New Zealand Journal of Industrial Relations, **22(1)**: 1-6

Industrial Relations and Human Resource Management: Tensions, Dilemmas and Contradictions - an International Perspective

John Leopold*

Introduction

The invitation to be a guest editor of this special issue of the *Journal* arose as part of an exchange visit to the Department of Management at the University of Otago. The remit set by my exchange partner, Ian McAndrew, Associate Editor, was broad and free ranging - to put together an edition that would be international in its perspective but of interest to readers in New Zealand. The theme I chose to fulfil that remit was to call for articles which would explore the relationship between, on the one hand, industrial relations, and on the other, human resource management. Articles were invited which touched on these themes and which explored them in a number of relevant and interesting settings.

At one level the substitution of human resource management for personnel management and industrial relations can be seen merely as a relabelling exercise (Armstrong, 1987). At another level, however, HRM can be seen as a threat to the very existence of industrial relations as individual relationships predominate over collective, as trade union membership and collective bargaining decline and as "flexible firms" are allegedly on the increase (Jackson, 1991: 17-20). Thus one interpretation of the "new industrial relations" is that HRM is clearly an alternative model to the pluralist tradition of British industrial relations (Beardwell, 1992; Guest, 1989) and, indeed, is heavily influenced by American experience and practice (Guest, 1990; Kochan et al., 1986).

Guest (1989) distinguishes the particular contribution of an HRM approach by its potential to deliver success on the four policy goals of strategic integration, high commitment, high quality and flexibility among employees. HRM therefore poses a considerable challenge to industrial relations, but is not necessarily anti-union, although the pursuit of employee commitment is likely to be the main challenge to trade unions. In a later article Guest (1995) argues that the choice facing many managers may no longer be one between industrial relations and HRM. It is possible that they are adopting neither of these and this proposition is examined in Beardwell's paper in this edition. For Guest, the driving force for these changes is the pursuit of competitive advantage in the market place and this is a theme taken

* Professor of Human Resource Management, Nottingham Business School, The Nottingham Trent University. Guest Editor. I am grateful for the assistance of Sheila Popple and Lois Blair in the preparation of this edition.

up in most of the following papers. While Guest sees employee commitment as a problem for trade unions, the British TUC welcomes "good human resource management" as the employer seeking to improve performance by developing employee commitment through an extension of consultation with unions, long-term investment in training and a genuine attempt to develop social partnership. This stands in contrast to "bad human resource management" which is essentially both piecemeal and anti-trade union (TUC, 1994). The notion of social partnership has great resonance in continental Europe and is taken up here in the paper on the Netherlands. Moreover Guest (1995) sees the union promotion of the positive elements of HRM as a way to re-establish their position which has been declining in most of the countries examined here.

These issues are taken up in the papers which follow which are drawn from a variety of countries. New Zealand was chosen, not just because it might seem impertinent to exclude the host country, but because recent New Zealand experience can be seen as an extreme example of a free market model that has led to a weakening of trade unions and given employers significant scope to determine their employment policies. Britain is also an example of a liberalised labour market economy and offers the opportunity to explore the gap between traditional industrial relations and human resource management. The Netherlands, apart from being the European country with the second largest number of emigrants to New Zealand, offers an important contrast to the first two countries with an industrial relations system based more on consensus between the social partners, although this has changed over recent years with the creation of the Rhenish-Delta model. The final two case studies offer the experience of two rapidly industrialising countries which are important in the Pacific-rim area and indeed in the global economy: China and Korea.

Theoretical perspective

Watson's paper puts the issues explored in this edition into theoretical perspective. Watson challenges the view that there is any meaningful distinction between industrial relations and human resource management, seeing attempts to create such a distinction as an unhelpful academic division of labour and prefers instead to examine employment relations and employment management. Industrial relations and human resource management are examined as discursive constructions which are used simultaneously to make sense of particular practices and to shape them.

Both IR and HRM have been used as a theory, a model, or as a set of practices, but Watson prefers to see them as discursive constructions which "frame" aspects of social life in a particular way. Watson critically reviews the way in which the term human resource management has been used in the largely United Kingdom and United States literature. In the light of this critique he calls for those interested in the study of industrial relations and human resource management, or more properly employment relationships and their management, to step back from where they are at and to start again, using the conceptual resources of processual organisational analysis. He argues that neither industrial relations nor human resource management are subjects or disciplines, but that social science analysis can be used to examine the employment relationship.

From employment contracts to the "black hole"

Boxall's paper is an examination of models of employment and labour productivity in New Zealand in the period since the 1991 Employment Contracts Act (ECA). He reviews the impact of market liberalisation, the low inflation monetary regime, and decentralised, more contractually based labour markets over the last decade. His purpose is to identify what is changing in employment relations and he reviews wage fixing, patterns of employer strategy and employee responses to change, and the impact on labour productivity. Various gaps in the available knowledge are identified, but Boxall identifies a number of changes that have taken place in employment relations since the advent of the ECA. These include the decentralisation of collective bargaining, and the growth of individual contracting in the labour market, especially in smaller firms, the decline in union density from 50 to 25 percent of employees, and the divergence of employment relationships between public and private sectors.

The growth of individual contracts is not necessarily seen as consensual, but evidence on employment turnover rates suggests that employees are pursing personal job change strategies rather than a collective response to the altered situation. In short, Boxall argues that there is no mandate for a return to compulsory unionism, but that many employees are vulnerable in the changed labour market conditions. Despite the liberalisation offered by the ECA, Boxall believes that conservative behaviour is still the mainstream response of New Zealand employers; therefore *standardisation* of conditions continues to be the norm. Boxall argues that it was the lowering of tariffs and elimination of export subsidies, and in the public sector, rationalisation, not the ECA, which forced most change on New Zealand employers. The ECA merely offers employers an opportunity to restructure the employment relationship, but they do not necessarily seize it. It is mainly the larger firms that have negotiated productivity changes, but the overall evidence on productivity growth is more mixed; high in the late 1980s, but slowing down since then.

The difference in practice between large and small organisations identified by Boxall is taken up in the paper by Beardwell. He examines the personnel practice of thirty non-union firms in the United Kingdom using survey data. With the decline of trade unions in the United Kingdom the issue of how do management in non-union firms pursue the employment relationship has become more significant. The pursuit of human resource management as an appropriate approach to managing the employment relationship in non-union firms features in a lot of the literature and in government exhortations. Beardwell's paper, however, examines the proposition that what occurs in non-union firms is not HRM, nor even traditional industrial relations, but what is characterised as following a "black hole" approach to employment management.

Beardwell identifies four categories of personnel function in non-union firms, three of which correspond to the "black hole" model and only one of which offers the business-oriented, strategic, line supportive role which is associated with the HRM model. The handling of personnel and industrial relations matters is examined in detail through pay setting and communication and employee involvement. Key characteristics emerging from this study include unsystematic pay settlement mechanisms, inconclusive market and performance pay

criteria, patchy information flows, weak information channels, and poor use of team briefing. From this Beardwell concludes that the "black hole" may be coming to typify an increasing number of firms in the United Kingdom economy, but this is a problem not only for trade unions but also for personnel management. He concludes that it is now necessary to examine whether the "black hole" is too simple a category and whether there may exist variants on non-union employment practice which warrant further analysis and categorisation. That would apply to New Zealand as well as to the United Kingdom.

The Rhenish-Delta model

Within Europe Britain stands in contrast to the continent in terms of its industrial relations practice. This has been particularly so over the last twenty years while the Conservative Government has pursued market liberalisation policies in a vein similar to those in New Zealand. The contrast between the Anglo-Saxon individualistic model and the collectivist Rhineland model, based on German practice, has led to clashes of policy within the European Union, most recently over the European Working Time Directive. Karsten uses the issue of control of working time to examine the contrasts between these two models, and more importantly to trace the development of the Dutch system of industrial relations and the emergence of the Rhenish-Delta model which combines elements of the other two approaches.

A highly consensual approach to labour market and employee relations emerged in Holland after the Second World War which gave a defined place to unions, management and the state in pursuing a consensus of five economic policy goals through various institutions which were created for this purpose. Within the workplace these included works councils, while issues regulated by the state included working time. However by the 1980s there was more of an emphasis on decentralisation of decision making and this was reflected in the invitation to the company works council to become more involved in the implementation of working arrangements and working time at the level of the firm. The role of the peak trade union organisations through collective bargaining has become less significant and within the Dutch system at the present time there is a tension between employee representation through unions and collective bargaining and employee representation through works councils.

These changed relationships are reflected in the new law on working hours which has a standard arrangement and a deliberating arrangement existing alongside each other. Thus an issue in Dutch industrial relations is whether works councils and trade unions are rivals or allies. While unions can make general agreements on working time, the works councils have powers to reach agreements on work time patterns, night shifts and Sunday work. Karsten argues that these shifting relationships have led to the creation of a Rhenish-Delta model which creates a synthesis of an open economy with cohesiveness based on solidarity.

Pacific-rim newly industrialised economies

Leggett's main argument is that recent events in Korea suggest that industrial relations here diverge from those of other Asian newly industrialised economies. Therefore he argues that the state-centred thesis of industrial relations in such economies needs to be modified. This thesis focuses on the role of the state in leading economic growth and of its corporatist approach to industrial relations. Korea is, however, contrasted to the bureaucratic authoritarian corporatism of Singapore. Leggett believes that the key to understanding why Korea is different lies in the historical development of industrial relations. Utilising four historical stages, Korea under Japanese imperialism, 1876-1945; the rise and fall of militant trade unionism, 1945-1960; rapid industrialisation and labour subordination to the *chaebol,* 1960-1987; and, the struggle for democracy and trade union rights, 1987-1997, Leggett examines the role of the *chaebol*, or large family conglomerates, in the development of industrial relations in South Korea. He believes that previous studies of Korea have failed to fully acknowledge the historical role and function of the *chaebol* in workplace industrial relations.

Like other economies examined in this edition, Korea has become a less regulated economy over the past decade and this has altered the relationship between the state and the *chaebol.* Independent trade unions, especially *chaebol* based ones, have played a greater role in the struggle for trade union rights and for democracy more generally. Threatened by these developments the *chaebol* employers initially resorted to unlawful tactics in an attempt to contain them, but in the 1990s have adopted a union accommodation approach using human resource management techniques. At the end of 1996 matters came to a head when the Kim Young-sam government attempted to amend the trade union law. This led to massive opposition especially to the proposed powers for employers to more flexibly manage and lay off their workforces, thus weakening the tight protection Korean workers had under previous law. At the time of writing these matters have not been resolved, but will be an issue for scholars to examine as events unfold.

In the final paper Branine examines the implications for employment relationships of economic and industrial reforms which have been introduced in the People's Republic of China over the last seventeen years. Again liberalisation of the labour market is a strong theme which permeates the article and has led to the ending of many of the features of traditional industrial relations in China. While there is evidence of some attempts to introduce employment policies similar to those found in the West a main part of Branine's argument is that there is little evidence of attempts to implement the principles or to achieve the goals of Western models of human resource management.

Branine reviews the labour market reforms of the last decade covering the labour contract system, decentralisation of the staffing system, and liberalisation of the rewards system. He shows how these reforms had a significant impact on trade unions and workers' congresses. Chinese trade unions are geared to an administrative rather than a representative function and act as a transmission belt between the Communist Party and the workers. Despite this weak role, they only exist in about ten percent of foreign-owned firms which have increasingly established themselves in the Chinese economy. At the level of the enterprise there is a

tension between the role of trade unions and workers' congresses, which parallels the tensions discussed in the Dutch situation. Branine discusses the contradictory impact of the labour market reforms on Chinese workers and shows how the Chinese state has reacted to the negative impact of the reforms by passing a stream of labour laws designed to minimise industrial unrest.

Finally Branine assesses recent research which has sought to judge whether the new employment relationships which have emerged after the reforms can be characterised as human resource management in the Western model. He finds evidence for some elements of an HRM approach, but very little for empowerment, involvement or representation. Nor has there been any significant change in the role of workers' congresses or trade unions. He concludes that the objectives of the labour policy reforms seem to be only partially achieved, and like all our examples further developments in these areas will be of interest and concern to industrial relations academics throughout the world. In pursuing them we should be mindful of the suggestion from Watson that the core disciplines of the social sciences should be used to examine the employment relationship rather than trying to raise human resource management or industrial relations to the status of separate disciplines.

References

Armstrong, M. (1987), Human Resource Management: A Case of the Emperor's Mew Clothes? *Personnel Management*, **19(8):** 17-21.

Beardwell, I. (1992), The "New Industrial Relations"? A Review of the Debate *Human Resource Management Journal,* **2(2):** 1-7.

Guest, D. (1989), Human Resource Management and its Implications for Industrial Relations and Trade Unions. In Storey, J. (ed.), *New Perspectives on Human Resource Management*, London, Routledge.

Guest, D. (1990), Human Resource Management and the American Dream, *Journal of Management Studies,* **27(4):** 377-396.

Guest, D. (1995), Human Resource Management, Trade Unions and Industrial Relations. In Storey, J.(ed.), *Human Resource Management: A Critical Text*, London, Routledge.

Jackson, M.P. (1991), *An Introduction to Industrial Relations*, London, Routledge.

Kochan, T., Katz, H. and McKersie, R. (1986), *The Transformation of American Industrial Relations,* New York, Basic Books.

TUC (1994), *Human Resource Management - A Trade Union Response*, London, TUC.