Between industrial and employment relations – the practical and academic implications of changing labour markets

Labour markets and industrial relations have changed during the last couple of decades. In a number of countries, the traditional systems of collective bargaining have been challenged by trends toward decentralisation, individualisation and deinstitutionalisation at the labour market. This has had both practical and theoretical implications for the industrial relations field. In the article we identify different types of theoretical discourses about how to understand and conceptualise the practical changes in industrial relations. We discuss its implication for the academic discussions about employment relations versus industrial relations.

Industrial relations have changed dramatically during the last twenty to thirty years. This is the case for industrial relations as a field of practice in modern society as well as for the academic field of industrial relations.

Changes in the practice of industrial relations are seen in the erosion of traditional industrial relations institutions and actors in a broad number of industrialised countries. As a theoretical and intellectual field, changes in industrial relations are indicated by the development of new sub-disciplines such as HRM, disciplines that have challenged the way industrial relations theory has conceptualised the relationship between employers and employees (Edwards 2003, 2005; Bacon 2003).

Industrial relations as an intellectual and theoretical discipline have been significantly driven by developments in industrial relations practice. New developments in industrial relations practice have in turn led to new academic
interests (Kochan et al 1994, Hyman 2001, Ackers & Wilkinson 2003, Pulignano 2003, Schmitt 2010). The erosion of institutionalised industrial relations in some countries and sectors has led some scholars to fear a similar erosion of industrial relations as an academic field. If the institutions that used to be studied are now disappearing, does this mean that the academic field has become obsolete?

In this article, we will attempt to identify how changes in the practical field of industrial relations have been interpreted and conceptualised by those in the academic field of industrial relations (IR). In the coming sections, we analyse how IR theorists have explained and identified changes in the industrial relations systems as well as how this has influenced the theoretical agenda of IR and the ways in which industrial relations are understood in the academic field. We later identify some of the challenges particular to the practical and academic field of industrial relations. We place special focus on the concept of actors in IR theory and practice and on how we can identify the coherence of systems of industrial relations (or employment relations).

**Changing industrial relations – the erosion of collective institutions and actors**

According to Richard Hyman, the study of industrial relations focuses on “the rules which govern the employment relationship, the institutions involved in this process and the power dynamics among the main agents of regulation” (Hyman 2007: 29). Researchers have been especially interested in the forms of regulation dominated by collective actors and institutions, “Their [the researchers] central concern has typically been the collective and institutional regulation [...] of work and employment.” (Hyman 2007: 30).

The erosion of the collective and institutionalised forms of regulation is at the centre of the change taking place in the IR field. IR literature has documented diminishing levels of unionisation among workers, falling levels of collective bargaining coverage, reduced access to high political spheres and authorities among labour market parties, and other similar trends indicating disorganisation, deregulation, and deinstitutionalisation of industrial relations (Edwards 2003). In particular, deinstitutionalisation has been observed in the UK and US in relation to diminishing levels of trade union membership as well as in relation to diminishing levels of collective bargaining coverage (Charlwood 2007).

Deinstitutionalisation has to a lesser degree been observed in the Scandinavian countries and among continental European states. Nevertheless, trade unions have generally experienced lower levels of support among employees, and diminishing levels of unionism have been observed in most European countries, even in Sweden and Denmark (Kjellberg 2009, Due et al 2010, Commission of the European Community 2008). In continental Europe and Scandinavia we
can, however, observe tendencies toward decentralisation of industrial relations systems. In some countries (like Denmark), collective bargaining is increasingly handled at a company level, while in other countries (like Germany), industrial relations are still handled at a sectoral level.

There is a general tendency toward less (or at least changing) direct governmental regulation of the field of industrial relations in a number of European countries. Deregulation of different types of labour law has been the answer to globalisation in various European countries, in part to create more flexible labour markets. In Germany, the Hartz Commission created a system stressing the importance of workers’ employability rather than traditional social security (income security) and the creation of new types of non-standardised job forms. In France and Italy (Pulignano 2003), governments are changing and have changed pension systems.

These changes in the industrial relations systems have been explained and conceptualised by IR scholars in many different ways. In the following section, we will attempt to identify some of the most common explanations for the changes in the IR systems.

Explaining erosion and changes in industrial relations systems

As a starting point, we can identify a number of major types of arguments or discourses explaining the changing systems of industrial relations. The first type of argument stresses the importance of changing occupational and class structures in late-modern societies. The second type of argument stresses how the erosion of industrial relations systems is related to changes in the ways work and production are organised. Relationships between management and employees have changed due to new forms of work organisation. The third type of argument emphasises how changes to the power balance between management and employees can explain tendencies toward eroding industrial relations systems.

In the following, we will seek to outline the arguments more directly in relation to these three types of discourses.

The first type of explanation of the changes in industrial relations systems deals with what could be called overall changes in the class structure in the industrialised (or post-industrialised) society. Some scholars argue that we can observe changes in the overall class structure in industrialised societies, which influence, for instance, the ability of trade unions to recruit new members (Kessler & Purcell 2003). The traditional industrial working class, which could be seen as the core basis for recruitment in the trade union movement, is reduced both relatively and in absolute numbers due to changes in the composition of the occupational structure. More employees are employed in the service sector and fewer in the industrial sector. This has led to declining worker unionisation levels...
in a number of European countries, as has been well documented (Ebbinghaus & Visser 2000).

Another factor relating to changes in the class structure in late modern societies that has led to more disorganised industrial relations involves changes in the overall importance of class within society. Some argue that classes are no longer as important as they once were, at least so far as the values, ideology, and life perspectives of members of late modern society are concerned. Ulrich Beck discusses individualisation in what he calls the second modernity (Beck 1992, 2000) and argues that class has diminished influence in the development of common values in society. Pakulski and Waters (1996) argue that economic position in a society no longer determines values and political views. The classes are dead and new categories such as ethnicity, gender, style and taste are becoming the structuring determinants in society.

Pakulski and Waters (1996) argue that the formation of norms, values, and ideologies is disconnected from the economic sphere and is more closely related to consumption than to production. The cultural sphere has established itself as a more or less autonomous area in society.

Observations like these are used by some to explain disorganising tendencies in the IR field. As noted by Kessler and Purcell (2003: 322), “individualism raises questions about the propensity of employees to join and remain member of a trade union.”

The second type of explanation relates to observations about changes in work processes and changes in management attitudes toward labour. Some scholars argue, for example, that the use of new technologies has changed the relationship between management and employees. In contrast to the classical manufacturing industries, with their assembly line production and fragmentation of the work process, the use of new technologies results in a less fragmented use of labour. The need for a qualified workforce increases when new technologies are used, in contrast to what was foreseen by Braverman (1974) and others in the 1970s.

Employers and management have changed their fundamental attitude toward employees due to, for instance, increased international competition and their need for a committed workforce. This is the basic argument in parts of the HRM literature. It is sometimes argued that employer–employee relations are increasingly characterised by mutual commitment and common interests in developing competitive work processes (Blyton & Turnbull 2004: 91 ff).

In this new reality, traditional industrial relations systems, with their focus on collective actors and conflicts of interest between management and labour, are becoming more and more obsolete. There is less and less need for a traditional system of industrial relations in a society characterised by these new types of employer–employee relations. That is why we observe lower levels of collectively
organised industrial relations in new sectors (like the IT sector) compared with the old manufacturing-dominated sectors. Even when we observe employment relations dominated by Tayloristic forms of management, we must expect them to play – in the long run – a more marginal role in the labour market. This trend is even supported by the developments in the international division of labour and the outsourcing of manufacturing production to places such as China.

The third type of argument or discourse used to explain disorganisation of industrial relations relates to changes in what could be called the overall balance in access to different types of power resources among employees and employers. Some argue that employers and companies have developed and implemented a strategy toward organised labour that more or less explicitly tries to deinstitutionalise and deregulate the employment relationship (Hyman 2001). This has led to more market-based and less institution-based forms of regulation of the relationship between employer and employees. The fundamental point here is that employers – all else being equal – will prefer decentralised, unregulated and individualised forms of employment relations (Offe & Wissenthal 1986, Traxler 1995, Charlwood 2007). Employers have an organisational- and resource-based advantage compared with the single employee. Individual bargaining between a company and a single employee favours the employer since employers generally have better access to different types of resources.

Changing power balance between employers and employees can be linked to a number of factors. Changing political environments are often used to explain shifts in the balance of power. This type of explanation is, for example, used in connection with developments in the British and American (USA) systems of industrial relations since the late 1970s. Thatcher and Reagan shifted the political balances during the 1980s, to the benefit of employers. Neoliberal ideas penetrated the political systems in a number of Western countries and led to a negative political attitude toward trade unions and institutionalised employment relations. Employers and employer associations used the new political environment and support to put pressure on trade unions and organised labour, with the aim of removing or weakening the implications of collective agreements and bargaining (Simms & Charlwood 2010).

Similarly, globalisation is often used to explain changes in the balance of power between employers and employees. It is often argued that economic internationalisation and globalisation tend to favour companies and employers vis-à-vis employees:

For some observers, the globalisation of production, trade and investment is the driving force behind unions’ decline. Competitive pressure has significantly reduced employment levels in the heavily unionised Western manufacturing industries and in some parts of the service sector during the
past twenty years. The growing mobility of capital has greatly enhanced its bargaining power, weakening the scope for unions to extract concessions and demonstrate their effectiveness to workers. (Frege & Kelly 2004: 181)

In a globalised world, companies have the ability to move operations to countries in which working conditions and labour expenses are much lower than in countries with developed and organised industrial relations systems. Labour, on the other hand, has only limited access to such mobility and is more geographically bounded. All in all, it is argued that globalisation tends to increase the overall bargaining power of employers and decrease the bargaining power of employees. Threats and discussions of possible outsourcing of production facilities are used by employers to strengthen their bargaining positions in order to compel employees and trade unions to accept less organised industrial relations systems.

**How to answer crises and erosion of industrial relations**

If some of the above observations about trends in the practical and academic discussions that explain and conceptualise the erosion of industrial relations are correct, then we can also ask: How should the practical and academic fields respond to such erosion?

A number of authors in academic circles have observed the erosion in both the practical and the scholarly fields. In the introduction to a volume on theoretical perspectives to industrial relations, Bruce Kaufman (2004a) writes the following about his motivation for the book:

> The second motivation came from the long-term decline in the academic fortunes of industrial relations and my desire to reverse this trend. As numerous people in the field have observed, industrial relations in this country [in US] – and to some substantial degree in many other countries of the world – has the last two decades suffered a significant loss of intellectual energy and scholarly participation. (Kaufman 2004a, vii).

Kaufman and others have argued that industrial relations need to become ‘employment relations’ in order to conceptualise new trends in the industrial relations field (Kaufman 2004b, 2007). This argument has been especially popular in an American context. The erosion of industrial relations has been particularly dramatic in both academic and practical industrial relations in the USA. One way of dealing with this – especially in the academic field – is (according to Kaufman) to rename the field and make it more compatible with a postindustrial labour market.
The concept of employment relations is therefore preferable to the concept of industrial relations as it makes the field more palatable to a broader academic audience. One observation that suggests that Kaufman’s advice is being taken seriously in the IR research environment is the fact that, in 2010, the International Industrial Relations Association (IIRA) changed its name to the International Labour & Employment Relations Association (ILERA). Industrial relations have transformed into employment relations.

Some argue for intensified cooperation between HRM and industrial relations researchers. Acers and Wilkinson (2003), for example, observe how many ‘former’ IR researchers have turned their interest more directly toward the HRM field (Ackers & Wilkinson 2003: 16).

They also argue more generally that HRM and industrial relations research have many common interests:

In this way, we see HRM as overlapping with IR but with different emphasis in term of the topic field […] Disciplinary walls are low, such that many academics working in either IR or HRM lectures will publish both in IR and HRM journals. (Ackers & Wilkinson 2003: 17-18).

Colling and Terry (2010) argue that students of industrial relations have generally been too focused on collective institutions in the employment relationship. Industrial relations researchers have – for a long period – almost entirely focused on understanding the part of the employment relationship that relates to different types of collective bargaining structures and institutions. As a consequence, those parts of the employment relationship consisting of more individualised (or non-collectivised) contracts have not been among the interests of IR researchers. Non-unionised segments of the labour market have not received the same kind of attention as have the unionised segments. Similar focus has not rested on aspects of the employment relationship that deal with the more direct employer–employee relationship. “Our argument so far has acknowledged the need for industrial relations analysis to move beyond the concerns that dominated the subject for half a century and to rediscover a more expansive and inclusive approach to employment relations.” (Colling & Terry 2010: 16). The same observation is made by Blyton and Turnbull, who write:

Using terms such as employee relations rather than industrial relations reflects part of the redefinition of the boundaries of the subject to include all employment relationships, rather than only involving unionised male manual workers… (Blyton & Turnbull 2004: 37).

Other theoretical and practical answers to the changes and crises have also been put forward. Some have argued that the observed erosion of the practical field
of industrial relations need not be permanent in character. Proponents of this view argue in part against the ideas put forward by some of the aforementioned positions.

Kelly (1998), for example, argues that the ups and downs of industrial relations follow the long waves in the economy. The fact that we nowadays can observe decreased levels of unionisation and collective bargaining coverage does not imply that the same situation will continue to exist in the future. Kelly argues that industrial relations have changed in the past and will continue to do so in the future. As Kelly writes in the introduction to his *Rethinking industrial relations*:

Contrary to postmodernist claims that the classical labour movement is in a terminal decline, long wave theory suggests that it is more likely to be on the threshold of resurgence. (Kelly 1998: 1).

According to Kelly, trade unions and collective bargaining remain adequate forms of organisation through which workers can organise in order to have their interests represented.

Hyman argues – partly in line with Kelly – that the practical field of classical industrial relations has not yet reached its final stage and that the particular American and UK development is not representative of the development in much of Europe. This is the case even though some erosion of IR systems can be observed in most countries. Hyman argues:

All European countries […] have seen an erosion of union membership alongside challenges to the institutional arrangements of employment protection and labour market regulation which had seemed firmly embedded over many decades. Yet few countries have seen a ‘transformation’ of industrial relations comparable to experience in Britain or the USA (leaving aside the very special case of central and eastern Europe): collective regulation remains robust. Rather than conceding the end of collectivism and abdicating to the employer all possibility of regulation, the central question in current European debate is how to re-institutionalise the employment relationship at societal level… (Hyman 2007: 35).

According to Hyman, re-institutionalisation – and revitalisation (Frege & Kelly 2004) – of the practical field of industrial relations is the answer.

For Hyman, this re-institutionalisation is twofold. Firstly, it relates to the practical field of industrial relations. New types of institutions regulating the IR field can be observed, particularly in Europe and in relation to the European Union. Social Europe has been put on the agenda in connection with the development of European integration (single market, etc). Regulation and institutionalisation of the employer–employee relationship is now on the political
agenda in the EU. Industrial relations have also become a European issue, a topic of debate centred on increased market-based forms of regulation (neoliberalism). Even though Hyman is sceptical about the outcome of the European Union, he argues that the European Union might be able to provide workers and employees with some kind of organised system of industrial relations in a situation in which companies and capital have become increasingly globalised.

Secondly, re-institutionalisation for Hyman relates to the academic practices of IR researchers. As Hyman once stated, paraphrasing Marx’s 11th thesis on Feuerbach: “Scholars have so far interpreted the world of industrial relations in different ways; the point is to re-invent it” (Hyman 2001: 293).

IR scholars should contribute to the reinvention and re-institutionalisation of the practical field of industrial relations. What this means in the academic practice is, however, not so easy identifiable. It certainly does not mean that the study of industrial relations should simply be transformed into the study of employment relations.

Conclusion

Over the past twenty to thirty years, practical industrial relations have undergone a period of transformation. Deinstitutionalisation and deregulation have characterised labour market developments in a number of countries. Unsurprisingly, this erosion process has also influenced the academic field of industrial relations research and theory. Industrial relations researchers have also talked about crises in the academic field of industrial relations and have felt themselves subject to an increasing competition from other areas of social science (Edwards 2003).

As presented in the foregoing sections, it is possible to identify a number of different strategies for dealing with the changes in the practical and academic fields of industrial relations. The first strategy is to move the analytical and theoretical core of research from industrial relations to employment relations or even to HRM. Employment relations are no longer comprehensible through the prism of collective actors such as trade unions and employers’ associations. The solution here is to integrate industrial relations research into HRM disciplines, where it can help give HRM a more pluralistic and less unilateral perspective on the relationship between management and employees.

The second strategy is to stress the continued importance of the traditional IR system with its collective actors. A crisis in practical industrial relations is partly seen here as a consequence of shifts in political agendas and power balances between employers and employees. In this situation, scholars in the academic field of industrial relations should not abandon the classical study of industrial
relations but should instead help to re-institutionalise it (both in practice and
in theory).

Both positions are right in their own way. If we examine the employment
structure in the most advanced industrial (or post-industrial) countries over the
past thirty years, the number of white-collar employees has generally increased
at the expense of blue-collar employees. This development has, among other
things, led to a need for more individualistic and employment relations-oriented
conceptualisation of the relationship between employers and employees. Many
(though not all) white-collar employees are traditionally less committed to trade
unions and collective forms of bargaining than are blue-collar employees. This
fact must be reflected in the conceptualisation of the relationship between
employer and employee. Similarly, a part of the traditional blue-collar worker
labour market has developed in a way that makes it more ‘white collar like’ in
its organisational structure. The use of teamwork and other ‘new’ forms of work
organisation have changed the traditional hierarchical structure at company
level. This also points toward a need for studies of the employer–employee
relation from an ‘employment relations’ perspective.

However, as a parallel tendency, we also observe that more traditional and
hierarchically structured employment relations (still) play an important role
in the labour markets, even in the most advanced post-industrial societies and
sectors. Traditional forms of industrial relations institutions are present in most
advanced post-industrialised economies and are very visible, for example, across
large swathes of the public sector. Industrial relations systems in their classical
form continue to be the medium for solving employment relations issues in
a number of countries, especially in Scandinavia and continental Europe.
Although we can observe changes and tendencies toward deregulation and
decommentation, national industrial relations systems are rather robust in these
parts of Europe. IG Metal still seems to be the strongest union in Europe and
worldwide.

Another observation that supports the relevance of a more classical industrial
relations analysis relates to the more polarised labour market that can be
observed in some of the advanced post-industrial societies. Part of the labour
markets that used to be embedded in institutional structures dominated by
collective industrial relations actors has been deregulated due to, for instance,
globalisation and internationalisation (such as increased transnational migration
of Central/East Europeans into the West European construction sector). The
lack of more traditional industrial relations institutions in these parts of the
labour market is not because these have been replaced by more sophisticated,
individualised mechanisms. Rather, it is due to processes of marginalisation and
to changes in the power balances between powerful employers and relatively
powerless, socially fragmented, semi-legal or even illegal employees. More traditional industrial relations analysis is needed in order to fully understand these marginalisation processes. The big question in this context, however, is whether national IR systems in the future will be able to (or will be interested in) include these groups of more-or-less marginalised workers in the institutionalised segments of the labour market.

Correspondingly, globalisation and trends in the international division of labour indicate that industrial relations analysis in its traditional form will remain important for studying the formation (or development) of systems of industrial relations in countries like Brazil, India and China (Taylor et al 2003, Ghosh 2010).

The foregoing discussions, however, also indicate the need for answering new types of questions in IR research. First and foremost, there is the question of identifying the actors involved in the IR (or ER) governance. Secondly, there is the question of delimiting the IR (or ER) system and delimiting the analytical focus of IR (or ER) studies.

If practical industrial relations are changing, and organised interests have less influence, then which social actors define the employment relationship? Who creates the rules governing the employment relationship if trade unions and employers’ associations in some countries and sectors no longer play their accustomed roles? And how should we analyse this type of employment relationship?

If industrial relations studies deals with the institutions and actors who define and create the employment relationship, it is obvious when considering the labour market that we must focus on new types of actors who are not the classical collective actors. Companies, managers, professions and individual employees play a more direct role as actors in IR (ER) regulation. The classical actors (trade unions, employers’ associations and governments) still play an important role in IR regulation, but in some countries and sectors they are supplemented with or replaced by other actors. Simultaneously, the classical players’ own roles as actors in IR systems are also changed in some areas.

The classical IR actors have changed their roles to some extent as well. Where unions traditionally were primarily seen as actors who represented working class or employee interests against the employer, the unions also play the role of what could be called enterprise or workplace operators, at least in some contexts. Trade unions representing professions and semi-professionals such as nurses or school teachers are not only interest groups that focus on employment relationships and members’ wages and working conditions. They are also representatives of the sector and the field they organise, and they contribute to the field’s development. Even unions representing classical groups of workers
act as business operators in the sense that they – together with management – often help to develop the competitiveness of companies. Similarly, we can observe changes in employers’ approach to collective bargaining. Agreements and bargaining are used by employers to initiate personnel policy initiatives, not only to negotiate wages and working time as in the classical formulation.

IR systems and their coherence is another central theme related to both the industrial relations and employment relations perspective on the field. As discussed earlier, part of the IR research today analyses and discusses if existing IR systems are ‘disappearing’ or disintegrating (and if so, to what extent?).

Theoretically, these types of observations imply discussions about the coherence (or lack of coherence) in IR systems and how this coherence can be conceptualised. Are interests among actors (like trade unions and employers’ associations) the ‘bearing construction’ in the IR system? Will the system disintegrate if the classical actors disappear as we have discussed earlier in this article? Or are IR systems constructed around the handling of the field or area that deals with employment relations as a special social relationship? One could ask questions like: Which types of problems are handled or solved by the IR systems? What is the problem to which an IR system is the solution? Maybe, IR systems are changing because the problems and the questions to which traditional IR systems represented the answer have changed. So, in identifying new forms of IR (or ER) systems, one must identify the problems or questions that are raised in employment relations of today. Systems of industrial relations used to be the answer to conflicts between labour and capital in a class-based society dominated by male employees. Today’s systems of IR (or ER) might be seen as the answer to a much more complex and differentiated labour market characterised by an increasing variety of conflicts and interests between different groups in the labour market. The implication of this development of new players and new roles for the traditional players in the IR (ER) regulation is that we need to focus more on the parts of labour and social life as taking place outside of or beside the classical IR systems. Focus must to some extent shift from the relations between IR organisations on the overall labour market to the relations between employees and management at the workplace and at company level.

References


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