

Good Industrial Relations, Joint Problem Solving, and HRM

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Do new human resource management practices fit comfortably with the existing collective bargaining relationship in unionized establishments? This is a question of concern to researchers in many advanced industrialized economies; this is particularly the case in Britain where human resource management practices are more a feature of the union, rather than nonunion, employment sector. The initial analysis of this paper, based on the 1990 national Workplace Industrial Relations Survey, indicates that an index of human resource management practices is negatively related to management reports of the quality of the existing employee-management relationship in unionized establishments, in contrast to the position in nonunion establishments. This finding is consistent with some existing case study research which indicates that human resource management practices are marginalizing the union-collective bargaining role in unionized organizations. However, a case study of the paper industry indicates that such marginalization does not occur if the existing relationship is more of a joint problem solving one.

What is 'good' industrial relations? In advanced industrialized economies, the answer increasingly being provided by many (but certainly not all) academics, practitioners and policy makers has two basic elements: (1) a collective bargaining relationship characterized by a relatively cooperative, joint problem-solving, mutual gains orientation; and (2) genuine employee

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— The first-named author gratefully acknowledges the financial assistance of the British Academy.

involvement or human resource management (HRM) practices which involve information, consultation and participation initiatives centred around individual (and teams of individual) employees. The commitment to change along these lines is well illustrated in the agenda of many third-party dispute resolution bodies. In Britain, for instance, the advisory function of the Advisory Conciliation and Arbitration Service (ACAS) currently has a sizeable programme of Joint Working Parties designed to improve the quality of collective bargaining relationships and/or assist in the process of introducing employee involvement initiatives.

The implicit assumption in such third-party change programmes is that a compatible, complementary relationship can and should exist between collective bargaining and HRM. The need to examine this assumption has become increasingly apparent and important as HRM initiatives in the union sector have outpaced those in the nonunion sector (at least in Britain), thus undermining the early, rather simplistic view that HRM was essentially a subject area concerned with employee-management relations in the non-union sector. An examination of this assumption is the task undertaken in this paper where we draw on two particular data sources, namely the third (1990) national Workplace Industrial Relations Survey and a recently completed study of industrial relations in the paper and board industry in the U.K.

THE ISSUE AND DEBATE

Some of the basic findings of the third (1990) national Workplace Industrial Relations Survey suggest that HRM practices are relatively more prevalent in the union sector of employment. For instance, the survey reported that 48 percent of union establishments in the private sector had introduced new employee involvement initiatives in the years 1987-90, compared to 36 percent of nonunion establishments; this differential persisted when workplaces of similar size were compared (Millward, Stevens, Smart and Hawes 1992: 176; see also Sisson 1993). However, relatively few attempts have been made to explain why this is the case. Admittedly Storey's (1992) examination of developments in fifteen organizations reveals that HRM practices have rarely been introduced in unionized organizations via a 'joint partnership' route or approach, which has tended to rather marginalize the role of collective bargaining.¹ But the obvious question to ask in relation

1. In view of our subsequent analysis and findings, it is instructive to note that many of the union-management relationships in Storey's study were described as 'conflictual' (Storey 1992: 247).

to Storey's findings is why the joint partnership route has been so little used.

In an attempt to answer the above questions we examined some of the existing literature on industrial relations change. This literature has very largely consisted of single-plant case studies which have documented the introduction of industrial relations changes in plants with a history of 'poor industrial relations' (Guest 1979; Ichniowski 1992). That is, they adopt a 'problem-based' view of the change/innovation process, with the emphasis being placed on management's *incentive* to change (i.e., the need to overcome existing industrial relations problems and difficulties). This explanation for change is most explicit in the particular case of employee share ownership schemes where a great deal of emphasis is placed on management's desire to break down 'them and us' attitudes (Dunn, Richardson and Dewi 1991). This perspective would logically imply that employee share ownership schemes would tend to be introduced by management in establishments where 'them and us' attitudes and problems were considerable, with the management expectation (or hope) being that such schemes would bring about an improvement in this regard.

In marked contrast to the thrust of the single-plant case study literature, however, an examination of the adoption and diffusion process of Quality of Working Life (QWL) innovations across the plants of a single, large company in the U.S. reached the following conclusion: 'the correlations... between the industrial relations performance measures and involvement in QWL programs reflect the fact that plants with comparatively good industrial relations performance tend to develop relatively more extensive QWL involvement' (Katz, Kochan and Weber 1985: 522). This particular pattern of findings would seem explicable more in terms of an emphasis on the *ability* (rather than incentive) to bring about change in industrial relations terms. That is, plants with "good" industrial relations can most easily introduce new innovations. This particular emphasis is apparent in much of the prescriptive literature concerning industrial relations and HRM change. For example, Lawler (1981: 145-146) has argued that gain sharing plans will only be effective in organizations with the essential *prerequisite* of a highly cooperative union-management relationship, while others have claimed that a high initial level of employee-management trust is necessary for the effective introduction and operation of performance-related pay arrangements (Hills, Madigan, Scott and Markham 1990: 248-249).

In summary, this brief literature review leads us to ask whether the existing state of employee-management relations provides (either via the incentive or ability route) an explanation of the introduction of HRM practices, and whether any such relationship differs between the union and nonunion sectors.

THE FINDINGS FROM THE 1990 SURVEY

The first step in our analysis was the construction of an index of HRM practices. The justification for the index approach was our belief that there is no one, 'all-important' employment practice which would command sufficient consensus as indicating the existence of an HRM approach. Moreover, the existing literature (as opposed to the general practice) very much emphasizes the need for organizations to adopt a package approach towards HRM for effective maintenance and performance over time. This being said, we recognize the inevitability of some debate, not to say disagreement, concerning the particular practices that should figure in an index of the type developed here.

Our HRM index was based on the following variables² (all coded 0 unless stated otherwise):

- establishments where management provides a good deal of information to the workforce concerning performance (CONSF, coded 1)
- establishments with any change in employee involvement in the last three years (EP, coded 1)
- establishments with changes in working practices in the last three years which have reduced job demarcation (CHAWP, coded 1)
- establishments with a new consultative committee and/or more meetings concerning participation/communication in the last three years (DISCUSS, coded 1)
- establishments with autonomous work groups and/or reorganization of work and/or increased responsibility given to employees and/or quality circles and/or training or briefing groups introduced in the last three years (WG, coded 1).³

The above variables were then subjected to cluster analysis which allows establishments to be classified according to the groupings which have similar attributes. This exercise identified four major clusters, with some two-thirds of the 1,396 (weighted) private sector establishments being in cluster 1 (i.e., the non-HRM group). The size of this group is obviously quite consistent with the general view that the diffusion of HRM practices throughout the British system of industrial relations has been relatively limited to date (Sisson 1993), a finding that obviously enhances our confidence in the value of this approach and data.

2. All items in the index received equal weighting.

3. A technical appendix providing further information concerning the construction of this index is available upon request from the authors.

The next step in our analysis was to see whether there was any relationship between our HRM index (cluster 1 versus clusters 2, 3 and 4) and personnel managers' assessment and rating of the overall employee-management relationship in the establishment.⁴ In the latter case we distinguished between those that rated the employee-management relationship as 'very good' on the one hand, and those that provided lower ratings.⁵ The two hypotheses to be examined are as follows:

- (1) A positive relationship between the HRM index and a 'very good' assessment of the employee-management relationship would be interpreted as supporting the "ability to change" emphasis. In this case, HRM practices would be viewed as a natural and logical extension to existing good quality relationships, hence they could be relatively easily and smoothly introduced. Such a relationship in the unionized sector, for example, might suggest a joint partnership route to change.
- (2) A negative relationship between the HRM index and a 'very good' assessment of the employee-management relationship would support the "incentive to change" emphasis. That is, HRM practices were introduced as a 'reform' measure designed to improve the existing relationship; management's view of 'reform' here is likely to involve the notion of 'going around' the collective bargaining process (i.e., a displacement effect). In the case of the union sector, a joint partnership approach to HRM introduction would be unlikely, and the result could undoubtedly be a marginalization of the collective bargaining role relative to HRM.

Table 1 lists the basic univariate results for the private sector as a whole, and for the union and nonunion sectors separately.⁶

4. We recognize that there may be reservations about the meaningfulness and usefulness of such responses. In our view, however, empirical exercises such as this one are important in making a more informed judgement about the value of such data. For instance, some of our initial analysis indicates that these ratings were not randomly distributed across establishments, a finding that enhances our confidence in the value of the information.
5. The basic responses for the 1,396 private sector establishments were as follows: 5.9% said "average," 37% "quite good," 22.8% "good" and 33.4% "very good"; only 1.9% stated that relations were in any way "bad". (Our "very good" versus the rest dichotomy yielded more clear-cut results than a number of alternative versions that we tried.) The responses to this question seem to be reasonably closely aligned with responses concerning the perceived productivity levels of the establishment, especially on the basis of statistical tests of association.
6. Do management responses in 1990 say something useful about the employee-management relationship in the latter part of the 1980s when the HRM practices were presumably introduced? Although there is no definitive answer to this question, the panel data set does suggest a not inconsiderable element of inter-temporal stability in the ratings, despite a general downward movement in the quality of employee-management relations over time.

TABLE 1
Percentage of Establishments Introducing HRM by 1990

<i>State of management/ employee relations</i>	<i>All establishments</i>	<i>Unionized establishments^a</i>	<i>Nonunion establishments</i>
IREL = 0	39.4	41.9	29.8
IREL = 1	36.8	36.3	37.1
t-test of difference in means	-0.94	-1.07	2.06

^a this refers to recognition of manual unions

Table 1 shows that nonunion establishments were more likely to have introduced HRM practices if there were very good employee-management relations reported, a result that is significant at the 5 percent level.⁷ There is also some tendency for unionized establishments to introduce HRM when relations are not very good, although the result is not statistically significant. Given our particular interest in the relationship between collective bargaining⁸ and HRM practices in the union sector, table 2 sets out a fuller set of results for the union sector; the pattern revealed here certainly seems more consistent with the "incentive," rather than "ability to change" emphasis and orientation.

TABLE 2
Percentage of Unionized^a Establishments Introducing HRM by 1990

<i>State of Management-Employee Relations</i>				
<i>Very good</i>	<i>Good</i>	<i>Quite good</i>	<i>Average</i>	<i>Bad</i>
36.3	41.5	42.0	44.4	42.8

^a this refers to recognition of unions for manual employees

The pattern observed in table 1, when taken in conjunction with the facts that (i) employee-management relationships generally received a higher rating in the nonunion than in the union sector (Millward, Stevens, Smart

7. All the variables are defined in the Appendix.

8. We acknowledge that this question/response concerns the employee-management relationship, rather than the union-management one. However, given the centrality of collective bargaining in the union sector, it is difficult to believe that these responses are not saying something important about the union-management relationship in the union sector.

and Hawes 1992: 363) and (ii) HRM was more prevalent in the union sector, suggested that a test of whether the final two columns in table 1 are significantly different from each other might be crucial. Hence a 3-way cross-tabulation involving IREL by HRM by recognition status was carried out. The test involved log-linear analysis, and the results are set out in table 3.

TABLE 3

Parameter Estimates from a Loglinear Analysis of the 3-way Crosstabulation of the 1990 WIRS data: private sector (weighted) data only

<i>Variable</i>	<i>Parameter estimate</i>	<i>Z-value^a</i>
HRM	0.283	8.41***
IREL	0.330	9.80***
RECMAN	0.305	9.07***
HRM × IREL	0.012	0.36
HRM × RECMAN	0.063	1.86*
IREL × RECMAN	-0.112	3.32**
HRM × IREL × RECMAN	0.070	2.07**

^a rejects the null of no association at the *** 1%; ** 5%; and * 10% significance levels

The results indicate the significant negative (positive) association between IREL (HRM) and union status, while the association between HRM and IREL is not significant. The association between all three variables is, however, significantly different from zero at the 5 percent level, on the basis of a χ^2 two-tailed test. In short, taking each sector separately, the relationship between IREL and HRM is not very strong, suggesting that much of the variation in the data is due to differences between sectors; by definition this is omitted when the union and nonunion sectors are looked at separately (as in table 1).

In summary, it would appear that union establishments appear to have introduced HRM in order to try to improve the state of existing employee-management relations (i.e., an incentive effect), whereas in the nonunion sector the introduction of HRM practices has been facilitated (i.e., an ability effect) by the (relatively good) state of existing employee-management relationships and can be viewed as an initiative to ensure the continued maintenance of such reasonably good relationships.⁹

9. It is also worth noting that an estimated logit regression equation for the determinants of HRM yielded much more in the way of significant clear-cut findings for the nonunion sector. This was also the case when IREL was the dichotomous dependent variable. Two

In our judgement these results suggest an explanation of why HRM practices are currently more prevalent in the union than the nonunion sector in Britain, and why such practices in the union sector have rarely been introduced via the joint partnership route, — there is more pressure/incentive for change due to dissatisfaction with the existing relationship in the union sector. These results do not appear to constitute good news for a union movement which views HRM and collective bargaining as complementary in nature, and favours the former's introduction via a joint partnership approach (which would obviously involve an expanded agenda for collective bargaining). Accordingly they raise the important question of how existing collective bargaining relationships can be improved in order to ensure that HRM practices are increasingly introduced via a joint partnership route which, in turn, is likely to ensure a better fit between collective bargaining and HRM.

At the outset we noted the existence of Joint Working Party initiatives by ACAS to try to improve the nature of the interaction process between collective bargaining and HRM; our results for the union sector are certainly consistent with the need for and potential worth of such a programme of initiatives. However, it has long been appreciated that such third party initiatives need to operate in conjunction with some sizeable external (e.g., product market) pressure to change existing relationships (Purcell 1979). But at the same time the work of Walton and McKersie (1965: 191-193) demonstrated that enhanced product market pressures can cut both ways: they can help or hinder the establishment and maintenance of more cooperative union-management relationships. Accordingly, there needs to be more at work than simply external pressure for change to help bring about a more cooperative union-management relationship. In order to gain some further insights in this area we now turn to the findings of a recently completed industry case study.

THE PAPER AND BOARD INDUSTRY IN THE U.K.

There is no question that product market pressure has played a major role in shaping industrial relations in the U.K. paper industry in recent decades. The industry has faced strong and sustained foreign competition (with imports presently accounting for some 60 percent of U.K. consumption

sets of results show that, as well as the different role of the various determining factors across the union/nonunion sectors, the common set of determinants used often produced different results depending on whether the dependent variable was IREL or HRM. This would seem to indicate the differing nature of the processes involved in determining these key variables, and hence the need to consider a joint-three way interaction between IREL, HRM and RECMAN.

of paper and board) which has resulted in an extensive (and painful) restructuring process. This as included a fall in the number of federated¹⁰ paper mills from 146 in 1972 to 84 in 1992, a decline in the number of paper machines in federated mills from 410 in 1972 to 168 in 1992, and a drop in the total number of employees in federated mills from 63,038 in 1972 to 24,917 in 1992.

However, this substantial downsizing of the industry has been associated with a pattern of industrial relations characterized by the following features:

- (1) Both management and union respondents at the industry-wide and individual mill levels report a high quality union-management relationship, characterized by a joint problem-solving orientation.
- (2) The number of strikes and procedural meetings ('conferences') to resolve union-management disputes has fallen over time: the years 1972–82 saw an average of 16 strikes and 94 conferences per year, whereas the years 1983–93 saw an average of 3 strikes and 38 conferences.
- (3) Union representatives are heavily involved in industry level-committees concerned with workforce training and health and safety.
- (4) Long-standing arrangements for consultation and discussion purposes with union representatives at the individual mill level remain in place, with few signs of reduced priority or diminished activity levels.
- (5) The scope of bargaining at the individual mill level has tended to widen over time, particularly in relation to changes in working practices (e.g., the movement to annual hours working arrangements),¹¹ training and the introduction of new technology.
- (6) At the individual mill level there are many instances of initiatives to improve communications with individual employees, enhance the level of workforce (particularly cross-functional¹²) training and move in the direction of team working arrangements.

If these are some of the leading manifestations of the existing union-management relationship in the paper industry, what have been its major determinants? The industry seems to reasonably approximate Walton and McKersie's discussion of the cooperative ('attitudinal structuring') pattern (1965: 188):

10. Members of the industry employers' association.

11. More than half of the federated mills currently operate annual hours working arrangements.

12. Industry accredited cross-functional training programmes are currently in operation in around one-third of the federated mills.

The motivational orientation is cooperative. There is complete acceptance of the legitimacy of the other. This pattern is characterized by the fact that the parties willingly extend mutual concerns far beyond the familiar matters of wages, hours and conditions. Productive efficiency, the solvency of the firm, elimination of waste, advance of technology, employment security, and so on are treated as matters of common interest. There is likewise full respect for the other – its organization and officials. The union accepts managerial success as being of concern to labor; *management recognizes its stake in stable, effective unionism* [our emphasis]. In as much as each has found areas in which the other can be instrumental to its own objectives, it is likely to act in such a way as to strengthen the other organization or its leaders. Finally, there is mutual trust and a friendly attitude between the parties generally.

In shaping this pattern the larger industry context has been important. As noted earlier, extensive product market pressure has stimulated the need for change. But it has been the nature of the industry response to this pressure which has been all-important. This response has involved a reorientation of the traditional competitive strategy of the industry, but a reorientation that has not undermined the traditional features of the industry's industrial relations.

In essence, individual mills have substantially reduced the size of their product ranges, with the majority of the industry moving towards a more value-added competitive strategy in which the emphasis is on product quality, speed of delivery, and so on (Owen 1994). The U.K. paper industry has in effect been driven out of the high volume, low-cost end of the market due to the strength of foreign competition and the industry's poor investment record (prior to the 1980s) in technology; at the end of the 1970s the average age of U.K. paper machines was 34 years compared to 21 in Germany (Owen 1994: 6). This new competitive strategy is reflected in the extensive introduction of continuous improvement/TQM type programmes, programmes which have actually raised the priority which management has attached to cooperation with both employees and unions. Moreover, there is some evidence that this strategy is 'paying off' to both parties (i.e., a 'reinforcement' factor is at work) with production and productivity levels having risen from the early 1980s and mill closures (although not redundancies) having largely ceased.

In accounting for a cooperative union-management pattern, with its emphasis on trust and legitimacy of the other party, Walton and McKersie stress the importance of the personality predispositions, social belief systems and shared bargaining experiences of key individuals on the union and management sides. But what are the tangible indicators of such predispositions and social belief systems? And can they survive the turnover of the key individuals concerned? The earlier quote from Walton and McKersie included reference to management's acceptance of its stake in stable and

effective unionization. The contents of table 4 are instructive in the light of this observation.

TABLE 4

**The Level of Union Density, Manual Workers, Paper and Board Industry
(Federated Establishments only), various years**

<i>Year</i>	<i>Manual Worker Union Density</i>
1976	91%
1983	92%
1987	91%
1990	87%
1993	86%

Source: Figures supplied by the British Paper and Board Industry Federation

Table 4 indicates that the level of manual worker union density has held up remarkably well in an industry that has lost nearly 40,000 jobs in 20 years. This level of union organization has effectively been underpinned by the continued strength of the employers' association and national level bargaining arrangements: a position that is in sharp contrast to that in many other industries in Britain. For instance, membership of the industry federation currently accounts for some 79 percent of the companies, 89 percent of the machines, 86 percent of the mills and 90 percent of production in the industry. Moreover the national procedural agreement encourages and facilitates union recognition for manual workers. These procedural arrangements give tangible expression to the personality predispositions and social belief systems of key individuals in an industry with a long history of relatively high levels of (manual) union organization. Furthermore they ensure that such predispositions and social belief systems can survive the turnover of key individuals and adjust to the changing nature of the industry. This has been particularly important in the paper industry where the level of foreign ownership has grown rapidly in recent times, with some two-thirds of the industry currently being foreign-owned. In short, the procedures have helped ensure that newcomers to the industry observe the industry's traditional industrial relations features.¹³

SUMMARY

The current evidence in Britain indicates that the introduction of HRM practices is more a feature of the union than the nonunion employment

13. Nonunion operations have little place in the industry, being confined to a few, small non-federated mills.

sector. However, our analysis of the 1990 Workplace Industrial Relations Survey data suggests that the management motivation for the introduction of such practices arises from some dissatisfaction with and a desire to improve the existing state of industrial relations; this differs sharply from the position in the nonunion sector. And this relationship would, in turn, help account for the relative absence of the joint partnership route to introducing HRM practices in the union sector.

The paper industry experience indicates that HRM practices can comfortably fit with an existing cooperative union-management relationship. The joint partnership approach is very much in place here, although some of the factors which have given rise to it are apparently less in evidence in other industries. None of this is particularly good news for the union movement in Britain, although the findings do suggest both the potential need and importance of current ACAS initiatives to move collective bargaining relationships away from their traditional adversarial orientation. This being said, the paper industry case suggests that third-party change programmes may be a necessary, but not sufficient, condition for sustained change along these lines.

The above are the major practical implications which would appear to follow from our analysis to date. As for future research, we have three major thoughts. Firstly, the findings presented here for the union sector can to some extent be cross-checked by examining the financial management respondents' ratings of the union-management relationship; this exercise will involve a reduced sample size, although the answer/response more directly addresses the collective bargaining relationship. Secondly, we can expand our existing framework of analysis, which very much views HRM as being driven by industrial relations specific considerations. For instance it would be useful to examine in more detail the relationship (if any) between the HRM index and management respondents' perceptions of more 'bottom line' factors, such as financial performance and productivity. Thirdly, we propose to see if our HRM index can usefully be reconstructed on the basis of the panel data set in order to see if the basic thrust of our findings is confirmed.¹⁴

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