

CONVERGENCES AND DIVERGENCES IN EMPLOYMENT SYSTEMS

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Abstract

This paper argues that a key contributor to the rising income inequality that has emerged over the last 25 years in industrial economies are the variations appearing within employment systems. After reviewing the debate over income inequality the paper highlights the core findings of a research project that analyzed changes in employment relations in Australia, Britain, Germany, Italy, Japan, Sweden, the United Kingdom, and the United States with a special focus on the automobile and telecommunications industries. The research finds much similarity across countries in the various patterns of workplace practices that are spreading and also much that is common in the changes occurring in the processes and structures of labor-management interactions. At the same time, within both the union and non-union sectors the extent of variation in wages, work practices, and other employment conditions has increased. There is no evidence of a simple new international convergence in employment relations. The research summarized within this paper illustrates the virtues of an institutional perspective that takes into account employment systems and shifting power relations as well as economic pressures.

Introduction: The Debates About Union Decline and Rising Income Inequality

Union membership and bargaining power has declined sizably since the early 1980s in most countries. In addition, research and policy discussions have recognized that in nearly all industrial economies since around the 1980s there has been a significant increase in income and wealth inequality. Declines in union membership and bargaining concessions have led many observers to see this era as one involving a fundamental decline in union strength and an increase in the discretion and authority of management and market forces. Explanations for income inequality point to “skill-biased technological change,” which in turn is said to have caused of the bifurcation in the demand for skills. Other explanations for income inequality include the effects of increased global trade and associated increases in the global supply of cheap and plentiful low skilled labor. Analysts based in an institutional perspective provide evidence that union decline and a weakening of social protections, related to a rightward shift in political power, have contributed to income inequalities.

Some analysts see close links between the increases in global trade and union declines. Leo Troy (1990), for example, claims that union decline is a permanent and an inevitable result of increased international competition and globalization. With regard to the causes for and consequences of union decline, the argument goes that unable to maintain strong multi-national organizations, unions have not been able to (and according to some, will never be able to) expand their jurisdiction commensurate with the widening jurisdiction of the marketplace and thus the decline in union power is said to be irreversible. John Purcell (1995) also makes a gloomy forecast for unions, although he sees the central challenge arising from managerial strategies that replace, or at least deflect, demand for unionism, through the elaboration of communication strategies and the individualization of personnel practices. The debate about income inequality and union decline has overlapped and in the process returned

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focus to one of the most classical debates in industrial relations, namely, the question as to whether there is an inevitable convergence in employment systems and practices across countries.

The Convergence Debate

The decline in the strength of unions raises the specter of a new convergence to a world of employment relations where management gains unilateral authority either through advanced personnel practices and heightened sensitivity to the needs of the work force, or through the exercise of brute market power. In our view, although the growing internationalization of markets has helped spur non-union competition and contributed to the elaboration of low wage employment strategies, and managerial initiatives that have led to the development of sophisticated and often individualized employment strategies, analysts have exaggerated the role played by this trend and ignored the more substantial variation that is simultaneously appearing within and across employment systems. Before developing this argument, we examine other convergence predictions.

A less gloomy vision of the future is provided by those analysts who see employment relations converging toward Japanese-style practices. The claim here is that Japanese employment relations practices are linked to Japanese manufacturing (and organizational) practices which together produce superior economic performance through their high attention to quality, flexibility, and relatively low cost. (Womack, Jones and Roos, 1990; MacDuffie 1996) The net effect of this alleged Japanization of employment relations is said to be a movement toward more enterprise-oriented employment relations including very decentralized bargaining structures, team-oriented work practices, and lifetime employment (at least for a core of the work force). Interestingly, among those who see a Japanization of employment relations occurring there are some, such as Dore (1992), who are attracted to the increased organizational-orientation in Japanese practices and others, such as Parker and Slaughter (1988) and Babson (1995), who claim these practices increase employee stress and union subservience.

Given the strong employment growth experienced in the United States, especially when compared to the rise in unemployment that has been occurring in most European countries, other observers have claimed that a new international convergence toward U.S.-style flexible labor markets (and deregulated product markets) is now underway. (Krugman, 1996) A related claim in this line of argumentation is that a key competitive advantage has emerged in the United States through the early and heavy re-engineering of managerial practices that has helped create an American model of lean management. (Hammer and Champy, 1993) While put in very different terms, it is interesting to note the common claim of American superiority found in this new school of thought and the earlier convergence notions of Kerr, Dunlop, Harbison and Myers (1964).

Kerr et al claimed that industrialization would lead to a common “structuring” of the work force across and within countries, a structuring process that appeared to have a relatively strong role for unions. Kerr et al write as if they expected industrialization to proceed relatively smoothly across the globe and in the process transform industrial relations systems around the world so they would become similar to the collective bargaining system that appeared to be maturing in a number of core American industries in the mid 1950s.

A number of influential comparative social scientists earlier had rebutted the Kerr et al convergence thesis by developing sophisticated analyses of the particularities of the industrial relations systems of various countries. The thrust of scholars such as Cole (1971), Streeck (1984), and Dore (1973) (and much of the comparative industrial relations literature that followed in the footsteps of these researchers) was that there was wide and persistent variation

in industrial relations across countries. Although our analysis leads us to highlight the many similarities that now appear in the variation emerging in employment relations across countries, we draw from prior comparative research the imperative to examine the role that existing institutions play as a force that shapes the changes occurring in employment systems.

Drawing on research examining the changes occurring in employment relations in Italy in the 1980s, Richard Locke (1992) develops an alternative perspective by noting the wide variation appearing within employment relations in the 1980s. Locke questions the relevance of notions of distinct national systems of employment relations in the face of the widening variation in employment relations occurring within countries. We extend Locke's claims by examining in detail the nature and extent of the variation that is appearing in seven countries.

This paper summarizes a research project that examines the increasing diversity that is appearing in employment relations in Australia, Britain, Germany, Italy, Japan, Sweden, the United Kingdom, and the United States with a special focus on the automobile and telecommunications industries. A full account of the research findings is provided in the book by Harry Katz and Owen Darbishire, Converging Divergences: Worldwide Changes in Employment Systems, Cornell University Press, 2000. In view the employment systems perspective in this research helps explain both how various institutional changes have contributed both to union decline and income inequality. This "institutional" perspective is presented as a complement, and not a substitute, for arguments that focus on the role of market forces.

In recent years enormous changes have appeared in employment relations in these seven, and in other, industrialized economies. One key aspect of this change has been the decline of union strength and membership. This has led to increased variation in the employment conditions employees experience through the lower wages paid in the non-union sector as compared to the union sector, and the differences that appear in union versus non-union work practices including differences in how employee complaints are resolved. Yet, within both the union and non-union sectors the extent of variation in wages, work practices, and other employment conditions also has increased. This variation is particularly pronounced in workplaces that are adopting contingent compensation (such as profit sharing) or individualized pay procedures. Variation also is growing in work organization and related work practices in part as a result of the fact that some union or non-union plants use team concepts of work organization while others do not.

Another important factor contributing to variation in employment practices within the union sector has been the expansion of work and union participation processes at some unionized work sites while conflictual labor-management relations prevail at other unionized sites. In the process, the middle ground of traditional labor-management relations that had included a bounded amount of conflict is becoming less common.

While increased variation in employment relations is more obvious in the union sector, variation has also been spreading in non-union firms with some firms investing heavily in a human resource management approach that emphasizes extensive individualized communication and pay practices while some other non-union firms make use of low wage and informal work practices. Meanwhile, in many countries the spread of Japanese investments or efforts to imitate Japanese employment practices in domestically-owned firms has led to the spread of a Japanese-oriented set of work practices and thereby added another source of variation in employment conditions. While developments in the United States represent an extreme case of employment system variation, with the United States' experiencing heavy doses of both concessionary and participatory collective bargaining and rapid growth in non-union and Japanese employment systems, similar types of variation in

employment relations have appeared in other countries.

The seven countries that we analyze entered the 1980s with very different levels of union strength, different trends in union growth, and with major differences in how employment relations are structured. If common trends are apparent in countries that start off so dissimilar, than this increases the probability that these trends are more general. Furthermore, there are a number of interesting distinctive qualities in each of the countries. The presence of a traditional enterprise union structure in Japan, for example, allows examination of whether trends apparent in systems that begin more centralized are also occurring in the Japanese system that entered the 1980s already with a very decentralized employment relations system.

The automobile and telecommunications industries receive special attention in our research because of their importance to industrialized economies. The automobile and telecommunications industries are also noteworthy through indirect effects that include their influence as pattern setters in employment relations.

The fact that both the automobile and telecommunications industries are heavily unionized and much of their employment is in large firms distinguishes these industries from others in advanced economies. For these reasons and because of our interest in examining whether the trends revealed in auto and telecommunications are typical, our analysis of developments in each country includes analysis of the general trends in employment relations in other industries.

Our research uses survey evidence and secondary sources to describe the variation spreading across union and non-union sectors in each of the seven countries. We also examine broad trends in each of the seven countries to see if the key adjustment strategies and issues identified in the auto and telecommunication industries generalize to other industries.

Commonalities Across Countries --- The Four Key Growing Patterns of Work Practices

In our view similarity in employment relations changes in part derives from the fact that there are four common patterns of work practices that are spreading in the seven countries. The core elements of the four patterns of work practices that are growing are outlined in Figure 1. Our analysis utilizes the notion that employment practices cluster within firms which creates discreet patterns of employment practices across firms. The clustering of employment practices arises from the fact that various employment practices reinforce one another and are linked to one another. In this analysis we make use of concepts developed in Kochan, Katz, and McKersie (1986), Katz and Kochan (1992), Arthur (1992), and Purcell and Ahlstrand (1994).

Column 1 of Figure 1 describes a low wage employment pattern characterized by work practices that afford management substantial discretion and power. Work practices in this pattern are informally applied and this pattern typically operates on a non-union basis.

The human resource management (“HRM”) employment pattern (Column 2 in Figure 1) focuses on individualized rewards and career development. The HRM approach, for example, includes teams that are more centrally directed by management when compared to the large role supervisors play in team-related and other work practices found in the Japanese-oriented pattern. However, like the Japanese-oriented system, the HRM approach attempts to sustain a strong managerially-driven corporate culture through extensive corporate communication, although the communication channels differ from the supervisory-based channels found in the Japanese-oriented workplaces.

In the United States the HRM pattern has developed primarily in non-union firms and is closely linked to efforts by those firms to stay non-union. While this HRM pattern is now

spreading in other countries, there it is often being adopted as a complement, and not an alternative to, collective bargaining procedures.

Column 3 of Figure 1 describes a Japanese-oriented workplace pattern. We distinguish this pattern from a more joint team-based approach (Column 4 of Figure 1) in part based on the extent to which workers are granted autonomy to decide how and when they carry out their job tasks. In the Japanese-oriented system jobs are highly standardized, and although workers may have input into this standardization process, once job tasks are standardized, there is little, if any, room for worker or team discretion, as found in the joint team-based pattern. Furthermore, in the Japanese-oriented workplace supervisors have very strong roles whereas in the joint team-based system workers themselves take on many of the responsibilities previously carried out by supervisors and the number of supervisors is relatively low.

Common Changes in the Structure and Processes of Employment Relations

Across workplace practice patterns and across countries, common changes are also appearing in the structure and process of labor-management interactions including a decentralization in the locus of labor-management interactions. In the United Kingdom, United States, and Sweden decentralization has entailed a decline in the proportion of collective bargaining occurring at the multi-employer level and an increase in company- and plant-level bargaining. Even where formal structures of bargaining have not changed in these countries, the strength of pattern bargaining has weakened as company- (and increasingly plant-) level variation is emerging in pay and working conditions.

In German and Japan, in contrast, the formal structure of bargaining has not been decentralized as these countries already had relatively decentralized structures for workplace change, while adjustments within existing structures are allowing increased variation in pay and other labor market outcomes. Yet even in Germany there has been massive decentralization *inside* existing institutional structures, as works councils are playing an increasingly important role in determining basic employment conditions. And in Japan, the enterprise unions, particularly in the auto industry, are increasingly taking on a mediating role between workers on the shop floor and corporate management in the process of facilitating workplace adjustments.

Meanwhile in Italy, earlier formal decentralization of collective bargaining structures have been partially reversed in recent years. Nevertheless, in all countries a downward shift in the locus of employee relations is being driven by decentralizations occurring within corporate structures, work reorganizations, and increases in the direct participation of employees in production and business decision making.

Another important change in the structure and processes of employee relations that is spreading across and within the seven countries is an increase in direct communication between employees and management. More direct employer-employee communication has been associated with the more decentralized production methods that are being adopted at many work sites.

In addition, management at many plants has utilized more direct communication with employees as part of the more informal and more continuous negotiation that is being adopted as an alternative to traditional arms-length forms of labor-management relations. Enhanced direct communication is also linked to the work restructuring that is occurring including the use of team systems of work organization and other techniques used to settle production problems and disputes more quickly on the shop floor. Management also is communicating its case more directly with employees and in the process either circumventing existing union-related negotiation structures or creating alternatives to union representation (such as

individual contracts). The latter is particularly evident in work sites using human resource management work practices.

Cross-Country Variation

While there are many commonalities in the work practices that make up the key employment relations patterns that are spreading across countries, the relative proportion of the different workplace patterns, and the extent to which these patterns operate on a non-union basis, vary much across countries. In the United States and the United Kingdom, and to a lesser degree in a number of the other countries, the low wage, human resource management, and Japanese-oriented workplace practice patterns operate on a non-union basis. In this way growing employment relations variation is linked to declines in the fraction of the workforce that is represented by unions.

Country-specific institutions also influence the mix of workplace practice patterns and the degree of unionization. For example, German regulations that can potentially extend the terms of negotiated framework collective bargaining agreements to firms that are not members of the relevant employers' association have helped produce limited growth in low wage and non-union employment patterns. Furthermore, the legal rights of German works councils have contributed to the relatively high degree of standardization in complaint resolution procedures and the structure of employee representation. As a result, for example, the sort of variation found across U.S. auto transplants in grievance procedures, or the different bargaining roles played by "company councils" at Nissan and Toyota in the United Kingdom are not issues in Germany. Likewise, in Germany the rights of works councils means there is less variation in the information employee representatives receive at either plant or company level. In Australia, the political strength of the labor movement and the continuing importance of a national wage tribunal system similarly has served to limit the growth of low wage employment.

Although it is not always obvious how labor market or regulatory institutions exert their influence, the outcomes are rather striking. For example, in the United States substantial inroads have been made by non-union Japanese transplants in the auto assembly sector, while in Australia all auto assembly transplants remain unionized. In Italy and Sweden, even though the work practices that fit the HRM pattern are spreading, as a result of existing institutions and the continuing strength of the labor movement, these practices are complementing collective procedures and are not associated with the spread of non-union employment relationships. While it remains to be seen if institutions continue to constrain to such a high degree the spread of non-union employment relationships in Italy, Sweden, and Germany, to date institutions have clearly strengthened unions in these countries especially when developments are contrasted with events in the English-speaking countries.

The patterns of workplace practices outlined in Figure 1 typically complement pay, work organization, bargaining structure, and many other employment relations policies and practices that affect employment relations and labor market outcomes in each country. This is one of the ways existing country-specific labor market structures and institutions critically affect employment relations. For example, the joint team-based pattern of work practices operates very differently and has very different consequences for labor and management in German versus other countries because of the important role exerted by the German dual system of employee representation. There is less variation in the degree to which employees are integrated into plant-level decision making, and the extent of business information received by workers, in Germany as compared to the other countries in our study. At the same time, in the 1990s in Germany the ability of unions and works councils to constrain management strategies on team working and other workplace issues declined in the face of

the growing use of plant-level agreements on working time, the reorganization of work, job security, and pay. Increased variation in the extent of plant-by-plant and within-plant variation in work practices has followed in Germany in a manner that is similar to developments in other countries.

Another example of the role played by existing institutions as a factor influencing the nature and degree of variation in employment relations comes from Australia where enterprise agreements have played a key role in shifting the locus of collective bargaining downward. While enterprise agreements have brought major changes to employee-employer relations, these agreements are complementing and not replacing the wage tribunal system. It is also noteworthy that when Australian managers have tried to emulate the aggressive tactics exhibited by their American and British counterparts to dislodge or weaken unions, the Australian Industrial Relations Commission has constrained these managerial efforts. At the least, interventions to date by the Australian Industrial Relations Commission have maintained a role for employee votes in shaping the course of employment relations change and continued national review of employment standards (through application of a no-disadvantage test). In the end, Australia has experienced much more limited growth of low wage workplace practices as compared to the United States and the United Kingdom.

Within-Country Variation

A key source of variation within each country are the differences appearing in the detailed policies that implement particular work practice patterns. For example, our analysis of the evolution of auto employment relations reveals wide variation in the nature of team systems that are being adopted as part of the joint team-based pattern. Among other things, differences appear across plants and even within plants in the methods used to select team leaders and in the roles and responsibilities of team leaders and team members. The roles of team leaders, for example, vary much across auto plants in the United States, German, and Italy. Another example of within-pattern work practice variation are the differences in the particular policies being adopted to promote individualized career development as part of the HRM pattern.

Variation within countries also is growing due to the fact that work practices increasing vary across individuals and pay outcome variation is also being spurred by the spread of contingent pay procedures. There is much interaction across these various practices illustrated in the way that greater individualized rewards is often linked to the expansion of contingent compensation payment methods. In the British and Australian telecommunications industries, for example, individualization of employee relations has been promoted in the ranks of senior managers through individual contracts that replace traditional collectively-negotiated contracts. This is expanding to include all managers, and even some sections of the non-managerial workforce, as the use of contingent pay grows. This trend is likewise evident in Germany.

Contingent compensation is spreading in all seven countries although there is wide variation in the form and extent of the use of contingent pay. Contingent pay is particularly evident in the auto industries of all countries as the share of worker compensation that is set through annual bonuses, pay-for-knowledge, or payments linked to individual assessments has been rising in recent years. In Japan, for example, the variation in the annual bonuses received by auto workers at the primary auto assemblers has increased sizably in recent years. In the United States, across the Big Three auto assemblers, where hourly pay had long been standardized, from the mid 1980s on annual pay has varied substantially as a result of variation in company profit sharing payouts, and also varied within companies due to variation in the use and form of pay-for-knowledge plans. In Sweden, where auto worker

unions had long resisted performance-based compensation schemes, there is a recent expansion in the use of contingent (and more individualized) pay procedures, as in Italy. Likewise, a similar trend is occurring in Germany, where there are, in particular, emerging differences in pay between companies as a result of concession bargaining as firms' performance levels vary, and as works councils negotiate company-level employment security clauses.

Institutional Influences on the Degree of Variation Within Countries

Institutionally, at least three broad factors influence the extent of variation in work practices appearing within countries. The first concerns the direct, centralized determination of outcomes, for example by national unions and employers' associations. This has traditionally included either the use of central contracts (as in Sweden) or strong pattern bargaining (as in Japan's Spring Offensive) to proscribe a common set of employment conditions, and to establish narrow framework agreements within which firm-level variation could occur. Australia's award system has long provided a distinctive form of centralized wage determination. Whatever its form, by directly determining outcomes (including taking wages out of competition), centralization thus had a direct impact on the variation of employment relations.

A second institutional influence concerns the similarity of process (and power) that exists on a decentralized level, and that is used to establish the pattern of employment practices at plant level. The greater the similarity in the process of labor-management interaction at the plant level, and the narrower the range of power differences between plants (for example, as a result of different structures which give different rights or information to employees), the greater the commonality of outcomes. Although similar forms of a decentralized process of labor-management interaction can be set in collective bargaining at a centralized level, the determination of the decentralized process can equally be established through other means, such as in Germany where legislation plays a key role. In Italy, to cite another example, in recent years the inter-relationship between industrial-level and local-level collective bargaining has been guided by a tripartite accord. Thus, the centralized determination of outcomes, and the decentralized commonality of processes are distinct though frequently inter-related elements.

The degree of effective coordination between decentralized bargaining structures, and between strategies adopted at the local level, provide a third limitation on variation. This is particularly applicable where, for example, structures of employee representation and union organization facilitate coordination and integration of local actors into broader (national) policy choices. In general terms, such intra-plant coordination is relatively high in German and Japan, and relatively low in the United States and the United Kingdom.

It is thus a combination of centralization, the commonality of decentralized processes and power, and the active coordination of local actors that can constrain the extent of variation. The role of national institutions differs not simply in the extent to which they produce centralized outcomes, but also in the extent to which they limit the variation in the process and power of labor-management interaction, and how they facilitate coordination, especially where bargaining occurs increasingly on a decentralized basis.

The Factors that Have Contributed to the Growing Within-Country Variation in Employment Relations

In part, the growing variation in employment relations that appears within countries has resulted from a shift in bargaining power in management's favor, at the same time as they are under pressure to reorganize work practices. A combination of these factors has led

management to push for changes in the process of labor-management relations, and workplace restructuring. The shift in relative power is also illustrated in that a number of the key patterns of workplace practices outlined in Figure 1 frequently operate on a non-union basis, and the continuing growth in non-union work sites is clearly associated with a decline in union power. Although non-union growth is most extreme in the United States and United Kingdom, sizable non-union growth also is occurring in Japan and Australia. In the auto and telecommunications industries non-union operations have been growing most significantly in the parts or supplier segments of those industries. Even in the core segments of those two industries (respectively, auto assembly and network services) in most of the countries analyzed in our project new non-union firms now challenge the large unionized firms that traditionally dominated.

Within the unionized sector, one of the key ways bargaining power has been affecting the variation in employment relations is through management-led whipsawing of plants (and local unions). Management bargaining leverage is greater where there are alternative production sites and the production process allows a separation of the various aspects of production. For example, management has gained concessions from auto workers where it can outsource the production of a part or operation, particularly where a low wage non-union supplier is available. This sort of outsourcing has proven to be more difficult, although increasingly available, in the telecommunications services sector where management-led whipsawing is constrained by the need to coordinate service provision along the basic telephone network. Our field research finds that where management is gaining whipsaw leverage a wide variety of concessions are emerging, and the ensuing variation in work practices is often linked to work restructuring proceeding at the plant level.

Although unions and workers are often disadvantaged by concessionary whipsawing, work restructuring is providing advantages to the work force in the form of enhanced shop floor involvement or through changes in work organization, such as team working, that at least some of the work force prefer to traditional work methods. Work restructuring may well have intensified even if management power had not increased. Yet, in point of fact, since increases in managerial power are so closely interconnected with the spread of work restructuring in all seven countries, it may be futile to try to distinguish the independent influence of each as a cause of the growing variation in employment relations.

Although management has acquired more power, there is also pervasive confusion and uncertainty among managers concerning the performance effects of various work methods or work practices. As a result, although managers have more power and influence on the course of employment relations, they are not sure what to do it. Very little concrete evidence is available in any of the seven countries concerning whether one or another workplace practice produces improvements in either productivity or product quality and even more confusion appears in management's ranks regarding the long term organizational effects of the various changes in work practices that are being adopted. One illustration of this confusion is provided by the British and Australian telecommunications firms who have in recent years vacillated with regard to whether or not to decentralize their corporate structure.

Another illustration appears at the shop floor level across industries where management remains uncertain whether to adopt team systems of work organization. One of the reasons why unions in a number of countries also remain so undecided about teams is a consequence of the fact that unions (like management) are not sure whether teams produce economic benefits, or whether they will simply compound the changing balance of power between unions and management. This confusion helps explain why there is so much variation in the way team leaders are being chosen and team responsibilities are being defined. In U.S. auto plants, for example, some team leaders are chosen by seniority, while others are selected

through elections, joint labor-management appraisal or rotation. While companies have typically sought to retain significant influence on team leaders through selection, especially where team leaders replace roles previously played by supervisors, unions have been far less confident of whether to try to integrate team leaders roles into existing representational structures.

Variation is also being produced at work places in the seven countries as a natural consequence of the decentralization of corporate structures. The shift to business units in the telecommunications industry and the spread of area management concepts in the auto industry illustrate this trend.

Another closely related key source of variation in employment relations is the decentralization of managerial authority and the associated increases occurring in worker involvement in production and business decision making. A central purpose of this decentralization and the associated increases in participation is to allow individuals on the shop floor to more directly solve problems and develop solutions that meet their own needs while also satisfying corporate objectives. The resulting changes in the process of labor-management relations, and the "local solutions" on the shop-floor, are spurring variation in work practices. This is evident in the wide differences apparent in the programmatic operation of the various work practice patterns (such as the wide variety of joint team-based approaches). In all countries such decentralization of management structures adds further to variation as employee representatives are uncertain about what level of management to bargain with, and frequently have inappropriate structures themselves.

The Problems Increased Within-Country Variation Pose for Unions

To the extent that increased variation in employment relations has come about through the expansion of non-union operations, unions have experienced a clear challenge to their role and influence. There has already been much discussion of the threat that non-union operations pose to American unions given the depth of the decline in the share of the American workforce that is represented by unions and the persistence of declining union representation even in the face of efforts by American unions to re-stimulate union organizing. Britain, Japan, and Australia also have experienced sizable declines in the share of the workforce represented by unions, but the role played by managerial opposition to unionization varies much across countries. While, with a few exceptions, unions in Japan and Australia have generally not confronted the aggressive managerial resistance to union representation of the sort common to the American scene, in Britain union de-recognition and forms of aggressive union avoidance have become more common.

Unions have typically had great difficulty clearly defining their role where management has installed the extensive communication policies and strong corporate culture common to the human resource management pattern. This is true in America, and equally in Britain where until the mid-1990s unions generally rejected practices associated with 'human resource management,' because of an uncertainty as to whether they inevitably undermined unions and led to an individualization of the employment relationship, or could lead to more positive forms of joint team-based work practices. This has become a critical issue for unions in Sweden even in the face of the extensive and relatively secure position of unions in that country. Union fears have included concerns about the decentralization of responsibilities to work groups and the potential erosion of worker and union solidarity in the face of expanded direct employee participation undermining their strength.

In all countries in recent years management has more frequently been able to use the existence of over-capacity and the threat of outsourcing to increase their bargaining leverage. As bargaining structures have become more decentralized, unions in many countries have found

themselves on the defensive against managerial whipsawing and demands for local concessions. Again, the United States serves as an extreme case, yet there are cases in other countries of local concessions that bear strong similarities to U.S. developments, including Germany, a relatively strong case. In Britain the pattern of concessions has generally not included wages, instead more broadly incorporating increasingly flexible working practices, and a reassertion of managerial prerogative.

Another challenge unions confront is adjusting their internal structures to the demands of decentralized collective bargaining. This compounds the shift in bargaining leverage, and is particularly troubling for unions because of the difficulty they find in coordinating local bargaining and preventing plant-by-plant competition. Unions generally lack the organizational structures or procedures that can facilitate coordinated bargaining across plants and local unions. Even in Germany, where the unions are strongest in this regard, they have found it increasingly difficult to coordinate works council responses to the variety of (often decentralized) managerial team-work proposals in the 1990s. This has been particularly true where plants themselves have been under concessionary pressure to secure new investment. Elements of 'plant syndicalism' are even stronger in the United Kingdom where union structures are particularly decentralized, and national unions relatively weaker.

In most countries, unions entered the 1980s relying on central unions to bargain over wages and fringe benefits through the negotiation of multi-employer master (or framework) agreements. As bargaining has decentralized, however, more of the focus within collective bargaining has shifted to the plant level even where multi-employer agreements persist. This is well illustrated by the spread of enterprise bargaining in Australia. Furthermore, while wage and fringe benefit bargaining still matters, the importance of centralized bargaining over these issues has declined given the ramifications bargaining concerning work organization and work conditions has for employment. Detailed work organization issues can only be determined at the local level due to the need to take account of local conditions and the preferences of workers and shop floor managers. This is particularly true given significant work restructuring, experimentation, and uncertainty. Nevertheless, where national union guidance to local bargainers has been weak, and national unions have found it difficult to effectively coordinate local bargaining over work organization, local unions have been regularly outmaneuvered by managers who have taken advantage of corporate resources and corporate-directed whipsawing threats.

Unions differ in the extent and ways in which their traditional internal organizational structure promotes coordination between national and local bargaining. German unions, for example, have been able to make use of the dual structure of employee representation to maintain a relatively high degree of input into plant-level managerial decisions. Yet, it is telling that even in Germany, unions have had a difficult time in recent years coordinating the terms of team working and other workplace changes across plants, and especially firms. And in Japan, while enterprise unions have drawn on skills and relationships developed over the years in various joint committees, the coordination and mediation of workplace adjustments often puts these unions in uncomfortable positions with workers who sought to protect sectional interests. (Hiwatari, forthcoming)

The various joint steering committees and other joint labor-management committees that have been developed in all countries commonly across work sites, especially in those using the joint team-based approach, represent attempts to create coordinated representational structures. Yet, realigning administrative duties and the relative power of central versus local officials is proving to be a troubling matter for unions. The telecommunications unions illustrate how difficult it is to make these realignments. Telecommunications unions are witnessing massive changes in the structures and strategies of their bargaining counterparts,

particularly among the former monopoly service providers. But, these unions have only sluggishly shifted their internal structures away from the geographic organization that traditionally governed industrial relations in all the countries. In the United States, United Kingdom, and Australia, for example, as the former monopoly telecommunication firms shifted to a business unit structure, the telecommunications unions were slow to modify their internal administrative structures to fit business-unit lines.

The Problems Increased Within-Country Variation in Employment Relations Pose for Management

Management has promoted many of the changes in employment relations that have led to increased variation, and it has generally benefited from greater variation. The growth in non-union systems and the shift to more decentralized, and more informal, problem resolution in unionized settings are two key channels through which variation in employment relations has increased. Both of these trends clearly give management greater discretion, increased flexibility, and heightened local responsiveness in the conduct of employment relations. Decentralizations in the process of employment relations, including increases in the involvement of operating managers in employment relations matters, also serve managements' interests by bringing the structure of employment relations into alignment with the decentralizations occurring in corporate structures. Furthermore, management has clearly favored the weakening of unionism that has facilitated the expansion of low wage employment patterns and the diffusion of contingent and more individualized pay procedures that produce greater inequality in earnings across workers and plants.

Even in the face of the advantages that increased employment relations variation is providing to management, our research suggests that management has not always benefited from increased variation. The continuing oscillation that is occurring in the organizational structure of telecommunications companies around the globe, for example, is a telling reminder of the ambiguity that management has come to see in corporate decentralization. Both British Telecom and Australia's Telstra, for example, in the early 1990s took a number of steps to re-centralize their structure. Both firms had found it difficult to maintain administrative coordination under decentralized corporate structures. Furthermore, both firms perceived difficulties in the conduct of employee relations under decentralization initiatives. BT confronted problems of ensuring appropriately coordinated employment relations and operational policies across the company, while Telstra confronted painful leapfrogging across the multitude of bargaining sites created in the decentralized regime. In effect, these telecommunications companies discovered either that they lacked the requisite structures to coordinate their own requirements and address the diverse and decentralized demands of the unions, or that inexperienced local managers could be outsmarted by the still centralized unions when the latter were asked to take on new employee relations responsibilities.

In the United States, as in other countries, management generally has benefited from the concessionary contract gains negotiated with the help of managerial whipsaw tactics that played plants off against one another, but whipsawing can be a two-way street. General Motors management in the United States from the mid 1990s on, for example, confronted a reversal of whipsawing when the economic environment shifted bargaining leverage. Union-led local strikes at GM provide an American illustration of the very problem Italian management were trying to avoid through the re-imposition of a national incomes policy and other steps that re-centralized Italian bargaining in recent years.

The Italian employers association, Confindustria, in the early 1990s promoted a strengthening of the role of the central unions in order to gain the benefits of coordinated bargaining across various bargaining levels. (See Locke and Bacarro 1996) Italian management worried that

decentralized bargaining would strengthen the hand of militant autonomous unions and assist unions of all types in inflationary wage leapfrogging. It has been exactly this fear which has also restrained the German employers' associations from moving to a decentralized bargaining system in other than a very controlled, centralized and cautious fashion.

Given that decentralized bargaining can facilitate integrative problem solving by facilitating the negotiation of innovative work restructuring, a shift in power back to labor will not inexorably lead to the re-centralization of collective bargaining. Rather, the examples cited above reveal the complex calculus that management and labor face regarding bargaining structure.

Our research reveals that there are many informal changes occurring in the locus of bargaining along with the more formal changes in bargaining structure discussed above. Yet as the process of bargaining has tended to become more informal as it has become more decentralized, this is likely to make bargaining outcomes more prone to cyclical shifts in relative power between management and labor. The informal changes are also typically associated with direct communication between managers and workers, informal shop-floor problem solving, and participation by workers and unions in business decisions. As these processes expand, operating managers are increasingly becoming involved in matters that were traditionally under the control of employee relations staff specialists. Here, as in other aspects of the trend toward increased collective bargaining decentralization, management has experienced severe adjustment problems. Numerous cases appear across the seven countries of operating managers who were not prepared for the increased responsibilities in employee relations that were being passed to them. While a downsizing of professional employee relations staff has been especially attractive in the midst of corporate re-engineering initiatives, this downsizing frequently leaves local managers scrambling to find the resources and expertise to address pressing employment relations problems.

Increased variation in employment relations is also directly contributing to the rise in income inequality occurring in most countries. The growth occurring in the relatively low wage non-union sector; the low earnings found in the low wage pattern; the individual pay variation produced by individualized compensation; and the earnings variation produced by contingent compensation schemes all are contributing to income inequality. Decentralized collective bargaining has surely contributed to the processes described above and this helps explain why recent statistical analyses have established a strong association between the degree of collective bargaining centralization and income inequality across countries. (Blau and Kahn, 1996; Freeman and Katz, 1995) Yet, these analyses may have overemphasized the role played by the degree of centralization in collective bargaining structures and undervalued the influence of employment system variation and the many other labor market structures and institutions that have contributed to employment system variation.

Income inequality is not just a product of the labor market experiences of individuals. Rather, the work practices within firms and the institutions that affect those practices strongly influence labor market outcomes. Our research suggests the value of an employment relations perspective that recognizes the role of labor market structures and institutions in income determination. Furthermore, the discussion of labor market outcome variation should be extended to include analysis of the growing variation in work practices and the working conditions affected by those practices.

Summary - Commonalities and the Persistent Influence of Institutions

There are a number of commonalities in the changes underway in employment relations across countries. We find much similarity across countries in the various patterns of workplace practices that are spreading and also much that is common in the changes

occurring in the processes and structures of labor-management interactions. At the same time, we find little evidence of a simple new international convergence in employment relations. There is no sign that employment relations in any country, let alone across countries, are converging to either Japanese, lean, American or any single type of employment relations. Thus, in the auto and telecommunications industries as well as in general trends, we do not find evidence of a uni-directional change in employment relations in any of the seven countries analyzed in this volume.

Rather than convergence, we find increasing variation in the nature of employment relations within countries through the expansion of various patterns of workplace practices. Variation is also spreading through the substantial differences that appear across firms (and often plants) in the nature of work practices within patterns and through the implementation of contingent and individualized work practices.

There are significant differences across the seven countries in the nature and extent of the changes occurring in employment relations. In particular, countries differ greatly in the relative mix of the various workplace practice patterns. Our research highlights the influence exerted by labor market structures and institutions on the mix of workplace practice patterns. One of the key differences across countries is the extent to which low wage and HRM patterns have spread and the degree to which firms that adhere to these patterns operate on a non-union basis. The United States, and to a lesser degree the United Kingdom and Australia, are distinguished by the diversity of pattern diffusion and the degree to which firms operate on a non-union basis.

The fact that variation in employment relations is growing within countries everywhere and in similar ways across countries lends some credence to the idea that countries are becoming less distinct in terms of their employment relations. In that way, our views are consistent with those of Richard Locke (1995 and 1992).

Yet, the persistence of sizable country differences in the relative mix of various employment patterns, and the role that national institutions play in shaping that mix, suggest a continuing influential role for national employment-related institutions. Furthermore, while union systems are being challenged by the spread of low wage, human resource, and Japanese-oriented employment patterns, particularly in the English-speaking countries, unions continue to meaningfully influence the nature and evolution of employment relations in all seven countries analyzed in our research. We do find that union influence is declining in the pattern-leading auto and telecommunications industries, traditional union strongholds, yet in those industries unions continue to exercise sizable influence, even in the English-speaking countries. Thus, it does not appear either that unions are now, or shortly will be, irrelevant or that “institutionalized industrial relations” has effectively disappeared as claimed by Leo Troy (1990) and John Purcell (1995).

Institutions play a key role in shaping the employment relationship. Institutions, for example, are affecting the mix of spread of various employment patterns and the degree to which those patterns operate on a union or non-union basis. While we have made some progress in identifying the influence of labor market institutions on the changing mix of employment relations, much work remains to be done on understanding why and how these institutions matter.

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Figure 1 :Growing Patterns of Workplace Practices

TYPE:	LOW WAGE	HRM	Japanese-Oriented	Joint Team-Based
WORK PRACTICES:	Managerial Discretion with Informal Procedures	Corporate Culture and Extensive Communication	Standardized Procedures	Joint Decision Making
	Hierarchical Work Relations	Directed Teams	Problem Solving Teams	Semi-Autonomous Work Groups
	Low Wages with Piece Rates	Above Average Wages with Contingent Pay	High Pay linked to Seniority and Performance Appraisals	High Pay with Pay-for-Knowledge
	High Turnover	Individualized Career Development	Employment Stabilization	Career Development
	Strong Anti-Union Animus	Union Substitution	Enterprise Unionism	Union and Employee Involvement