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MANAGING THE EMPLOYMENT RELATIONSHIP

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Chapter Overview

Previous chapters in this book have looked at human resource management (HRM) in the broader context, including how it relates and contributes to the business strategy of organizations. Other chapters have looked at the more functional aspects of HR, such as recruitment and selection, flexible working and reward. This chapter will consider the management of the employment relationship.

The chapter begins by discussing what is meant by ‘the employment relationship’, a term that is often used in a simplistic way, obscuring the complexities of such a relationship. The chapter goes on to consider the different organizational perspectives with regard to managing the relationship before considering the dynamic relationships between the various ‘actors’ involved in the employment relationship. By taking a multi-level approach, the chapter allows us to explore the employment relationship from different perspectives. One section looks at the role that the state, and in particular government, has in various aspects of managing people. The next looks at employers’ organizations and the extent to which they are able to influence employment matters at the local, organizational, level. No discussion of the employment relationship is complete without a consideration of the power relations between management and workers and between workers and the government and this is covered in ‘Employers and employers’ associations’. The remaining sections of the chapter look at employee ‘voice’ and the individual and collective representation of workers; ‘Employee voice’ focuses on employee involvement, engagement and participation and looks at the role of trade unions and works councils. The final section of the chapter examines how the media are able to impact on the employment relationship.

Learning Objectives

- **To explore and consider the concept of the employment relationship**
- **To develop an understanding of the role of the actors or ‘social partners’ in the employment relationship**
- **To consider the notion of power within the employment relationship**
- **To develop an understanding of the extent to which employees are able to have a ‘voice’ in the workplace**

CASE STUDY 8.1

The employment relationship in Barrowton School¹

Context

The English schooling system is heavily influenced by government policies to which school managers (school governors, head teachers and deputy head teachers) have to adhere. In some cases, legislation and directives formulated by the government mean that managers are obliged to implement certain people-management practices. For example, a formal performance appraisal of all of schoolteachers is regulated by The Education (School Teachers’ Appraisal) (England) Regulations 2012.

Since the implementation of the 1988 Education Reform Act (ERA) there has been a growth in marketization in schools (Calveley 2005a) with the introduction of school league tables or ‘performance tables’ as they are referred to by the government (<http://www.education.gov.uk/schools/performance/>). These tables, which are published annually by the government, draw on various data in order to rank schools according to their pupil success. The rationale behind the tables is that they allow parents to assess the school to which they are planning to send their child. The government promotes performance tables as being a transparent process, designed to push up the quality of teaching. Nonetheless, the value of the tables is disputed by critics who suggest that pupil success is partly related to socio-economic background (BBC 2013). By their very nature, league tables produce ‘winners’ and ‘losers’ with those schools at the bottom of

the table often being marginalized and viewed as ‘failing’ their students (Calveley 2005a).

Barrowton School – the background

Barrowton is a secondary (11–16-year-olds) inner-city school which is situated at the bottom end of the school league tables. The school is in severe financial difficulties, losing pupil numbers as parents choose to send their children to other schools in the area. It is the view of the Local Education Authority (LEA) that bad management has greatly contributed to the school’s poor league table performance and financial difficulties. In an attempt to put this right, a new head teacher is appointed.

The head teacher took on the role fully aware that the school is in a precarious situation and that it will be a mammoth task to improve the league table position of this school. Nonetheless, he is fully committed to what he sees as his mission in making the school a good, viable choice for local parents; he hopes to engage the commitment of the teaching staff to this mission. Many of the teachers, most of whom are members of the National Union of Teachers (NUT), the largest teachers’ union in England and Wales (NUT 2013), have been at the school for a number of years. They are extremely committed to Barrowton School which caters for many under-privileged pupils (including a large proportion of refugee children) in a deprived area of a large city. It appears, therefore, that from the outset both management and staff are united in their desire to provide a good sound education for the children in the local area.

Shortly after the head teacher’s appointment the school had an Ofsted (Office for Standards in Education, Children’s Services and Skills²) inspection which deemed the school to have ‘significant weaknesses’ in the standard of education being delivered to the students. The senior management team and the governing body³ are charged by Ofsted to produce an Action Plan to address the school’s problems. The development of the Action Plan is led by the head teacher who is determined to do all that he can to improve the school in the eyes of Ofsted. The school was warned that if it did not make substantial improvements within the next six months it would face closure. The teachers did not agree with the Ofsted report, claiming that the inspectors failed to take into account the number of students from refugee families who could speak no, or very little,

English. In their opinion, the school should be assessed on its good work with these children, rather than examination results.

The employment relationship in Barrowton School

On his appointment the head teacher discovers that the previous head teacher had introduced a morning briefing session which took place in the staffroom every morning before the start of school. He decides to continue this process and sends a memorandum to all staff informing them that morning briefings will continue and they should, therefore, be in the staffroom by 8.30 a.m. each morning. Unlike the briefing sessions under the previous head teacher these meetings are compulsory. All staff are to attend and the meeting will be led by the head teacher and his two deputies. The head teacher views these meetings as an ideal time to communicate school issues (such as cover for absent colleagues, pupils excluded from school for bad behaviour etc.) to the staff. The head teacher sees these meetings as informal gatherings and encourages staff participation.

Although the head teacher believes in the use of both formal and informal communication, on the whole he tends to address his staff through the use of formal written memoranda. This is particularly the case if he has an issue which might be considered to be controversial, for example, matters of a possible disciplinary nature. Things that are written down are less likely to be misinterpreted or misunderstood. It is not unusual for teachers to receive memorandums in their pigeonholes when they arrive at school for the morning briefing.

When he arrives at the school the head teacher creates a 'management suite' consisting of his office, a meeting room, his secretary's office and the office of the senior deputy head teacher. Unlike the previous head teacher's office, which was situated close to the school's entrance, the new offices are at the rear of the school building. They are accessed via a key-coded security door, the code to which is kept closely guarded. The aim of the door is to discourage pupils and parents attempting to enter the head teacher's office unannounced. Teachers are always welcome to see him but need to make an appointment with his secretary

beforehand.

In a similar way to the previous head teacher, both deputy head teachers practise 'walking the floor' and are often seen by the teaching staff during the school day. In contrast to this, the new head teacher is completely focused on producing the Action Plan and although he spends many long hours in the school (usually there well before and long after any of the teaching staff) his only visibility in the school is at the formal morning briefing sessions in the staff room. As a result, teachers feel that the head teacher has locked himself away, is non-communicative and has raised a barrier between himself and the teaching staff.

The Action Plan is immensely important for the school. The head teacher is keen to have the input of his teaching staff to this and has sent a copy to all heads of departments for comment. He has received very little input back from them and feels that they are not very interested in helping to implement changes which may save the school.

At the same time, in what he sees as a measure to improve the school, the head teacher has asked the two deputy head teachers to start a process of observing teachers while they teach in class. He has also instigated formal disciplinary procedures against two teachers whom he has judged to be under-performing. Both of these teachers are popular with the rest of the teaching staff, who do not believe that the disciplinary procedures are fair. The two teachers have consulted with their trade union representative who is now representing them in discussions with the head teacher. Following a vote instigated by the trade union official, the teachers have all agreed to take action against the head teacher's decision to discipline their colleagues. Rather than enter into a strike they decide to withdraw their 'goodwill' in support of the two disciplined teachers. This means that none of the teachers are supervising children during school breaks (including lunch times) or engaging with after-school activities such as the photographic club or school trips. The atmosphere within the school is one of hostility and a lack of trust between the teachers and their head teacher. The situation is exacerbated because after the publication of the Ofsted report there were reports in the local press that the teachers are 'failing' the children.

Source: author.

Questions

- 1 Who do you see as being the main actors within this case study?
- 2 How would you describe the employment relationship in this case study? Give reasons for your answer.
- 3 What impact do the various actors have on the employment relationship?
- 4 With regard to people management, what are the benefits of:
 - i 'walking the floor'?
 - ii isolating oneself to get an important task completed?
- 5 Why do you think there is little feedback from the staff regarding the Action Plan?
- 6 If you were in the situation of the Barrowton head teacher, is there anything you might have done differently?

Notes

- 1 This a pseudonym and not the real name of the school.
- 2 This is the official, government appointed body for inspecting schools.
- 3 This is made up of volunteers from the local school community. School governors can include parents, teachers and local community members. 'The governing body is the strategic decision-making body in each school' (Department for Education 2015:5).

Introduction

A key factor underpinning the study of strategic HRM is the way in which the employment relationship is managed. As we have seen in previous chapters, people, i.e. employers and employees, play a significant part in the successful operation of organizations. The fulfilment of strategic organizational objectives largely depends upon the commitment and cooperation of the workforce and it is therefore a fundamental necessity for any company that the employment relationship runs smoothly. As has already been shown throughout

this book, the management of people does not take place in a vacuum; organizations are not islands, operating in a sea of their own, and accordingly the employment relationship has a far-ranging contextual setting (see Chapter 1). As the chapter will go on to demonstrate, there are influences outside the organization that impact upon the people management policies, practices and processes.

In line with this, it is important to appreciate that contemporary organizations frequently operate across national boundaries (see Chapter 12). The globalization of business theorists suggests that economies are becoming globally integrated, with global trade making the more traditional national boundaries increasingly permeable. As a result, it is argued that there is a move towards a greater convergence of management practices based around notions of 'best practice' (Sera 1992), particularly with regard to multinational corporations (MNCs) who, due to the nature of their operations, are exposed to highly competitive international market forces. In order to enhance and maintain their competitiveness MNCs are often seen to pursue, or attempt to pursue, HRM policies integrated into their global HR strategy, processes and procedures in order to generate greater efficiencies and resist pressures to adopt localized management practices (Ashkenas et al. 1995). Conversely, it is similarly argued that MNCs may also follow localized employment policies. Hu (1992) argues that most MNCs cannot easily be defined as stateless because cultural differences and local context will inevitably promote a differentiation in people management practices. It is probable that the variation in country-specific institutional arrangements, such as the state and legislation, will dictate the maintenance of distinctive, localized, HR practices. It is within this context that the chapter will explore the nature of the employment relationship through the eyes of the key 'actors'. Examples from around the world are drawn upon to illustrate the complex and dynamic interrelationship between the various 'actors' engaged in the employment relationship.

The meaning of the employment relationship

Although the employment relationship is basically that which exists between the employer and the employee, it is a dynamic and multifaceted relationship. It is usually, but not always, governed by a contract

of employment. Like most contracts, the employment contract is a bargain between two parties. In this case, the contract sets out the terms and conditions of employment that exist between the buyer of labour (the employer) and the seller (the employee). The employee sells his or her labour for a wage that is determined by the value put upon that labour by the employer and the employee themselves (as explored in Reflective Activity 8.1). This value can vary depending upon the type of labour that the employer is looking to purchase and also the availability.

The UK Office for National Statistics (ONS) report that unemployment rates in the UK have fallen recently. Although these figures vary by region as well as occupational groups and skill levels, there is still 5.1% of the UK labour force looking for employment (ONS 2016). Some would argue that this is an acceptable level of unemployment (see Henley (2014) for a discussion of this) whilst others would argue that it remains a 'buyer's market' for employers because there are more people looking for jobs than there are jobs available; this is termed a 'loose labour market' (Torrington et al. 2008). The opposite position to this is when there is a 'tight labour market' and there are more jobs available than there are people seeking jobs. This clearly impacts on the HRM function because HR managers need to take availability of workforce into account when setting recruitment policies and practices and pay levels. In theory, under loose labour market conditions, employers are able to recruit more easily and set a lower wage while simultaneously demanding higher qualifications or more experience (see Case Study 5.3 earlier in the book). Of course this is not always the case, as workers with certain skills and occupations are able to demand a higher wage (see Reflective Activity 8.1).

PIT STOP: REFLECTIVE ACTIVITY 8.1

The labour market

It is a well recorded fact that footballers across Europe earn a lot of money and indeed, Cristiano Ronaldo of Real Madrid in Spain was reported by Forbes Magazine as the third highest paid athlete *in the world* in 2015 (Forbes 2015). The UK Premier League Manchester United's star football player, Wayne Rooney, is

said to be the highest earning UK player with a wage of around £260,000 a week (Sheen, 2015).

The UK National Minimum Wage (NMW) for those over 21 but under 25 is £6.70 per hour. Based upon a 40-hour week, this equates to £268.00 per week. The National Living Wage (NLW) for those over 25 at £7.20 per hour equates to £288 for a 40-hour week.

1 Why do you think Manchester United are willing to pay Wayne Rooney 900 times more than the NLW?

2 Taking into account the reward theory and major determinants of reward as discussed by Geoff White in Chapter 7, what is the strategic rationale for Manchester United paying one of their employees what appears to be a high rate of pay?

Availability of labour is a macro-determinant of the employment relationship, but the nature of employment being 'sold' is also an important factor. In recent years we have seen a change in the composition of employment, with a decline in the traditionally male-dominated manufacturing industry and growth in the service sector. Simultaneously we have seen a change in the format of employment contracts with 'atypical' and flexible working patterns such as part-time and temporary jobs becoming the norm (see Chapter 6). This is a pattern that is not only occurring across Europe (Eurofound 2010) but also worldwide. Even in Japan, where lifetime employment was seen as a pillar upon which the employment relationship has been built, the government came under pressure to change legislation and allow firms to introduce atypical contracts (Kuroki 2012). Such employment is often precarious in nature and when combined with factors such as the worldwide economic downturn and resulting job cut-backs of the recent past, there is a heightened insecurity for workers (Noon and Blyton 2007; Kuroki 2012). Insecurity plays a significant factor in the wage bargain relationship.

While the employment contract is central to the employment relationship because it defines the general terms, conditions and rewards of the exchange between the employer and the employee, the relationship itself is a complex process. Underpinning the employment relationship is the transformation of the

employee's labour power (best seen as the hours that employees 'sell' to the employer for a wage) into productive labour. To achieve this employers, through a managerial process, have to organize, direct and control employees' labour. How labour power is turned into actual productive labour is crucial to both parties as this part of the relationship might be contested. The environment in which this takes place can either be one which provides employees with rewarding and fulfilling jobs and input into decision-making, or it may be one whereby employees are under intense scrutiny, control and direction. The former might be seen as 'soft HRM' whilst the latter fits into the 'hard HRM' (Storey 2001) category (see Chapter 3). These working environments create dynamic and often unpredictable employment relationships which can lead to either cooperation or conflict within the workplace.

In a loose labour market the balance of power within the employment relationship tends to lie more with the employers, who have access to greater economic resources than employees. At such times, employers have more freedom to regulate wages and employment contracts and to choose from the pool of potential employees seeking employment, thus giving them far greater control over the employment relationship. In essence, they are able to replace unwanted workers more easily than during tight labour market periods. As demonstrated by Wood and Kispál-Vitai (Case Study 3.1 this volume) and as we will also discuss later in this chapter, if employees perceive management to be acting unfairly, or to be too controlling, they can draw upon their individual and collective power (the latter through the medium of trade unions – see below) in an attempt to constrain management actions and redress this asymmetrical balance of power (Blyton and Turnbull 2004). To understand the employment relationship we need to take account of the various collective and shared interests of the employees (Blyton and Turnbull 2004) and also how employers may seek to regulate these as part of their HR strategy. Earlier in the book (Chapter 4), Leatherbarrow introduced the unitarist and pluralist perspectives with regards to people management and in the following section we will explore these in greater depth.

The employment relationship from different organizational perspectives

We have established that the employment relationship is broadly (but not exclusively) based around an exchange of employee labour for (usually) monetary reward and that the way in which this is managed and organized can be contested. To help understand and contextualize the employment relationship and management strategies with regards to this, it is helpful to have an awareness of some underpinning perspectives, that is, ways of viewing the relationship and how it should be managed. For this we go back to the influential work of Alan Fox (1966) who put forward two frames of reference, or perspectives, on the employment relationship – unitarist and pluralist. These perspectives are still widely referred to within the study of employment relations, and they help us to categorize the way in which the employment relationship is formulated within the workplace. Fox's perspectives are discussed below.

Unitarist perspective

This perspective sees the organization as an integrated, unified, group of people, with a common set of values and interests, working towards the same goals. There is a single source of authority and it is, therefore, management's right to manage and make decisions. Viewed as one big happy family, any conflict is seen as irrational and where this does occur it is presumed to be as 'a result of misunderstanding or mischief' (Crouch 1982: 18 quoted in Edwards 2003: 10).

Managers who approach the employment relationship from this perspective would view the collective representation of employees in the form of trade unions as being unnecessary, preferring instead to deal with workers on an individual basis. People identifying with this frame of reference are likely to perceive any disagreement between managers and workers as being minor, the fault of the employees, probably due to poor communication and easily resolved. Trade unions are viewed as intrusions into management's right to manage. Should any conflict occur then managers would resort to coercion, including the use of the law, as this is regarded as being a legitimate use of managerial power to gain employee consent. Blyton et al. provide us with a succinct summary of this perspective: 'the right employment policies and practices will align the interests of employers and employees' (2008: 103).

Managers adhering to the unitarist perspective would look for loyalty and commitment from their workforce while at the same time expecting complete and undisputed managerial control. Unitarism is sometimes viewed as a management ideology, and Dundon and Rollinson promote caution when they suggest that ‘the capacity for a unitarist view to explain the reality of workplace relations is questionable’ (2011: 11).

It is clear that elements of this perspective are very much in evidence in the management of contemporary workplaces, particularly in organizations who adhere to the practice of strategic HRM and the idea of creating common interests, culture and values. For example, a company like the retail firm Marks and Spencer in the UK excludes trade unions, but also treats their employees relatively well (Calveley 2010). This might not, however, be the case in some organizations, often small and family-run businesses, who may actively exclude trade unions in an attempt to maximize worker output and minimize wages; such situations are sometimes referred to as the ‘bleak house’ scenario (Sisson, 1993). We must also recognise that the rise, certainly across Europe, of the ‘zero-hours contract’ leaves many people vulnerable in the workplace as they have very little protection from a collective voice or indeed, often, government labour legislation (Eurofound 2015). The unitarist concept is also closely aligned with the ideological perspective of neo-liberalism as discussed later in the chapter.

Working definition of trade unions

A trade union is an organization which is usually independent from the employer and represents the interests of its members (employees) both within and outside the workplace. A primary function of a trade union is to work on behalf of the employees to regulate the employment relationship. They do this by engaging with the employers in the processes of consultation, negotiation and collective bargaining.

Pluralist perspective

Unlike the unitarist perspective, Fox’s (1966) pluralist perspective recognizes that organizations are comprised of divergent groups with different interests and that each of these groups will be attempting to

gain the maximum advantage from the employment relationship. For example, employers may be seeking to increase profit margins by keeping wage costs down and production levels up, and employees may be looking for a larger share of the profits to be reflected in their pay rate. Those who approach the employment relationship from this perspective would acknowledge that not only is workplace conflict likely to exist but also that it is inevitable.

Whereas the unitarist perspective (or unitarism) is associated with individualism, the pluralist perspective (or pluralism) is associated with collectivism and as discussed below, the ideological perspective of neo-corporatism. Hence, organizations operating within the latter perspective accept that there is a legitimate role for the collective organization of employees in trade unions and that collective bargaining is an appropriate mechanism for agreeing wage rates. Within the pluralist framework it is the role of management to manage, rather than suppress, conflict and one way to do this is to engage in negotiation with the union. Although, as we shall see later in the chapter, trade union representation is less strong in organizations than it was in the mid-1960s when Fox was putting forward his perspectives for understanding the employment relationship, we do still see a pluralistic approach to management in some organizations, with trade unions recognized by employers as the collective representative voice for employees. This is particularly the case in the public sector in the UK.

Marxist perspective

In 1977, Fox critiqued his own pluralist perspective, a critique which was subsequently taken up by other authors. Fox's pluralist perspective provides the view that collective voice can help provide a balance of power within the employment relationship but he later argued that, due to managers controlling the capital resources, it was not possible for this to be the case. Indeed, he argued that there is a 'gross disparity of power between the employer and the employee' and that despite trade unions and collectivism 'a great imbalance [in the employment relationship] remains' (1977: 141).

Fox's (1977) 'radical critique' of pluralism was taken up by Marxist writers (for example Hyman 1975,

1978) who argue that the employment relationship has to be placed within the wider context of the imbalance of power between capital (business owners) and labour (employees). The Marxist perspective rests upon the view that '*profit* – the pursuit of economic returns to the owners – is the key influence on company policy... and that control over production is enforced *downwards* by the owners' managerial agents and functionaries' (Hyman 1975: 19, emphasis in original). The argument is, in effect, that workers are, and always will be, exploited by the owners of industry and business. Marxist writers argue that conflict in the workplace reflects not only the tensions between employer and employee at the workplace level but also the wider social and economic divisions – arguably class divisions – throughout society. Hence, in the struggle for class equality conflict is inevitable and this conflict will be reflected in the workplace.

For Marxists, within the pluralist perspective trade unions become part of the system of workplace government as they strive for compromise rather than engage in conflict (Marchington 1982). This view is likely to be rejected by some academics and practitioners who may see the *raison d'être* of trade unions to be resisting or contesting management's right to manage.

PIT STOP: REFLECTIVE ACTIVITY 8.2

Perspectives on the employment relationship

- 1 Think of an organization that you are familiar with. What are the overall management perspectives employed in that organization?
- 2 Why do you think managers have this approach in the organization?
- 3 Try looking at it from another perspective: how would the organization have to change to accommodate this perspective?

It is important to recognize that these perspectives are useful as tools of analysis; they help us to understand the context in which the employment relationship operates, however, they are not discrete entities and it is

possible to see a merging of the boundaries between them. As Marchington (1982) argues, we must be prepared for a shift in individual views and opinions depending upon the issue that they are facing.

The above has provided a brief overview of the employment relationship internal to an organization, however, this relationship does not take place in isolation, it is influenced by a number of different factors and actors. As Rees and Smith in Chapter 1 point out, the strategic approach to people management is often governed by what is happening outside the organization. Therefore, to fully understand the employment relationship we must situate it in a wider context, both nationally and globally. With this in mind, the chapter will now explore the political and economic perspectives of governments and the impact of these on the strategic thinking of HR managers. We will begin this by considering the role of the state.

The role and scope of the state

Within the study of employment relations the state is normally taken to mean the elected government of the day, including all the agencies that implement its legislation and policies (Gospel and Palmer 1993, quoted in Dundon and Rollinson 2011). The state is, however, wider than this and state agencies include the police, the armed forces and government. In the UK the state is headed by a Queen or King. The UK Government, which is democratically elected, is headed by the Prime Minister and there is an impartial Civil Service which remains constant and works for the elected government of the time; the government is able to influence and alter the way in which the Civil Service operates. In other societies, however, there may be a less democratic approach to governing the country. For example, in Saudi Arabia the King not only heads the government, he is also the Commander in Chief of the military and is the most senior person in the legal system (Saudi Government 2016). As we shall see below, the role of the government and their ideological approach to running the country can have an impact on the workplace employment relationship.

The role of government and the employment relationship

Governments around the world influence the employment relationship in many and varied ways. They are, for example, able to introduce legislation which, depending on their strategy, is geared towards providing

greater or lesser protection for the employee and likewise for the employer. By publicly voicing their views on an employment relations dispute, governments are able to influence the outcomes of disputes between the employer and the employee. They are also able to introduce economic policies which have an impact on taxation and the rate of pay an employer is obliged to pay their workers; for example, many countries now have a national minimum wage which employers are legally bound to adhere to.

The extent of government intervention into the workings of industry and business does, however, vary between countries. Some governments are seen to take an interventionist approach, where they are heavily involved in regulating the labour market, as is the case in France (Calveley 2005b), while other governments in countries such as the USA and the UK may follow a voluntarist approach, whereby the parties involved in the regulation of employment (employers and trade unions) ‘determine the nature and content of their relationship’ and ‘regulate it without governmental or legal integration’ (Salamon 2000: 63). Japan provides us with an interesting example of how governments intervene in the employment relationship. Japanese workers enjoy strong legislative protection with regard to dismissal and redundancy, nonetheless, due to competitive pressures and lobbying from businesses, the government have relaxed part of the legislation in order to allow firms to employ temporary workers (Kuroki 2012).

Governments in most democratic societies are in office for only a limited period of time and thus subject to periodic elections to gain office; by definition they are transient in nature. Therefore the stance that governments take with regard to intervening in the employment relationship may vary over time and often changes dramatically with a change of government.

We shall discuss below how different governments hold different political ideological perspectives on how society and employment relationships should be ordered.

Ideological perspectives: neo-liberalism and neo-corporatism

As we begin this section it is again important to recognize that, as with the organizational perspectives of the employment relationship discussed above, the following ideological perspectives are indicative rather

than discrete typologies. These perspectives represent the prevailing ideological frameworks of some national governments and it is within these frameworks that the institutions within the country (for example, legislature, employer representatives, employee representatives) operate. They therefore influence the nature of the employment relationship and HRM strategies and are important for those working within and studying employment relations and HR to understand. As Hollinshead suggests, these ideologies 'present a general plan of action for structuring economic and social orders' (2010: 24); they develop over time and are influenced by the history and culture of a country. Although there is academic debate as to the validity of simple classifications such as those outlined below, these typologies are useful starting points for an understanding of the role of national level institutional frameworks when developing organizational level HR strategies.

Neo-liberalism

The origins of neo-liberalism dates back to the work of the renowned political economist Adam Smith in 1776 which was later developed by the 1976 Nobel Prize in Economics winner Milton Friedman. It came to fore as a political ideology in the Western world in the 1980s when the British Prime Minister Margaret Thatcher and the American President Ronald Reagan promoted laissez-faire, free-market economic theories. Blaming economic problems on state interference in business and industry matters, both governments promoted deregulation of the labour market, removal of government interventions in market policies and the liberalization of trade and industry. They argued that the state should play a much smaller role within a country's economic and social well-being and that public spending (on the provision of social services and health care for example) should be kept to a minimum. Throughout the 1980s in the UK there was a mass privatization of state-owned industries, which was referred to as 'selling off the family silver' by those who were against it. During this period the UK government privatized the provision of energy (gas, electricity, coal), transport (British Rail) and telecommunications (British Telecommunications) allowing private enterprise to take this over. Similar actions occurred in other European countries.

Within the neo-liberalism philosophy, management should have the sole right to manage and there should

be no interference whatsoever from the workforce, particularly through their collective representation by trade unions. In fact, Prime Minister Thatcher described trade unions as 'the enemy within'. Liberal within this context is used to describe a society of individuals who pursue their own best interests by entering freely into contracts without state or trade union help, with the latter viewed as being responsible for wage inflation. In line with the writings of Adam Smith and Milton Friedman, neo-liberalism conviction follows classical economic theory: market forces will prevail and therefore wage levels should be set entirely by market demand. If there is high unemployment then wages will fall, on the other hand, if there is a demand for labour then wages will increase. The individual employee, rather than collective representation through trade union membership, is paramount within the employment relationship and it is often argued that the role of strategic HRM is the application of neo-liberal values within the workplace.

Neo-corporatism

Neo-corporatism can be used to describe an employment relations model that has largely operated in parts of mainland Europe since the Second World War, most notably in Germany but also in France, Austria, the Netherlands and Sweden. It was also an influential perspective in the UK during the 1960s, when Conservative and Labour governments alike adopted some aspects of neo-corporatist policies. However, as discussed above, since the 1980s UK governments have taken a neo-liberal ideological stance.

Hollinshead puts it succinctly: neo-corporatist ideology 'envisages an active role for the state in seeking to mediate and integrate the interests of various powerful societal groupings, particularly those representing capital and labour' (2010: 25). A government following this ideological perspective would work with the employers and trade unions at a macro level on industrial, economic and social policy aimed at producing growth, full employment and price stability. Such an approach is known as a tripartite approach to employment relations whereby the main actors become 'social partners'. Neo-corporatists would see the neo-liberal free market philosophy as leading to an unequal distribution of wealth and resources across society.

As opposed to the neo-liberal philosophy as discussed above, within the neo-corporatist ideology the government creates institutions to facilitate agreement between the parties within the employment relationship; the government would, for example, legislate for collective agreements on minimum wages and employment conditions.

According to Rose (2008), critics of neo-corporatism would argue that it is not possible for the state to be neutral when it comes to employment relations because a government 'will intervene either to bolster the power of capital or to support labour in order to redress the power imbalance' (2008: 37). In short, the government will act in a way that enhances their ideological position.

From corporatism to neo-liberalism

An example of an almost overnight shift in national government ideology from a corporatist stance to one of neo-liberalism is the UK.

Depending on their political stance, from 1945–1979 UK governments either tolerated (Conservative governments) or promoted (Labour governments) trade unions. Trade unions were seen as part of the democratic running of the country. Throughout this period, government viewed industry leaders and trade unions as having a stake in the social and economic development of the country and sought their input into policy-making decisions. This represented a corporatist ideological approach.

In 1979 all of that changed. The Conservative Government elected that year asserted their right to unilaterally govern the country. The views of the trade unions were no longer sought and emphasis was placed upon the needs of business owners; legislation was later introduced placing restrictions on trade union activity and governance. This represented a neo-liberalist ideological approach and one that facilitated the rise and greater use of strategic HRM with organisations.

Summary

As stated earlier, it is important to recognise that these typologies are useful as tools of analysis but that they

are not discrete, neat 'boxes'; not all countries fit comfortably into them. Nonetheless, the ideological frameworks outlined above are useful in helping us to understand the context in which organizations operate. Arguably the influence of globalization and the growth of large international and multinational organizations (see Chapter 12) have impacted upon the ideological perspectives of governments as they come under pressure to welcome these organizations, who bring with them often much needed employment opportunities. The latter is particularly the case with developing countries in Africa and Asia, who are beginning to engage with the neo-liberal perspective not only to encourage inward investment from MNCs but also as they begin to compete on a global basis. This is not a one-way process, however, and when thinking of expanding to countries outside their country of origin, organizations are obliged to consider the ideological framework of the host country.

An interesting consideration of how neo-liberalism might develop on a global basis (Kurtz and Brooks 2008; Schneider 2009) is that of the four major economies of Latin America: Argentina, Brazil, Chile and Mexico. As these economies have followed diverse trajectories (King 2010: 2) there has not been a single, universal pathway and implementation of neo-liberalism has depended upon the individual economic drivers within the countries.

Likewise, there are also variations to the neo-corporatist framework. We see throughout Europe differing interpretations of the neo-corporatist ideology as global influences have impacted on individual countries such as Germany. As Hollinshead states, as a result of global competition and the search for employment flexibility, 'neo-corporatist tendencies in the [European Union] ... have tended to give way to a powerful agenda of de-regulation' (Hollinshead 2010: 26).

It should be noted here that there are other ways of looking at national-level institutional arrangements, notably the influential 'Varieties of Capitalism' (VoC) approach of Hall and Soskice (2001) (see Wailes et al 2015 for a comprehensive critique of this). The essence of Hall and Soskice's argument is that economies are generally divided into either liberal market economies (LMEs) or coordinated market economies

(CMEs). These classifications, which are broadly in line with neo-liberalism (LME) and neo-corporatism (CME) are discussed in greater depth by Iles and Rowlands in Chapter 12.

In conclusion, the above section has considered the role of the state and how this is influenced by the ideological perspectives within which governments operate. As we have seen, there are national and international influences to state policies and practices. As a main actor within the employment relationship the state generates a changing and dynamic variable which continuously influences the relationship from an external perspective.

PIT STOP: REFLECTIVE ACTIVITY 8.3

Neo-liberalist and neo-corporatist philosophies and the employment relationship

1 Consider the neo-liberalist and neo-corporatist ideological perspectives above and answer the following questions:

- a. how might these impact the employment relationship?
- b. suggest ways in which these may influence the approach of managers to strategic HRM.

Provide some examples in your answers.

So far in the chapter we have considered the meaning and nature of the employment relationship and the role of government as macro-level actors who are able to influence the implementation of strategic HRM policies and practices at the organizational level, particularly with regards to whether managers take a unitarist or pluralist approach. The chapter will now move on to discuss other actors in the employment relationship. We will begin by considering employers and their representatives before we explore the extent to which management actions may be enhanced or constrained by employees and their representatives.

Employers and employers' associations

Clearly, major actors within the employment relationship are the employers themselves. As we stated at the start of the chapter and as is commented upon throughout the book, the employment relationship does not

take place in a vacuum and neither do employers operate in this way. Employers are influenced by the ideological perspectives of governments and have to adhere to statutory requirements and other institutional arrangements. For example, the state education and training policies can impact on employers. In some countries, for example neo-corporatist Germany and France, there is a strong state intervention with regard to workplace learning, training and development (Calveley 2005b) and this clearly impacts HR strategies with regards to people development.

In order to help mediate the impact of state interventions and as a result of the development of collectivism through trade unionism (see below) in many countries employers come together to create employers' associations. Individual companies belong to these associations, who act on their behalf to lobby government in order to influence policy making. They also provide advice and guidance to companies with regard to employment relations issues and the role of HRM. Combining as an 'association' provides greater employer 'voice' and collective power. Examples of employers' associations are the National Farmers' Union in the UK and LTO, the Dutch Confederation of Agriculture and Horticulture, in the Netherlands.

For Human Resource Managers following the unitarist approach to people management, their view is likely to be that all workers are working as a contented team and that management / worker conflict is unnecessary, indeed they would regard such conflict as irrational. They may take the position that employees should have minimal, if any, say in the working of the organisation. What is missing from this stance, however, is the notion of employee power and the extent to which this can be utilised within the employment relationship. For example, we saw in Case Study 3.1 how the balance of power changes within the employment relationship and how this balance is influenced by the various actors. Before the chapter moves on to explore employees as actors within the employment relationship it is necessary to consider the influence of power with regard to the contestation, regulation and control of that relationship.

Power relations

The notion of power, and how this is contested, forms a central tenet to understanding the complex nature of the employment relationship. Power is a nebulous concept; it is multifaceted and can have different dimensions. Power may also be viewed in different ways by different people. In her work on gendered power, Bradley describes power relations as being ‘complex and fluid’ (1999: 32) and defines power as being ‘the capacity to control patterns of social interaction’ (1999: 33). In the employment relationship we see social interactions on a daily basis between employees (and their representatives) and management and these interactions need to be considered within the context of the power relationship. Bradley (1999: 34) provides us with a typology of nine different types of power ‘resources’, four of which are particularly relevant here and are adapted below to help us to understand the complexity of the employment relationship:

1. Economic power: the control of economic resources. In the workplace this would usually lie in the hands of the business owner. However, this is an area that may well be contested as employees look to seek a greater share of these resources.
2. Positional power: power and authority gained by virtue of holding positions, which in the workplace would be that of employer, manager, supervisor or possibly trade union leader. We also see this outside the workplace when governments intervene and introduce employment legislation. Depending on the ideological stance of the government, such legislation may be beneficial to the business owner/management (neo-liberal) or the employee and their representative (neo-corporatist).
3. Symbolic power: the ability to impose one’s own definitions, meanings, values and rules on a situation. We might see this within the workplace when management promote a particular ‘culture’ (see Chapter 11).
4. Collective power: the mobilization of collective resources; the ability to organize groups of people to pursue common goals, e.g. trade unions.

The power resources outlined above can operate both independently and simultaneously when there is a dispute between employers and employees in the workplace, for example over pay or working hours. The outcome of such disputes frequently rests upon the strength of, or – and often more importantly – the *perceived* strength, of the power resources of the various actors. Indeed, as Blyton and Turnbull suggest, the

nature of the employment relationship 'is not simply one of (management) control versus (worker) resistance, but a more problematic mix of dissent and accommodation, conflict and cooperation' (1994: 31).

The following sections will, in the context of power relations, explore the extent to which employees have a 'voice' within the employment relationship.

Employee voice

The extent to which employees have a 'voice' in the workplace is a fundamental element of the strategic management of employment relationship; the concept has been central to academic literature on employment relations, organizational behaviour, HRM and International and Comparative HRM studies throughout the last 25 years and continues to be so (see for example: Ackers et al. 2004; Benson and Brown 2010; Dundon et al. 2004; Mowbray et al. 2015; Tüselmann et al. 2015). Although the meaning of 'voice' can be different for different actors within the employment relationship (Dundon et al. 2004) it can be broadly defined as the ability of employees to make a contribution to the main decisions in the organization (Lucas et al. 2006), and is understood in broad terms as 'a whole variety of processes and structures which enable, and at times empower, employees, directly and indirectly, to contribute to decision-making in the firm' (Boxall and Purcell 2003: 162). Writing from a people management perspective, the Chartered Institute of Personnel and Development in the UK describe employee voice as:

“the means by which employees communicate their views on employment and organisational issues to their employers. It's the main way employees can influence matters that affect them. Voice implies that communication between management and employees is a two-way exchange that enables employees to 'have a say' about what goes on in the organisation. Employees can have voice directly, by giving management their views themselves, or indirectly through representatives” (CIPD 2016 [online]).

There are formal and informal mechanisms of voice participation through information, communication, consultation between employers and employees and employees' active participation in the company

decision-making processes. Voice is seen as an important part of organizational commitment where employees make decisions in voice and non-voice spaces (Walton 1985; Lewin and Mitchell 1992; Pfeffer 1998; Dundon 2002; Ackers et al. 2004; Kaufman 2013).

Employee voice can take various formats and in organizations which operate from a pluralist perspective it is likely to be collective voice through trade unions and/or works councils (see below), whereas in organizations which follow the unitarist HRM approach to people management it is more likely to be an individualistic approach through team meetings, management communications etc. Again, we need to take caution in making wide-ranging assumptions and these are broad generalizations.

Brewster et al. (2007: 1248) state that employee voice practices ‘may be grouped by dimension (whether based on collective or individual voice) and depth (i.e. the extent to which a practice is likely to influence management decision making)’ and this is something we will return to later in the chapter. Figure 8.1 provides a pictorial view of employee voice in organizations and shows the ‘dimension’ (Brewster et al. 2007) of voice and the relationship between collective participation and unitarist involvement and neo-corporatism and neo-liberalism as discussed above.

Insert Figure

Figure 8.1

Source: author.

From the above, we see that employee voice can be interpreted in different ways. Within the unitarist versus pluralist debate (see our Figure 8.1 above), Freeman and Medoff (1984) argue that employee voice as a mechanism has both a consensual and a conflictual characteristic, where on the one hand, employee participation may have a favourable impact on quality and productivity while on the other hand, the collective voice provided by trade unions allows for a contestation of the power relations we discussed earlier. With regards to collective voice, trade unions can be mediators between management and workers within the employment relationship; by giving employees voice, managers allow workers some autonomy

within the workplace which ultimately can help to reduce the exit of workers (Freeman and Medoff 1984). By allowing workplace dialogue and negotiation to take place, it is possible to alleviate issues which may otherwise fester and lead to greater discontent; voice mechanisms are able to ‘reflect aggregated worker preferences’ (Heywood and Jirjahn 2009: 125) and therefore help promote workplace harmony. With the recent decline in trade union membership, there is much interest in the published literature on the extent to which workers are still able to have a ‘voice’ within the employment relationship, particularly for sometimes marginalised workers (Colgan and McKearney 2012). Beauregard et al. (2011) suggest that it is necessary to create new voice employment mechanisms which take account of diversity in order to develop a culture of inclusion whilst Rank (2009) argues that the increase of the ethnic, gender and age diversity of the workforce has not been adequately represented in the voice literature (Rank 2009).

Clearly employee voice has a central role in the employment relationship and this is particularly relevant when taking an international perspective (Marchington 2015; Tüselmann et al. 2015). Putting this into the context of the ideological frameworks followed by governments, as discussed above, in general – although not exclusively – organizations operating within a neo-liberalist framework (e.g. in the USA or UK) will follow the unitarist management approach. These companies will employ HR practices that promote employee ‘engagement’ (see below) through direct communication to workers with the main principle being to provide them with company specific information, rather than inviting discussion. In neo-corporatist settings (e.g. France and Germany), organizations are more likely to follow a pluralist management approach and give employees a collective voice in decision-making through trade union and/or works council representation. As we will see below, the unitarist, individual approach generally sits with human resource management strategies of Employee Involvement (EI), while the pluralist, collective approach sits within the Employee Participation (EP) strategic approach to people management.

Working definition of individualism and collectivism

Individualism refers to the extent to which personnel policies are focused on the rights and capabilities of individual workers. Collectivism concerns the extent to which management policy is

directed towards inhibiting or encouraging the development of collective representation by employees and allowing employees a collective voice in management decision-making. (Purcell 1987: 533)

Employee involvement, engagement and participation

The concepts of 'involvement' and 'participation' are used to refer to the scope of decision-making allowed by employee voice methods. Marchington and Kynighou propose three forms of employee involvement and participation (EIP): 'direct, indirect and informal' (2012: 3338). In the first instance, employees are directly involved with managers through team briefings and suggestion schemes; the second form, 'indirect' involvement, the authors suggest relates to employees who are collectively represented by trade unions or works councils and the final form is 'informal' involvement which is more likely to occur in organisations where trade unions are absent. This latter form may be a substitute for formal employee involvement and they suggest that it fits with the notion of 'employee engagement'. Marchington and Kynighou also discuss the degrees of employee involvement and participation which range from 'very little (information dissemination by managers) to a considerable amount (co-determination by managers and workers), with two-way communication and consultation in between these two extremes' (2012: 3338). We draw upon these forms in the following section where we differentiate between unitarist and pluralist strategic HR approaches to employee voice, in conjunction with neo-liberal and neo-corporatist ideological perspectives.

Employee involvement (EI) and employee engagement (EE)

Employee involvement is premised on the strategic HRM unitarist view that managers and employees have common interests. This approach to managing the employment relationship promotes the concepts of teamwork, quality and 'quality circles', customer care and employee commitment, all of which are in line with US and Japanese approaches to management. The view that sees EI as a mechanism by which managers are able to empower employees to the extent that they fully commit to the organisation and wholeheartedly collaborate in achieving organizational objectives is, we suggest, simplistic. This is because

such an approach fails to take into account the real distribution of power in the workplace (Wilton 2010: 290). Without a collectivist orientation to management, managers retain control in making the strategic decisions in the workplace, such as those relating to wages, working conditions or issues on the more general policy of the organization. Therefore, although this is a 'direct' form of involvement (Marchington and Kynighou 2012) which seeks to involve the employee through channels of expression it is also weak, giving them very little voice or opportunity to contest management decisions. It has been argued that EI systems are designed to weaken and marginalize trade unions, or to motivate them to take more responsibility (Ramsey 1977).

From a neo-liberal perspective, this would be the normal order of the employment relationship, whereas the neo-corporatist view would give more say to the employees and their representatives. According to Kersley et al. (2006), in the UK the decline of union representation in the workplace has coincided with an increase in the direct participation of employees, but this should not be seen as a natural progression: in France, for example, there is very low trade union membership (around 8 per cent of the workforce) but there is strong trade union representation in the workplace (Eurofound 2016).

There is much emphasis placed by HR practitioners on employee engagement (EE). It is seen as 'a combination of commitment to the organization and its values and a willingness to help colleagues' (CIPD 2012: 1). A useful conceptualization is that of Kahn who suggests it is 'the harnessing of organization members' selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances' (Kahn 1990: 694). As such, it is a complex and ambiguous notion which in essence is about engaging the 'heart and soul' of the employee when they are at work.

Employee participation (EP)

Employee participation fits with Marchington and Kynighou's (2012) indirect form of EIP and unlike employee involvement provides employees with a much stronger voice, giving them greater representation

in and access to the decision-making processes. Consequently, in this pluralist approach to strategic HR management some degree of power-sharing is evident between employees and management. Rather than simply communicating information to employees, management actively seek input from the workforce. As Brewster et al. state, 'participation accords employees a genuine – clearly demarcated – input into how the firm is governed' (2007: 1248), which is why some management teams are seen to resist it (Wilton 2010).

This form of participation usually involves the use of elected representatives who represent the interests of all employees. This can be through management's engagement with trade unions or through established works councils. The latter are common features in neo-corporatist societies in continental Europe and, as discussed below, are usually supported by legislation.

PIT STOP: REFLECTIVE ACTIVITY 8.4

Consider Figure 8.1.

1. where do you see (a) employee engagement (b) employee involvement and (c) employee participation fitting within this model? Provide reasons for your answer.
2. suggest ways in which 'employee voice' may influence the approach of managers to strategic HRM in the workplace.

Working definition of employee voice

- **Involvement:** a unitarist strategic HRM approach to employee voice whereby, through direct channels of communication, managers seek the views of employees in a desire to gain their commitment. This sits within the neo-liberalist ideological perspective.
- **Participation:** a pluralist strategic HRM approach to employee voice where management, through employee representatives, actively seek the input of employees into the decision-making processes. This sits within the neo-corporatist ideological perspective.

Participation in action: Trade unions

A trade union is an independent organization made up of members who are working people. The main principles of a trade union are to represent workers and to protect their working conditions; they do this through negotiation and collective bargaining with management. Trade unionism, referred to as the labour movement in the USA, emerged as a workers' defence against management practices in the nineteenth century. Early trade unions were closely related to craft workers and developed in order to represent skilled workers, however, the twentieth century saw the growth of large industrial unions which represented all workers regardless of employment status. The strengthening of worker power to resist management initiatives was a natural development of trade union growth, however, a trade union's strength lies in the willingness of the membership to take industrial action (to withdraw their labour). Like all organizations, trade unions have leaders and it is important to remember that these leaders are generally elected from the union membership.

Trade unions continued to grow until the early 1980s, and then we begin to see a general decline of these institutions in the liberalized market economies. By the end of the twentieth century the globalization of the workforce (see Chapter 12) had brought new challenges to the labour movement, particularly in industries whose workers could be replaced by a cheaper labour force in a different part of the world. Trade unions have nevertheless had a lasting influence.

The principles and practices of trade unionism are embedded in the economic systems of most industrial countries, and we often see trade unions fighting for social justice as well as workers' rights. Positive legislation and, in some countries, direct political action have established collective bargaining as the principal means of settling disputes over wages, working conditions, and other issues. Unions are, however, sometimes resisted by management and governments alike because they have the potential to mobilize workers to disrupt production.

In China such conflictual relations are avoided because trade unions have been embedded within the framework of the market economy. Despite legislation giving them more freedom, Chinese unions are required to promote the interests of the state and their leaders are frequently senior managers in the companies they are representing (Zhao et al. 2012). As such, they are not truly independent of the employer and thus there can be no union/management negotiation in the true sense of the word (see Case Study 8.2).

Over the past thirty years, there has been a worldwide decline in trade union membership for a multitude of reasons. Nonetheless, trade unions and their members are still active and can have a very big impact upon the employment relationship and also on wider social issues. For example, in France recently trade unions joined with students to protest against labour reforms with a reported 224,000 people demonstrating on the streets (Reuters, 2016) and International Women's Day 2016 was widely promoted by trade unions across the world (ETUC 2016).

PIT STOP: REFLECTIVE ACTIVITY 8.5

Read the above section on trade unions

- 1 What, if any, are their benefits to workers?
- 2 What, if any, are their benefits to managers?
- 3 How might collective bargaining promote employee voice in the workplace?
- 4 Have a look in the press for the last six months and see what you can find with regards to trade union involvement in national or international contexts. What role did the union play and what was the outcome of their involvement?

Collective bargaining

This is the term given to the process whereby trade unions representatives consult and negotiate with

management with regard to the terms and conditions of employment of their members.

Participation in action: Works councils

Throughout much of Western Europe works councils (WCs) are in operation. They are upheld in law in a number of countries particularly where they were introduced ‘as an integral statutory part of the post-war industrial relations system to aid co-operative efforts for economic recovery’ (Salamon 2000: 400). Hence we can view them as part of the neo-corporatist ideological frame of reference. WCs are an instrument for giving employees a voice in the workplace, helping facilitate employee involvement in employment relations and management decision-making at company level.

Generally made up of elected employees, works councils have various rights, ranging from being provided with company information (e.g. financial), through consultation with regard to various company policies and practices, to decision-making. The latter may involve issues such as changes in working hours, criteria for hiring staff and disciplinary procedures. It is important to recognize that WCs are completely different institutions to trade unions. They are enterprise-based and unlike trade unions, work councils have no right to instigate industrial action in any form. In that respect they might be viewed by management as being a less confrontational approach to employee voice. This may, however, be a misnomer as Bennett (1997) suggests that WCs can act as a countervailing influence on management decisions, delaying mergers and watering down management proposals. Although elected from the workforce in general, evidence suggests that trade unionists are often elected as works council members (Klikauer 2004; Addison et al. 2006; Gumbrell-McCormick and Hyman 2006) which means that management beliefs that they are marginalizing trade unions by instigating works councils may be misguided.

Organizations with works councils would normally exist within societies following a neo-corporatist ideology and would feature towards the left of the arrow in Figure 8.1, demonstrating a pluralist approach towards their employment relations strategy. Works councils fit comfortably with Marchington and Kynighou’s (2012) indirect form of EIP. As explored further in the next section, works councils provide

workers with a strong voice within the workplace.

Works Councils in Germany

The German model of a works council is frequently held up as an exemplar with regards to employee involvement and participation. They are viewed as important representative institutions in Germany and as such are highly regulated. In order to fully understand German works councils it is necessary to appreciate the context in which they operate. We will begin by exploring the way in which employees' voice is embedded in the employment relationship in Germany and then go on to look at a works council in action within the Volkswagen Group production site in Wolfsburg, Germany where they are very much a part of strategic HR decisions.

The German system of employment relations allows for two levels of employee involvement; the system of co-determination at the corporate level gives employees voice at the strategic management, 'supervisory board', level (the supervisory board supervises the management and has responsibility for long term decisions) and works councils provide it at the workplace level. These are discussed further below.

Co-determination at the corporate level provides workers with the right to participate in company decision making at the strategic level. Any organization with more than 500 employees, whether privately owned or within the public sector, are legally obliged to provide workers with co-determination rights. Employees elect one third of the members of the supervisory board. Where there are more than 2,000 employees they elect half of the supervisory board members; as the chairperson is always a representative of the shareholders the majority vote (and hence the power) remains with the employers. The exception to this is in the steel and coal mining companies with more than 1,000 employees where the representatives of the employees and employer are parity. In companies with more than 2,000 employees, co-determination is also incorporated in the management board. One director, the "Arbeitsdirektor", has to be responsible for personnel and social issues. The supervisory board is elected by the shareowners of a company. The supervisory board in turn appoints the management board and in steel and coal mining companies the

Arbeitsdirektor cannot be engaged against the vote of the employees.

At the workplace level, German legislation allows workers in companies with more than five employees to decide to set up works councils at any time (in the public sector staff councils). A works council is a body of people who are employees, elected by co-employees, as their workplace representatives. Importantly, employees have the exclusive right to initiate the election of a works council, employers are not allowed to prevent them but they do have to pay for all expenses. Works councils are fairly widespread; in 2012 there were works councils in around 40% of all private companies in Germany. Works councils are more likely to exist in large organizations than in smaller ones. Ellguth and Kohaut (2013) found that in companies with between 5 and 50 employees there were work councils in only 6% of the companies but in those employing over 500 or more workers there were works councils in 85% of the companies.

Works councils represent all employees of a company except executives who are authorized to recruit and terminate or have got management authority. Works council members are elected every four years and any employee can stand for election. The number of works council members is regulated by law (e.g. 1 member in companies with 5-20 employees, 7 members in companies with 100-200 employees and 17 members in companies with 1,500-2,000 employees). All the time members spend on works council tasks is classified as working time and is paid for by the company. In companies with more than 200 employees employers have to allow one member of the works council to work on a fully paid, full-time basis for the works council (in companies with 1,500-2,000 employees 4 members of the works council can work fulltime for it). The works council members have the sole authority to determine who does what share of the work. Works council members can only be dismissed for extraordinary reasons like gross misconduct. All necessities like offices, technical devices, meeting room, money for advisory experts and so on have to be provided by the employer but the latter do have the right to check if, for example, time is used for necessary tasks or expenses are appropriate. The trade unions usually support works councils with information, counselling and networking and although union members can be put forward for election there is no direct connection. There is, however, a close relationship between the two institutions: in 2010 around 77% of all

works council members were union members at the same time (Fulton 2013).

This is a good place to note that collective bargaining is the task of the 'social partners' i.e., trade unions and employers organizations. They agree on pay and conditions at industry level rather than workplace level. The idea is to keep conflicts on pay and conditions at industry level so that at the workplace level employees and employer can work together more cooperatively, often through co-determination and works councils. Only unions have the right to initiate strike action. This is not to say that workplace conflict does not exist, works councils do have conflicts with the employers, but in most cases the last decision is in the hands of an arbitration body whose final decision is binding (i.e., both parties have to accept this).

The scope of works councils can be grouped into three levels: information rights, consultation rights and co-determination rights. Information rights include for example the right to look into payrolls and general company workforce planning and the works council can request all documents they need to do their work. Consultation rights are stronger, the works council has not only to be informed about an issue, but employers have to give them time to consider this and wait for the statement of the works council. The strongest rights are co-determination rights, they include, for example, start and end of daily worktimes and positions of breaks, general rules for work time or work place flexibility, general rules for vacation planning, introduction of new technical devices which can be used to monitor employees (some mail programs, log files in some software, video cameras in production areas or shops), general rules of wages structures. The main idea of these three levels is that the strongest rights are about social issues, the weakest are quite close to economic affairs, where the employers can decide and works councils should cushion the effects for workers.

The main instrument of co-determination is the company agreement (Betriebsvereinbarung), this contract is legally binding and has to be concluded between works councils and employers. A study by Nienhüser and Hoßfeld (2005) looking at company agreements showed that in 2005 the average numbers of valid company agreements per company was 14; in small companies this was around 8 and in companies with

more than 1,000 employees around 36. The authors found that the main topics of agreements are working time, pay scale grouping, regulations around performance, employment protection and work organization.

PIT STOP: REFLECTIVE ACTIVITY 8.6

- 1 To what extent do you think works councils promote employee participation and involvement in the decision making of the workplace?
- 2 What, if any, are the benefits of works councils to managers?
- 3 What, if any, are the benefits of works councils to workers?

CASE STUDY 8.3

“No constant accessibility”: The Volkswagen Group company agreement

This case study presents a company agreement between the managers and the works council in Volkswagen (VW) Wolfsburg in 2011 and the strategic importance of this is discussed. The case study starts by providing an overview of the basic situation in the headquarters of VW in Wolfsburg before going on to present the main features of a company agreement in 2011 between the managers and the works council around the issue of restricting constant, out of working hours, accessibility of employees.

The Situation of the VW production site in Wolfsburg

The Volkswagen Group VW with its headquarters in Wolfsburg Germany is one of the leading automobile manufactures in the world and has a worldwide brand known for reliability and safety. In 2014 the share of the world passengers' car market amounted to 12.9 percent, group sales revenues totaled €202 billion with profit after tax reported as €11.1 billion (VW 2014). The company employs approximately 592,600 employees worldwide who are either involved in producing nearly 41,000 vehicles or working in other fields

of business (VW 2015).

The production site in Wolfsburg, Germany employs around 67,000 employees and the works council consists of 75 members. In March 2014 the election for the works council showed the following results based on a voter turnout of 64 percent:

- 67 of the members of the works council are members of the Industrial Union of Metalworkers (IG Metall)
- 3 members are members of the Christian Union Metal Industry
- 5 members are organized in a non-union group named the employees-interest-group
- 18 members (24 percent) of the new elected members are women. (Wolfsburger Allgemeine Zeitung 2014).

As discussed above, although trade union membership is not a prerequisite for works council membership, these figures demonstrate that a large proportion of the works council members at the VW Wolfsburg site are trade union members. We now turn to the issue of out of hours accessibility at VW Wolfsburg.

The Problem of Constant Accessibility

In today's world with the growing number of mobile devices employees can be accessible to management around the clock. There is a growing flexibility of work time and work place especially for employees who are in a position to decide where and when they want to work and enjoy the advantages of working away from the office. There is, however, another side to the flexibility coin as managers are able to access their employees outside of normal working hours, in fact through company mobile phones and Blackberry's, they can be contacted 24/7. While self-determined flexibility is welcomed by many people as they see it as a way to create a better work-life-balance, the access of the employers gets more and more criticized as work-life boundaries become blurred (See chapter 6). Sometimes it is not clear if companies want their employees to

be accessible all the time or if employees want to be informed and able to react all the time.

A study by the University of Freiburg found that constant accessibility can lead to increasing pressure on employees; conflicts between work and life are growing and lead to more stress (Pangert and Schüpbach 2013). It is, however, not only employers forcing employees to be accessible all the time, it is also employees who are checking their work mails at home, during weekends and holidays. Leslie Perow from Harvard University asked around 1,600 managers and professionals about their smartphone use habits: 70 percent checked their smartphone each day within an hour after getting up, 56 percent did so within an hour before going to bed and 48 percent checked it over the weekend (Perow 2012). A study drawn by the German Trade Union Association (DGB) showed in 2012 that around 27 percent of all employees have to be accessible in their free time (Carstensen 2015).

The Trade Union for Metal Workers in Germany asked around 500,000 employees about flexibility of work time. In their study, most employees wanted flexible work arrangements but with clear and transparent regulations and limitations (IG Metall 2013). It is perhaps worth noting that this is the union with the largest representation on VW Wolfsburg's works council.

At VW Wolfsburg, it is reported that employees were angry and frustrated by a 'blurring of the dividing line between workplace and home' (FT 2011 online). The works council spokesperson, Hans-Joachim Thust, commented on how family life might be disrupted by Blackberrys and mobile phones and might also lead to employee 'burnout' (The Independent 2011). He was quoted as suggesting that "new possibilities of communication also contain inherent dangers" (Thust 2011 quoted in The Independent online). It is within this context that the works council raised the issue with managers at VW Wolfsburg.

The Company Agreement about employee accessibility at VW in Wolfsburg Germany

In December 2011 the managers and works council at VW in Wolfsburg were party to a formal company agreement regarding the accessibility of employees through their company smartphones. With this company agreement, all employees who come within the remit of the works council (i.e., not executives of the

organization and other senior personnel) and who have a company smartphone are no longer accessible 24/7. The smartphones have been programmed so that employees are only able to receive company emails between the hours of 07.00 and 18.15, although the telephone function is always working. Heinz-Joachim Thust, from the works council stated: “the new options for communication also harbor certain dangers and we want to meet these challenges. The company agreement has already been positively received” (quoted by Heise 2011). For the works council it is now satisfied that employees do not have to be accessible around the clock and that colleagues can rest once the job has been done (Heise 2011). They are no doubt pleased that a VW spokesperson, Markus Schlesag, is reported to have said that VW has to ensure a balance between reaching staff all the time and protecting their private lives (Bloomberg 2011). On the face of it, this would appear to be a good result for the employees.

At the time of writing this case study and despite more recent issues faced by VW (such as the notorious carbon omissions ‘scandal’ in 2014), the company agreement was still valid. In 2011 when it was signed, the coverage of the agreement was about 3,000 employees (of 590,000 worldwide), that is all pay-scale employees in possession of a company smartphone in six different sites in Germany. The number seems to be small, but the strategic impact is not only about the numbers of employees covered, it is also about commitment of the management and the scope of this step.

Source: author

Questions

- 1 How would you describe the employment relationship in this case study (remember, Germany is seen as a successful economy, despite having employment relations practices, as described above, in place for many years!)?
- 2 With regard to people management:
 - a. To what extent do you think an active works council impacts on strategic HRM decision

making and in the formulations of policies and practices?

b. Think about the different actors (especially HR managers and works council members) can you identify their parallel and / or rival interests in the field of people management?

3 The number of employers who are covered directly by this company agreement is relatively small.

With this in mind, to what extent do you think that company agreements like this have a strategic impact at national and/or international business levels? Give reasons for your answer.

In the chapter so far we have discussed the roles of various actors within the employment relationship and within this discussion we talked about the importance of power resources, or the perception of power resources, on the employment relationship. One area that is often neglected when discussing both the role of actors impacting the employment relationship and the importance of power is that of the media and the impact that this institution might have on the employment relationship.

The media

Thinking about the media with regards to the employment relationship might at first seem strange, however, it is important for us to realise that when employment relations disputes develop into industrial action (for example, strikes or work-to-rule) then they can impact the general public outside the organisation and then they get reported in the media. Take for example, the dispute in the UK about working contracts between the junior doctors and the Government which has been ongoing since 2014 and resulted in the doctors taking strike action in 2015. This has been widely reported in all sections of the media, sometime in favour of the doctors and sometimes in favour of the Government. As a result of such reporting, the general public are, to some extent, able to discover the facts around the dispute and put pressure on one or other of the parties to settle the dispute. Clearly, media attention will, to some extent, play a role in the dispute – as we shall also see in the Foxconn case study below. Such attention can have an impact on the power relationship between employer and employee.

Marchington (1982) explores Fox's (1973) pluralist perspective and the imbalance of power in the employment relationship. He points to the fact that employers are not only able 'to influence employees directly at work but also through the underlying ideological perspectives that permeate the media and society at large' (Marchington 1982: 47), and this is a useful starting point for us to discuss the role of the media within the employment relationship.

In many societies it is now viewed as important that the media, and in particular television and newspapers, are able to freely report on societal and economic events. More recently, with the advent of satellite broadcasting, internet technology, 24-hour news channels on television and the World Wide Web with its social media websites, media coverage has become an instantaneous phenomenon. We, the 'general public', appear to have an unquenchable thirst for news and information and it is the role of the media to bring this information to us. The extent to which the media should remain impartial and unbiased in delivering such news has long been the subject of debate in societies which grant a freedom of reporting to their media institutions. In the USA, where the freedom of the press is protected by the US Constitution, the media are commonly known as 'the Fourth Estate'. This title demonstrates the significance given to the media in that country where they are seen as being of almost equal standing with the three official branches of government (legislature, judicial, executive). This gives us some idea of the power that the press may yield within a country. It is well-known that in many countries (including the USA), political parties are eager to encourage major newspapers to align themselves with their political views. For example, we often hear of newspapers as being aligned to 'the right' or 'the left' of the political spectrum.

We also need to remember that historically media sources were 'owned' by the state (for example the British Broadcasting Corporation [BBC] in the UK) and were therefore to some extent controlled in what they were allowed to put into the public domain. Although for many countries in the Western world this is no longer the case, there are still some countries where this remains the situation and as such media reporting should be followed with caution.

So what role might the media play in the employment relationship? The way in which the media report a news story can provide that story with a stance that favours one party or another. This is often the case with, for example, the coverage of employment disputes, particularly strikes. It may be that one section of the media supports the management and slants the reports in their favour, while another section of the media may be sympathetic to the workers and their trade unions. (See Reflective Activity 8.7 and the Foxconn Case Study below.)

PIT STOP: REFLECTIVE ACTIVITY 8.7

The media

- 1 Read the political editorial of three different newspapers. Discuss whether they are to the left or the right of the political spectrum.
- 2 Find a news article which covers an employment relations issue and:
 - i Consider whether the reporting can be seen as unbiased.
 - ii Does it favour the employers or the employees? Give reasons for your answer.
 - iii What impact might this coverage have on the issue being reported?
- 3 Are you able to relate the coverage with neo-liberal or neo-corporatist ideological views?

CASE STUDY 8.3

The employment relationship at Foxconn China

The Taiwanese-owned FoxconnLonghua factory (or campus as it is often referred to), located in Shenzhen in China, is reported as being one of the largest contract manufacturers for electronic goods – and indeed the largest factory – in the world (Branigan 2010). Covering more than a square mile, the facility provides dormitories for workers as well as other everyday facilities such as shops, banks and swimming pools. In 2010 more than 8,000 people a day were reported to apply for jobs (Moore 2010) and in 2012 around

240,000 people were employed there (*Economist* 2012). Across China, Foxconn is a huge employer, employing around 1.4 million workers on 28 different sites (*Economist* 2012). The workers in these factories are mainly migrant workers from rural areas. At the time of this case study, wages were said to be above the National Minimum Wage (NMW) at 900 Yuan (approximately J91) per month in 2010 (Branigan 2010) and this was later reported to have increased, with one report suggesting an average 21.2 per cent increase in 2011 (Reuters 2012).

In 2010 news broke on a worldwide scale of suicides taking place in the factory. Reports suggested that around 18 workers had attempted suicide with 14 actually dying (Zhang 2012). Despite the tragic nature of these suicides they might have gone relatively unnoticed, except for the fact that Foxconn was manufacturing Apple products such as the iPhone and iPads. Hence we have 'newsworthiness'.

News reports suggested that factory workers were working very long hours in repetitive and monotonous jobs to make enough money to live. Although above the NMW, wages were insufficient and workers were working vast amounts of overtime to make enough money to survive, often working up to 120 hours extra a month and averaging 70 hours of work per week (Moore 2010). It was reported that staff were 'burning out' due to the long hours and repetitive nature of the work (Moore 2010). Workers were forbidden to talk during their long shifts and often felt lonely and isolated, working on a compound a long way from home (Zhang 2012), and there were reports of under-age workers (Smedley 2013).

Nevertheless, despite these apparently appalling conditions, some workers say that conditions and wages compare well with other manufacturers (Moore 2010) and writing in 2012, the *Economist* reported that workers appeared relatively content, despite sleeping eight to a dormitory and there being safety nets to prevent suicide attempts (*Economist* 2012). The 'better than average' working conditions may well provide a clue as to why workers continue to apply for jobs. It may also be due to the looseness of the labour market (Torrington et al. 2008 as discussed above) in rural areas of China; people desperate for employment will take what work they are able to get.

Since the suicides in 2010, there have been a number of protests at Foxconn campuses across China, with workers demanding better pay and working conditions. These protests have ranged from suicide threats (Reuters 2012; Zhang 2012) to demonstrations and strikes (Zhang 2012). The reports about the situation at Foxconn were so bad and the publicity so incriminating that Apple asked the Fair Labor Association (FLA) to set about investigating the situation. The FLA spent almost a month gathering both quantitative and qualitative data, including site visits. In March 2012, FLA produced a wide-ranging report identifying four main areas for improvement (Fair Labor Association 2012a):

- 1 *Working hours.* These were reported as exceeding the ‘FLA Code Standard and Chinese legal limits’ (2012a: 2) with some workers working more than seven consecutive days without a 24-hour break.
- 2 *Health and safety.* Workers ‘felt generally insecure’ (2012a: 2) and there was a concern about aluminium dust.
- 3 *Industrial relations and worker integration.* The FLA found workers were ‘largely alienated, in fact or in perception, from factories’ safety and health committees’. The FLA also suggested that as managers nominate the candidates for the worker representatives the committees, which tend to be reactive rather than proactive, ‘may not be truly representative of the workers’ (2012a: 3).
- 4 *Compensation and social security insurance.* Although wages were above the legal minimum, the FLA found that ‘14 percent of the workers may not receive fair compensation for unscheduled overtime’ (2012a: 3) as overtime was paid in 30-minute blocks. Therefore 29 minutes and less went unpaid and workers completing 58 minutes would be paid for only 30 of these.

In August 2012 the FLA announced that progress had been made and that ‘[O]ver 280 action items [had been] completed on time or ahead of schedule’ (Fair Labor Association 2012b). In September 2012, however, there had been more news of unrest at the company when fighting broke out amongst workers in the Taiyuan factory in Northern China, which employs around 79,000 workers, and the plant was temporarily closed (Arthur 2012). Managers and police were reported as saying that this was not work-

related, however, this followed an earlier 'rampage' by workers in the Chengdu plant (Arthur 2012) and a refusal to work (the company denied reports of a strike) at its approximately 200,000 strong factory in Zhengzhou in October (Hille 2012).

In 2013, Foxconn announced that it was introducing measures to increase employee representatives (*China Post* 2013) and were described as the first Chinese company to introduce a truly independent labour union, the Foxconn Federation of Labour Unions Committee (Hille 2013). For Foxconn workers, this might be seen as a positive step forward, however it is debatable to what extent this new initiative will improve their representation in any meaningful way due to management involvement in the way in which representatives are chosen (*China Post* 2013; Reuters 2013). This is not unusual in China. We discussed earlier in the chapter how Chinese trade unions are embedded within the organization and there is little (if any) encouragement to resist management initiatives. Although the company was said to be seeking the help of the FLA to train the workers in how to vote for their union representatives, there is still some doubt as to the independence of the union. As Hille (2013) points out, the Chairman of the Union is apparently a close and trusted member of the management team.

The saga of Foxconn in China refuses to go away. Apple has been affected by the bad publicity and the media refuses to give up its pursuit of a 'shocking' and newsworthy story. In December 2014 a BBC TV documentary reported that the working condition standards for Foxconn workers put in place by Apple following the well-publicised suicides were in fact still being breached and in general, conditions at Foxconn had not improved. They cited examples of long working hours, extended shifts without breaks and exhausted workers (BBC 2014). Apple were quick to refute these claims with their senior vice-president reported as saying that the company are 'deeply offended by the suggestion that Apple would break a promise to the workers in our supply chain or mislead our customers in any way' (quoted in the Guardian online). Nonetheless, Apple and Foxconn remain in the gaze of the public, perhaps demonstrating the power of the press.

Source: author.

Questions

- 1 Why do you think there is unrest at the Foxconn factories in China?
- 2 Discuss the extent to which having:
 - i a works council
 - ii a trade union might improve workplace relations.
- 3 Consider the discussion of trade unions earlier in the chapter. To what extent does the Foxconn Federation of Labour Unions Committee fit with this description? Give examples in your answer.
- 4 Drawing upon your understanding of the ideological perspectives discussed, how can you interpret the policies and practices of the Chinese Government? Provide examples in your answer.
- 5 What role, if any, do the media play in pressurizing management to improve working conditions?
- 6 What might you as a HR manager do to improve the relationship between workers and management?

Conclusion

This chapter has provided an insight into the complexity of the employment relationship and how it relates to HRM strategic decision making. It has demonstrated how there is an ever-changing and dynamic interactive relationship between various actors and agencies, both within and outside the workplace, and how these are able to impact on the people management practices and processes within an organization.

Initially we saw how the ideological perspective of the government can influence the HR strategies of organizational leaders. If a government promotes a neo-corporatist, collective orientation towards worker representation, then organizations are more likely to take a pluralist strategic approach to people management and accept and work with trade unions or other worker representatives such as works councils.

In such organisations workers are seen to have a strong collective voice. On the other hand, if the government follows a more neo-liberal orientation then organizations are less likely to engage with trade unions and works councils. In some countries, specifically the USA and to some extent the UK, trade unions are actively discouraged. Following this approach in the workplace, management may be seen to pursue an individualistic and unitarist strategic HRM style towards managing the workforce. In such organisations workers may feel that they have little voice. It is important to recognise, however, that these are simplistic ideological and management concepts which are not discrete entities; they are a helpful tool for us to understand the context within which the employment relationship operates but we should draw upon these with caution.

Despite perhaps feeling the lack of need for trade unions, the contemporary thought in 'enlightened' organizations towards people management is that there is a necessity to engage the workforce in order to gain employee commitment to the culture and goals of the company. This chapter has demonstrated ways in which employee participation and involvement may help organizations achieve this engagement. It is important to consider, however, whether such engagement is superficial and rhetorical or whether it does, in reality, give an active voice to worker representation.

The German works council case discussion and study demonstrates for us how strong employee workplace participation can and does work. We see here how employee voice is enshrined in law and we know that, despite having works council and trade union involvement in organisations, Germany has developed into – and remains – a very strong world economy.

The Foxconn case study allowed for an exploration of worker voice from a 'bleak house' (Sisson, 1993) perspective. This case highlighted the complexity of the Chinese model of employment relations. Although there is a trade union *in situ*, it is embedded within the company structure and therefore not given an independent voice. The Foxconn Federation of Labour Unions Committee is neither a trade union in the true sense of the meaning nor does it have the rights of a works council. The workers at Foxconn are faced with

what Keller describes as a 'representation gap' (2004: 226) where employees have neither works council nor trade union representation, and hence no voice. We highlighted in the chapter how power, or a perception of power, was important in balancing the employment relationship. In the Foxconn case, worker power came through extreme measures, such as suicides, which highlighted the plight of the workers to the world media. This demonstrates how the balance of power can be moderated and changed by the media but it leaves one to question whether without such scrutiny Foxconn workers would still be in extreme dire straits.

Although a neo-liberal approach to management promotes the right of the manager to manage, we can see how this can be affected by influences outside of their control. For example, government legislation can impact upon the equal opportunities and health and safety policies and practices within the organization, while the state of the labour market can make recruitment more or less difficult and also impact on the wage levels set. The strength of the labour market may also influence the balance of power within the employment relationship – a balance which we suggest is often asymmetrical (Blyton and Turnbull 2004). Nonetheless, as in the case of the junior doctors in the UK discussed earlier, even in an entrenched neo-liberal society when workers act collectively they are able to impact on, if not change, the power relations between workers and management, or workers and government.

From a strategic HRM perspective, HR managers need to be aware of, and take account of, the prevailing context in which the organisation operates. To emphasise this we go back to our starting point – organizations do not operate in a vacuum and managers need to be aware of the institutions within which they operate and the stakeholders that they deal with.

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