



Cornell University
ILR School

Cornell University ILR School
DigitalCommons@ILR

CAHRS Working Paper Series

Center for Advanced Human Resource Studies
(CAHRS)

9-1-1994

The Future of Employee-Employer Relations

Thomas A. Kochan
Massachusetts Institute of Technology

Follow this and additional works at: <https://digitalcommons.ilr.cornell.edu/cahrswp>

 Part of the [Labor Relations Commons](#)

Thank you for downloading an article from DigitalCommons@ILR.

Support this valuable resource today!

This Article is brought to you for free and open access by the Center for Advanced Human Resource Studies (CAHRS) at DigitalCommons@ILR. It has been accepted for inclusion in CAHRS Working Paper Series by an authorized administrator of DigitalCommons@ILR. For more information, please contact catherwood-dig@cornell.edu.

If you have a disability and are having trouble accessing information on this website or need materials in an alternate format, contact web-accessibility@cornell.edu for assistance.

The Future of Employee-Employer Relations

Abstract

[Excerpt] This paper seeks to initiate a discussion of the challenges facing the future of employee-employer relations in the United States. I take a very broad perspective to the task, one that reflects the expanded domain of issues, activities, and parties that must be considered if employee relations are to contribute to the twin challenges facing the American economy and workforce: The need to improve long term economic competitiveness while simultaneously improving our standards of living.

Keywords

future, employer, employee, relations, American, human resource, work, model, corporate, participation, firm, executive, labor

Disciplines

Labor Relations

Comments

Suggested Citation

Kochan, T. A. (1994). *The future of employee-employer relations* (CAHRS Working Paper #94-23). Ithaca, NY: Cornell University, School of Industrial and Labor Relations, Center for Advanced Human Resource Studies.

<http://digitalcommons.ilr.cornell.edu/cahrswp/247>

WORKING PAPER SERIES

The Future of Employee- Employer Relations

Thomas A. Kochan

Working Paper 9 4-23



The Future of Employee-Employer Relations

Thomas A. Kochan
Sloan School of Management
Massachusetts Institute of Technology

Working Paper #94-23

<http://www.ilr.cornell.edu/depts/cahrs>

This paper has not undergone formal review or approval of the faculty of the ILR School.
It is intended to make results of Center research, conferences, and projects available to others interested in human resource management in preliminary form to encourage discussion and suggestions.

The Future of Employee-Employer Relations¹

This paper seeks to initiate a discussion of the challenges facing the future of employee-employer relations in the United States. I take a very broad perspective to the task, one that reflects the expanded domain of issues, activities, and parties that must be considered if employee relations are to contribute to the twin challenges facing the American economy and workforce: The need to improve long term economic competitiveness while simultaneously improving our standards of living.

I will first review the emerging consensus among academics, private practitioners, and policy analysts regarding the type of employment practices that are required to gain competitive advantage from human resources. Then I will assess both where American firms and employees are in their efforts to transform their relationships to implement these principles. Drawing heavily on the data collected by the Cornell Center for Advance Human Resource Studies (CAHRS) Delphi Study and the IBM/Towers Perrin survey, I conclude that prevailing models of employee relations are not likely to produce the required economic results for either the American economy or the workforce and that more widespread and more extensive types of innovation will be required in the years ahead.

Several alternative models of employee relations and organizational governance are then evaluated for their potential for encouraging and sustaining these innovations. These models share several key features. First, they expand the domain of employee relations to include the strategic level of corporate decision-making and organizational governance processes. Second, they all seek to elevate the importance of human resource considerations and employees as stakeholders in corporate strategy and governance. Third, they encourage employee participation and representation for both distributive and integrative employment relations issues (Walton and McKersie, 1965). Fourth, they break out of the isolationism characteristic of American corporations, that is, the tendency of managers and human resource professionals in the U.S. to be limited by the boundaries of their individual firm and the interests of their top executives. Instead, these alternative models are based on the proposition that the ability of any individual firm to successfully adopt and sustain innovations in employee relations is dependent on the extent to which similar innovations are adopted by their product and labor market competitors, suppliers, and customers. This, in turn suggests the need for new institutional arrangements, and public policies that encourage the growth of stronger coalitions

¹ Support for this research was provided by the Alfred P. Sloan Foundation, the MIT Leaders for Manufacturing Program and the MIT Industrial Performance Center. The views expressed in this paper are solely those of the author.

of labor and human resource professionals among the management, government, labor, and academic communities. Thus, all these efforts seek to build a new change model driven by a coalition of interested parties who share a concern over these issues. Throughout this paper special attention is given to the role of human resource management professionals since I believe they will need to undergo a profound change in ideology, role, and behavior if they are to play a meaningful and constructive role in shaping the future of employee-employer relations.

The Expanded Domain of Employee Relations

Historians in our field will some day describe the past decade and a half as time of two opposing developments. On the one hand these were years in which significant innovations were initiated by the parties to employment relationships in the private sector of the economy. Managers, employees, and unions experimented with fundamentally new practices that broke with longstanding traditions in American personnel and industrial relations. At the same time, however, these were also years of continued escalation in adversarial relationships between organized labor and the business community and between the government and organized labor and, a decade in which trust in top management generally declined among blue and white collar employees. As union membership continued its downward spiral, tensions escalated and frustration levels increased making it more difficult for the innovative side of employment relations to triumph over the confrontational side.

But beyond the deterioration in labor-management relations, the 1980s and first part of the 1990s will ultimately be judged as a time that was extremely hard on employee interests. Macro labor market data record this past decade as one in which real wages fell for all categories of workers except top executives; wage inequality increased significantly; unemployment not only remained at high levels but by the early 1990s was changing in character to affect more white collar and managerial employees; occupational injury rates not only stopped the gradual decline of the 1970s but began to rise again; and a higher percentage of the new jobs created in the economy were either temporary or part time in nature and/or were full time jobs that lacked pension and related social benefit coverage (Kochan and Osterman, 1994). Ultimately it is this legacy that those responsible for studying, designing, or administering employee relations policies and practices will be held accountable for by future historians.

Effects on Employee Relations Research

These twin developments-- innovations in the face of increased adversarialism and poor macro labor market outcomes-- had a profound effect on research in employee relations. Historically, the study of employee relations proceeded on two parallel tracks. Personnel researchers studied individual employee-employer relations while industrial relations

researchers studied collective approaches to employee-employer relationships. Searching for an interpretation of these developments led scholars working from both of these perspectives to expand their domains and revise their traditional models.

From Personnel to Strategic Human Resource Management.

Prior to the 1980s personnel researchers drew primarily on individual level concepts and theories from the discipline of industrial psychology. This work was aimed at informing personnel specialists who were viewed as responsible for managing traditional selection, training, appraisal, compensation, labor relations, and other functional activities. At the core of this industrial psychological based approach was a focus on what Schein (1978) called the psychological contract, i.e., the implicit expectations individuals have of their employer and employers have of individual employees. A healthy psychological contract was one that integrated employee aspirations with the policies and outcomes produced by the firm. Personnel specialists were viewed as responsible for nurturing this implicit contract to achieve outcomes such as commitment (low turnover), motivation (individual effort), and high levels of job performance (productivity). In turn, personnel specialists were expected to design and administer policies that translated these organizational outcomes into equitable economic rewards, long term career opportunities, personal growth, and job satisfaction. Thus, employee relations focused on the interface between individual attitudes and behaviors and firm personnel policies.

The events of the 1980s produced a recognition among personnel researchers and practitioners that top management and line executives play critical roles in shaping the psychological contract or, what came to be called the organizational culture (Kotter and Heskett, 1992). Moreover it was recognized that the competitive strategies (Porter, 1980) chosen by top executives constrained the range of personnel policies that could be adopted. Thus, the attention of personnel practitioners and academics shifted to the question of how to elevate the importance, status, and influence of human resources in corporate strategic planning and decision making in ways that better linked decisions regarding the employment relationship and their role to the critical decisions that affected the long run direction and strategies of the firm. The field of strategic human resource management thus emerged.

From Collective Bargaining to Strategic Choice in Industrial Relations.

A similar broadening occurred in the models guiding those who focus on the collective aspects of the employment relationship. Traditionally, concern for these issues fell to American industrial relations researchers who in turn translated this interest into the study of collective bargaining. This seemed appropriate at the time because ever since the New Deal, collective

bargaining had served as the central vehicle for employees to have collective input into employment relations decisions. The guiding principle of the New Deal system of collective bargaining was that management retained the right to manage and make the strategic business decisions subject to the duty to bargain over the impacts of these decisions on wages, hours, and working conditions. The bargains struck then became explicit written contracts or binding rules (Dunlop, 1958). Like their personnel counterparts, traditional industrial relations researchers focused their attention on the role of the management and labor representatives, i.e., the specialists who negotiated and administered these formal contracts and rules. The critical task of management representatives was to insulate senior managers and line executives from the bargaining process and protect their managerial prerogatives to make the strategic decisions on issues that, under our traditional system, fell outside of the legitimate scope of employee relations.

The events of the 1980s changed this perspective as well. From the early labor and management experiments with employee participation to the more recent efforts to introduce fundamentally new models of organizational governance emerged a common theme. It was no longer feasible or desirable to draw a clear line of demarcation between where labor-management relations stops and strategic management decision-making begins (Kochan, Katz, and McKersie, 1994). This is because the most important decisions regarding employment policies and the outcomes they produce for the firm and its employees begin with the strategic decisions made at the top of the organization, far beyond the reach of traditional collective bargaining or labor relations. Likewise, it no longer was adequate to limit the focus to the formal contract negotiations and administration processes since a revolution in practices was underway affecting the organization of work, the participation of employees, and the introduction of new production practices and technologies at the workplace. Together these developments above and below the levels of personnel policy and collective bargaining were fundamentally altering the role of individual employees and their work groups in ways that had to be incorporated into analysis and design of employment relationships.

The Emerging Consensus

By the end of the 1980s experiences with innovations and the changes in the research perspectives described above began to come together in a new consensus on an expanded model of the employment relationship that offered the potential for achieving and sustaining joint benefits to employees and the firm. While the specific practices embedded in this model varied from setting to setting or from researcher to researcher, its generic principles are summarized in Figure 1 (Kochan and Dyer, 1992; Kochan and Osterman, 1994). In brief, these principles

emphasize the interdependence among: (1) strategic level factors such as: the competitive strategies and values guiding top decision-makers, human resource planning and policy making processes, and the means by which employee interests influence the long term strategies and governance processes of the firm; (2) functional personnel policies governing compensation, employee training and development and employment security; and (3) workplace practices affecting job design and work organization, employee participation, recruitment and selection standards, and labor-management cooperation.

The innovations of the 1980s generally involved organizations individually experimenting with one or more of the generic principles listed in Figure 1. Yet despite the growing consensus among researchers and informed practitioners over these principles, the rhetoric around these ideas far outstripped the extent of change in actual practice. Instead, at present we continue to experience at best a limited degree of diffusion and adoption of these principles.

Figure 1

Strategic Level

Supportive Business Strategies

Top Management Commitment

Effective Voice for Human Resources in Strategy Making and Governance

Functional (Human Resource Policy) Level

Staffing Based on Employment Stabilization

Investment in Training and Development

Contingent Compensation That Reinforces Cooperation, Participation, and Contribution

Workplace Level

High Standards of Employee Selection

Broak Task Design and Teamwork

Employee Involvement in Problem-Solving

Climate of Cooperation and Trust

Two recent national surveys provided the best estimates of the extent of diffusion of the most common forms of workplace innovations-- employee participation and teams and total quality management (TQM) practices. Lawler, et.al. (1992) surveyed the one thousand largest firms in the manufacturing and service sectors and found that while a majority (over 70 percent) indicate they have introduced some of these innovations in their organizations they also report relatively limited rates of diffusion within their firms. The modal rate of coverage of workplace innovations among firms reporting using these practices was approximately 20 percent.

Osterman (1994) conducted a similar national survey of establishments. This survey has significant advantages over most previous such studies since it collected data from respondents closer to the actual workplaces that are the focus of the questions (i.e., instead of asking a corporate staff person to estimate the percentage of employees throughout the corporation who are involved in TQM activities, Osterman's survey asked a plant or office representative this question for employees employed at that particular location). Again about 70 percent of establishments report that they have employee participation, teams, or TQM underway at their locations. He found that there is wide diversity in the range of workplace innovations-- no combination of employee participation, teams, or TQM activities dominated. Osterman's estimates of the diffusion of innovation across establishments are somewhat higher than most previous studies. He chose a relatively liberal criterion to produce an overall estimate of the extent of diffusion of workplace innovations-- whether fifty percent of the core employees in an establishment (those engaged in the main line production or service activities of the business) were covered by any combination of two forms of workplace innovations. Using this criterion Osterman estimates that perhaps one third of the establishments in his survey were implementing significant workplace innovations in 1992.

Thus, there is considerable innovative activity underway in American enterprises and workplaces, consistent with the rhetoric and consensus that is found in the literature and among professionals. However, it is still limited to a minority of workplaces and workers, and it tends to be rather thin in nature; i.e., most firms tend to introduce limited forms of employee involvement or TQM practices without linking them to the other range of innovations in human resource practices and strategic policies shown in Figure 1.

There is also some question about whether these innovations are sustainable over time. A recent longitudinal study conducted in Canada found, for example, what others (Goodman, 1980; Drago, 1988; Lawler and Mohrman, 1985) reported in similar studies before, namely, a high rate of attrition in workplace innovations. The Canadian study found, for example, that about one third of the employee involvement programs and/or pay for skills programs in place in 1985 were no longer in place six years later (Betcherman, Verma, and Licher, 1993). Osterman's survey also suggested that many innovations are relatively new-- only 20 percent of his sample reported that two or more had been in place for five years or more. What affects sustainability of these innovations? One of the strongest predictors appears to be the extent to which workplace innovations are reinforced by comparable innovations in the other human resource practices and strategic level factors outlined in Figure 1. For example, analysis of the Osterman survey showed that workplace innovations were more likely to be adopted and

sustained over time in settings where they were reinforced by extensive training, contingent compensation systems, relatively less use of contingent workers, human resource departments that have influence in strategic decisions of the firm, and top management values that espouse the importance of addressing worker (and family) concerns (Kochan and Osterman, 1994). Similar results were found in a international survey of TQM practices conducted by Ernst and Young and the American Quality Foundation. In that survey, the firms most likely to adopt and sustain TQM practices were ones that accompanied them with high levels of training, teamwork, contingent compensation, and unions were joint partners in implementing these programs and consulting with top management on strategic decisions (Kochan, Lautsch, and Hoffer, 1994).

What are the biggest threats to sustainability? Surveys (Lawler et al, 1992) and case study evidence (Kofman et al, 1993) suggest that the biggest threat is corporate downsizing and pressures for short term cost controls. Other factors cited most often in unionized establishments are the continued decline and insecurity of unions and the escalating tensions in labor-management relations that result from pressures to reduce wage and benefit costs and cut employment in existing facilities, and from the inability of union leaders to overcome management opposition to organize new establishments where employment expansion is most likely to occur in the future. The combination of the prolonged recession of the early 1990s, along with the continued decline in union membership and the pressures to reduce costs and cut headcount, not only slowed the pace of innovation but also threatened the psychological contract between individual employees and the firm and the capacity of unions and employers to sustain partnership arrangements. Thus, the adversarial, low trust side of employee relations once again appears to be on the rise and threatens to drown out the potential for further innovations.

The Role of Government

Analysis by various government sponsored commissions on the future of the labor force and employment generally endorsed the consensus view on the importance of transforming employee relations to embody the principles in Figure 1. The common conclusion of at least five national commissions that were formed over the past decade, each sponsored by a current or former Secretary of Labor, was that to achieve the twin goals of competitiveness and high living standards required increased investments in human resources and innovations in employment relations practices. But actual government policy failed to match the rhetoric and stated support for these principles. While the call for greater attention to human resource and labor management cooperation went out from these commissions, the federal government receded from the employment relationship and labor and human resource issues lost status and

influence within the government's top policy making circles. The budgets for key Labor Department agencies or programs dealing with labor management cooperation, training and development, and safety and health all were reduced in the 1980s. The two federal programs for promoting these efforts were dismantled by 1992. Thus, one critical challenge facing the Clinton Administration when it took office was to construct a new policy and role for the government capable of supporting, diffusing, and institutionalizing the principles embodied in the new model (Kochan, 1993).

This effort is now underway but is only in its formative stages. The Secretaries of Labor and Commerce, along with the President, held a major national "showcase" conference in July, 1993 with leading companies and unions to both demonstrate their support for workplace innovations and to discuss how the government might help overcome obstacles to diffusion and sustainability of these innovations. The Department of Labor established a new Office of the American Workplace to promote and monitor workplace innovations. A national Commission on the Future of Worker Management Relations has also been set up to identify what, if any, changes in law and government policy are needed to both sustain innovation and reform related aspects of employment policy.² Figure 2 summarizes the charter or Mission Statement of this Commission. The major challenge facing both this Commission and government policy-makers in general, however, is to overcome the deep seated skepticism among business leaders (and many others) that government can play any positive role in workplace matters. I will return to how this issue might be addressed later in this paper.

With this background, we can now examine how the professionals surveyed by CAHRS and IBM/Towers Perrin view their present and future roles.

A Look to the Future- The CAHRS Delphi and the IBM Studies

My reading of the results of these surveys suggests two broad conclusions. First, these professionals endorse the principles espoused in the academic and management literatures and by government commissions of the past decade. Both surveys indicate that the organization of the future will need to experience dramatic increases in productivity, achieve world-class quality, and improve speed in moving new ideas, products, and services to the market. These are taken to be the key priorities or imperatives for the enterprise of the future and by extension, for human resource executives. The CAHRS survey further indicates that to meet these imperatives the typical enterprise will increase its investments in training and development and allocate these investments more equitably by spending proportionately more on lower level

² Although I am a member of this Commission, the comments expressed in this paper are my personal views and not those of the Commission.

employees and less on top executives and managers. Moreover, teamwork, and to a lesser extent empowerment of employees at the workplace, will be encouraged. Thus, there is little disagreement over what is needed in the enterprise of the future.

Figure 2

Commission of the Future of Worker Management Relations Mission Statement

The future living standards of our nation's people, as well as the competitiveness of the United States, depend largely on the one national resource uniquely rooted within our borders: our people -- their education and skills, and their capabilities to work together productively.

The President's economic plan lays a new foundation for the education and training of the nation's work force. But even a work force that is well prepared for the jobs of the future will fail to adequately improve the nation's productivity and living standards unless workers and managers work together more effectively. Both parties must take on new responsibilities.

To this end, the President has asked the Secretary of Labor and the Secretary of Commerce to form a Commission on the Future of Worker Management Relations. The commission will investigate the current state of worker management relations in the United States and report back to the Secretaries in response to the following questions:

1. What (if any) new methods or institutions should be encouraged, or required, to enhance work-place productivity through labor-management cooperation and employee participation?
2. What (if any) changes should be made in the present legal framework and practices of collective bargaining to enhance cooperative behavior, improve productivity, and reduce conflict and delay?
3. What (if anything) should be done to increase the extent to which work-place problems are directly resolved by the parties themselves, rather than through recourse to state and federal courts and government regulatory bodies.

But a close look at these two surveys suggests a second, rather contrary conclusion: Efforts to achieve these critical objectives will be thwarted by not only a continuation, but an acceleration, of the same pressures that constrained achievement of these goals in the past. For example, the CAHRS survey indicates that human resource managers will be under strong pressures to control compensation costs (as they have been since the 1980s), to reduce headcount, and to increase the use of contingent employees who do not have long term career attachments to the firm. As the IBM study shows, human resource managers will continue to see their role more as partners with line managers and top executives than as partners or

advocates of employee interests. Unions are not expected to experience any significant resurgence according to the CAHRS results. (The IBM study didn't ask about employee presentation). Empowerment (and where present union-management relations) is expected to be generally limited to the workplace level and immediate job related issues and not extended to strategic management issues. Government is expected to play less of a role in the workplace of the future than it has in the past. The net result of these contradictions, according to the CAHRS survey, is a workforce that will experience limited satisfaction with career opportunities, high levels of stress, and only very modest levels of challenge, commitment to work, motivation to perform, and performance.

Thus, as projected here, the future doesn't add up, at least if we remain stuck within the current models of employee relations. Reducing employment security and average employee tenure will reduce, not increase, incentives to invest in training for any given firm. Lowering headcount may help to reduce compensation costs but, as in the past, will also reduce employee trust and commitment and therefore make teamwork and participation less effective or sustainable. Increasing the number of outside contractors, part-time and temporary employees will increase costs of communication, reduce cohesion and teamwork, and escalate conflicts between core and periphery employees (Kochan, Wells, Smith, and Rebitzer, 1994). The continued weakness of unions means that the external pressure that labor traditionally has provided to stimulate and sustain innovations in personnel and labor relations practice (Slichter, Healy, and Livernash, 1960) will be absent or insignificant. If, as the IBM study suggests, government becomes even less of a force in the U.S. labor market in the future than it has been in recent years, it too will not serve as the force for innovation as it did when it enacted the New Deal labor legislation in the 1930s, promoted orderly collective bargaining through the War Labor Board in the 1940s, or enacted legislation governing equal employment opportunity, occupational safety and health, and other labor market legislation in the 1960s and early 1970s. (Baron, Dobbins, and Jennings, 1986).

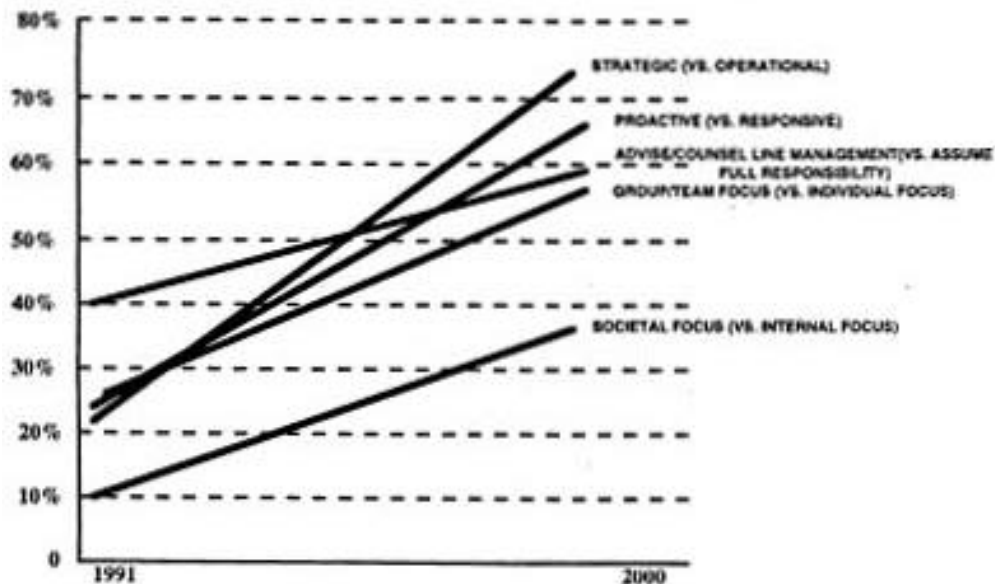
This leaves the task of promoting innovations to human resource professionals and their line management and senior executive "partners". But the IBM study provides a candid picture of the difficult balancing act that human resource professionals face in playing this partnership role. On the one hand, the study concludes that significant changes in the role of human resource professionals will be needed in the coming decade. Specifically the study notes that "respondents don't believe that their human resource functions are capable of addressing a new more business-oriented agenda for HR." (p.20, emphasis in original). Figure 3, a replication of Exhibit 7 from the original IBM/Towers Perrin study, shows that the majority of respondents

describe human resource staffs as of 1990 as continuing to be focused on operational (rather than strategic) matters, responsive to top management concerns (rather than proactive in shaping these concerns), functional in approach (rather than assuming full responsibility with line managers), and focused on individual employees (rather than emphasizing teamwork) and focused more on internal company concerns (rather than societal concerns). Yet with the exception of the last item (individual company versus societal concern) the majority of these respondents endorsed a shift to the alternative descriptions of the human resources role of the future. Coincident with these shifts, however, is a continuation of the view that the primary role of the human resource professional will be to represent the views of top management or to promote a neutral or balanced view of management and employee interests. Only approximately 10 percent of the respondents see human resource professionals as primarily representing employees' views.

The impact of this definition of the role of human resource professionals is further illustrated in the priorities respondents attached to different goals for the year 2000. The top two human resource priorities for the future were achieving high productivity and customer satisfaction and linking human resource policies to business strategies. Concerns for employee interests such as fairness, safety and health, satisfaction, efficient conflict resolution, compliance with government regulation, employee support programs, or training and development ranked as top priorities for less than ten percent of the respondents. Thus, these employee interests will remain subordinate to the organizational concerns of productivity and the quest of human resource professionals for acceptance and involvement in top managerial decision-making.

Figure 3

A NEW ROLE MODEL FOR HR MANAGEMENT



If human resource managers are to maintain their "partnership" role and see line managers as their most important "customers", they will be under intense pressure to deliver on the short term objectives of cost control, employment reduction, and flexible staffing. Indeed, a 1991 Conference Board survey found benefit cost control and downsizing to be the top priorities of human resource executives (Harris and Associates, 1992). Unless human resource managers have sufficient power and influence to challenge line managers to consider the longer term objectives, they will be at the mercy of the values and priorities of their more influential line managers and senior executive partners (Doyle, 1992). The question is whether these senior managers and top level executives have internalized the values of treating human resources as a long term strategic asset. Some clearly have, particularly in firms where there has been a strong presence and influence of the human resource department in the past or where labor management partnerships have proven their value and been institutionalized. But these remain the exception.

A final indicator of how far human resource professionals have to go to realize their objective of gaining the stature and influence needed to be treated as partners with other executives in strategic decision-making can be seen in where companies put their money. Figure 4 presents data from a survey of the relative salaries paid the top executives of different functions in American manufacturing organizations compared to the same data for large Japanese firms. Two points stand out in these data. First, note that in Japan human resource executives rank as the highest paid group relative to their counterparts in finance, manufacturing, sales and marketing, and R&D. Second, the opposite is true in the U.S. Human resource executives rank as the lowest paid of these functions. Moreover, there is wide dispersion in salaries in the U.S.

Figure 4

Relative Compensation of Top Executives across Functional Areas:
Large U.S. and Japanese Companies

| FUNCTION* | COUNTRY | |
|-----------------|---------|---------------|
| | Japan | United States |
| Manufacturing | 1.00 | 1.00 |
| Sales/Marketing | 0.93 | 0.91 |
| R&D | 0.87 | 0.90 |
| Finance | 1.00 | 1.32 |
| Human Resources | 1.02 | 0.83 |

*For indexing purposes, compensation (salary plus bonus) received by the top manufacturing executives in each country set to 1.00.

Source: A.T. Kearney Co., 1991. Based on manufacturing companies with sales in excess of \$2 billion. Index values were computed by Professor James Baron of the Stanford Business School.

Finance executives are, on average, paid 59 % more than their human resource counterparts. Thus, if relative salary is in any way a proxy for perceived relative importance, then human resources continues to rank relatively low in importance and influence in U.S. corporations.³

Taken together these data suggest that "you can't get there from here." That is, in the absence of some dramatic change in the power and influence of employees and/or human resource managers and executives, the consensus vision of the employment practices of the future will not be realized. Thus, new models that increase the influence of employees as stakeholders and human resource advocates within American corporations and in national policymaking will be needed if the vision of treating human resources as valued and competitive assets and improving the American standard of living is to be realized. The question, then is what alternative models and strategies are capable of producing the needed changes?

Model 1: Labor-Management Partnerships

If the critical need is to elevate and sustain the influence of human resource and employee concerns in corporate decision making, there is one clear model emerging for doing so, at least in unionized settings. It is best described as a full partnership between labor and management representatives in the governance of the employment relationship. This partnership model can be seen in a number of union management relationships, however, it is carried out to its fullest extent at the Saturn Corporation.

The different levels of the union-management partnership at Saturn are summarized in Figure 5. As shown, employee participation and union-management partnership extends fully from the design of work teams at the shop floor to the participation of union representatives in the top level "Strategic Action Council." But our work at Saturn (Rubinstein, Bennett, and Kochan, 1993) suggests that the most unique and far reaching aspect of the Saturn model lies in the amount of "co-management" that is in place at the middle levels of the organization--described in Figure 5 as the modules and business units.

The unique partnership role played by the union in the design and governance of Saturn from the workplace to the strategic level of decision making represents one potential model for structuring employee-employer relations. Saturn's features reflect the fact that a strong union, the United Auto Workers (UAW), was present in the parent organization (General Motors). The UAW leadership had demonstrated its commitment to and capability in promoting and jointly managing other workplace innovations ranging from narrow employee involvement efforts to

³ I wish to thank Professor James Baron of the Stanford Business School for bringing these data to our attention and constructing these indexes from the A. T. Kearney Co. 1991 survey of manufacturing companies with more than \$2.0 billion annual sales.

team based work systems, to more fundamentally new approaches such as those implemented at NUMMI, the highly publicized GM-Toyota joint venture. It is this base of established experience and strong union presence that led GM and the UAW to embark on the joint design of Saturn and its partnership arrangements. Thus, this model may not generalize to settings that currently lack this strong union presence and demonstrated incremental experience and competence in labor-management innovations, or are characterized by a management that are unwilling to accept this type of broad union role. But it does serve as one example of the type of joint governance system that is possible if labor and management work together as full partners from the early design and investment stages of a project through to its implementation and on-going management.

Figure 5
Saturn Partnership Structure

- Work units are organized into teams of 6 to 15 members, electing their own leaders who remain working members of the unit. They are self-directed and empowered with the authority, responsibility, and resources necessary to meet their day to day assignments and goals including producing to budget, quality, housekeeping, safety and health, maintenance, material and inventory control, training, job assignments, repairs, scrap control, vacation approvals, absenteeism, supplies, record keeping, personnel selection and hiring, work planning, and work scheduling.
 - Saturn has no supervisors in the traditional sense. Teams interrelated by geography, product, or technology are organized into modules. Modules have a common **Advisor**.
 - Modules are integrated into three **Business Units**: Body Systems (stamping, body fabrication, injection molding, and paint); Powertrain (lost foam casting, machining and assembly of engines and transmissions), and Vehicle Systems (vehicle interior, chassis, hardware, trim, exterior panels and assembly).
 - Joint Labor-Management **Decision Rings** meet weekly:
 - At the corporate level the Strategic Action Council (SAC) concerns itself with company-wide long range planning, and relations with dealers, suppliers, stockholders, and the community. Participating in the SAC for the union is the local president, and on occasion a UAW national representative.
 - The Manufacturing Action Council (MAC) covers the Spring Hill manufacturing and assembly complex. On the MAC representing the local is the union president and the four vice presidents who also serve as the UAW bargaining committee.
 - Each Business Unit has a joint labor-management Decision Ring at the plant level. The Local President appoints an elected executive board member who is joined by UAW module advisors and crew coordinators in representing the union.
 - Decision Rings are also organized at the Module level. Module advisors and the elected work unit counselors (team leaders) participate in the module decision rings.
-

Saturn is an enterprise specific model-- one that has moved forward without any significant change in labor legislation (although some of its practices were challenged under traditional American labor law). Thus, in the absence of changes in the law, in the influence of unions or other employee groups, or in managerial values, we are unlikely to see many similar innovations as far reaching as the ones found at Saturn. There are, however, a number of other variations on this union-management partnership model at work in the U. S. in industries as diverse as steel, clothing, paper, telecommunications, office products, and airlines.

Model 2: Diversity in Participation and Representation

An alternative or additional approach is to model employee participation in governance on the European works council systems by allowing for participation or consultation on an array of employment matters ranging from workforce adjustments, health and safety, technological change, training, equal opportunity, work-family issues, etc. This approach is based on the view that current labor law is far too restrictive in the form of employee representation that it allows, i.e., exclusive representation by a union under collective bargaining. The view is that more varied and flexible forms of representation and consultation that involve the full diversity of the workforce in a given establishment is needed as either a supplement or an alternative to formal collective bargaining.

A number of researchers have therefore advocated experimenting (or perhaps requiring) American versions of works councils in U.S. firms. Proposals that would require all firms (above a certain size) to establish works councils have, however, met with stiff opposition and skepticism from managerial groups about whether "cooperation can be mandated" (Potter, 1991).

Yet the need to make changes in current labor law to support employee participation has been increased by recent decisions of the National Labor Relations Board in the Electromation and Dupont cases which limit the ability of employers to establish employee participation programs in non-union settings or in unionized settings that lack the active support and participation of the union. How to encourage, indeed how to allow, more varied forms of participation and representation therefore is a major issue on the agenda of the Commission on the Future of Worker Management Relations and is likely to be a topic of significant debate and perhaps experimentation in the years to come. But if the human resource management professionals continue to simply resist any change in law or practice that would more directly and forcefully empower employees and/or their representatives to participate and influence these efforts, they will become additional impediments to, rather than catalysts for, progress.

Model 3: Direct Role in Strategic Governance

An extension of the above models that addresses directly the need to elevate human resource considerations and employee interests to the strategic level of decision making would be to allow, encourage, or require firms to involve employee representatives to have more direct access to corporate strategic decision-making and governance processes. This proposal is often tied to one that would encourage or support broader use of employee stock ownership plans or other devices to bring employee, management, and shareholder interests into closer alignment. There are various changes in current laws and practices that could move in this direction varying on a continuum from providing workers with rather narrow rights to information or consultation on strategic matters to full fledged rights to sit on corporate boards of directors. This would require substantial changes in the role of line managers, human resource professionals, and employee representatives. Whether such changes in roles, attitudes, and relationships could be accomplished, and if so, how, are other questions that are central to the work of the Commission on the Future of Worker Management Relations.

Model 4: Broader Government Regulations

An alternative to empowering employees to participate directly in enterprise decisions affecting the long term employment relationship is for the government to continue to expand its role in regulating terms and conditions of employment. Indeed, this is the dominant path of federal, and increasingly, state government policies over the past thirty years. At last count there were well over 150 different federal statutes and/or regulations governing workplace relations that are enforced by different federal agencies, an increase from approximately 43 such statutes and regulations in 1960! But there is great concern over not only the administrative and enforcement burden these regulations place on business and government budgets but over their effectiveness in actually protecting or enforcing worker rights. Thus, another question facing the Commission is whether or how to encourage the parties at the workplace to take greater responsibility for enforcing, administering, and resolving claims or disputes that arise over such issues.

The question is whether institutional arrangements can be developed that provide effective resolution of problems by the parties themselves. Several approaches or models for doing so already exist for selected issues. Obviously, the most widespread model is the grievance arbitration process found in the vast majority of unionized (and some non-union) firms. But other models can also be found such as the Voluntary Protection Program (VPP) used by the Occupational Safety and Health Administration (OSHA) to delegate its inspection activities to firms that meet certain specified performance levels and have in place

comprehensive systems for managing and monitoring safety practices that include a role for employees and their representatives. At present approximately 100 workplaces are covered by VPP programs. Ten states have now gone a step further and passed laws requiring establishments to form employee-management safety and health committees. Thus, we are already beginning to experiment with this approach to reducing reliance on direct government regulation and enforcement of employment practices or policies. There is considerable room for more experimentation of this kind, and perhaps growing interest in it as well. However, here too management professionals and worker representatives will need to both change their attitudes and roles and develop the skills needed to make these types of joint efforts work effectively.

Model 5: Labor Law Reform and Union Resurgence

Still another model to consider is straightforward labor law reform and a resurgence of traditional unionism. However, even if unions were to enjoy a resurgence in membership, they are not likely to reemerge in the mirror image of the past. Instead, a resurgent labor movement would reflect the needs and concerns of a workforce that remembers the broken psychological contracts of the past -- a workforce concerned with recouping the economic losses in income, security, trust, and control that they have experienced. In short, any rebound in union activity will be fueled by the militancy that follows the release of pent up frustrations and rising expectations.

Of all the models, this one is the least likely to effectively address the twin goals of competitiveness and high living standards. But, if none of the other models posed above emerge, it is likely to be the model of choice for most workers. Therefore, it serves as the default option if the human resource profession fails to make the adaptations envisioned in the IBM/Towers Perrin and CAHRS surveys and if none of the alternative models outlined here is realized.

Conclusions and Implications

Obviously, the proposed models are not mutually exclusive. Indeed, although as of this writing the Commission of the Future of Worker Management Relations has not yet completed its work, it is likely to recommend some combination of the alternative models discussed above. Thus, perhaps the safest prediction is that there will be a wider diversity of models of employee relations in American society in the future than there has been in the past. The period of experimentation has just begun and will continue for the foreseeable future, particularly, as some of the contradictions highlighted by the IBM/Towers Perrin and CAHRS surveys identified become clearer and the frustration with the failure of current models to produce the desired and required results for the economy and the work force become apparent. If this is true, debate over the future of employee relations has just begun.

This view of the future for employee-employer relations holds profound implications for the human resource management profession. It suggests that human resource management professionals need to either become active and constructive participants in these debates and develop the skills and outlook needed to help translate different experiments and models into effective organizational practice or face the prospect of further losses of influence, power, and prestige both within management circles and in society at large.

References

- Baron, J., Dobbin, F.R., & Jennings, P.D. (1986). War and Peace: The Evolution of Modern Personnel Administration in the U.S. Industry. American Journal of Sociology. vol. 92. pp. 350-383.
- Betcherman, G., Verma, A., & Leiker, G. (1993). Follow-up to the New Technology Survey. Paper presented to the Canadian Industrial Relations Research Association.
- Drago, R. (1988). Quality Circle Survival: An Explanatory Analysis. Industrial Relations. vol. 27. no. 3. pp. 336-351.
- Dunlop, J.T. (1958). Industrial Relations Systems. New York: Holt.
- GE's Doyle Urges HR to Embrace a World for Change. (1993). Work in America, 18.
- Goodman, P.S. (1980). Quality of Work Life Projects in the 1980s. Industrial Relations Research Association Proceedings of the 1980 Spring Meeting. pp. 487-494.
- Kochan, T.A. (1993). Crossroads in Employment Relations: Approaching a Mutual Gains Paradigm. Looking Ahead. 14.
- Kochan, T.A. & Dyer, L. (1992). Managing Organizational Change: The Role of Human Resource Management Professionals. International Journal of Human Resource Management, pp. 569-590.
- Kochan, T.A., Katz, H.C. & McKersie, R.B. (1994). The Transformation of American Industrial Relations. Ithaca, New York: ILR Press.
- Kochan, T.A., Lautsch, B. & Gittel, J.H. (1993). Adoption, Institutionalism and Sustainability. MIT Sloan School of Management Working Paper.
- Kochan, T.A. & Osterman, P. (forthcoming). The Mutual Gains Enterprise Human Resource Strategies and National Policy. Boston: Harvard Business School Press.
- Kochan, T.A., Rebitzer, J., Smith, M. & Wells, John. (forthcoming). Human Resource Strategies and Contingent Workers: The Case of Safety and Health in the Petrochemical Industry. Human Resource Management.
- Kofman, F., Repenning, N. & Sterman, J. (1993). Can Successful Quality Programs Hurt the Firm? A Paradox of Organizational Improvement. MIT Sloan School of Management Working Paper.
- Kotter, J.P. & Heskett, J.L. (1992). Comorate Culture and Performance. New York: Free Press.
- Lawler, E.E. III & Mohrman, S. (1987). Quality Circle after the Honeymoon. Organizational Dynamics. Spring 1987. pp. 42-54.

- Lawler, E.E., III, Mohrman, S. and Ledford, G.E. (1992). Employee Involvement and Total Quality Management: Practices and Results in Fortune 1000 Companies. San Francisco: Jossey-Bass.
- Osterman, P. (1994). How Common is Workplace Transformation and How Can We Explain Who Adopts It? Results from a National Survey. Industrial and Labor Relations Review. pp. 173-188.
- Porter, M. (1980). Competitive Strategy. New York: Free Press.
- Potter, E.E. (1991). "Quality at Risk: Are Employee Participation Programs in Jeopardy." Washington D.C.: Employment Policy Association.
- Rubinstein, S., Kochan, T.A. & Bennett, M. (1993). The Saturn Partnership: Co-Management and the Reinvention of the Local Union. In B. Kaufman & M. Kleiner (Eds.), Employ Representation: Alternatives and Future Directions. Madison, Wisconsin: Industrial Relations Research Association. pp.339-370.
- Schein, E. (1965). Organizational Psychology. Englewood Cliffs: Prentice Hall.
- Slichter, S., Healy, J.J. & Livernash, E.R. (1960). The Impact of Collective Bargaining on Management. Washington D.C.: The Brookings Institute.
- Useem, M. (1992). Management Culture, Corporate Restructuring, and Company Policies on Education and Training. Wharton School of Management, University of Pennsylvania.
- Walton, R.E. & McKersie, R.B. (1965). A Behavioral Theory of Labor Negotiations. New York: McGraw Hill.