

THE MANAGEMENT OF LABOUR IN EUROPE: IS HUMAN RESOURCE MANAGEMENT CHALLENGING INDUSTRIAL RELATIONS?

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Introduction

Across Europe there is debate about the challenge of human resource management (HRM) to traditional or established industrial relations. The challenges are seen to arise from such major forces as intensified international competition, changes to the structure of product and service markets, European integration, and new approaches to the management of manufacturing technologies (Gunnigle & Roche 1995). While there appears to be a growing consensus that 'something is new' in European labour management in the 1990s, there continues to be large disagreement over the nature and extent of the current transformation. Of critical concern to researchers in the field is the extent to which new human resource management practices fit comfortably with the existing collective bargaining relationship (Beaumont & Harris, 1996). Thus, the standing of, and the prospects for, the HRM concept are arguably still uncertain, even though, as Storey (1995) points out, it seems to promise the set of guidelines which many managers have been desperately seeking.

Perhaps the most useful approach to examining the changed management of the employment relationship is simply to use the two way classification of 'individualism' and 'collectivism'. Individualism and collectivism refer to the degree to which management adopt an essentially individual or collective focus in the management of the employment relationship (Purcell 1987; Marchington & Parker 1990; Purcell and Gray, 1986; Purcell 1987; Bacon & Storey 1993; Storey & Bacon 1993; Purcell and Ahlstrand 1994, Gunnigle 1995). It has been suggested that high individualism is characterised by management recognising the resource value of employees and encouraging employee commitment; it is associated with the development of a comprehensive internal labour market, performance (individual) related pay and a focus on the management-employee relationship as opposed to management-trade union communications (Beer 1984; Beaumont 1985; Guest 1987; Purcell 1987; Hannaway 1987, 1992; McGovern 1989a&b; Storey 1992; Bacon & Storey 1993; Storey & Sisson

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1994). In contrast low individualism is characterised by a utilitarian perspective of human resources within the overriding goal of cost minimisation. Low individualism is also associated with a strong managerial focus on labour control (Gunnigle 1995; Purcell 1987). While there may be disagreement about the factors which are related to increased individualism in industrial relations, there is considerable consensus that it represents an important development in labour management.

The HRM v. Industrial Relations debates

The original American models of HRM – in the ‘harder’ strategy oriented version of the Michigan School (Tichy et al (1982) as well as the ‘softer’ commitment focus version of the Harvard School (Beer et al 1984; Walton 1985) (see Beaumont 1992 for a review) make little or no mention of industrial relations and trade unions. The British and Irish debates since the second half of the 1980s have been dominated by this absence, and its implications both for the coherence of the models of HRM, their applicability to the European context, and their desirability as a model of employment. It has been argued that HRM is “anti-union and anti-collective bargaining” (Beaumont 1992), that HRM is “a wolf in sheep’s clothing” (Keenoy 1990), that HRM and trade unionism are “incompatibles” (Cradden 1992), that unitarist commitment based approaches are inherently unstable (Legge 1989). As Fischer and Wertbrecht (1994:11) conclude in their review of British debates on HRM: “Only a few authors discuss the possibility of a co-existence between HRM and collective bargaining.”

Arguably the assessment and interpretations of HRM as a new management doctrine were strongly influenced by the anti-union practices particularly of some American multinational corporations. Moreover, the 1980s saw an almost universal decline in trade union strength across Europe (Ferner and Hyman 1992; Hyman 1995); in Ireland membership losses were the most striking since the 1920s (Roche and Turner 1994:728). As Guest (1995:110) points out it was tempting to link the apparent rise of HRM to the decline in trade union strength and traditional industrial relations. However, as he continues, “In the mid 1990s the emerging evidence paints a much more complex picture”.

A key factor in the redrawing of the debate has been research by John Storey (1992) on change in employment practices in large British companies. Storey’s research challenges previous HRM debates in two regards. First, his research provides little evidence of a direct attack on trade unions – although at the same time there appears to be little evidence of trade unions playing a proactive part in the redefinition of employment. It therefore suggests that trade union derecognition or active anti trade union policies are not a core element of human resource management strategies. This theme of co-existence with or marginalisation of trade unions is taken further by Purcell and Alhstrand (1994) in their development of a more sophisticated typology of employment practices to overcome the simple and limiting framework of the ‘unitary-

pluralist' dichotomy. Purcell and Ahlstrand (1994:179) argue that policies toward employees as individuals (designed to increase their individual or team performance, cost effectiveness and commitment) and policies towards collective labour organisations and trade unions are "not necessarily mutually exclusive". Indeed, they also note, "highly adversarial policies towards trade unions will make it significantly more difficult to achieve progress towards high individualism" (187). The focus of debate then has shifted towards an investigation of the possible longer term impact of HRM type policies on trade unions and trade union strength. Thus Roche and Turner (1994:725) argue for Ireland that the emphasis on an individual and unique contract between the employee and the company might influence employee and managerial attitudes and make it harder for trade unions to gain recognition particularly in new workplaces.

The second revision brought about by Storey's research is on the way in which the shift in employment practices is taking place. The earlier definitions of HRM highlighted the issue of strategic integration and adopted an almost holistic conception of HRM. As for example Guest (1990) showed, there was little evidence of a strategic approach to HRM in practice, and hence, by implication, of a move towards an HRM type employment relationship itself. Storey (1992:264- 265) warned against the temptation of measuring all change against such a 'template'. He pointed to the often fragmented and disjointed implementation of change by individual line managers which "are nonetheless of profound significance in shifting the terrain of labour management relations".

While the association between HRM and a decline in traditional industrial relations practices has then been weakened in the British and Irish debates there nevertheless continues to be a strong theme of a likely negative long term impact of HRM type policies on the collective control of trade unions at the workplace.

The European HRM debates

The anti trade union theme has been less pronounced in the human resource management debates in Germany. This is partly due to different academic traditions of industrial relations studies across Europe, with industrial relations being less prominent and less defined as a field of research than in the UK and Ireland (see Hyman 1995 for a review). However there is also an assumption that the anti- trade union focus is less relevant in Germany because of the legislative framework for codetermination, consultation and participation. More specifically in relation to human resource management Fischer and Wertbrecht (1994:1) argue that the opposition between industrial relations (defined as collective conflict resolution) and human resource management (defined as individual employment issues) is not relevant to Germany: because of the obligation on companies to set up works councils, consult and negotiate, particularly in view of the *Friedenspflicht* (obligation to 'keep the peace').

Germany is clearly the country with the most regulated employment and industrial relations in Europe. However, throughout the remainder of Europe, the concept of social partnership and the institutional back up for some form of workplace involvement and participation is also generally well established (Pieper 1990; Thurley and Wirdenius 1991). Thus, the applicability of the US models of HRM to the European context has been questioned. Brewster (1993) particularly argues that the lack of a legislative and labour market infrastructure in the United States leads to an overemphasis in the US HRM model(s) of the autonomy of the firm, and managerial ability to shape the employment relationship. Instead, he proposes, the HRM theory in Europe needs to adopt a wider framework, acknowledging the central role of government, ownership patterns, culture, bargaining institutions and traditions, education and training and so forth, if it is to be relevant to a broader international context. Brewster (1993: 779) also stresses that any European human resource management model must leave room for organisational objectives and social concerns, a focus on the environment and for union and/or non-union status at establishment level.

Thus Germany in particular and the European context more broadly are cited in the debates as factors which challenge the simple dichotomy between HRM and industrial relations. However so far little empirical research has been available to test these assumptions in an international context. In this paper we draw on organisation level data from three countries: (West) Germany, Ireland and the UK in order to test whether there is indeed a relationship between human resource management policies and industrial relations at organisational level. These three countries span a range of industrial relations regimes in Europe. The British labour market is most deregulated, there are no tripartite approaches to speak of, there is little employer coordination of bargaining. At the other end of the spectrum is West Germany with a dense set of rules for codetermination and participation between employers and employees at enterprise level. Ireland takes the middle ground: coordination at national and industry level, rights to trade union recognition, but as the UP focused on bargaining rather than legislative rights at enterprise level.

The Data

We draw on data collected as part of the Price Waterhouse Cranfield survey, part of a larger European survey of changes in human resource management policies and practices in ten countries, collected in 1992 (see Brewster and Hegewisch 1994). This involved a standardised postal questionnaire tested, translated and distributed to a broad sample of personnel directors in organisations with 200 or more employees. In this paper only responses from 'trading' organisations - private sector and nationalised industry - will be included. For each country the samples are broadly representative of the underlying national size and sector distribution. (For a more detailed discussion of the methodology see Brewster et al 1994.)

The Measures

We use the following as proxies for HRM: strategic integration of personnel management in corporate strategy; the extent of line management devolvement for personnel activities; the nature of payment systems; sophistication in recruitment; the nature and extent of employee communications; and contract flexibility. As the main structural variable we have added sector of industry. Each variable was dummy coded with 1 indicating the presence of a particular HR characteristic and 0 indicating the lack of it. (See Appendix I for a full list of variables included).

Rather than adopting an integrated 'package' approach to the definition of human resource management we follow Storey (1992) by arguing that change is often happening in a rather more fragmented manner. The choice of a particular employment practice in one area may not necessarily influence choice in other areas, and it is plausible to argue that firms might "pick and choose" from this rather exhaustive list; however overall the introduction of these measures results in significant change in employment practices.

Trade union membership is used as the dependant variable for assessing the extent to which traditional industrial relations are being challenged by the emergence of HRM. In a majority of Western European countries, labour management in most larger organisations has traditionally been based on pluralist principles, with reliance on collective bargaining as the primary vehicle for resolving differences between employers and employees (Gunnigle et al 1994). In this approach, trade unions assume a key role, representing employees in interactions and/or in bargaining with employers, or their representative associations. Manifestations of the pluralist tradition include relatively well developed collective bargaining institutions at establishment, industry and/or national level, and industrial relations as a key role for the personnel function. Trade union membership can be said to be a good indicator for a collective influence on the employment relationship particularly in Ireland and the UK, countries without a legislative framework for employee representation and participation at workplace level.

It has been argued that elsewhere in Europe, particularly in Germany with its well developed framework for codetermination and participation, arrangements such as works councils present another form of collectivism (see for example Purcell and Ahlstrand 1994 p.183). However we would argue that the functioning of such bodies - their impact on controlling management prerogative and maintaining some homogeneity or comparability in the employment contract, depends on trade union strength. Such a view is confirmed in Hege and Dufour's (1995) recent comparison of the impact of trade union membership on the effectiveness of employee representatives in France and Germany who argue that close links with a trade union as an external point of reference is crucial in the legitimacy of employee representatives in their day-to-day work.

From the literature we assume that HRM practices are more likely in organisations where trade union density is relatively low; we would also expect that this relationship does not exist, or at least is significantly weaker in Germany.

Within the European spectrum of trade union membership in the three countries

under consideration occupies the middle ground, with Germany having the lowest and Ireland the highest trade union density (Table 1).

Table 1: Trade union density 1990 in the ‘market sector’ in Europe

Austria	49	(Total economy)
Belgium	56	
Switzerland	21	
(West) Germany	31	
Denmark	72	(Total)
France	8	
Ireland	44	
Netherlands	19	
Norway	44	
Sweden	81	
UK	37	

Source: Visser 1994

The choice of trade union density also suggests itself because it varies considerably between organisations within each country (Table 2). For this reason it is a better indicator than for example trade union recognition.

Table 2: Distribution of trade union density in the private sector: Percentage of organisations with the following proportions of staff who are union members

	<i>Germany</i>	<i>Ireland</i>	<i>UK</i>
0%	2	18	21
1 - 25%	28	3	28
26 - 50%	26	10	16
51 - 75%	21	22	18
76 - 100%	9	40	13
Don't know	12	2	0

Source: Brewster and Hegewisch (1994)

Results

Discriminant factor analysis (DFA) was used to identify the impact of the HRM measures on the surrogate measure of industrial relations. The results of the solution for each country are presented in Appendix 2. Overall this analysis suggests that the presence or absence of the particular human resource variables were reasonably good discriminants in all three countries, explaining over sixty percent of variation in Ireland, fifty percent in the UK and still almost thirty percent in West Germany. However, two of the most important predictors in each country are not human resource variables but industry sector and the use of trade unions as a means of communication. Once these variables are excluded still half of all variation is explained in Ireland, slightly under in the UK and around 20% in Germany. However the significance of individual variables changes considerably between countries and few practices are related to lower trade union membership in all three countries.

Table 3: The Influence of HRM on Industrial Relations: Germany, Ireland, UK.

Variable	Germany	Ireland	UK
<i>Organisational strategy:</i>			
HR director on board	↘	↘	↔
Written HR strategy	↔	↘	↔
HR involvement in corporate strategy from outset	↔	↗	↔
HR strategy into work programmes	↔	↔	↔
Evaluation of performance of HR dept.	↔	↔	↔
Workforce planning	↗	↔	↔
<i>Line Management:</i>			
Line managed pay and benefits	↘	↔	↘
Line managed recruitment and selection	↗	↔	↔
Line managed training & development	↘	↔	↔
<i>Communications:</i>			
Increasing use of representative staff bodies for communication	↔	↔	↔
Increasing use of verbal communication	↔	↔	↔
Increasing use of written communication	↘	↔	↔
Clerical briefed about financial performance	↘	↔	↔
Clerical briefed about strategy	↔	↔	↔
Manual briefed about financial performance	↗	↗	↔
Manual briefed about strategy	↔	↔	↔
Use of immediate superior by employees	↘	↔	↘
Use of TU/works council rept. by employees	↗	↗	↗
Use of workforce meetings by employees	↗	↔	↘
Use of quality circles by employees	↗	↔	↗
<i>Flexible working:</i>			
Increase in temporary workers	↔	↔	↗
Increase in part-time work	↔	↘	↘
Increase in fixed term contracts	↔	↗	↗
<i>Pay and benefits:</i>			
PRP for professional staff	↘	↘	↘
Establishment based pay negotiations for manual staff	ni	↘	↔
<i>Recruitment:</i>			
Use of psychometric tests	↔	↔	↔
<i>Organisational details:</i>			
Recognition of TUs	ni	ni	↗
Industry sector*	↗	↗	↘

* Management sector was coded as 1 and services as 0. All public sector organisations were excluded from the sample. [ni - variable not included for that country.]

↗ positive relationship between degree of trade union membership and HR variables

↘ negative relationship between degree of trade union membership and HR variables

↔ no significant relationship between degree of trade union membership and HR variables

We will now review the most significant practices.

Performance related pay: Interestingly the only variable to be significantly negatively associated with trade union strength in all three countries in performance related pay. Arguably performance related pay, based on individual and often subjective assessment of employee contributions by line managers, is one of the practices which most directly runs counter to collective principles of comparability and solidarity; trade unions are marginalised to an indirect role of advice in appeals and monitoring (Bevan and Thompson 1992; Marsden and Richardsen 1992). In Germany performance related pay has been optional as part of collective agreements at least in the metal industry since the 1950s; however recently there has been a renewed discussion of issues of individualised reward which has led to a revitalisation of schemes (Filella and Hegewisch 1994). Our data suggests that the context for introduction of such schemes in Germany is not too uncommon from that in Britain and Ireland.

Line management devolvement: Another variable negatively associated in at least two of the countries, Germany and the UK, is the devolvement of human resource responsibility to line management. Such a devolvement a priori makes it harder for trade unions to maintain a collective control over the employment relationship, and again this is confirmed by the data, particularly in relation to the handling of pay and benefits. In Germany there also is a negative association in relation to line management control of training and benefit. Training and development in Germany in the majority of organisations is controlled by the human resources function; Germany in this regard is untypical of patterns elsewhere in Europe. In this context organisations with devolved training and development are likely to present a conscious moving away from existing practices, and perhaps an attempt to redesign employment relations more generally. In the UK this is not the case. In Ireland line management devolvement is not a significant explanatory factor; this is likely to be due to the overall lack of devolvement and decentralisation in Irish personnel management.

Board membership of HR director: We also find that the presence of the director of personnel on the Board of a company is negatively associated with trade union strength in two of the countries, Ireland and West Germany but not in the UK where this has recently been subject to intense debate. Board membership of personnel directors in Germany is relatively rare in only a third of private sector organisations; this is partly due to different organisational structures which mean that the personnel department itself is often seen as more operational (Lawrence 1991), and that the strategic perspective is provided by other directors or departments. Commonly the low level is also explained by the duty to appoint a specialist Arbeitsdirektor, or employee director, in larger companies. Our data suggests that where companies do deviate from the predominant patterns this is more likely to be linked to lower trade union membership.

Contract flexibility: The issue of contract flexibility has had a high place in the debates of human resource management, particularly in the discussions of the 'hard' HRM

model. Our data confirms a negative association with changes in part time employment in Ireland and the UK though not in Germany, and a positive relation between fixed term employment and trade union membership in the same countries. There is likely to be a significant sector effect here. However the negative association between increases in part time employment and trade union strength might also be a reflection of the view of part time labour predominantly as a cheap labour option in these two countries, something that is not the case in Germany or indeed elsewhere in Europe (Wickham 1993; Bielenski et al 1993; Brewster et al 1994; Dineen 1992; Drew 1990).

Communication: Textbooks on human resource management give a central place to employee communication (see Brewster et al 1994). Mahoney and Deckop (1986) for example identify a shift towards direct communication with employees, away from collective channels as a key component of HRM. This is an area where greater diversity in country patterns can be found. This is particularly so in the use of workforce meetings for employee communication, positively related to trade union strength in Germany; negatively in the UK; and not significant in Ireland. The German results are easily explained by the codetermination legislation: works councils are legally obliged to organise bi-annual workforce meetings to which management are invited and can openly be questioned by any member of staff; thus this is an indicator of traditional industrial relations. However, the increase in direct verbal or written communication to employees is not significant, apart from a weak negative association in Germany for written communication. Similarly briefings to clerical or manual employees about company strategy are insignificant indicators of trade union strength, perhaps an indicator of general lack of strategic use of such information in employee communication (Brewster et al 1994). Briefing about financial results, particularly for manual workers, on the other hand is positively linked to trade union strength in Germany and Ireland.

Recruitment: The introduction of sophisticated recruitment and selection methods has been discussed particularly in relation to commitment focused soft HRM. We use only one indicator here, the use of psychometric testing, which proves insignificant in each of the countries.

Conclusion

The analysis here presents the preliminary results of trying to test the relationship between human resource variables and industrial relations. We would like to underline the preliminary nature of these results; the elements in the model and the analysis are still being discussed and refined. It should be noted particularly that the method of data collection and the variables chosen are probably better at capturing moves towards 'hard' rather than 'soft' human resource management practices. With these provisos the above results nevertheless provide some confirmation of the challenge of human resource management practices to trade union strength. The data does not of course allow us to be certain about cause and effect: whether HRM type policies have led to a

fall in trade union membership, or whether conversely weak trade union organisation has facilitated their introduction. If there is a negative association between HRM practices and trade union density, however, it is equally possible to take the results as a sign of continued trade union influence where they are numerically stronger.

The data, at least partly, challenges the commonly held assumption that 'Germany is different'. Even if the overall strength of the indicators is lower, we nevertheless find that the HR/ IR dichotomy also holds there.

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Appendix 1: Variables included in the Analysis

ORGANISATIONAL DEMOGRAPHICS

- Industrial Sector
 - Recognition of trade union for collective bargaining
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ORGANISATIONAL STRATEGY

- HR Director on the main board
 - A written HR strategy
 - HR Department involvement in corporate strategy development from the outset
 - Turning the HR strategy into work programmes and deadlines for the personnel function
 - Systematic evaluation of the performance of the personnel department
 - Workforce planning
-

LINE MANAGEMENT

- Involvement of line management in pay policy
 - Involvement of line management in recruitment and selection policy
 - Involvement of line management in training and development policy
 - Involvement of line management in workforce expansion/reduction policy
-

COMMUNICATION

- Increasing use of representative staff bodies
 - Increasing use of verbal communication direct to employees
 - Increasing use of written communication direct to employees
 - Formal briefing of clerical and manual staff about organisational strategy and financial performance
 - Use of immediate superior by employees
 - Use of trade union/works council representatives by employees
 - Use of workforce meeting by employees
 - Use of quality circles by employees
-

FLEXIBLE WORKING

- Clerical jobs made more specific
 - Increase in the use of part-time contracts
 - Increase in the use of fixed term contracts
 - Increase in use of temporary contracts
-

PAY AND BENEFITS

- Use of performance related pay for professional staff
 - Use of establishment based pay determination for manual workers
-

CRITERION VARIABLES

- Trade union membership (Germany, Ireland, UK)
-

Appendix 2: Results of the DFA analysis for the Countries

Ireland: DFA Results			
<i>Variable</i>	<i>Standard co-efficients</i>	<i>Wilks lambda</i>	<i>Significance</i>
Employee's communicate via TUs	0.8189	0.6198	0.001
Professional merit PRP	-0.6022	0.5367	0.001
Manual staff briefed on financial performance	0.3519	0.5013	0.001
Change in use of part-time work	-0.0519	0.4772	0.001
Industry	0.1936	0.4454	0.001
Change in fixed-term contracts	0.0649	0.4221	0.001
HR head on board	-0.1192	0.4040	0.001
Manual pay negotiated at establishment level	-0.2730	0.3860	0.001
HR involved in corporate strategy	0.1209	0.3735	0.001
HR strategy	-0.0014	0.3418	0.001

N=133; 0% trade union membership = 17; 1-25% trade union membership = 14; 26-50% trade union membership = 27; >50% trade union membership = 75

UK: DFA Results			
<i>Variable</i>	<i>Standard co-efficients</i>	<i>Wilks lambda</i>	<i>Significance</i>
Recognition of TUs	0.7669	0.5713	0.001
Employee's communicate via TUs	0.5812	0.5380	0.001
Industry	-0.1128	0.5278	0.001
Professional merit PRP	-0.1543	0.5225	0.001
Line managed pay & benefits	-0.1009	0.5194	0.001
Change in temporary workers	0.0832	0.5167	0.001
Employee's communicate via immediate superior	-0.0598	0.5139	0.001
Change in use of part-time work	-0.0593	0.5115	0.001
Change in fixed-term contracts	0.0877	0.5095	0.001
Employee's communicate via quality circles	0.0745	0.5060	0.001
Employee's communicate via workforce meetings	-0.0572	0.5069	0.001

N=1183; <25% trade union membership = 17; 25-50% trade union membership = 24; >50% trade union membership = 75

Germany: DFA Results			
<i>Variable</i>	<i>Standard co-efficients</i>	<i>Wilks lambda</i>	<i>Significance</i>
Industry	0.7760	0.8243	0.001
Employee's communicate via TUs	0.3350	0.7935	0.001
Line managed pay & benefits	-0.2627	0.7732	0.001
Line managed T & D	-0.1931	0.7664	0.001
Employee's communicate via workforce meeting	0.1794	0.7601	0.001
Clerical briefed on finance	-0.3590	0.7564	0.001
Manual briefed on finance	0.3259	0.7467	0.001
Line managed recruitment	0.0570	0.7451	0.001
Workforce planning	0.0471	0.7402	0.001
Employee's communicate via immediate superior	-0.0330	0.7373	0.001
HR head on board	-0.1099	0.7348	0.001
Employee's communicate via quality circles	0.1056	0.7325	0.001
Written communication to employees	-0.1052	0.7302	0.001
Professional merit PRP	-0.1066	0.7283	0.001

N=165; <26% trade union membership = 303; 26-50% trade union membership = 218; >50% trade union membership = 244