious industrial relations are more likely to exist in an enterprise where human resource management policies and practices are geared to proper recruitment and training, motivational systems, two-way communication, career development, a people-oriented leadership and management style, etc. Many of these human resource management activities have an impact on the overall industrial relations climate in an enterprise. So long as human resource management policies and practices are not central to corporate strategies and human resource management departments are seen as only providing "services" to other departments, such policies and practices will remain outside the enterprise's main culture and will be a "deviant" culture. Some of the best managed enterprises tend to integrate human resource management policies into their corporate culture and strategies.

Since the 1980s the emphasis in theory, and in the practice of some companies, has been on strategic human resource management i.e. viewing human resources as a competitive advantage, so that human resource policies need to be integrated into corporate strategic plans. This transformation in the USA, for example, provided the following lessons:<sup>(28)</sup>

- i. Adversarial workplace relations are not in the interests of either employees or the enterprise.
- ii. Competitive strategies based on low costs and low wages result in a high incidence of labour-management conflicts, a low level of trust, and are impediments to innovation and quality.
- iii. Strategies based on technology and traditional industrial relations approaches only do not result in high levels of performance, which can be achieved by integrating innovations in human resource management with new technologies.
- iv. Some forms of employee involvement such as Quality of Worklife and Quality Circle initiatives do not transform organizations or sustain themselves, without employee involvement at all levels of decision making, including strategic decision making.

The practice of human resource management did not match the theories expounded, though in the 1990s more progress has been made in narrowing the gap between theory and practice.

In the large Japanese enterprises the manufacture of quality products and productivity improvement have, for a long time, been viewed as being dependent on a "people-centred" approach. This is reflected in their policies relating to recruitment, education and training, multiskilling, job groupings, merit rating, and pay systems.<sup>(29)</sup>

### **Worker Participation And Employee Involvement**

It is important at the outset to separate several issues relating to participation, communication and consultation: the principle of communication; the methods or means to give effect to this principle; and whether the principle and/or means should be enshrined in legislation, or should be the subject of bipartite negotiation, or should be at the employer's initiative.

There can hardly be any debate on the principle i.e. the value and need for consultation and communication in an age when it is accepted that information sharing and consultation are important to enterprise performance, productivity and employee motivation. Effective corporate strategies can no longer be developed by top management without information inputs from, and relying on the knowledge of, frontline employees. Indeed, communication skills is today an essential attribute of leadership.

Consultation and communication mechanisms introduced voluntarily after consultation with employees is likely to be seen as part of an organization's culture, rather than as ones imposed and reluctantly accepted.

There is no ideal model of communication and consultation because, to be effective, it must fit the purpose, the type of organization, and cultural requirements if any. For instance, it is useful to inquire whether in some societies consultation through formal meetings is adequate due to the reluctance to be seen as challenging management's views, and whether such a procedure should be reinforced by parallel unstructured communication between superiors and subordinates. However, the value of models is that they underscore the need for such systems and provide useful guidelines which can be adapted to suit national and enterprise conditions.

The worker participation model that gives unions the most influence at enterprise level in the West is probably the co-determination and works council system in Germany. Co-determination takes the form of equal representation of management and workers on the supervisory boards of limited liability companies employing more than 2,000 employees. Though made more widely applicable by the Co-determination Acts of 1976, the system has been in vogue since 1951 in the steel and coal industries. Further, German law requires the establishment of a Works Council in undertakings employing a minimum of five persons. Though in a legal sense these councils are independent of union and management, and are expected to represent the interests of the entire workforce and take account of the interests of the enterprise as well, most members of such councils are union members. Co-determination represents a method of worker participation at a very high level in an enterprise. The powers of works councils are reflected in their rights of co-decision making on personnel matters such as welfare, accident prevention, leave arrangements and hours of work. They also have a strong influence on decisions relating to recruitment, termination of employment and training, and have the right to receive information pertaining to social and economic issues in regard to which they are entitled to be consulted.

Few countries favour the German model of co-determination, even if it works well in Germany. It is perceived as providing scope for participation by unions rather than by employees. In any event, in countries with much lower union rates, participation on the German model will not necessarily mean that the employees are adequately represented. Therefore, various other forms of employee involvement are gaining recognition.

With increasing acceptance of the fact that the crucial competitive weapon will be the skills and performance of the workforce, emphasis is being placed on greater involvement of employees in matters affecting their work and jobs, through consultation, information sharing and two-way communication procedures. This is all the more necessary in activities requiring the use of skills and knowledge. Greater worker involvement is likely to occur in the future for the following reasons:

- i. Employees at all levels are acquiring higher educational qualifications and skills. As such, they will be less amenable to management through control and commands, and will instead respond better to more participative forms of management.
- ii. Quality and productivity tend to increase when employees are more involved in arriving at decisions at the point of production.
- iii. For effective decision making in modern enterprises there should be an information flow and analysis of data and information.
- iv. Work today requires and involves more interpersonal skills, greater coordination among workers and sharing of information.
- v. Enterprises (and economies) which have moved beyond the stage of routine high volume production to more value added and knowledge-based activities need to promote increased innovation, creativity and better application of knowledge, all of which require worker involvement.<sup>(30)</sup>

- vi. Participation is a great motivational tool because it gives people a degree of control, recognizes personal worth, and provides scope for personal growth. These are in themselves intrinsic rewards which flow from the performance of a job within a participatory environment. When participation extends to setting goals and objectives, it enhances commitment to achieving them.

Communication and consultation mechanisms, and quality of worklife programmes referred to below, are all aspects of employee involvement.

### **Communication**

The starting point for any effective enterprise policy to install procedures and mechanisms to promote sound labour relations is communication, because it is relevant to a whole range of issues and other matters such as productivity, small group activities, joint consultation, performance appraisals, and motivation, as well as to organizational performance. While in many other Asian countries it is only fairly recently that information sharing has come to be seen as strengthening enterprise performance and competitiveness, such realization has been at the heart of Japanese industrial relations for decades.

The performance of an organization is affected by the manner in which that organization communicates with its employees. This involves information exchange, and not merely one-way communication. The performance of employees in an organization is conditioned by the performance of others in the organization. Changes in an organization can be brought about in an effective way where there is sufficient understanding between management and employees. For this purpose two-way communication tends to enhance understanding and cooperation and influence behaviour in a desired direction. But for effective two-way communication there should be a knowledge of communication and communication skills, a structure of communication channels, and access by all employees to such channels.

Communication is essential not only in relation to existing employees but also in relation to new employees who must be made aware of what the job entails. Making available to employees the means of communicating their opinions and problems is also important to an effective performance appraisal system.

For effective communication in an enterprise it is necessary to develop communication channels not only at the macro level (enterprise) but also at the micro level (working groups). Effective leadership and decision-making are heavily dependent on communication and information flows. The way people respond to us is often influenced by how we project ourselves and how they perceive us. Projection of a feeling of inferiority or a lack of confidence tends to result in others not being receptive to what we wish to communicate, while an image of self-confidence tends to have the opposite effect. But, speaking down to people and an image of arrogance create hostility and resentment and is an obstacle to communication. To be effective, leaders and managers need to communicate in ways which have a positive effect, and they must be aware of the various systems of communication and use them to the best advantage. Being a sensitive communicator giving information and receiving feedback is an essential attribute of an effective manager.

Of all the resources available to an enterprise it is only people who are capable of being motivated. It is also a resource which is capable of being developed by management, and one over which the employer has a great degree of control. Productivity can be improved by the employer through the development and motivation of human resources. Effective two-way communication is an important source of motivation. Hence the link between productivity, motivation and effective two-way communication.

The link between productivity and communication is to be found in the fact that proper productivity management requires concerted or joint action between management and workers. For this purpose

confidence between management and workers is essential, and the starting point of confidence-building is sharing information (and not merely 'top-down' communication). This has prompted the view that productivity management is also information management - information helps to promote the commitment that is necessary to improve productivity. Two-way communication can also promote productivity improvement through innovation and creativity.

In many organizations communication between people often occurs in the context of small group activities. Therefore two-way communication must reinforce productive small group activities and help to build and maintain an effective team. Effective communication would:

- i. Create an atmosphere of trust, which is important to promoting increased productivity. If the environment generates mistrust, workers are likely to be suspicious as to whether they are receiving a fair share of the benefits of productivity gains. Without two-way communication workers would not be in a position even to judge whether their share is a fair one.
- ii. Promote an atmosphere of 'intimacy' and commitment to the group, which in turn would bind people together and prompt cooperation. It is basic human psychology that a high degree of communication and working together for a common goal tend to create a feeling of intimacy among those involved in these processes.
- iii. Promote - especially where the elements of trust and intimacy are present integration of the worker in the activities of the group and a feeling of 'belonging' leading to greater motivation and productivity.
- iv. Promote participation, which involves common goals, teamwork, discipline/commitment and cooperation. Communication is a great motivator and makes people feel secure in their jobs, helps to identify the contribution of workers with the enterprise's success, and enhances the quality of working life. It therefore leads to greater job satisfaction.
- v. Develop the skills and attitudes of the individual, engendering self-confidence and a sense of self worth. In a highly hierarchical and 'top-down' form of management there is little scope for development of the individual which is needed for innovation and creativity which, in turn, promote better productivity. Innovation and creativity result in better utilization of available resources which, in the final analysis, is what productivity is.
- vi. Create a high degree of consensus in decision making. With consensus implementation of decisions will be quicker and easier because disputes or differences of opinion would be less likely compared to enterprises where decisions are taken unilaterally with little consultation and information-sharing.

It is worthwhile underlining some of the salient points in regard to the importance of two-way communication and small group activities:

- i. Productivity improvement is primarily management's responsibility. As such, it is for management to create the necessary climate which is conducive to change and innovation, to motivate workers, and ensure that systems and procedures are established with a view to promoting communication and cooperation.
- ii. Two-way communication and small group activities can promote cooperation, trust, intimacy, consensus-building, and generally improve the human relations climate within the enterprise.
- iii. Productivity improvement - which is possible in the long term only in an environment which contains the elements referred to in (ii) above - enables enterprises (and ultimately a country) to remain or become competitive.

There are several International Labour Standards of the ILO which seek to give effect to the elements of consultation, cooperation and communication. As regards consultation and cooperation, the Cooperation at the Level of the Undertaking Recommendation 1952 (No. 94) contemplates the promotion of

consultation in the enterprise on matters of mutual concern not covered in collective bargaining or other machinery concerned with the prescription of terms and conditions of employment. The Recommendation encourages such consultation through voluntary agreements between the parties, and provides for consultation and cooperation to be promoted through laws which establish appropriate bodies for this purpose.

As regards communication, the Communications within the Undertaking Recommendation 1967 (No. 129) prescribes a communications policy for an enterprise. It underlines the importance, in the interests of both management and workers, of mutual trust and understanding which can be generated through an exchange of information. It contemplates the adoption by management of an effective communications policy, but only after consultation with representatives of workers. The policy adopted should ensure that information is provided and that consultation takes place, before management decisions are made on matters of importance, provided the disclosure does not prejudice either party. Among the main elements of a communications policy should be the following:

unions and employers have long been aware of the importance of information sharing in an industrial relations system after bitter and protracted strikes in the forties and early fifties, both management and labour made concerted efforts to restore industrial peace and to develop a stable industrial relations system these efforts led to the development of key aspects of the modern Japanese industrial relations system, including the joint consultation, a corner-stone of labour-management information sharing."<sup>(31)</sup>

Japanese joint consultation systems had their origins in the 1950s when it was promoted by the Japan Productivity Centre. It is estimated that by 1990 about 84 per cent of unionized enterprises had set up joint consultation schemes, and 44 per cent of non-unionized ones had joint consultation arrangements. These mechanisms, which are an aspect of two-way communication, deal with a variety of issues. In both union and non-union establishments the most common subjects which come within consultation are working conditions, working hours, leave, safety and health, welfare and cultural activities, bonus, pension and retirement payments, work scheduling, education and training, recruitment; transfers, lay off, job assignment. There are also a range of management issues which come within joint consultation, but on these matters management merely provides information and explanations. These management issues include business plans and policies, introduction of new technology, organizational changes, and production and sales plans. Many establishments have two levels of communication. Quality circles and shopfloor committees represent the mechanisms at the shopfloor level, and joint consultation committees represent the mechanisms at the corporate level. These committees supplement collective bargaining in the sense that they provide the forum for information-sharing prior to wage negotiations.

In Japan the frequency of joint consultation meetings vary. But on an average in unionized firms they may meet about 15 times and in non-unionized firms about 8 times a year. Research suggests that information-sharing through the joint consultation system has had a positive effect on profitability, labour productivity and on reducing labour costs, especially in the manufacturing sector<sup>(32)</sup>. Recent evidence suggests that the larger American corporations "share more business and financial information with their unions and employees than is required by law, and that information sharing within the non-union sector - where the statutory requirement for information disclosure is much less stringent - is as extensive as in the union sector."<sup>(33)</sup>

In Japan different views on the effectiveness of joint consultation exist in relation to unionized and non-unionized firms. About 75 per cent of unionized firms find joint consultation effective, while less than 50 per cent of non-unionized firms find them so.<sup>(34)</sup> According to Shozo Inoue<sup>(35)</sup>:

"Effective areas of JC among the unionized establishments are: improved communication between the management and the union (78 per cent), followed by more smooth business operation, and improved work environments. Improving job satisfaction and increasing interest in management did not score high points. In contrast, the non-union establishments report that employees developed greater interest in management (45 per cent), followed by improved business operation, communication and job satisfaction."

One of the important characteristics of Joint Consultation in Japan is that collective bargaining and joint consultation serve different objectives and are therefore not in conflict with each other. Bargainable issues are dealt with under collective bargaining and non-bargainable ones under joint consultation. Where during joint consultation some issues become bargainable (which could happen in relation to matters on which it is not clear whether they are bargainable ones or not), they will be transferred to the collective bargaining forum. It is also an important characteristic of the joint consultation system that it does not handle individual grievances, which are dealt with under grievance handling procedures.

Joint consultation has made a significant contribution to enterprise level labour relations by creating mutual understanding on a range of management issues which impinge on the lives of employees. This in turn has had an impact on collective bargaining, which tends to take place in an atmosphere in which workers have been informed of management objectives, so that the areas for misunderstanding and conflict are considerably reduced. In effect, therefore, collective bargaining takes place from a point which has achieved some degree of common objectives. Since information on wage criteria is also shared, differences in wage negotiations (which in most countries are highly contentious) are narrowed, facilitating acceptable compromises and negotiations without disputes. Joint consultation has motivated employers and employees to generate gains and to share them for their mutual benefit.

In essence, joint consultation has become the means through which information is shared; mutual understanding is promoted; participation in arriving at decisions is facilitated; and working conditions negotiated. As such, it is an essential part of Japanese enterprise level labour relations. The enterprise level union system significantly contributes to the workability and effectiveness of the joint consultation system.

### **Other Communication Mechanisms**

In the Japanese industrial relations system at the enterprise level several other channels of communication exist such as small group activities (59 per cent of unionized and 45 per cent of non-unionized firms); grievance procedures (45 per cent of unionized and 13 per cent of non-unionized firms); suggestion systems (62 per cent of unionized and 47 per cent of non-unionized firms); shop floor meetings (67 per cent of unionized and 68 per cent of non-unionized firms).

Quality circles, introduced in Japan in the early 1960s, had increased by the early 1990s to over three hundred thousand groups covering about 2 1/2 million workers. A quality circle is a small group which performs quality control activities in the workshop to which it belongs. These groups, consisting of about 5-8 workers per group, are generally found in the larger enterprises.

Their role is:

"to continually engage in managing and improving the conditions of the work place through self-development and mutual development under the participation of all members as a part of company wide quality control movement. The birth of quality circles in Japan was spearheaded by moves to initiate quality control after the end of World War II. Such moves included training programs on the technical and managerial aspects of quality control, and the application of statistical principles to quality control (SQC). While it is true that quality circles were originally established for the purpose of ensuring employee participation in the process of quality control, its present scope of activity is not restricted to quality control. Instead, the focus of quality circles has broadened to include quality improvement, cost reduction, productivity and efficiency improvement."<sup>(36)</sup>

The impact of quality circles is reflected in improved organizational performance, increased opportunities for employees to fulfil higher order needs which are not satisfied through normal routine work, and higher levels of motivation.<sup>(37)</sup>

### **Quality of Working Life Programmes**

Quality of Work Life (QWL) programmes aim at combating worker alienation, integrating workers and encouraging worker involvement in the enterprise. They also aim at increasing worker motivation and instilling a sense of responsibility as well as at changing work organization so as to reduce costs and increase flexibility. The model QWL agreement was the one entered into between General Motors and the United Auto Workers' Union in 1973, and many other enterprises followed suit. "Empirical studies which have sought to determine the effectiveness of the quality of working life programmes have found positive effects of such programmes on reducing absenteeism, grievances, quits, and on increasing job satisfaction, and health and safety practices."<sup>(38)</sup> Quality of work-life programmes and autonomous work groups, which emerged in the USA during the 1970s and 1980s, initially concentrated on improving the workplace environment and motivating workers, and subsequently on enhancing productivity and quality. Thomas A. Kochan and Kirsten R. Wever<sup>(39)</sup> point out that studies<sup>(40)</sup> indicate that "unless worker participation programmes address the basic economic needs of employers as well as enhancing the economic security and job satisfaction of the employees, they are destined to occupy comparatively marginal status."

### **Training**

The importance of human resources development in dispute prevention and settlement is often overlooked. Many workplace problems and issues are the result of unsatisfactory supervisory management and the lack of awareness on the part of employees about the workings of the enterprise. Here again, Japanese practices in the larger enterprises are instructive, though this is not to suggest that well managed enterprises elsewhere do not act on the basis that front line supervisors are often a key to workplace industrial relations.

Well managed enterprises see supervisors as critical to labour relations because it is they who interact most often with employees, are the first to identify problems, and it is their attitudes towards employees which condition the latter's views about the management. Supervisory development is therefore an important aspect of developing sound labour relations at the enterprise level.

Equally important in Japan is the investment in training and educating of employees. Career development opportunities afforded to employees usually commence with orientation and induction programmes for new recruits. Skills development through on-the-job and off-the-job training (with subsidies for fees payable to external institutions), coupled with extensive job rotation, produce multi-skilled employees who are acquainted with how the company as a whole functions. Three important consequences flow from this. First, team work becomes the norm, and employees are able to support each other (because of their skills profile and job experience through rotation). Second, it is easier to find career development opportunities within the firm. Consequently employees tend to look to the "internal labour market" rather than to the external labour market for their advancement. Third, employees are more amenable than otherwise to look for long term gains rather than short term ones. The net result is that employees are more likely to identify with the goals of the company, thus reducing the areas of potential conflict. When these practices are coupled with collective bargaining and consultation procedures, the result is a greater potential for cooperation, joint activity and mutual understanding. In fact, without human resources development it is doubtful whether establishing communication channels would be likely to have the desired result.

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## F. SOME CURRENT INDUSTRIAL RELATIONS ISSUES

Employers are now compelled to view industrial relations and human resource management from a strategic perspective; in other words, not only from the traditional viewpoint of negotiating terms and conditions of employment and performing a personnel and welfare function. Industrial relations and human resource management are directly relevant to competitiveness, and how they are managed will impact on enterprise performance e.g. its productivity and quality of goods and services, labour costs, quality of the workforce, motivation, prevention of disputes and not only their settlement, and aligning employee aspirations with enterprise objectives.

### **Minimum Wages**

In countries which have a legal minimum wage three concerns are evident. The first is that minimum wage levels sometimes tend to be fixed on extraneous considerations (e.g. political), or on inadequate data needed to define the level of wages. The second concern is that such instances have an adverse effect on competitiveness in the global market and on employment creation where the minimum wage is fixed above a certain level (much of the controversy relates to what that level is). Therefore many employers prefer to see the minimum wage, if there is to be one at all, as a 'safety net' measure to uplift those living below the poverty line. The third concern relates to increases in minimum wages not being matched by productivity gains which help to offset increased labour costs.

### **Flexible/Performance Pay**

Many employers, and even some governments, have expressed a wish to review traditional criteria to determine pay levels such as the cost of living and seniority. Pay systems which are flexible (i.e. based on profitability or productivity) so as to be able to absorb business downturns and also

reward performance, are receiving considerable attention. One major problem in this regard is how employees and their organizations can be persuaded to negotiate on pay reform. The objectives of pay reform will not be achieved unless reforms are the result of consensual agreement and are part of a larger human resource management strategy and change in human resource management systems.

### **Cross-Cultural Management**

Asia is a heterogeneous region, characterized by ethnic, cultural, linguistic and religious diversity. Due to substantial increases in investment in Asia from both Asian and Western investors, many employers and unions are dealing with workers and employers from backgrounds and cultures different to their own. Many of the resulting problems and issues (reflected for instance in the proliferation of disputes due to cross cultural 'mismanagement') fall within the concept of cross-cultural management. The problems arise due to differences in industrial relations systems, attitudes to and of unions, work ethics, motivational systems and leadership styles, negotiating techniques, inappropriate communication, consultation and participation procedures and mechanisms, values (the basic beliefs that underpin the way we think, feel and respond), expectations of workers and interpersonal relationships.

These cross-cultural management issues in turn pose the following problems:

- i. What particular industrial relations and human resource management considerations at the regional, sub-regional and country level affect the development of sound relations at the enterprise level in a cross-cultural environments
- ii. What would be the most effective programmes for this purpose'.
- iii. How can investors in Asia familiarize themselves with the environmental and cultural considerations in the recipient country relevant to their managing people at work?
- iv. How could information be collected, analyzed and disseminated?

### **Dispute Prevention**

Most countries (other than those in transition to a market economy) have long-standing dispute settlement procedures at the national level (conciliation, arbitration, industrial or labour courts). Essential as these are, they operate only when a dispute arises. Equally important are dispute prevention through communication, consultation and negotiation procedures and mechanisms which operate largely at the enterprise level. They are not particularly common in many Asian enterprises. Their importance has increased in the current decade when changes in the way organizations are structured and managed have created the potential for workplace conflict. A more positive movement from personnel management to strategic human resource management is called for.

### **Industrial Relations/Human Resource Management Training**

Not many developing countries in the region have facilities for training in labour law and industrial relations - negotiation, wage determination, dispute prevention and settlement, the several aspects of the contract of employment, and other related subjects such as safety and health. More facilities are probably available in human resource management (the distinction is becoming increasingly thin). Since industrial relations have assumed a particularly important role in the context of globalization, structural adjustment and in the transition to a market economy, employers in each country would need to identify what aspects of industrial relations and human

resource management should be accorded priority, how training in them could be delivered, and what concrete role is expected from the employers' organization.

### **Balancing Efficiency with Equity and Labour Market Flexibility**

During this century industrial relations and the law in industrialized countries have paid considerable attention to the means through which the unequal bargaining position between employees and management can be rectified. The imbalance in their respective positions has been corrected primarily through freedom of association and collective bargaining. Thereafter the focus in some countries has been more on the relationship between management and labour and their organizations rather than on their relationships with the state. This has been due to the fact that the latter has adopted a less interventionist role than in developing countries, based on the premise that regulation of the labour market should to a large extent be left to employers, workers and their organizations. However, in some Western European countries, Australia, as well as in less industrialized and non-industrialized countries, attention has focused on relationships with the State because of the role governments have played in regulating the labour market (not only through laws but sometimes also through labour courts or tribunals), or in directing economic development and industrialization.

Traditional industrial relations view labour problems as arising due to employers wishing to use resources productively and to generate profit, while employees wish to maximize their return on labour. The State intervenes for a variety of reasons. The setting in which industrial relations developed was conditioned by the national environment - political, economic, social and legal. But today the conditioning environment increasingly includes the international and regional context. Globalization has created pressures on industrial relations for efficiency in the employment relationship, reflected for instance in the emphasis on flexibility (type of contracts, working time, pay etc.) and productivity.

These developments and the pressures for labour market deregulation and flexibility raise the issue of efficiency versus equity. However, the main issue for industrial relations in this regard in the future is not efficiency and equity as antithetic concepts, but how to achieve a balance between the two. This is because while an industrial relations system should facilitate competitiveness, it should also promote equity by ensuring a fair return on labour and a fair sharing of the gains from economic activity, reasonable and safe working conditions, and an environment in which employees can communicate and discuss their concerns and be represented in order to protect and further their interests. According to one writer, the practices which make up equity are mainly "employee participation in employment decisions including bargaining; due process in resolving perceived injustice; security of expectations through job rights, work rules and compensation structures; and job design of a sort that is responsive to technology and organization, as well as job-holder needs."<sup>(41)</sup> Efficiency cannot be achieved through an industrial relations system which is devoid of equity, particularly now when competitiveness depends so much on people, who will withhold efficiency in an environment which is inequitable and demotivating. Such withholding is often reflected in absenteeism, indiscipline, low productivity and quality, a lack of customer concern, and high turnover. As such, it is efficiency and inequity which are antithetic, and it is sometimes overlooked that equity is "not an extraneous constant imposed upon the market by political institutions but rather a vital lubricant of the market process".<sup>(42)</sup>

Further, political instability is sometimes the result of large sections of the population not being beneficiaries of economic development. This may occur when, for instance, large disparities in wealth continue to grow and there is no significant improvement in the conditions of those living below the poverty line. It has been aptly stated that:

"It is one of the least advertised, and for the very affluent the least attractive, of economic truths that a reasonably equitable distribution of income throughout the society is highly functional".<sup>(43)</sup>

The issue of efficiency and equity arises in the debates pertaining to labour market regulation and flexibility. Employers in particular see labour market rigidities resulting from over regulation of the labour market, especially from outside the enterprise such as from the plethora of labour laws in some of the South Asian countries, the orders of labour courts, and union activity outside the enterprise, all of which, according to employers, circumscribe their capacity to effect needed changes to adapt to the globalized environment.

Labour market regulation is "the creation and enforcement of rules which are designed to control the actions of individuals and groups who are a party to the production of goods and services".<sup>(44)</sup> In his classic work of three decades ago Allan Flanders viewed industrial relations as "a study of the institutions of job regulation",<sup>(45)</sup> through sources both internal and external to the enterprise. According to Flanders, while external sources of regulation seek to protect employees from the adverse effects of a completely unregulated market and to minimize conflicts between unions and employers, internal forms of regulation arise from employer initiatives to control employee work behaviour.<sup>(46)</sup>

The debates about labour market regulation reflect three positions: ones which favour a completely unregulated labour market; ones which espouse a decentralized industrial relations system so that external regulation is reduced; and arguments which advocate external regulation as being necessary to address a range of issues which need to be resolved for reasons of both equity and efficiency.<sup>(47)</sup> In respect of the third argument it has been pointed out that:

"The production of goods and services requires the coordination of activities that transform resources into an activity or product. To achieve these it is necessary to have procedures or rules that will ensure efficiency. In reality, then, the debate is not about whether there should be rules but about the *source* of rules and what form they should take".<sup>(48)</sup>

If the objective is to balance efficiency with equity, rules in a labour market system would need to be formulated from both within and outside the enterprise, the issue being one of degree or the extent of external regulation. The rules formulated from outside the enterprise may relate to enabling organizations of employees and employers to operate; rules to govern conflict, strikes and other work disruptions; institutions and procedures to resolve disputes; tripartite mechanisms to facilitate consensus on national labour policy; minimum terms relating to matters such as safety and health, minimum age of employment, holidays, maximum working hours, social security, and minimum wages where appropriate; rules against discrimination in employment e.g. on grounds of gender. The other source of rules is the enterprise where the particular needs of management and employees are addressed. Some writers claim that there is little evidence to suggest that an environment without some external regulation results in more efficient practices within the firm, and "research indicates that the critical factors determining good economic performance are neither internal nor external to the workplace, but come from linking both forms of regulation".<sup>(49)</sup> Since reliance on only internal modes of regulation may well lead to rules determined only or largely by managements, the challenge for years to come will be how to achieve the balance and link between external and internal modes of regulation.

It is probably safe to predict that decentralization trends and moves to reduce external regulation are not transitory phenomena, but are likely to endure for many years in the foreseeable future. The fact that pressures for better corporate performance will increase, rather than decrease, is obvious. Therefore industrial relations cannot afford to be "static" if it is to endear itself especially to managements, at a time when much of management is about change.<sup>(50)</sup> External labour market regulations which are seen as obstacles to needed change are likely to be modified. Where workers achieve higher education levels, they may wish to have a greater influence and voice at the workplace level over the formulation of rules in accordance with which work is performed. In the competition for economic superiority, market share and foreign investment, governments of fast industrializing countries are hardly likely to regulate the labour market except for the purpose of promoting efficiency and balancing it with equity. With increasing affluence, people in most societies are likely to want the fruits of development equitably shared across society. It is instructive to note that in Western Europe there has, up to now at any rate, been a deep seated commitment to balance economic achievements with social progress, so much so that education, health care, social security and quality of life have been opted for in preference to maximizing profits at their expense, thus ensuring a comfortable standard of living for most people.<sup>(51)</sup> It is left to be seen how the evolving global economy affects the ability of such countries to maintain or achieve this balance.

### **Freedom of Association, Labour Rights and Changing Patterns of Work**

With the disappearance of major ideological differences with the end of the cold war, unions are moving towards a concentration on their core industrial relations functions and issues. In some Asian countries freedom of association, including labour rights in special economic zones, has arisen as an issue. The need for employees and their representatives to be involved in change and in transition, and the willingness of employers to involve them, is an emerging issue in many Asian countries.

Changing patterns of work (e.g. more homework, part-time work, sub-contracting) have created concerns for unions in particular. Job insecurity, social security and minimum conditions of work are some of them. Traditional industrial relations systems based on the concept of a full-time employee working within an enterprise is increasingly inapplicable to the many categories of people working outside the enterprise. In some countries in terms of numbers they are likely in the future to exceed those working within an enterprise.

Industrial relations in the public sector - especially in the public service - where negotiation rights, for instance, are less than in the private sector, is also likely to be an issue in the future.

### **Women**

The increasing influx of women into workforces has raised issues relating to gender discrimination, better opportunities for them in relation to training and higher-income jobs and welfare facilities.

### **Migration**

There is a large migration of labour from labour surplus to labour shortage countries in Asia. Among the issues which have arisen are their legal or illegal status (which may affect their rights), trade union rights and their access to the same level of pay as nationals. Social security for

migrant workers is one of the major problems as many receiving countries do not extend the benefits of social security to them.

### **Human Resource Management**

With increasing reliance by employers in Asia on human resource management as a means of enhancing enterprise performance and competitiveness, important consequences will arise for industrial relations and for unions.<sup>(52)</sup> What part unions can and will play in human resource management and whether industrial relations and human resource management will operate as parallel systems (if so what their respective roles will be) or become integrated (especially since the distinction between industrial relations and human resource management is becoming blurred) are some of the issues which will have to be addressed.

### **Transition Economies**

In countries in transition to a market economy major challenges and issues have arisen, principally because they are seeking to adapt to an industrial relations system in which, for instance, employers' organizations and union pluralism were unknown. Unions in such economies may play a welfare role, and sometimes a supervisory one, rather than a negotiating role. Managements and unions in such a system participate not so much in deciding terms and conditions of employment, but in applying decisions which are largely made outside the enterprise. There is less scope in a centrally planned economy for tripartite dialogue between government on the one hand and independent organizations of workers and employers on the other. In a market economy decisions are for the most part made within the enterprise, and where they are made externally, they are generally the result of discussions with workers' and employers' organizations representing the interests of their members vis-a-vis each other and with the government. The government creates the framework in which the social partners are consulted on matters directly affecting the interests they represent, and the social partners seek to influence the economic and social policy formulated. Labour relations are based largely on the principle of negotiation between the two social partners, and the outcomes are usually recognized by the State so long as they do not conflict with national laws or with fundamental national policy.

Another reason for the critical role of industrial relations in an economy in transition is the absence or inefficiency generally, during the process of transition, of safeguard mechanisms (such as for dispute prevention and settlement) at the national, industry and enterprise levels, to channel differences and disputes into peaceful means of resolution. The disputes therefore can involve considerable work disruptions and sour the environment needed to achieve sound industrial relations, and thereby also retard the achievement of overall development objectives.

In these circumstances countries in transition to a market economy are addressing a range of problems such as: the role of employers' and workers' organizations; national policy formulation through a tripartite process; a labour law system relevant to the new economic environment; methods and criteria in wage determination; dispute prevention and settlement procedures and mechanisms; and managing public sector enterprises in a competitive environment.

## ENDNOTES

1. However, Peter F. Drucker The Post Capitalist Society (Butterworth-Heinemann, England, 1993) at 31-36 points out that Taylor was largely misinterpreted by both employers and trade unions. His goal was not efficiency but productivity, which should benefit the worker and not only the owner, and would create a harmonious relationship.
2. McGraw-Hill, USA, 1960. The reference is to the Penguin edition.
3. Christopher A. Bartlett and Sumantra Ghoshal "Changing the Role of Top Management: Beyond Strategy to Purpose" in 1994 (November - December) Harvard Business Review 78, "Beyond Structure To Purpose" 1995 (January - February) Harvard Business Review 87, and "Beyond Systems To People" 1995 (May - June) Harvard Business Review 133.
4. ibid.
5. 1994 (November - December) Harvard Business Review at 80.
6. ibid.
7. See Charles Handy The Age Of Unreason (Harvard Business School Press, Boston, Massachusetts, 1990) at 154. See Chapter 6 for the type of leadership and management qualities needed in the new organization.
8. Edward H. Lorenz "Trust and the Flexible Firm" in 1992 Vol.31 (No.3) Industrial Relations (University of California) 455 at 456.
9. ibid
10. See for example Boeing - Anthony Sampson Company Man (Harper Collins, London, 1995) at 5-8. Ironically Edwards Deming, the American, was listened to by the Japanese, and not by the Americans until recently.
11. Robert Chia "The New Leaders That Asia Needs" in (Vol.31 No.9 September 1995) Asian Business 56 at 58.
12. C.f. Edgar Schein "Human Resource Practices In Organization Transformation: Are They Culture Specific?" (Paper presented at the Massachusetts Institute of Technology - Nanyang Technological University Seminar, Singapore, June 1995): "Part of the problem is that we have split off human resource management from the general management problem, as if there were some other kind of management other than human resource management. As long as organizations are based upon the coordinated action of two or more people, management is by definition human resource management".
13. "But the regulation of the workplace has often laid at the margins of academic interest. In many countries .... key substantive rules of work were determined through national or industry

agreements (most continental European countries), through detailed contracts at the company level (North America) , or through state arbitration systems (Australia) . Workplace relations were assumed to be determined by national institutions": P.K. Edwards, Jacques Belanger and Larry Haiven "The Workplace and Labour Regulation in Comparative Perspective" in Work-place Industrial Relations and the Global Challenge ed. By Jacques Belanger, P.K. Edwards and Larry Haiven (ILR Press, Cornell University, Ithaca, New York, 1994).

[14.](#) See Charles Handy The Age of Unreason, *op.cit.* at 92.

[15.](#) See *ibid.* chapter 2.

[16.](#) J. Schregle "In search of Alternative Models for Asian Industrial Relations: A Discussion Paper" in Agenda for Industrial Relations in Asian Development, Proceedings of the 1981 Asian Regional Conference on Industrial Relations, Tokyo, Japan, 1981 (The Japan Institute of Labour) says: "If we take industrial relations in the wide sense of the term, as comprising relationships between employers and workers and their organizations, and where appropriate also the public authorities, in other words, if we take the term "industrial relations" as referring to the interplay between interest groups which participate directly or indirectly, in or act upon the employment relationship, then we must include in our comparative evaluation of industrial relations such non-economic factors as attitudes, values and patterns of behaviour, we must include in it the way in which in different societies decisions are taken and rules are established. In fact, industrial relations is but an expression of the power structure in a given society and of the way in which opposing interests between workers, employers and governments are reconciled and accommodated."

[17.](#) The World Economy Since The Wars (Mandarin Paperbacks, UK, 1995) at 81-82.

[18.](#) Agenda For Change: An International Analysis Of Industrial Relations In Transition ed. by Oliver Clarke & John Niland (Allen & Unwin, Australia, 1991) at 65. Currently Germany is not the largest exporter of manufactured goods.

[19.](#) See Oliver Clarke and John Niland "The Dynamics and Dimensions of Change" in Agenda For Change: An International Analysis Of industrial Relations In Transition, *ibid.* at 168.

[20.](#) "The Role of Employers' Organizations in Industrial Relations" in ILO Round Table For Pan-Asian And Pacific Employers' Organizations (ILO, 1980) at 87.

[21.](#) H.A. Clegg A New Approach TO Industrial Democracy (Blackwell, oxford, 1960s) at 20.

[22.](#) "Pluralism in Industrial Relations" in (1975) Vol. 13 British Journal of Industrial Relations 309-316.

[23.](#) Roscoe Pound "A Theory of Social Interests" in Papers And Proceedings of the American Sociological Society, May 1921.

[24.](#) Otto Kahn - Freund "Industrial Relations and the Law - Retrospect and Prospect" (1969) Vol. 7 British Journal Of Industrial Relations.

[25.](#) See the numerous literature cited in footnotes 1 and 2 in Harry Arthur's "Understanding Labour Law: The Debate Over Industrial Pluralism" in (1985) Current Legal Problems.

[26. ibid.](#) at 84.

[27.](#) Manfred Weiss Labour Law And Industrial Relations In The Federal Republic Of Germany (Kluwer, Deventer, 1987) at 34.

[28.](#) Thomas A. Kochan and Robert B. Mckersie "Human Resources, Organizational Governance, and Public Policies: Lessons From A Decade Of Experimentation," in Thomas A. Kochan and Michael Useem (eds.) Transforming Organizations (Oxford University Press, N. York, 1992) at 169-187.

[29.](#) See Shozo Inoue "Human Resource Management And Industrial Relations Issues in Japanese Global Companies" in ILO/KEF Workshop Papers On Industrial Relations And Human Resources Development In A Changing World (ILO, Bangkok, 1994) 94-112, especially at 100-106.

[30.](#) A survey conducted among top executives in eight Asian countries (see Vol. 31 No.9 September 1995 Asian Business 24) identified managing continuous change in the market as the most important factor likely to influence the future role of managers. The most important skills needed for this purpose were creativity and innovation, leadership, communication skills, and entrepreneurship.

[31.](#) Motohiro Morishima "Information Sharing and Firm Performance in Japan" in 1991 (Vol. 30) Industrial Relations 37 at 39.

[32. ibid.](#)

[33. ibid.](#) at 37.

[34.](#) Shozo Inoue "Building Better Industrial Relations: The Japanese Experience" in Report of the ILO/Japan Workshop for Asia-Pacific Employers' Organizations on Sound Labour Relations Practices (Singapore, 2-6 March 1992: ILO, Bangkok) 33 at 40.

[35. ibid.](#)

[36.](#) Mary Lou Uy Onglatco "A Preliminary Assessment of Quality Circle Involvement - Some Research Findings Based On Japanese And Filipino Samples" (The 1985 Asian Regional Conference on Industrial Relations, March 1985. Tokyo: The Japan Institute of Labour).

[37. ibid.](#) See this Paper also for problem areas.

[38.](#) Basu Sharma "Labour-Management Cooperation for Sound Industrial Relations" in Employers, Organizations On Sound Labour Practices, Singapore, 2-6 March 1992, (ILO, Bangkok) at 17. See Harry C. Katz, Thomas A. Kochan and Kenneth R. Gobeille "Industrial Relations Performance, Economic Performance and QWL Programs: An Interplant Analysis" in 1983 (Vol. 37) Industrial and Labour Relations Review 3-17 where the authors conclude that their analysis indicates a strong connection between industrial relations and economic performance measures but provides limited support for the view that QWL programmes improve both types of performance.

[39.](#) Agenda For Change: An International Analysis of Industrial Relations ed. by Oliver Clarke & John Niland (Allen & Unwin, Australia, 1991) at 43.

- [40.](#) Thomas A. Kochan, Harry Katz & Nancy Mower Worker Participation And American Unions: Threat Or Opportunity (W.E. Upjohn Institute for Employment Research, Kalamazoo, Michigan, 1984).
- [41.](#) Jack Barbash "Equity As Function: Its Rise And Attrition" In Theories and Concepts in Industrial Relations ed. by Jack Barbash and Kate Barbash (University of South Carolina Press, USA, 1989) 114 at 116.
- [42.](#) Arthur Okun "The Invisible Handshake and Market Processes" in Brookings Report No.356, 1980 at 8.
- [43.](#) John Kenneth Galbraith The World Economy Since The Wars (Mandarin Paper-backs, U.K. 1994) at 81-82.
- [44.](#) M. Bray "A Precarious Victory: The Regulation of Self -Employed owner - Drivers in New South Wales Road Transport 1940-1988" Industrial Relations Research Centre, Monograph No.29, Kensington, University of New South Wales. On the whole issue see John Buchanan and Ron Callus "Efficiency and Equity at Work: The Need for Labour Market Regulation in Australia" in 1993 (No.35) The Journal of Industrial Relations (Australia) 515 which covers not only Australia but also the policy debate and general issues involved.
- [45.](#) Industrial Relations: What Is Wrong With The System? (Faber and Faber, London, 1965) at 10.
- [46.](#) ibid. at 15-18.
- [47.](#) For details see the analysis of John Buchanan and Ron Callus, op.cit at 518-524.
- [48.](#) ibid. at 519.
- [49.](#) ibid. at 530. See at 524 *et seq* for an analysis of the arguments against reliance on internal regulation only to achieve efficiency.
- [50.](#) "Traditional industrial relations has been more about the established contours of bargaining and other rule making, whereas the focus of the 1990s seems to be much more about engendering change in the interests of greater flexibility": John R. Niland "Change and the International Exchange of Ideas" in The Future of Industrial Relations ed. by John R. Niland, Russell D. Lansbury and Chrissie Verevis (Sage Publications, California, 1994) 451 at 466.
- [51.](#) On this issue and the European (as distinct from American and Japanese) view of capitalism see Herbert A. Henzler "The New Era of Eurocapitalism" in The Evolving Global Economy ed. by Kenichi Ohmae (Harvard Business Press, 1995) 3-17.
- [52.](#) See S.R. de Silva Harmonizing Industrial Relations and Human Resource Management (ILO, 1995) .

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