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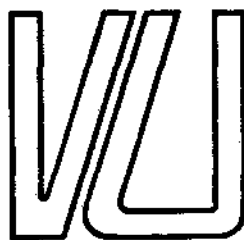
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COMPANY STRATEGY AND THE (RE)DESIGN OF INDUSTRIAL RELATIONS,
some case-studies in the Netherlands

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Introduction

The impact of changes in company strategy on industrial relations is becoming an important theme in our field of study. There are those who call for a new approach in order to study this phenomenon (Kochan, 1986, Y. Reshef, A.I. Murray, 1988). In this study we are looking primarily at changes in the strategic position of companies in regard to company structure, market position, products and production process in order to study the effect of those changes on company industrial relations, i.e. the nature of agreements (collective or individual agreements), the parties to the agreement (trade unions or works-councils), the content of the agreement and last but not least the method of wage fixing. A second element in our study is to look at these changes in industrial relations in a broad manner, to also study policies regarding the composition of the labour force and controlling labour costs within the companies.

Are these changes related due to increased competition and if so, what does this mean for the future of the institutions regulating industrial relations: will market forces replace those institutions as regulators of industrial relations as some predict for the United States or are the institutions too deeply embedded in West-European society for this to occur? These are the main questions guiding our research.

We chose to carry out a preliminary study in seven companies. A half open questionnaire was developed in order to interview the chairman of the workscouncil, the personnel manager and the company director in each company. At a later stage, only partly as a follow-up on the case-studies, we held a representative survey among the chairmen of works-councils in companies with 100 or more employees in the market sector. The aim of this questionnaire was to establish the role of the works-council in collective bargaining and to see whether the workscouncil is emerging as a competitor to trade unions in this respect. In this contribution we will use some of the results of this survey in order to paint a more representative picture of changes occurring in dutch industrial relations, then a case-study approach allows for.

Bargaining arrangements

In Table 1 some of the main characteristics of the companies in our case study are represented. The companies have a diverse background in services such as consultancy, retail or wholesale and in manufacturing. The degree of internationalization in ownership is striking, but is becoming a normal picture for dutch industry. Especially the presence of subsidiaries of American corporations allows us to look more closely at the possible impact of particular brands of American industrial relations culture in dutch industrial relations. Three of the companies are small, under 500 employees and the other four companies employ more than 2000 employees. In one company union density was about 50%. The other companies had a considerably lower union density, some of them only had a few percent.

The differences in collective bargaining arrangements are to a large degree the result of our selection. In two of the seven companies there is no collective agreement. Among those with a collective agreement two cases are covered by industry agreements, while in the remaining three companies company-agreements are concluded. In the Netherlands workscouncils are not allowed to negotiate on wages and conditions. By law this is a prerogative of trade unions and they are indeed party to the collective agreements in the cases concerned with one notable exception. In company F the workscouncil negotiates wages and conditions and as such the agreement is informal and cannot be registered formally by the Ministry of Social Affairs. Strictly speaking it is not legally binding from the employees' point of view. Amongst our cases however, it is not the only company with a workscouncil actively engaged in the establishment of wages and conditions. We found that workscouncils perform three roles in establishing wages and conditions. The workscouncil as a negotiator, a sounding board and an observer. First of all we observe the workscouncil as a proper negotiator. This occurs not only in company F, but also in company B. However, in company B the negotiating process does not result in an informal collective agreement. If necessary, changes are made in the individual agreements. The distinctive feature of the workscouncil as a negotiator is it's active role in the formulation of demands, the actual negotiations and the implementation of the results. The process of negotiation is a process of mutual decision-making between management and workscouncil. For the workscouncil as a sounding board

no real mutuality with management exists. Management decides unilaterally, but listens to the wishes of the council or asks for their opinions on management proposals. Often the works council is only involved in a discussion on the implementation of managements' proposals and the possible reactions of the workforce. In company D and E the works council functions as a sounding board. In company E the industry agreement negotiated between the unions and the employers' federation is merely a minimum and the works council discusses proposals for comprehensive additions to wages and conditions, made by management.

The works council as an observer implies members of the works council being part of the union negotiating team, as individual members of the works council or a large union faction within the works council. Nevertheless they do not play an active part in the actual negotiations, they are attending, observing the formal negotiation sessions. This occurs in both company A and C, where the trade unions are party to a formal company agreement.

Last but not least there is of course the possibility that the works council has no role at all in the bargaining process. This is the case in company G only.

To what extent do these seven cases represent bargaining arrangements in the market sector. In our survey amongst chairmen of works councils 61% was employed in a subsidiary of a corporation (14% Dutch, 47% foreign owned) and about one third in an independent company or at a corporate level. Just under twenty percent of the companies in the market sector have a union density of above 50% and about a quarter under 10%, reflecting lower density rates in many service industries in comparison with some manufacturing industries. Our cases are not atypical in regard to such characteristics as ownership, number of employees, union density etc.

The bargaining arrangements in our survey are presented in Table 2.

Table 2: Percentage of companies covered by

industry agreement	64%
company agreement	23%
works councils agreement	6%
no agreement	3%
other arrangement	4%

Also in 9% of the companies there was an additional agreement with the works council for wages and conditions for a second large group of

employees in the company. Questions were asked to determine the extent of the workscouncils involvement in the establishment of wages and conditions. The results are presented in Table 3.

Table 3: The role of workscouncils in wages and conditions

negotiator	8.3%
sounding board	9.9%
observer	14.4%
no role	67.3%

All the variations in agreements, parties to agreements and the roles of workscouncil we found in our cases exist on a larger scale. However the cases are not representative of the dutch situation. Indeed this is not the purpose of our study. Our purpose is to highlight shifts between collective and individual agreements and unions and workscouncils as negotiators against the background of changes in the strategic position of companies. It is to these that we will turn our attention now.

Changes in company strategy

For each of the seven companies we looked at changes in their strategic position in regard to four dimensions during the five years preceeding our research: company structure, market position, products and production processes. Each dimension is based on a number of indicators.

. company structure

Indicators for changes in company structure are changes in decision-making structures within the corporation (for instance the introduction of profit centres) and takeovers, mergers or closures etc.

. market position

Items for changes in market position are changes in the relationship between marketleaders and -followers in the industry, the development of new product-market combinations and changes in the role of marketing.

. products

Changes in products concern such changes as shifts between lower and higher value added products, between bulk and specialized products and an increase or decrease in Research and Development.

. production process

For the last dimension, the production process, we looked at such items as processinnovation and the introduction of new technology.

A company scored on a dimension if significant changes occurred in at least two items of this dimension the period 1983-1988. The score does not represent a judgement on the nature of the change itself. For instance a significant improvement as well as a deterioration in the relationship between marketleaders and -followers leads to a score. In Table 4 the score for each company on all four dimensions is given.

Table 4: Changes in company strategy 1983-1988

	A	B	C	D	E	F	G
company structure	x	x	x			x	
market position	x	x			x		
products	x		x	x		x	x
product process		x			x		

Some companies have a high score (A, B), some take an intermediate position (C, E, F) and some of the companies have a low score (D, G). In this sense it is possible to construct a continuum from a strategic reorientation on the one hand to gradual adjustment on the other.

Changes in industrial relations

In order to trace changes in industrial relations we looked at four indicators.

1. First of all changes in the nature of the agreement: shifts between collective and individual agreements or between standard and minimum agreements.
2. We also looked - the second indicator - at changes in the parties to the agreements (union/workscouncil) and in particular to changes in the role of the workscouncil.
3. Thirdly we studied innovations in the content of the agreements, for instance the introduction of working on saturday in combination with the introduction of a 36 hour week without it being classified as overtime or the disappearance of clauses on cost of living indexes or new regulations for the introduction of flexible labour. These are substantial changes in dutch industrial relations, often not being in accordance with official union

policy.

4. Fourthly we looked at the introduction of flexible payment replacing or added to existing standard pay systems.

In Table 5 the changes in industrial relations between 1983-1988 are registered for each company. Two companies have restructured their

Table 5: Changes in industrial relations 1983-1988

	A	B	C	D	E	F	G
nature of agreement			x			x	
party to agreement						x	
content of the agreement	x	x	x				
method of wage fixing		x	x	x		x	

industrial relations. In company F the workscouncil stood down as the negotiator for the informal company agreement. The unions took up this position while the workscouncil took the role of observer. A formal company agreement was reached between unions and management. A flexible payment system was introduced in the workshops related to changes in taskorganization. In company C unions and management reasserted the position of the company agreement by standardizing wage increases throughout the whole company, including its subsidiaries. The strengthening of the union's role in collective bargaining also led to a change in the role of the workscouncil: from a semi-independent sounding board to an observer, within the union negotiation team. Flexibility in wages was reasserted through the renewal of the existing method for performance appraisal of personnel.

In some companies no change in industrial relations occurred at all, while in other cases the flexibility of wages was increased and/or an important change in the content of the agreement took place. In company D the industrial relations were restructured just prior to our investigation: from a collective agreement with the unions to agreements with individual employees and the workscouncil in the role of a sounding board. Also there were substantial changes in the contents of industrial relations: from a standard to a "cafeteria" approach. Each employee can individually choose his or her own menu in the numbers of hours worked, in relation to pay and pension within certain limits.

In our survey of chairmen of workscouncils 13% answered that a change

occurred in either the nature of the agreement and/or the parties to the agreement in the five years prior to the survey. We also asked whether the respondents expected a similar change in the near future, the five years after the questionnaire took place. Nearly 82% expected no changes what so ever. About 5% indicated a shift from industry to company bargaining as a possible future development with the unions as the bargaining agent. Another 3.5% expected a shift from a collective agreement with the unions to an informal agreement with the works-council, while a smaller number (2%) indicated a change in the opposite direction. Considering the few companies (n=13) where the nature and the party to the agreement changed prior to the survey and with more changes expected in the near future, there was a "turnover" of about 25% in bargaining arrangements over a ten year period. In our cases two of the seven companies redesigned their industrial relations.

Strategic change and the redesign of industrial relations

So far we have described changes in the strategic position of companies (company structure, market position, products and production process) in order to study the effect of those changes on company industrial relations (the nature of agreement, the parties to the agreement, the contents of the agreement and the method of wage fixing). A second element in our study is to look at these changes in industrial relations in a broad manner, to include internal labour market policies and policies for controlling labour costs. In Table 6 the changes in the companies strategic position are related to the changes in industrial relations, labour costs and the internal labour markets. Looking at this table, companies with an active industrial relations policy seem to be more active in controlling labour costs and in internal labour market policy.

Labour costs were important in all companies irrespective of the share of wages in turnover. Even for a company with a relatively low share, it may be one of it's few variables to influence vis à vis it's competitors. In all companies attention was focused on controlling labour costs and so we looked for special and extra measures (such as) reducing numbers of employees and/or the level of wage costs per employee. Three companies (B, C and F) had introduced such special

Table 6: Relationships between strategic change and changes in

industrial relations, labour costs and labourmarket-policy

	strategic changes	labour cost	composition of the labour force	industrial relations
A	3x	0	+	+
B	3x	++	+	++
C	2x	++	+	+++
D	1x	0	+	+
E	2x	0	0	0
F	2x	++	+	+++
G	1x	0	0	0

measures, always in a combination of numbers and level of payment per employee. Redundancies took place and cutbacks were introduced for benefits such as pensions and travel allowances and in one case the actual wage level of young or temporary employees was lowered.

Indicators for changes in internal labour market policies were shifts between fixed and temporary personnel and in the composition of skill in the labour force. Only one company (C) increased temporary personnel. Company F decreased production personnel but increased personnel for Research and Development and marketing in order to develop new products. In company B less skilled staff was taken on in order to capture lower segments of the market for financial services. The companies implementing severe measures to diminish labour costs were in deep economic trouble. To obtain a better control of wages and conditions in the long term, the role of the unions and of collective bargaining was strengthened in company C and F. Change in the strategic position originated from a defensive attitude and led to a redesign of the industrial relations and to changes in internal labour market policy. In contrast, one company (A) is in the midst of a strategic reorientation as part of a new growth strategy. It increased its personnel in marketing and R & D, while maintaining the level of production personnel. It has introduced changes in the content of its collective agreement, reducing the number of hours worked in combination with flexible working time. Within the near future the company aims to include flexible payment systems for its increasing share of white collar workers. Company D restructured - as described above - its industrial relations prior to our investigation. Only company E and G have not introduced any changes at all in industrial relations, labour costs and internal labour markets. However company E

is preparing such changes presently. It is considering cutbacks in level of benefits and other secondary arrangements and reeducating production personnel for staff functions. The works council established a novum for dutch industrial relations. As wage negotiations are getting more difficult, it has hired a union official to negotiate not for the union members in the company as such, but for the works council with its non-union majority: a new hybrid is born in dutch industrial relations. The background for these changes also lies in the strategic repositioning of the company. Indeed at present this company would score higher in the degree of strategic reorientation.

One has to be careful in establishing a direct relationship between changes in the strategic position of a company and the redesign of its industrial relations based on a case study. First of all the economic situation is paramount in triggering a strategic orientation, for some of our companies their survival in the short term was at stake. In that case it is a decrease in economic performance and an increase in competition which is the cause of measures to redesign the industrial relations. Secondly it is important to look at the degree of autonomy a company has in establishing its own strategy and its industrial relations. In Table 7 the results of this analysis are presented.

Table 7: Degree of autonomy in company strategy and in wages and conditions

		company strategy			
		high		low	
wages and conditions	high	B ^a	C ^a	F	A
	low	G		D	E

a) case study at corporate-level

Notably companies which are not actively seeking change in industrial relations (D, E and G) have a low degree of autonomy in establishing wages and conditions. In company B and A the case study was carried out at corporate level and autonomy for both areas was - as to be expected - located at this level. A low level of autonomy in company strategy is however not necessarily a stumbling block for redesigning industrial relations, as long as there is autonomy in establishing wages and conditions (notably company A and especially F).

Another important factor in changes in industrial relations are changes

in the employment relation. Williamson has described the employment relations in internal labour markets in terms of the degree to which human assets are specific to a company and the ease with which the productivity of individual workers can be measured (Williamson, 1984). We find in our cases quite often a change in the composition of the workforce from a lower to a higher level of specificity, often combined with a decrease in the ability to measure workers' productivity, for instance a shift from production personnel to R and D personnel. Such a shift is in turn related to changes in the strategic position of the companies, from bulk to more specialized products with a higher added value. Underlying trends in the employment relation based on an up-market company strategy in regard to products and processes could explain an increase in the number of workers not steeped in trade union traditions or more oriented towards their individual interests, especially if in union agreements standard relations prevail. Most of our cases were involved in an up-market strategy, but a down-market strategy (lower niche in the market, simple work tasks, more temporary personnel) is also an option.

Three of our four cases are subsidiaries of U.S. companies. Does a factor called "U.S. industrial relations culture" come into play? Indeed in all three cases the U.S. subsidiary preferred dealing with the works council in establishing wages and conditions as is shown in Table 1. In the companies D and E the works council acts as a sounding board. National management has no autonomy in establishing wages and conditions and so it cannot enter in a negotiation process proper, neither with a union nor with a works council. The works council as a sounding board is a neat solution for involving personnel, while at the same time maintaining unilateral decisionmaking. One of these companies has a non-union policy in the U.S., but the other does not. In company F management has autonomy in establishing wages and conditions, the works council acts as a negotiator and in the redesign of its industrial relations, the company switched to a collective agreement with the unions. This company has a non-union stance in the U.S.. There is also a Dutch company among our cases (B) without a collective agreement and a non-union policy.

In our survey amongst works council chairman we found a higher incidence of works councils acting as a negotiator in subsidiaries of international companies, 9.6%. The figure for Dutch owned subsidiaries was 5%. Our cases and survey point towards internationalization of

companies as an important factor in changes occurring in dutch industrial relations, but one cannot speak of a U.S. anti-union culture. It is also possible that U.S management traditionally prefers dealing with a representative of personnel at the level of subsidiaries. As unions are often not present at this level in the Netherlands, it leaves the works council as the only alternative.

Conclusion and discussion

Among our cases we have not witnessed a shift away from collective bargaining or the unions. Indeed in some of the companies the opposite has taken place. In the face of economic difficulties and increased competition, the role of collective bargaining and of trade unions has strengthened in two cases. The survey among chairmen of works councils shows no evidence of a diminishing role of collective bargaining and of unions losing their position in the near future, vis à vis works councils either. During the period studied, the "rate of turnover" in bargaining arrangements did not seem particularly high ("25%" over ten years), we have no data from earlier periods for a comparison. There is no significant shift from institutions to market forces as regulators of industrial relations. However there is a gradual and only very recent development from institutions regulating industrial relations at industry or corporate level to company level. As shown by an earlier study of developments in the dutch bargaining structure during the sixties and the seventies a dominant trend has been the establishment of large bargaining units, being either industry-based or based on large corporations (Huiskamp, 1988).

In our case study we have recorded the degree of strategic change: ranging from an adjustment to a changing situation to strategic reorientation. Most of our companies implementing a strategic reorientation acted defensively, they were faced with increased competition or a downturn in economic performance. However in some of our companies management had an offensive motive, to improve their present level of performance. Companies may have a choice between an up-market and a down-market strategy. In a up-market strategy products and production (organization, technology and the labour force) are upgraded. In a down-market strategy the companies looks for a lower niche in the market. Most of our companies chose an up-market strategy.

At the company level one is faced with a choice between a quantitative and qualitative labour strategy. A quantitative labour strategy implies a reduction in labour costs through cutbacks in numbers employed and in wage costs per employee. A qualitative labour strategy also implies changes in the design of the industrial relations.

The choices are made especially by management, but in some cases unions or works councils took the initiative. It is important for future research to be able to classify strategic choices open to management (and unions or works councils) in terms of adjustment/reorientation, defensive/offensive, up-market/down-market and to predict quantitative and qualitative changes in future industrial relations.

Is there a need for a new approach to replace or augment the system approach? Yes. Since the early dominance of the systems approach and the rules regulating (the equilibrium of) the system there has been a tendency to neglect actors and their choices in behaviour. An effort was undertaken to rectify this imbalance during the seventies with numerous studies on unions and shopfloor organizations as the main agents of change. The theoretical background for this effort was often found in a marxist approach open for conflict, strategy and change, but within a class perspective (Hyman, 1975). Kochan and others have formulated a "strategic choice" approach in order to study the choices made by management at strategic levels of companies (Kochan, 1986).

First of all one has to be careful to change one's approach, to call for a new "paradigma" every time certain phenomena become more manifest. Management as an actor in its own right was largely forgotten and a redress is necessary and under way (K. Thurley, S. Wood, 1983; T.A. Kochan, R.B. McKenzie, J. Chalykoff, 1986; P. Marginson, 1985). Secondly the concept of paradigmatic change as borrowed from Kuhn does not constitute a very satisfactory way of describing the present situation in industrial relations theory. In the terms of Kuhn all social sciences (including economics) are in a preparadigma stage of development. The concept of paradigma indicates truly great changes in science, for instance from classical physics to quantum physics. If one does apply the concept of paradigma it may be better to speak of a situation of "poly-paradigma" in social sciences, including industrial relations. Alternatively one can also take Lakatos' criticism of Kuhns concept of paradigma as a starting point (Lakatos, 1970). Lakatos proposes to speak in terms of research programmes. A research programme

contains a hard core of basic assumptions and concepts and a number of related "softer" theories. In the case of industrial relations theory such theories could be for instance (inter)organizational theory, dual labourmarket theory, labour process theory, theories on corporate strategy etc. Lakatos formulates rules for establishing "progressive" and "degenerative" programmes. An important criteria in discriminating between a progressive and a degenerative research programme is the ability to predict new phenonema or facts in industrial relations.

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