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Why employment relations matter

Main tasks

- **Establish the areas where employment relations has a major impact**
- **Identify the links and mechanisms involved**

Summary

A measure of the significance of employment relations is the number of people that are directly involved. For example, in the UK, at the end of 2009, just under 29 million or something approaching six out of ten of the population above the age of 16 were regarded as being in 'employment' according to the Office for National Statistics. Of these, just under 25 million people or 86 per cent were classified as 'employees' and nearly 3.9 million as 'self employed'. The absolute and relative levels of pay of these employees are major determinants of poverty and inequality and, along with the duration, distribution and flexibility of working time, have substantial implications for work-life-family balance. The type of work organisation in which they are involved has profound implications for both health and personal development opportunities. This is especially so in the case of the extent to which it enables control over demand and encourages autonomy and decision making. Similarly, the extent to which work organisation encourages information/ knowledge sharing and cooperation/team working influences business performance and productivity. The same goes for personnel policies and practices - especially important here are those dealing with participation and involvement. Furthermore, the greater the integration of personnel policies and practices with business strategy, the greater is their

influence. How managers are recruited, developed and, above all, rewarded is fundamentally important not just for the way they manage ‘other’ employees, but also for the balance between short-term profitability and investment and so the organisation’s strategic direction. Employment relations matter for macro considerations as well. The workplace is a major source of social capital - the level of employment security and the nature and extent of employee ‘voice’ influence levels of trust and so make for a cohesive society with the capacity to innovate and change. The results are reflected in macroeconomic performance indicators such as the level of GDP and competitiveness. The workplace also plays a fundamentally important role in producing consumers who generate demand and so profitability and growth.

Introduction

For much of the 20th century employment relations were more or less equated with trade unions, collective bargaining and strikes. Asking why employment relations mattered was rather pointless. Trade unions were major political players and strikes a key concern of governments, providing the rationale for intervention not just in the area of dispute resolution procedures, but also minimum standards and support for collective bargaining. Strikes were also very newsworthy. Fueling the employment relations-trade union-strikes equation in the UK, for example, was a cadre of specialist labour editors who enjoyed a status matched only by the political ‘lobby’ correspondents. Perhaps not surprisingly, a reduction in the number of strikes, along with decline in trade union membership and collective bargaining coverage, has led to the view that employment relations no longer matter.

This chapter does its best to counter this view by bringing together evidence establishing the links between employment relations and a range of social and economic outcomes, together with the mechanisms involved. It focuses on the main levels of activity – from individuals through the family and workplace to the macro level – drawing on a wide range of international as well as UK sources. Table 1.1 summarises the results. The Appendix at the end of the text compares and contrasts the impact of employment relations in the UK and a

selection of other countries (Germany, France, the Netherlands, Sweden and the USA), largely drawing on social and economic indicator data from the main international agencies.

Living standards

There are several possible measures of living standards, including gross domestic product (GDP) that features later in the Chapter and the Appendix; some embrace both material and non-material considerations such as longevity. The focus here is on what, arguably, is the most meaningful material measure so far as individuals are concerned, namely income from employment: for most of us such income is the only source there is. Two dimensions have to be considered. The first is the absolute level. If income from employment is absolutely low, the result is likely to be poverty, with implications not just for individuals and their families but also national social security systems: unlike physical capital, human capital is not something that employers 'own' and so there is little incentive for them to meet the so-called 'social costs of labour' (i.e. the 'minimum on-going expenditure for upkeep, repair and depreciation if the input is to be maintained'¹). Not surprisingly, the avoidance of poverty figures prominently in the justification for minimum wages legislation now present in around 90 per cent of countries².

The second dimension is the relative level of income, which brings in the issue of inequality. Even people who are absolutely well paid may nonetheless experience a sense of deprivation if they find that others are earning more for what they think is no good reason; the same is true if they think the size of the difference is unjustified. This is because fairness plays a key role in shaping expectations and fairness depends on comparisons³.

Arguably, for example, it is so-called 'relative deprivation' that helps to explain the rapid growth of banker and executive pay in recent years. The stimulus has been the earnings of former colleagues and acquaintances working for hedge funds and private equity groups who, because of their partnership-type organisation, have been able to reward themselves especially handsomely.

Poverty and inequality are analytically distinct, but closely related in practice. As well as significantly affecting life expectancy via the 'social gradient' discussed in the next section, both national and

international evidence confirms that poverty also results in lower social mobility – the lower the social mobility, the greater the prospect of areas of high deprivation growing up from which it is difficult to escape. In the words of the TUC's Commission on Vulnerable Employment, 'persistent poverty isolates and excludes'⁴. This is because, as the UN *Human Development Report* emphasises on the basis of extensive international evidence, 'The main form of ... mental illness, anxiety disorders, the main forms of inequality - income, gender, and regional - seldom exist in isolation. Rather they create 'mutually reinforcing structures of disadvantage that follow people through life cycles and are transmitted across generations'⁵. The UN's central message is that distribution should be put 'at the centre of strategies for human development':

People are likely to be restricted in what they can do with their freedom and their rights if they are poor, ill, denied an education or lack the capacity to influence what happens to them. To be meaningful, formal equalities have to be backed by what Amartya Sen has called the 'substantive freedoms'⁶ - the capabilities - to choose a way of life and do the things that one values. Deep inequalities in life chances limit these substantive freedoms, rendering hollow the idea of equality before the law⁷.

As the UN's *Human Development Report* emphasises, inequality matters not just because of the implications for individual well-being, however, but also society at large. To paraphrase:

- *Inequality fuels people's sense of social injustice.* Trust, which is a critical ingredient in the social capital that business is able to call on, suffers, resulting in the corroding of institutions and weakening of political legitimacy.
- *Inequality is inefficient.* Society as a whole suffers where inequalities based on wealth, gender or region leave a large section of the population with insufficient assets and endowments to make a full contribution.
- *Inequality impedes growth.* This effect is especially strong for asset inequality. Limited access to productive assets and/or limited capacity to enforce legal claims can restrict poor people's ability to borrow and invest, holding back growth. By contrast, greater

distributional equity can accelerate growth with no inherent trade-offs between growth and equity⁸.

There are especially strong links between inequality and mental health, above all in the form of anxiety disorders reflecting concerns about both the financial and status implications of 'relative deprivation'. Here the work of the WHO's 'World Mental Health Survey Consortium' covering with Belgium, France, Germany, Italy, Japan, the Netherlands, New Zealand, Spain and the USA is especially relevant. Wilkinson and Pickett have brought these results together with those of national studies in Australia, Canada and the UK to show that the more unequal a country's income distribution, the greater the tendency to mental illness⁹.

In the UK, there has been a significant growth in the proportion of low paid workers. In 1977, 12 per cent of workers earned less than two-thirds of the median. By 1998, this had risen to 21 per cent. By April 2006, it was more than one-fifth (23 per cent)¹⁰.

Nearly two-thirds (60 per cent) of low-paid workers were women, and over two-fifths of low-paid workers in total are women working part time. Disabled people were also at greater risk of being in low-paid work, being 10 per cent more likely than the able bodied to be in low-paid jobs. Ethnicity and age were also important: Bangladeshi, Pakistani and black African were the ethnic groups most likely to be low paid, as were young people¹¹.

There has also been a considerable increase in 'in-work poverty', i.e. being in low-paid work and living in a household on a low income. In the words of the 'almost six in ten households in which adults are living in poverty (57 per cent) are households where one or more adults are in paid employment, up from under a half ten years ago'¹².

At the other end of the scale, nearly five million people in the UK earned over £35,000 a year in 2004-5; 4.2 million earned between £35,000 and £100,000; 422,000 between £100,000 and £350,000; and 47,000 earned more than £350,000. The details will be found in Table 1.1.

A widely used single figure measure of income inequality is the 'Gini' coefficient, which condenses the entire income distribution into a single number between zero and one: the higher the number, the greater the degree of income inequality. On the basis of this, inequality in the UK rose dramatically over the 1980s, the coefficient rising from

a value of around 0.25 in 1979 and reaching a peak in the early 1990s of around 0.34¹³

A particular feature of this inequality is the gender pay gap. In the opening words of the Women in Work Commission's (2006) Executive Summary,

In the 30 years since the Equal Pay Act, there have been many advances in women's position in society and at work. More women are in employment and occupy a greater number of senior positions. Girls are outperforming boys at school and their aspirations are high. Despite these important changes, the pay and opportunity gap for women remains. Women who work full time earn 13 per cent less than men who work full time, based on median hourly earnings, and 17 per cent less based on mean hourly earnings¹⁴. These lower earnings leave women at greater risk of falling below the poverty line and of being worse off than men in retirement. Women face an unfair disadvantage and the UK economy is losing productivity and output.

Many factors contribute to a country's pay structure. One is employment structure. Take the UK. Although some object to the description of the UK as an 'hour glass economy'¹⁵, employment structure is nonetheless skewed towards services, which have large numbers of both high- and low-paying employees – finance is an example of the former and hotels and restaurants the latter. In the words of a European restructuring monitor report using the median hourly wage as a proxy for job quality, the UK is a hybrid case of 'polarisation' and 'upgrading' – in recent years it has experienced moderate but clear job growth in the second lowest earnings quintile, little growth or net job destruction in the lowest and middle quintiles and strong growth in the top two quintiles¹⁶. The report goes to suggest that this pattern is related to the destruction of manufacturing jobs (especially in low-technology industries) and the creation of middle-paying to low-paid jobs in personal and social services (many of which have been filled by women working part-time).

A second factor affecting pay structure is productivity. Important here is the business strategy that a company pursues. If a country has a concentration of businesses in sectors with low R&D, as is the case for the UK, pay levels are likely to be low. The same is true if

companies compete on the basis of costs rather than quality and 'numerical' rather than 'functional' flexibility: the result is low levels of skill, of productivity and, most immediately relevant, of pay¹⁷.

Underpinning these features of business strategy are two institutional considerations, the significance of which will be discussed in more detail in later sections and chapters. One is the extent to which *corporate governance* arrangements encourage a focus on short-term profitability as opposed to long-term market share or added value – the former makes it difficult to prioritise quality and build the relationships necessary for its achievement. The other is the *structure of collective bargaining*. Critical here is the level at which collective bargaining takes place and so the coverage. Collective bargaining that is multi-employer and sector wide has two advantages over its single employer equivalent when it comes to low pay: trade unions are better able to confront the monopsony power of employers, especially where there are legal provisions for extending terms and conditions across a sector; and there is a greater pressure on all firms in the sector to adopt more efficient working arrangements to offset the increases in their employment costs.

Health

In the words of a recent authoritative review of the health of Britain's working population, 'There is ... compelling evidence that work has an inherently beneficial impact on an individual's state of health ... Overall, the beneficial effects of work were shown to outweigh the risks and to be much greater than the harmful effects of long term worklessness or prolonged sickness absence'¹⁸. Even so, the 'risks' are not insubstantial. Employees are not only vulnerable to injuries and illnesses that take place in the workplace and/or are directly caused by employment ('occupational health'). Many illnesses and mortality are influenced by conditions in the workplace, but may occur later in life beyond the work environment ('occupationally-related health').

Occupational health

Historically, the emphasis has been on injuries arising from accidents, musculoskeletal disorders reflecting the organisation of work and/or inadequate equipment, and illnesses, such as cancer, dermatitis and

asthma, associated with the use of chemicals and other harmful substances. In recent years, there has been growing concern with the emotional work environment and the links with stress and mental health. The very graphic words of the director of the Work Foundation sum up a widely argued position:

The cause [of stress and mental health] is modernity in all its guises - family and community breakdown, the ever harder quest to find meaning in life, the cheapness of mind-wrenching drugs, the discontinuity between reality as portrayed by the media and real life and so on. But one cause gets too little exposure - the role of work. The ills of modernity have been around for decades; the construction of the contemporary 'flexible' labour market began 20 years ago and it has been hardening ever since ... No story of the rise in mental ill-health is complete without recognition of the increasingly grad-grind character of many British workplaces ...¹⁹

Different commentators emphasise different features of the 'flexible' labour market. As Chapter 1 observed, these include greater pressure on performance involving the adoption of stretching targets, along with rigorous appraisal of performance and greater surveillance; greater insecurity arising from the 'permanent restructuring', 'competitive tendering', 'market testing' and the subcontracting or outsourcing of activities previously undertaken in-house; and questioning of some of the long-standing benefits of the employment relationship that many employers no longer feel they can afford, such as careers and final salary pensions. More fundamentally, it is argued, people's sense of certainty about their place in the world is being undermined, threatening their individual resilience²⁰.

Perhaps not surprisingly, the recession appears to be reinforcing these tendencies. In the UK, a CIPD survey suggests that job satisfaction had dipped considerably in recent years across all sectors and organisation sizes²¹. Its *Annual absence management survey*, 2009 also suggests that some of the reduction in levels of absenteeism might be attributed to people worrying that going off sick might make them a target for redundancy – something that information on calls to the Acas Helpline corroborate²².

As the Appendix will confirm, the UK has a relatively good record for safety at work. Even so, the impact of employment is

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considerable, as these Health and Safety Executive statistics for 2007/08 confirm: 229 workers were killed at work, a rate of 0.8 per 100 000 workers; 136 771 other injuries to employees were directly reported, a rate of 517.9 per 100 000 employees; and 299 000 reportable injuries occurred, according to the Labour Force Survey, a rate of 1000 per 100 000 workers. It also emerges that 2.1 million people during the year were suffering from an illness they believed was caused or made worse by their current or past work, of which 563 000 were new cases. 2056 people died of mesothelioma (2006), and thousands more from other occupational cancers and lung diseases. Overall, 34 million days (1.4 days per worker), were lost 28 million due to work-related ill health and 6 million due to workplace injury.

Occupationally-related health

Stress figures especially prominently in discussions of 'occupationally-related health'. The basic proposition is that working in hierarchical organisations leads to stress, which in turn can lead in later life to the heart disease, stroke and diabetes that together represent 50-75 percent of all mortality. This is because of the instinctive biological mechanisms involved. Stress increases the levels of the hormone cortisol; the higher the levels of cortisol, the greater risk of 'metabolic syndrome', which can have a direct impact on the risk of a person developing such diseases. Stress also affects the sympathetic nervous system that is responsible for the adrenaline rush caused in situations where the individual is faced with the option between a 'fight' or 'flight' response. This effect, which causes inflammation, is also related to metabolic syndrome.

The main strand of the argument focuses on the impact of the 'social gradient', i.e. where the individual stands in the hierarchy. Much of the work stems from the development by Karasek of what has come to be known as the 'demand-control model'. Basically, Karasek defines stress on the job according to the demands of the task (how fast-paced and chaotic the workplace is) and the amount of control a worker has in deciding how to meet them. This produces four categories:

- low-demand, low-control
- low-demand, high-control
- high demand, high control
- high demand, little control²³

A popular perception is that stress is associated with those in especially 'high demand' jobs such as senior managers. Yet employees in these jobs may not experience stress, if demand is predictable and, above all, within their control. This is especially so if their status brings more support and more outlets. By contrast, it is the workers in Karasek's fourth category, most of whom are relatively low status, who are held to be at most risk. This because, 'The more extensive the hierarchy, the lower the control and autonomy that employees can exercise vis-à-vis management'²⁴.

The second strand, which has its origins in the work of 19th century thinkers such as Durkheim and Simmel, focuses on the availability of support to individuals and makes links with issues of social capital discussed later. The argument is that, controlling for the influence of economic growth, the availability of 'social support' helps to diminish the harshness of the effects of lack of autonomy and control in leading to stress or illness. In practice, the focus has been on the most fundamental difference observable at cross-national level, namely that between those employed in complex organisations with social hierarchies and those involved in self-employed and family-owned businesses²⁵.

Pretty robust data are available for both strands of the argument. Thus, Karasek's original findings having been replicated over the last 20 years in many countries. Perhaps the best known work in the UK is associated with Marmot, who is Professor of Epidemiology and Public Health at University College. His so-called 'Whitehall studies' track the health of British civil servants from 1967 onwards. In 'Whitehall 1', the focus was on men and examined mortality rates over 10 years among 18,000 civil servants across the range of job grades; in 'Whitehall 11', which involved just over 10,000 civil servants, women were covered as well as men.

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Whitehall 1 established that there was a 'social gradient' in mortality that ran from bottom to top of the organisation. In the words of the WHO's summary:

Men in the lowest grade (others = messengers, doorkeepers, etc.) had a three-fold higher mortality rate than men in the highest grade (administrators) ... Grade is also associated with other specific causes of death, whether or not the causes were related to smoking ... While low status was associated with obesity, smoking, less leisure time physical activity, more baseline illness, higher blood pressure, and shorter height (78), controlling for all of these risk factors accounted for no more than 40 per cent of the grade difference in CHD mortality ... After controlling for standard risk factors, the lowest grade still had a relative risk of 2.1 for CHD mortality compared to the highest grade ...²⁶

As for 'Whitehall 11', the joint Civil Service Unions/Cabinet Office publication came to the following conclusion:

Whitehall II showed that the association between low control and increased risk of heart disease was independent of a range of personal characteristics of individuals. The implication was that the relationship related to the way work was organised and the opportunity it gives people for control rather than to any characteristics of the individuals in those jobs ... Low control at work makes an important contribution to the social gradient in mental and physical ill health²⁷.

In the case of support to individuals, there is a large epidemiological literature confirming that the more frequent and intense one's social relationships, the more protective an effect there is on illness and mortality, regardless of the type of disease and disability. Brenner's work for the European Commission, which draws on both time-series and cross-sectional analysis for OECD as well as EU countries also confirms this. Controlling for GDP per capita in purchasing power parity, it finds that 'the extent to which a nation's formal workforce consists of employees operating outside of standard wage and salary employment (i.e., outside of hierarchical work organisations) is associated with lower age-adjusted mortality (including cardiovascular and accident related mortality)²⁸. Brenner suggests on the same page that the 'data are also consistent in

demonstrating that the extent to which a nation's formal workforce consists of self-employed, and/or are family workers, is inversely related to age-adjusted mortality rates'.

Personal development

The development of human capital does not just involve schools or institutions of higher education: in the words of the OECD, 'Learning and the acquisition of skills and knowledge takes place from birth to death'²⁹. If the family is of overriding importance in our early years, it is employment that is important for most of our lives. In a phrase, and for better or worse, the firm is a 'learning organisation'. Moreover, the learning involved is not just a matter of technical skills, but also social ones such as perseverance and self-discipline, communications, and the capacity to make judgments, along with critical inter-personal skills such as the ability to work in teams and exercise leadership. Again, there are profound implications for individuals, organisations and society.

Continuing vocational training

There are three main ways in which employment is held to contribute to personal development. The first, continuing vocational training (CVT), may be specific or general and may or may not involve public recognised credentials and diplomas. It may take place on or off the premises, but is invariably structured. Individuals and/or the state may bear some of the costs. In the main, however, it is employers who bear the main burden, which can be seen as an explicit form of investment in human capital.

An overview of the literature on the impact of CVT suggests that individual workers receiving on-the-job training have 'consistently been found to earn higher wages'³⁰. One UK study referred to found that individuals undertaking CVT were found to earn on average 5 percent more than individuals who had not³¹.

As for the incidence of CVT, there are three main sources. One is *Eurobarometer*. Here a review drawing on data for 1996 and 2001 finds that dominant trend was towards upskilling in the 1990s, but no evidence that the pace of change increased in the second half of the period³². Even so, over half of employees in both years (59.0 per cent

and 54.9 per cent) said they had received no training. A further 14.7 per cent and 17.1 per cent said the training was less than one week.

A second source is the International Adult Literacy Survey (IALS) covering OECD countries.³³ On average, one in four (26 per cent) of employees participated in employer-sponsored CVT each year with an annual training intensity, on average, of about 68 hours, i.e. slightly less than nine working days³⁴.

As in the case of health, there are winners and losers. Overall, the authors suggest, CVT may have the perverse effect of increasing inequalities between different groups. Thus, although participation rates are roughly the same for men and women, intensity differs, with women receiving on average 17 per cent fewer hours training than men. The incidence and intensity of training also tended to decline with age and differ considerably across educational and occupational groups. Participation in low-skilled occupations (13 per cent) was about one third of participation in high-skilled occupations (38 per cent). Similarly, it was 16 per cent for workers with less than upper secondary education against 35 per cent for those having a tertiary degree. Hence, the three components of human capital (early human capital, formal education, and on-the-job training) tended to be complementary over the life-cycle of workers. Employees with a high degree of supervisory responsibility were also twice as likely to benefit from CVT as are employees without. Intensity was greater as well: on average, employees performing non-supervisory functions spend less than one-third as much time on training as employees with a great supervisory role.

The third, and most up-to-date, source is Eurostat's Continuing Vocational Training Survey (CVTS2)³⁵. As well as cross national comparisons, which are considered later, key findings indicate that:

- large companies invest considerably more of their employees' working time in continuing vocational training (CVT) than small- and medium-sized companies do; candidate countries have the highest intensity of CVT in small enterprises
- the amount of working time devoted to CVT in the services sectors, particularly in financial intermediation, is above average
- there is a correlation between participation in continuing vocational training and the use of 'new technologies'. In most countries, the

participation rates and the hours spent in CVT are higher in companies with new technologies.

Opportunities for on-the-job development

Arguably, CVT is just the tip of the iceberg of the development opportunities that employment offers. Also important are the opportunities that come with day-to-day working on the job. Here two features of work organisation are critical. One is the degree of task complexity: the higher the degree of task complexity, the greater the requirement for the exercise of problem-solving skills and continuous learning. The other is the nature and extent of autonomy – the extent to which employees are allowed to make decisions. A high degree of task complexity can go hand-in-hand with considerable scope for employees to exercise their initiative. Or it can be accompanied by relatively little discretion, where there is a more formal structure of protocols (e.g. team work and job rotation practices) and/or tight quantitative targets. For example, two main types of team working have been identified that reflect these different combinations: the 'Scandinavian' or 'Volvo', where team members have considerable autonomy in deciding how their jobs are done; and the 'Toyota', where managers have much greater control over the processes³⁶.

Capturing data on the nature, extent and impact of on-the-job learning is a much more difficult exercise than that for CVT. Eurobarometer data for 1996 and 2001 suggest that only 23.3 per cent (1996) and 18.3 per cent (2001) said it was very true that they had a lot of say over what happens on the job. Only 26.0 per cent and 23.2 per cent said this was the case for their ability to take part in decisions affecting their work³⁷.

The European Foundation for the Improvement of Living and Working Conditions undertakes a regular representative 'European survey on Working Conditions' across EU countries. Especially interesting is the analysis done on the results of the third and fourth surveys carried out in 2000 and 2005. Briefly, it uses a form of factor analysis that takes into account variables such as the use of team work, job rotation, repetitiveness of tasks, the complexity of tasks, and the learning dynamics in work (whether the individual learns new things in work and whether the work requires problem-solving

activity). On the basis of these, it develops four models of work organisation covering EU countries. Table 1.2 gives an overview of the results across the 15 countries for which data were available in the 2005 survey.

Opportunities for upward mobility

For many employees, the most extensive opportunities for development come not from the present job, but the challenges arising from promotion. It is also through these opportunities that employees are most likely to achieve the benefits that come from social mobility. In practice, the debate has centred on the role that employment relations play in reducing people's scope for advancement and making the contribution they might be capable of. The most obvious groups affected are those who have come to be covered by equality legislation dealing with discrimination on grounds of age, disability, gender, race, religion or belief, and sexual orientation.

The attention here focuses on women, who are not only the largest group, but the one for whom the data are most extensive. In the UK, there have been two major reports in recent years that bear on these issues: the Kingsmill committee's (2001)³⁸ and the Women and Work Commission's (2006)³⁹. Internationally, the EU, ILO and OECD have been active in developing their own cross-national data bases. Broadly speaking, the data identify a common problem that is similar in its main proportions across countries. Relatively few women break through the 'glass ceiling', the lack of flexibility at senior levels being particularly acute. The gender gap appears to be largest for the highest-level category of managers – directors and chief executives – with 1.4 per cent of men holding such titles compared with only 0.4 per cent of women. Moreover, data from the EU's *Women and men in decision-making database* show that women are almost invisible in the top 50 publicly quoted companies. On average, only 3 per cent of presidents and just 10 per cent of board members of these key companies were women.

To paraphrase the ILO⁴⁰, in spite of the slow but steady increase being seen in the share of professional women in the workplace, the nature of women's career paths continues to block them from making progress in organisational hierarchies. Even in female-dominated sectors, a disproportionate number of men rise to the more senior

positions. The rule of thumb is still: the higher up an organisation's hierarchy, the fewer the women. On recruitment, qualified women tend to be placed in jobs that have a lower value in terms of skill requirements and remuneration. They find themselves in what are considered 'non-strategic' jobs, rather than in line and management jobs leading to higher positions. Thus, they effectively become support staff for their more strategically positioned male colleagues.

Women also find it difficult to combine work and family life, facing substantial penalties, in terms of pay and progression, for taking time out of the labour market or reducing their working hours to care for children or other relatives. Women who work part time earn 32 per cent less than the median hourly earnings of women who work full time and 41 per cent less per hour than men who work full time. Women returning to the labour market after time spent looking after children often find it difficult to find a job that matches their skills. Those looking for part-time work crowd into a narrow range of lower-paying occupations due to a lack of quality part-time jobs. Often they have to change employer and occupation – and accept lower pay – to get part-time work.

There is also a measure of consensus about the three main sources of institutions stopping women from climbing career ladders, many of which are common to other disadvantaged groups. One is the workplace, where formal/informal policies and practices dealing with issues such as recruitment, access to training and the operation of payment systems pose barriers. The second is the occupation. Many discriminatory barriers are the 'property' of the occupation in as much as there are limits on access that may penalise particular groups⁴¹. The third is the wider society, where social norms and traditions regarding education, labour market participation, job choice, career patterns and the evaluation of male- and female-dominated occupations may be influential.

These factors come together to produce a situation where jobs come to be seen as 'male' or 'female', with both sexes being streamed (or streaming themselves) into different occupations and therefore sectors. As the ILO reminds us in discussing the 'glass ceiling' that confronts many women, this segregation can be 'horizontal' or 'vertical'⁴². In the first instance, sectors come to be seen as male or female. Traditionally, engineering, physics, the judiciary, law and

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health service administration are considered 'male' jobs and library work, nursing and teaching (especially in primary education) are considered 'female' jobs. In the second, specific jobs within the sector come to be associated with one or other of the sexes. Thus, even in sectors where women predominate, such as teaching or personnel, men are more likely to hold the more senior and better-remunerated positions. Additionally, the wider institutional framework may help or hinder mobility. Features highlighted include age-related education and training systems, tax and benefit systems, parental leave arrangements and, perhaps most crucially, the provision of childcare facilities before and during compulsory school years.

In the case of the UK, the opening paragraph of the Executive Summary of the Women in Work Commission's *Shaping a Fairer Future* published in February 2006 gives an impression of what is at stake:

The Commission estimates that removing barriers to women working in occupations traditionally done by men, and increasing women's participation in the labour market, could be worth between £15 billion and £23 billion or 1.3 to 2.0 per cent of GDP. There are huge opportunities for change. Over the next decade, 1.3 million new jobs are likely to be created and 12 million jobs will change hands as workers leave the labour market

The family

The family plays a key role in developing human and social capital. In the words of the Ministerial foreword to the Cabinet Office Strategy Unit's *Families in Britain: evidence paper*,

Families are the bedrock of our society. They nurture children, help to build strength, resilience and moral values in young people, and provide the love and encouragement that helps them lead fulfilling lives. Extended family members provide one another with support throughout life, especially in difficult times and during critical moments, such as when a child is born, when a couple is separating or when relatives need caring for. It is within families that a sense of identity develops, and cultural and social values are passed on from one generation to the next. We often

take for granted the fact that families are unparalleled in the sheer range of what they do and provide for us⁴³.

In as much as it impacts on family life, the nature of employment influences the development of human and social capital indirectly as well as directly. Several links are emphasised. One already touched on is the absolute levels of pay. The argument is that relatively low levels of pay mean that many families have little choice: women have to go out to work to maintain a reasonable standard of living. Being dual income households (or, perhaps more appropriately, '1.5' in the light of the growth in part-time working) means they may achieve this objective, but the quality of family life may also suffer.

Another long-standing issue in the UK is the impact of the long working hours of fathers. These do not just affect individual health and well-being, it is argued, but also the quality of family life⁴⁴. Boys and teenagers in particular strongly notice the absence of a father whose long working hours keep him from the family home. Family and community interaction are also linked: many employees simply lack the time or energy, after long hours at work, for even basic forms of community participation. More recently, the duration and flexibility of working time is seen as an issue affecting women as well as men with talk of a new 'temporality'⁴⁵. In this, working patterns are increasingly employer-led, that is organised by firms to suit their own specific ways of working, seen as being crucial to competitiveness, rather than around traditional social rhythms. They suggest that the new patterns required workers to work harder and longer and in ways that minimise labour costs.

Much attention focuses on the impact on family life of the increasing feminisation of the workforce, reflecting the growth of the service sector. One strand is concerned with the impact working mothers have on their children's development in terms of their educational attainment or psychological adjustment. A second links to wider debates about the break up of the nuclear family and the implications for the care of elderly relatives in an increasingly ageing society.

Also being highlighted is the impact of increasing feminisation of the workforce on the birthrate. Career pressures, together with the cost and difficulty of combining work and family, are reckoned to be leading couples to delay having children or not have them at all.

‘Britons put work and fun before babies’ is the headline of one newspaper story drawing on an ICM survey story in *The Guardian*⁴⁶. Similar features followed on Germany (‘Germany agonises over 30 per cent childless women’⁴⁷) and Japan (‘Japan to tell its workers: take time off – for the sake of the nation’⁴⁸).

As for changes in family life and their impact on children's life chances, the Rowntree Foundations 'Work and family life' programme found that parents thought that employment had a number of negative day-to-day effects:

- irritability and bad moods with the family, especially after a bad day;
- impatience with children and their slow pace after the fast pace of work;
- lower quality of relationships at home because of the stresses of work;
- time with spouse curtailed;
- insufficient energy to respond to children's requests;
- children not liking parents working at the weekend or when they are ill;
- parents' feelings of guilt;
- time with children squeezed due to long hours of work; and
- work encroaching into family life where parents worked at home⁴⁹.

Other bad effects were considerably more pronounced for couples and lone parents who worked at atypical times of day, reducing their frequencies of family meals, outings and holidays, and helping children with reading and homework. Although it had expanded under the National Child Care Strategy and the Sure Start programme, child care provision was also seen to be a problem for working parents of school aged children, co-ordinating different child care provision being especially fraught.

Business performance

Managing the managed

The notion that employment relations have a direct impact on business performance has a long history. The costs of conflict at work have always loomed large. Initially, as the introduction pointed out, the

main concern was with organised conflict and the costs of strikes or collective action short of strikes, such as an overtime ban or 'work to rule'. More recently, with the decline in trade union membership and collective bargaining, the focus of attention in the UK has shifted to individual disputes and, in particular, those involving an appeal to an Employment Tribunal (ET) under the various statutory provisions. As the Gibbons (2007) report on the operation of ETs establishes, both employers and employees find the tribunal process expensive and stressful⁵⁰. The financial costs of a claim to businesses include time spent by staff handling the claim and the costs of specialist advice. It has been estimated that the Regulations cost firms nearly £290 million a year, including an average of £4,360 in legal fees and 7.71 days of which is directors' and senior managers' time. Tribunal claims are also costly for employees, an average of £2,493 being spent on legal fees alone. In this case, however, the non-financial problems are also important. The burden of preparation and anxiety over what is to come can adversely affect health and strain relationships both within and outside the workplace, and the experience can damage future career prospects. Survey data shows stress and depression were reported in 33 per cent of cases (rising to 43 per cent for discrimination cases). Last but by no means, there the costs to government incurred through funding the Tribunals Service and Acas - in 2005/06 the combined budget being £120 million.

Other expressions of conflict, such as absence and resignation, also show few signs of long-term decline. The WERS data suggest that, in workplaces with more than 10 employees, the incidence of these two indicators was relatively stable between 1990 and 2004: around three per cent of working days were lost through absenteeism in each of the years in which the survey had been undertaken, while voluntary resignations run at around 14 per cent⁵¹. Absenteeism, the Confederation of British Industry⁵² suggests, cost around £13.2 billion in 2007.

Important though handling conflict has been, much more is involved in managing the employment relationship. Early examples reflect what Commons⁵³ called the 'good will' model and start from the idea that better treatment of employees leads to increased motivation and commitment and thereby improved productivity and/or reduction in costs. In the UK, pioneers included Robert Owen and his

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Lanark factory system and the Quaker firms and their introduction of superior welfare arrangements at the turn of the nineteenth and twentieth centuries. In the USA, Henry Ford's willingness to pay higher wages than competitors is also an example. More generally, there was a recognition that employers had to make investments in specific forms of CVT if they were to maximise employee's performance.

In the 1960s, the emphasis shifted onto specific features of traditional ways of working, with major weaknesses being identified and alternative practices put forward to deal with them. For example, individual payment by results came to be seen as a major source of conflict as well as poor productivity, with measured day work systems promoted as a superior alternative⁵⁴. Low basic rates of pay and extensive overtime working were similarly criticised for encouraging restrictive practices, with the recipe being annual hours arrangements that introduced disincentives to extending working time beyond basic shift hours⁵⁵. Tayloristic forms of job design were associated with high levels of absenteeism, with job enrichment being promoted⁵⁶. Perhaps most controversial was the recognition that the lack of opportunity for employees to make their contribution was putting employers at a serious competitive disadvantage. In this case, it took Japanese manufacturers to prove the point using techniques such as problem-solving groups and semi-autonomous team working to reduce costs and improve productivity and quality.

Since the 1980s, the emphasis of academics, practitioners and policy makers has moved on to bundles of practices, variously described as 'high performance work systems' (HPWS), 'high-commitment management' and 'high involvement management'. Put simply, the whole of these systems is seen as greater than the sum of the parts. Especially important is the extent to which practices are both mutually integrated and complementary to operating practices consistent with business strategy. A recent overview⁵⁷ usefully draws on one of the pioneering studies, across-national investigation of 62 car assembly plants⁵⁸, to highlight two sets of linkages. The first is that task-related practices such as team-working and the use of problem-solving groups are likely to positively affect labour productivity when combined with supportive human resource practices, such as contingent pay, designed to enhance employee

motivation and commitment. The second is that these internally-consistent ‘bundles’ of HR practices raise productivity most when there is complementarity with operating arrangements. Workplaces pursuing a ‘flexible production’ approach with team-based work systems, supporting HR practices and low inventory and repair buffers ‘consistently outperformed mass production plants’.

Most of the evidence linking individual practices to performance comes from case studies and small group and national surveys. Each year, the Acas Annual Report also gives details of up-to-date cases dealing with changes in working practices such as multi-skilling or a reduction of overtime working or the handling of stress absence. Typically, the changes result in considerable improvements in the status quo, albeit little can be said about the durability of changes because of the lack of longitudinal information – most case studies and surveys are one-off.

The most comprehensive cross-national representative survey, the so-called EPOC study, investigates the role of direct participation in organisational change in ten EU countries in the mid-1990s⁵⁹. Like most such surveys, it relies on the reported views of individual managers. Its organisation nonetheless makes it possible to minimise many of the weaknesses of previous surveys by going beyond the simple incidence of named practices such as team working to take into account dimensions such as the coverage, scope and autonomy involved in the practice. Key findings include the following:

- Each of the six different forms of direct participation was associated with improved performance across a range of performance indicators: reduction of costs and throughput time; improvement in quality; increase in total output; decrease in sickness and absenteeism; and reduction in the number of employees and managers.
- The more the number forms of direct participation were involved, the greater the effects – those using 3-4 reported greater effects than those with 1-2 on every variable; and those 5-6 practices similarly reported greater effects than those with 3-4.
- The greater the intensity of the form’s practice, the greater the effects – for example, the greater the scope of team members to

make decisions about task performance and the greater their autonomy in choosing members, the greater the effects.

As for the HPWS debate, the jury remains out. In the words of Delbridge and his colleagues, 'the enthusiasm for 'high-involvement' approaches that was generated by studies of manufacturing plants ... has been tempered by a less than consistent body of evidence that has emerged from subsequent analyses seeking to investigate the broader generalisability of these findings'⁶⁰. As well as the measurement difficulties touched on in Chapter 1, two main explanations are advanced for the tempering. One turns on the connection between working practices and business strategy: moves towards more involved forms of work organisation are most effective in organisations emphasizing quality and value-added; they are unlikely to deliver maximum benefits for those operating under a cost-minimisation model. The other is that effective HWPS require high levels of trust, which are difficult to achieve, given the contradictory pressures to maintain motivation and yet cut costs to the bone. In particular, employee enthusiasm may be limited by past experience, especially if it has involved little more than work intensification and/or job loss.

Further research will no doubt clarify the issues. The current controversy surrounding HPWS should not be allowed to cloud two very clear findings, however. The first is that firms' policies and practices do make a difference - there is considerable dispersion in productivity levels between establishments within both manufacturing and services. The second is that the scope for improvement is considerable even allowing for existing business strategies - the simplest of changes can make a difference.

Managing managers

The proposition in Table 1.1 that employment relations impacts on virtually every aspect of business performance, including its strategic direction, may appear to exaggerate their significance. Arguably, however, this is because employment relations are associated exclusively with the 'managed'. It is often forgotten that most managers are also employees. How managers are recruited, developed and, above all, rewarded is fundamentally important not just for the

way they manage ‘other’ employees, but also for the balance between short-term profitability and investment. It is this balance that influences the organisation’s strategic direction. In the USA and the UK in particular, the last two decades have seen a substantial increase in the use of appraisal systems and managerial stock options, together with other share-related bonuses. As well as opening up the substantial gap between the pay of managers and the managed referred to earlier, this is believed to be a major contributory factor in the process known as ‘financialisation’, i.e. the prioritisation of short term financial results at the expense of longer term development of product market share. It is ‘financialisation’ that has helped to produce the ‘permanent restructuring’ introduced earlier.

In his RSA/Sky Sustainable Business Lecture in March 2010, the then Director General of the UK’s Confederation of British Industry (Richard Lambert) made very similar points, which also take us back to the issue of inequality:

For the first time in history, it has become possible for a manager – as opposed to an owner – of a large public company to become seriously rich.

Of course there are all kinds of reasons why pay levels in our largest companies have risen so rapidly in recent years: the emergence of a global market for talent, much more critical exposure in the public eye, a shorter shelf-life for chief executives, competition from other forms of capitalism like private equity – I don’t need to list them all now.

But there are at least two potentially adverse consequences. One is that where compensation is closely linked to shareholder returns, which it usually is, executives have another powerful incentive to maximise short term profits – especially as their time in office is often strictly limited. If they are only going to be in the job for a few years, it’s hard for them to place great weight on plans that might take a lot longer than that to pay off.

The other adverse consequence is that it is difficult to persuade the public that profits are no more than the necessary lifeblood of a successful business if they see a small cohort at the top reaping such large rewards.

If leaders of big companies seem to occupy a different galaxy from the rest of the community, they risk being treated as aliens⁶¹.

Macro-level considerations: social capital

This dimension raises the links between the world of employment and levels of trust in the wider society. On the face of it, employment relations would seem to have little connection with issues such as these. Yet this is one of the implications of the increasingly influential social capital thinking. In the words of the OECD, social capital is understood in terms of the 'networks, norms, relationships, values and informal sanctions that shape the quantity and co-operative quality of a society's social interactions'⁶². It resides in relations rather than individuals; it is mainly to be seen as a public good, although it can be dysfunctional if when used by one group against another; and it comes from societal investments as well as being the product of inherited cultural and norms of behaviour. Three main types of social capital can be distinguished:

- bonding – refers to close connections between people, e.g. among family members or among members of the same ethnic groups
- bridging – refers to more distant connections and cross-cutting ties, e.g. between business associates, acquaintances, friends from different ethnic groups, friends of friends
- linking – describes connections between individuals with differing levels of power within hierarchies.

Essentially, it is about trust not only in those with whom we are familiar, but also strangers and institutions, and is fundamentally important in facilitating the resolution of collective problems: individuals are more likely to cooperate when others can be relied upon to act in a similar way. The proposition is that the greater social capital, the greater the contribution to a range of beneficial economic and social outcomes. These include: 'high levels of and growth in GDP; more efficiently functioning labour markets; higher educational attainment; lower levels of crime; better health; and more effective institutions of government'⁶³.

Along with family, schools, voluntary and civic associations, work organisations are a major source as well as beneficiary of social capital. Views about justice, for example, or participation and involvement or bullying and harassment are likely to be significantly shaped by workplace experience. Similarly, the extent to which

employees feel they can trust colleagues and, perhaps above all, their employer might be expected to have a significant impact on their willingness to think in terms of collaborative and collective solutions more generally. In the words of the OECD, 'Organisations which 'learn' to socialize knowledge and skills through more effective forms of interaction, networks and norms of trust and co-operation are important sources of social capital'⁶⁴. The OECD goes on to quote studies suggesting that cooperation between management and employees is the basic reason for the competitiveness of the Japanese automotive industry⁶⁵. In the words of Omori, 'In the US company, each worker is eager to make his individual success, and unwilling to tell what he knows to his colleagues. But here, everybody is willing to tell what he knows as much as possible to colleagues. This is because he believes that he can make a success only as a team, not on his own'⁶⁶.

The OECD also suggests that 'more effective forms of interaction, networks and norms of trust and co-operation' can have an importance beyond the immediate workplace. It reminds us that another reported element in the competitive advantage of manufacturing firms in Japan, along with Germany, and parts of Italy, is reckoned to be the higher levels of trust relations between 'clusters' of local firms, enabling greater cooperation in areas such as R&D, marketing and training and development⁶⁷.

The issue of employee 'voice' figures especially prominently. Coats puts the argument most forcibly. Democracy, he argues, 'is about more than periodic elections on a one-person-one-vote universal franchise ... Citizenship has to be learned. It depends on discussion, debate, the assessment of alternative points of view, a democratic decision by majority vote and a willingness by the losers to live with the outcome'⁶⁸. It is here that membership of trade unions and involvement in collective bargaining is to be seen as fundamentally important. Trade unions not only ensure an independent voice, but also an opportunity to be involved in the democratic processes of argument and voting, while collective bargaining means involvement in both making and administering the rules governing the employment relationship. Coats' conclusion does not pull any punches: 'If worker voice institutions are weak then the public domain is weakened. If the

public domain is weakened then the quality of our democracy is diminished'.

Macro-level considerations: the economy

A basic consideration here, helping to explain why the state has become the 'guarantor of the employment relationship'⁶⁹, is the need for policy makers to ensure that employees are able to achieve sufficient levels of purchasing power to be 'confident consumers'⁷⁰. It is not just a matter of the 'social costs' of employment that policy makers have to take into account, in other words, but also the production of consumers who generate demand and hence profitability and growth - it is therefore a crucial ingredient of macroeconomic policy. As Kaletsky reminds us, this is why Kalecki and the Cambridge school of post-Keynesian economists such as Joan Robinson put so much emphasis on the distribution of income between capital and labour⁷¹. Owners of capital tend to spend less than they earn, whereas workers tend to spend more. If there is a shift in distribution from labour to capital, which there has in most countries in recent years⁷², the danger is that wage earners will run down their savings and increase their debt to maintain the standard of living. The problem is that, in these conditions, the only way to keep the economy going is for government to support demand and banking systems to expand credit – encouraging the 'house price'⁷³ or 'privatised'⁷⁴ 'Keynesianism' that many countries have experienced. But, if this carries on, as it has done in recent years, it is likely to lead to a financial crisis. Chapter 10 returns to the challenge that recent developments pose.

There are also two particular issues that have given rise to considerable controversy. The first turns on the impact of the legal framework of employment relations and the degree of protection it gives to employees. The second brings in the degree of centralisation of a country's structure of collective bargaining/social dialogue arrangements.

The significance of employment protection

Employment protection legislation (EPL) has always been controversial: employers complain that it restricts their flexibility to

hire and fire; trade unions argue that it is necessary to guarantee a measure of security both on grounds of social justice and performance. In 1999, the OECD produced an index of employment protection legislation, made up of regulation on temporary forms of employment, specific requirements for collective dismissal and protection of permanent workers against (individual) dismissal, which purported to show that there was a positive correlation between the extent of employment protection and the level of unemployment: the higher the levels of EPL, the higher the levels of unemployment⁷⁵. The findings proved to be highly controversial, critics arguing that the OECD was wrong to consider employment protection just as an exogenous cost for employers and had failed to recognise the potential positive welfare implications. In 2004, the OECD returned to the issue with a more balanced appraisal⁷⁶. To paraphrase its overall conclusions:

- The net impact of EPL on aggregate unemployment is ambiguous and can only be resolved by empirical investigation. Employment protection regulation fulfils its stated purpose, which is to protect existing jobs. At the same time, it tends to limit firms' ability to fire and so reduce the re-employment chances of the unemployed.
- It is possible to detect a link between EPL and employment rates for specific groups such as the young and prime-age women, while there may be positive links to the employment rates of other groups. This is because these two groups are more likely to be subject to entry problems in the labour market than other groups and so disproportionately affected by the effects of EPL on hiring decisions. Differences in the strictness of EPL for regular and temporary jobs may be an important element in explaining the rise in the incidence of temporary work for youth and the low skilled (this is less the case for other groups, notably prime-age men).
- EPL has benefits as well as costs and these need to be taken into account in any overall assessment. It may foster long-term employment relationships, thus promoting workers' effort, co-operation and willingness to be trained, which is positive for aggregate employment and economic efficiency. In addition, by promoting firms' social responsibility in the face of adjustment to unfavourable economic circumstances, a reasonable degree of

employment protection could be welfare-improving, i.e. it can help balance concern for workers' job security with the need for labour market adjustment and dynamism⁷⁷.

The significance of the structure of collective bargaining

The second debate centres on the impact of the degree of centralisation of a country's structure of collective bargaining and/or social dialogue arrangements. Throughout the late 1980s and 1990s, the level at which pay bargaining took place was held to play a key role in the trade off between wages, inflation, levels of unemployment and rates of economic growth. In a first phase, the emphasis was on the level where collective contracts were formally negotiated⁷⁸. In a second, the focus shifted onto the degree of co-ordination of bargaining. Centralisation and co-ordination, it was argued⁷⁹, should not be confused.

Both highly centralised and/or highly co-ordinated and highly decentralised bargaining structures were held to outperform intermediate ones, the argument going like this. Where collective bargaining was centralised/ co-ordinated, negotiators had to take account of the wider economic consequences of their actions. Where it was fully decentralised, negotiators had to have concern for the impact of settlements on the firm's competitiveness. Under collective bargaining which was neither centralised/co-ordinated nor fully decentralised, such as the sector-based systems common amongst continental European countries, the wider economic consequences of a decision by wage negotiators in any one sector, in terms of higher costs and unemployment, could largely be externalised to other sectors.

In the 1990s, the links between the rate of increase in wages and unit labour costs and the co-ordination of collective bargaining broke down, reflecting the adoption by central banks of non-accommodating monetary regimes committed to very specific inflationary targets. Even so, the structure of collective bargaining and social dialogue remains influential. For a start, as the OECD observes, 'high union density and bargaining coverage, and the centralisation/co-ordination of wage bargaining tend to go hand-in-hand with lower overall wage inequality⁸⁰. There is also some, albeit weaker, evidence that these features of collective bargaining are positively associated with the

relative wages of youths, older workers and women, with little evidence that employment of these groups is adversely affected'. More generally, to paraphrase Lorenz and Valeyre⁸¹, collective coordination is believed to play an important role in securing greater cooperation and flexibility at local level: it buffers the workplace from the distributional bargaining over pay that can so easily prejudice such cooperation; and it provides a more solid foundation upon which employers can make the investments in training and skills that are a precondition for adopting high performance working. The implication of Coats' argument quoted earlier is that those countries with wide-ranging provisions for employee 'voice' also reap a benefit in terms of greater trust. In Panic's words, discussing the significance of centralised collective bargaining/social dialogue in Sweden,

The importance of these and similar policies is that they create a unity of purpose and trust ... that enable employers, employees and government to cooperate closely in finding mutually satisfactory solutions to major economic challenges and crises. That gives the countries an advantage of critical importance in conditions of globalisation, which invariably creates serious adjustment problems ...⁸²

Hutton also makes the links with the limits on inequality that the OECD findings associated with greater collective coordination. Capitalism, he argues, depends on trust and a willingness to shake hands. Ordinary citizens will only embrace change and potential loss of jobs if they have fair opportunity to benefit and acquire assets to cushion themselves. In his view, the evidence is overwhelming that trust and reciprocity are best fostered where reward and risk are distributed fairly⁸³.

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Table 2.1 **Why Employment relations matter: summary of findings**

| Main areas of impact | Links and mechanisms |
|---|---|
| <i>Living standards</i> <ul style="list-style-type: none">■ poverty■ inequality | <ul style="list-style-type: none">• pay levels (absolute and relative) reflect inter-relationship between type of work organisation, business strategy and employment structure - the more emphasis on 'low cost' as opposed to 'high quality' operations, the greater the likelihood of low pay• the design and operation of pay & reward systems, in particular, managerial systems, have major implications for pay structure and equality/inequality• the same is true of the level of collective bargaining/social dialogue - collective coordination (multi-employer) helps to achieve greater equality |
| <i>Health</i> <ul style="list-style-type: none">■ physical health■ mental health | <ul style="list-style-type: none">• the extent to which work organisation exposes employees to health and safety hazards is critical; but nature and extent of safety policies/practices can moderate the impact - the more employees and their representatives are involved in their design and operation, the greater the moderation• the greater the employment insecurity, the greater the vulnerability to stress and mental illness• the more control the type of work organisation allows employees over work demands, the less likely they are to suffer stress leading to cardiovascular diseases and relatively premature death |
| <i>Personal development</i> <ul style="list-style-type: none">■ technical skills■ social skills■ personal development | <ul style="list-style-type: none">• the workplace is a major source of human capital• the greater the availability of CVT opportunities, the greater the individual's career prospects and earnings potential• the more work organisation involves autonomy, task complexity and problem-solving, the more scope for individual learning and development work organisation and HR policies/practices are a major influence on promotion opportunities and so scope for personal growth/upward mobility |

Table 2.1 Why Employment relations matter: summary of findings (cont)

| Main areas of impact | Links and mechanisms |
|---|--|
| <p><i>The family</i></p> <ul style="list-style-type: none">■ children’s upbringing■ extended family■ marriage & birthrate | <ul style="list-style-type: none">• pay levels that are absolutely low are a major cause of child poverty;• duration, distribution and flexibility of working time have major implications for work-life-family balance (including ability to undertake caring responsibilities) potentially influencing birth and divorce rates |
| <p><i>Business performance</i></p> <ul style="list-style-type: none">■ strategic direction■ investment■ innovation■ productivity■ quality & reliability■ costs■ profitability | <ul style="list-style-type: none">• managerial pay & reward systems influence balance between 'short' and 'long' term horizons and so strategic direction, investment decisions and profitability;• the nature and extent of managerial hierarchy have cost as well as control implications• the type of work organisation and the extent to which it encourages information/knowledge sharing and cooperation/team working influence performance and productivity• the nature and extent of HR policies/practices (especially those providing for participation and involvement) do the same• the greater the integration of HR policies/practices, the greater the influence |
| <p><i>Social capital & macro-economic considerations</i></p> <ul style="list-style-type: none">■ levels of trust■ levels of /growth in GDP■ employment/unemployment■ competitiveness | <ul style="list-style-type: none">• the workplace is a major source of social capital• employees' experience of trust spills over into other spheres• the same is true of views about the appropriateness of behaviour, eg bullying and harassment, fairness and justice• the nature and extent of employment protection legislation are linked to levels of growth and competitiveness - employees who feel more secure in their jobs are more likely to embrace change• the structure of collective bargaining and 'voice' arrangements are similarly linked - collective coordination (multi-employer) helps to secure workplace cooperation and flexibility as well as greater equality |

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Table 2.2 Incomes and taxes of ‘high-income’ individuals in the UK in 2004–05

| | <i>All taxpayers</i> | <i>Top 10–1 per cent of adults</i> | <i>Top 1–0.1 per cent of adults</i> | <i>Top 0.1 per cent of adults</i> |
|---|----------------------|------------------------------------|-------------------------------------|-----------------------------------|
| <i>Number of adults</i> | 29,500,000 | 4,215,483 | 421,702 | 46,854 |
| <i>Before-tax annual income</i> | | | | |
| Minimum value | £5,093 | £35,345 | £99,727 | £351,137 |
| Average value | £24,769 | £49,960 | £155,832 | £780,043 |
| Average relative to all taxpayers | 1.0 | 2.0 | 6.3 | 31.5 |
| <i>Net taxes paid</i> | | | | |
| Higher-rate taxpayers | 11.0 per cent | 6.6 per cent | 99.6 per cent | 99.2 per cent |
| Average net income tax paid | £4,415 | £10,550 | £49,477 | £274,482 |
| Average net income tax rate ^a | 17.8 per cent | 21.1 per cent | 31.8 per cent | 35.2 per cent |
| Deductions permitted from pre-tax income, e.g. pension contributions ^b | 2.3 per cent | 4.0 per cent | 5.2 per cent | 6.3 per cent |

a This is measured as average tax paid for each group divided by average total income for each group.

b This represents the average proportion of before-tax income that is deducted from before-tax income in order to arrive at taxable income (excluding personal allowances).

Notes: All data are presented at the adult level and for Great Britain only. There were 46.8 million adults in Great Britain in 2004–05, and the numbers of adults in the richest bands have been calculated assuming that adults not represented in the Survey of Personal Incomes have incomes below the income tax personal allowance.

Source: Brewer and his colleagues’ calculations based on the Survey of Personal Incomes, which is constructed from income tax records by Revenue Customs and allows a more detail look at high-income individuals⁸⁴.

Table 2.3 Models of work organisation⁸⁵.

The 'discretionary learning' model. Accounts for 38 per cent of employees covered in the survey; characterised by the over-representation of the variables measuring autonomy and task complexity, learning and problem-solving and to a lesser degree by an over-representation of the variable measuring individual responsibility for quality management. The variables reflecting monotony, repetitiveness and work rate constraints are under-represented.

The 'lean' model. Accounts for 26 per cent of the population and is characterised by an over-representation of team work and job rotation, the quality management variables and the various factors constraining work pace, i.e. worker autonomy is bracketed by the importance of work pace constraints linked to the collective nature of the work and to the requirement of respecting strict quantitative production norms. Like the *discretionary learning' model*, it displays strong learning dynamics and relies on employees' contribution to problem-solving. By contrast, autonomy in work is relatively low and tight quantitative production norms are used to control employee effort.

The 'Taylorist' model. The work situation here, which accounts for 20 per cent of the employees in the survey, is in most respects the opposite of that of the *discretionary learning' model*. There are minimal learning dynamics, low complexity, low autonomy and an over-representation of the variables measuring constraints on the pace of work. Interestingly, however, teams and job rotation are somewhat overrepresented in this cluster.

The traditional model. This accounts for 16 per cent of employees in the survey. It is poorly described by the work organisation variables which, with the exception of monotony in work, are all under represented. Methods are for the most part informal and non-codified.

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