

The Seventh Countess
Markievicz Memorial
Lecture

Reform of Industrial Relations in a
Changing Society

Dr. Eric Batstone

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Reform of Industrial Relations in a Changing Society

DR. ERIC BATSTONE

The Countess Markievicz Memorial Lecture has been established by the Irish Association for Industrial Relations with the support of the Department of Labour. Countess Markievicz was first Minister for Labour of the newly-independent Irish State. The object of the Memorial Lecture is to provide an occasion for a substantive contribution to discussion in the Industrial Relations area by a distinguished practitioner or academic.

The Seventh Lecture was given by Dr. Eric Batstone on November 1st, 1982 at the Burlington Hotel, Dublin. Dr. Batstone is University Lecturer in Industrial Sociology at the University of Oxford and Fellow of Nuffield College. He has extensive experience of research work and has contributed to numerous books and journals on sociological and industrial relations Themes.

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REFORM IN INDUSTRIAL RELATIONS IN A CHANGING SOCIETY

AS THE NAME of this lecture and the list of preceding lecturers indicate, it is a great honour to be asked to give the Countess Markievicz Memorial Lecture. I wish, first, therefore to thank you for the honour you have bestowed upon me. And, second, to say that it is a most enjoyable honour.

Previous lectures have largely focused upon developments at the national level. Such preoccupations quite properly reflect the existence of major structural problems within economies such as that of Ireland; and, of course, they quite properly reflect the growing role of the state and tripartism in recent years but these developments at the national level to a large degree achieve their significance — and success — only if they are reflected in changes in attitudes and behaviour at the level of the company and the shop-floor. It is not surprising, therefore, that in most countries the growth of tripartism at national level is associated with a variety of substantive and procedural reforms at the workplace. In many countries these innovations are of a participative or consultative kind, e.g., Germany. But in Britain and Ireland the major thrust has been the reform of collective bargaining at plant level.

I intend to focus upon these reforms at plant and company level in this lecture. I want to suggest that there are serious problems associated with reformism of this kind which have been largely ignored over the last decade or so. Much of what I have to say stems from the British experience but from the available data it is at least plausible to argue that the Irish experience is not dramatically different.

There are, of course, significant differences between Irish and British industrial relations—and a number of previous lecturers have highlighted these. But there are also striking similarities — notably, the traditional commitment to voluntarism and similarities in union structure and strategy; the recent debates here surrounding the recent Commission on Industrial Relations, for example, have a familiar ring of British ears.

At first sight, however, there is an important difference between Britain and Ireland which is central to my theme this evening. In Britain, plant level reform has been actively sponsored by governments for several years, whereas in Ireland reform appears to have evolved much more spontaneously. But, in practice, this contrast is of limited importance. For it would seem that in both countries plant-level reform has been fostered by three (actors: the nature of incomes policies and national agreements which include exemp-

tions for pay increases due to greater productivity; legislation in such areas as unfair dismissal; and, third, changes in corporate control systems associated with the changing structure of industry.

Let me now turn to the nature of reform itself. While the detailed philosophy of plant-level reform varies, its essential rationale was perhaps most clearly outlined by the Donovan Commission. It argued that the means to increase efficiency, and reduce the level of conflict was to develop formal procedures at plant or company level. These would permit a bringing together of the formalities and realities of bargaining. These reforms would both require and permit management to develop more coherent industrial relations policies: management, it was argued, should become more aware of industrial relations issues and not leave lower levels of management to develop managerial policies in an *ad hoc* way. The latter approach both created its own problems and meant that industrial relations could obstruct broader managerial goals.

Similarly, reform required changes in union organisation. In particular, shop stewards had to be recognised and encouraged to act in a more co-ordinated way if they were to be able to bargain at plant-level rather than on the shop-floor. Not only did this require the fuller recognition and integration of shop stewards by the unions; it also required that management provide the facilities for shop stewards to develop and pursue a single, common strategy.

Plant-level reform was strongly informed by the traditional principle of voluntarism — legislative strategies were seen as doomed to failure. Reformists believed that, given suitable procedures, management and unions could achieve some form of accommodation which would permit both sides to achieve their goals.

This view, in turn, rested upon a particular conception of the interests of the various parties. Briefly, managers were seen as profit-oriented animals; workers were seen as seeking a stable and secure wage; and unions were believed to be concerned about their own institutional security. Such interests could be accommodated: formal procedures at plant or company level could provide unions with institutional security; through those procedures management and unions would be able to reach agreement which provided workers with secure and stable incomes in exchange for workers giving up their so-called 'restrictive practices.' Hence, management would be able to use its new freedom to organise work more efficiently.

There were — and are — variations in this overall philosophy and I will return to some of them later. More important for my immediate purpose is to note two critiques of reformism. The first of these — which in Britain has recently found greater support, as Richard Hyman noted in last year's lecture — argues that the

unions are too powerful and too self-interested to make reform work. On this argument, good industrial relations and economic efficiency require that the unions are cut down to size. Given recent debates here in Ireland I have no need to comment upon this perspective.

The second critique of reformism argues that it was based on a set of assumptions which were fundamentally flawed — it assumed, radical critics argued, that there was an equality of power between management and unions and a fundamental compatibility of interests. Despite these presumed weaknesses, however, many radical critics argued that reform would be — and is — effective. It would enable management to reassert control over labour. But this occurred not through any meaningful compromise. Rather it occurred because management created through reform a centralised shop steward elite. This elite was isolated from the membership but able to control it; its existence depended upon management support. Therefore, the argument went, this shop steward elite would co-operate with management in introducing more efficient working practices and by acting as a police force for management.

Both reformists and their radical critics, then, agreed that plant-level reform would succeed, and, indeed, has succeeded. But what has actually happened?

First, in both Britain and Ireland there appears to have been a considerable growth of plant and corporate bargaining.¹ In Ireland, for example, a number of commentators have noted a significant extension of the area of bargaining to include 'work organisation and methods, manning, output and productivity.' The same pattern is found in Britain. Moreover, there has been a considerable formalisation of plant bargaining. In Ireland, for example, formal disputes procedures are now extensive. About four in every five large manufacturing companies and over two thirds of medium-sized companies have formal disputes procedures. Again, the same pattern is found in Britain.

Second, there are signs that industrial relations now figure more importantly in management. One indication of this is the dramatic growth of personnel management. Between 1964 and 1973 the number of personnel managers in Ireland increased more than four times. The Commission on Industrial Relations stated that almost all manufacturing enterprises employing more than 200 people had at least one personnel specialist.

The growth of personnel specialists in Britain has been of a similar scale. And surveys suggest that this growth has been concentrated at more senior levels of management. The same surveys suggest that the personnel function seeks to ensure company control

over the bargaining of wages and conditions, to limit the discretion of lower levels of-management, to develop coherent approaches to I.R. and to formalise procedures and relations with stewards.

Third, in both Britain and Ireland there has been a dramatic growth of shop stewards. As far as I am aware it is not possible to chart this for Ireland. But I gather that it is widely accepted that such growth has occurred: MacNeil for example, refers to 'a growth in the strength and power of shop stewards.' In Britain since the mid-sixties shop stewards have probably increased by over 50%; shop steward organisation has spread into sectors where it did not previously exist and. at the same time shop steward density has increased — that is, the size of the average steward constituency has become smaller. >

Certainly in Britain — probably more than in Ireland — shop steward organisation has also become more sophisticated: full-time and senior stewards are now more common, as are shop steward committees. There has also been a growth of facilities for shop stewards and a growth of steward training. For example, whereas in the 1960's steward training courses were rare in Ireland, in 1979-80 about 80 courses were run under ICTU auspices.

Fourth, these procedural and organisational changes appear to be closely associated with attempts to increase efficiency and reform wage structures. Productivity bargaining, for example, has become commonplace in both Britain and Ireland. In Britain it is also possible to trace other changes: surveys suggest, for example, a fivefold growth in job-evaluation since the late 'sixties and work study has also become more widely used.

It would appear, then, that reform has been widespread in both Ireland and Britain. But with what effects? Have these organisational changes really been associated with greater efficiency and reduced industrial conflict? I would argue they have not.

In Britain, the rate of productivity growth has declined since the beginnings of reform. There are, of course, many factors of relevance here, but it is worth noting that international studies of productivity have consistently emphasised the importance of industrial relations as an explanation of Britain's poor performance. In Ireland, the rate of productivity increase is more impressive. But it is not outstanding in a European perspective, particularly when the advantages of a 'late start' in industrialisation and of many new companies are taken into account.

In Britain — where it is possible crudely to trace the link between productivity growth and industrial relations reform — it seems that the poorest productivity records over the last decade are to be found in those industries where the reform package has been most fully

implemented.

However, in the 'seventies real wage increases outstripped productivity increases by a greater margin than they did in the previous decade. In both Britain and Ireland wage costs per unit of output have increased at a dramatic rate: only Italy— of all the OECD countries — has experienced a similar increase in costs since 1973. Furthermore, this increase in costs in Ireland appears to be in large part attributable to local negotiations which in many cases have added well over 50 per cent to the nationally negotiated rates over the last decade.

Nor did these developments bring industrial peace. At least until recently, the strike rate showed no signs of falling and the strike habit had become more widespread in both Britain and Ireland, despite the growth of grievance procedures. And this — at least in Britain — appears to be associated with plant reform. Hence, it is in those sectors where sophisticated steward organisation is a recent phenomenon that strikes — in virtually all their dimensions — have increased most dramatically since the late 'sixties. In Ireland, over the same period, unofficial strikes have become much more significant.

This picture of the failure of reform is substantiated by many more detailed studies. For example, studies of productivity bargaining consistently indicate that only a small minority of agreements actually lead to any substantial productivity improvements. Recently, for example, the architect of the Donovan Report concluded that 'it is not at all easy to discern any impact' of productivity agreements. And he went on to note that:

many of the companies which had negotiated apparently successful productivity deals in the 'sixties were again faced with problems of low performance and substantial overmanning during the 'seventies. (H. Clegg, *The Changing System of Industrial Relations in Great Britain*, 1979, p.143).

In short, the extent to which plant — and company — level reform has actually achieved its ends appears extremely limited. How do we explain this failure?

It is often argued that industrial relations have been confronted with major challenges which emanate from the larger environment. **For** example, rising educational levels are often believed to lead to new sets of expectations among workers for greater influence over, and meaning in, work. Such arguments, I would suggest, are less than convincing. First, it flies in the face of a great deal of evidence **concerning** the ways in which schooling — particularly for those who are future manual workers — reduces expectations and prepares them for the drudgery of routine manual work.. Second, such an argument tends to ignore the fact that challenges to managerial authority of the kind we see today have been common in earlier

periods. Third, a recent survey found only a very weak relationship between education and desired involvement — and also between education and actual involvement (F. Heller, *et. al: What do the British Want From Participation and Industrial Democracy* 1979, 32-3).

More generally, it seems very dangerous to attribute problems within industry to external factors. It has been fundamental to social science for well over a century that the major factor in social change has been industry itself. The breakdown of communities, social and geographical mobility, improved standards of living and an increasing pace of change — all of these are primarily attributable to developments within industry. Similarly, it is widely argued that the increasing role of governments in the economy is an inevitable concomitant of industrialisation. Not only is it vital for the continued viability of industry; it is also required by the commitments, until recently common, to full employment and a welfare state which governments made in a quest to ensure worker acceptance of their industrial position. In short, I suggest that if we want to understand the problems of relationships in industry, it is sensible to start with industry itself.

A second set of arguments often put forward to explain the failure of innovations in industrial relations is lack of preparation and planning and inadequate training. As someone in the knowledge business I naturally have considerable sympathy with such arguments, and would certainly not wish to discount them totally. But when consistently high levels of failure are to be explained by these factors I would suggest that one needs to be rather suspicious — how much training and preparation is needed? Is there not some more fundamental cause? Is this an excuse for the fact that we do not understand what is actually happening — or an accusation that people fail to conform to our theories?

A third set of arguments often put forward to explain the failure of reform generally and such moves as productivity bargaining in particular, has been government action. The fact that incomes policies have often permitted wage increases above the norm if they were financed by improvements in productivity, it is argued, induced management to engage in fake deals. Such an argument is less than satisfactory on two counts. It is open to question how far reformist strategies, such as productivity bargaining, would have been widely adopted if it had not been for such encouragement by the state. And, in addition, the effect of these incomes policy —or national agreement—exemptions was to stack the cards in management's favour. They could insist on increased productivity as a condition of additional wage increases. And yet, despite this, it appears that management either could not reach meaningful agreements or could not make them stick in practice.

What, then, is the explanation of the failure of reform? We can start by pointing to weaknesses in the theory of institutionalisation on which reform is based. Briefly, this theory assumes that, while conflict exists, it is limited — there is an underlying consensus. Further, it argues that conflict can be reduced and can be peacefully settled if each party recognises the legitimacy of the other's interests and suitable procedures for accommodation exist. But against this view one can ask not only how far an underlying consensus exists, but also how far institutional arrangements do in fact promote accommodation of more than a very temporary nature. In the first place, as is widely argued, institutionalisation recognises the apparent legitimacy of competing interests. It may therefore encourage those interests. Second, institutions provide means whereby those interests may be more efficiently pursued, thereby encouraging them even further. Third, the output of these institutions are sets of rules. These provide further grounds for negotiation over their interpretation, application and equity. This is especially so because new agreements have to be slotted into existing rules of conduct: new agreements have a career, in which, as it were, a body of case law and precedent has to be developed. This process is complicated by a wide variety of external shocks and changes, and by the fact that a number of rules may be applicable to the same issue. These problems of institutionalisation are much more likely when each party recognised the other for primarily pragmatic reasons to do with the existing balance of power. In short, the model of institutionalisation which is frequently employed is an ideal-type: its relevance to an understanding of the realities of industrial relations is open to question.

How does this help us to explain the sad history of plant-level reform?

First, the assumptions of the reform package were overly-simple. As I noted **earlier**, it defined workers' interests largely in terms of wages and security: if workers were satisfied in these areas, it was argued, **they** would be prepared to forego their control over work. But there is a good deal of **evidence** to suggest that, notwithstanding financial priorities, workers do **place** considerable emphasis upon maintaining some degree of control over the way in which they are treated: hence, for example, surveys **consistently** indicate that workers would like greater **influence** over their jobs. And case studies strongly support this picture. Furthermore, workers would require an extraordinarily high degree of trust in their **managements** if they were going to forego the sanctions with which job controls provide them on the basis of a management promise of good wages and job security

Similarly, the reform package tended to assume that union interests could be seen largely in terms of institutional security. But while this is obviously of considerable importance to unions, it should be remembered that in practice, if not in theory, British and Irish shop stewards tend to define their roles primarily in terms of the interests of those small groups whom they represent. They are watchdogs who seek to prevent discrimination and inequity in managerial actions. It follows that they inevitably have a very strong interest in the way in which management implements policies. It is therefore unrealistic to expect them to forego this crucial and traditional role in exchange for a partial involvement in the shaping of management policy. The argument is supported by evidence concerning developments in shop steward organisations in Britain. For, despite the growth of formalities of co-ordination, and despite the arguments of the radical critics of reformism, there is remarkably little evidence of greater centralisation: the growth of bargaining has not been confined to higher levels of steward organisation; and stewards appear, if anything, to be more controlled by their immediate members than they were in the past.

When we turn to management, it is again open to doubt how far it conforms to the reform model. This model, I have noted, saw management as primarily profit-oriented: hence it would be prepared to share control to this end and could be expected to operate on pluralist principles. Again, it is open to doubt how far management conformed to this picture. In Britain, for example, the growth of personnel management seems to be better explained by more general organisational reforms and the attempt to protect the company from the threats posed by legislation, than by a conversion to reformism. And, consistent with this view, survey data suggest that the existence of a personnel function is not associated with a greater centrality of personnel and industrial relations considerations in the formulation of general management strategy. Indeed, the condition of greater influence for personnel management seems to have been a reduction in its traditional emphasis upon notions of justice and worker welfare.

If my argument is correct, then reform can best be seen as motivated by traditional, pragmatic interests. But more than this. I would argue that the rhetoric of reform increased worker and union expectations. That rhetoric held out the promise of increased affluence, a message which was also transmitted by governments. And it also legitimated expectations of influence. In both respects it is open to **question** how far reform programmes matched the rhetoric. The thrust of a good deal of reformism. I have suggested, was a **reassertion of** managerial control in the day-to-day organisation of work: in the British case at least, this was to be seen most

clearly in productivity bargaining and in the strong recommendations for a shift from piecework to measured daywork. It is not surprising, therefore, that workers and stewards were able to employ the rhetoric of reform against the programmes of reform.

Nor is it surprising that managements have often experienced strong reactions from workers and unions when, having carefully reformed industrial relations and expanded the range of joint discussion, they breach the new rules of the game. For example, it appears that over the last decade occupations and sit-ins over proposed redundancies have most frequently occurred in particular firms. These firms have recently reformed industrial relations and then sought to introduce redundancies without negotiation. That is, management have broken their own rules and paid the price in the form of worker and union sanctions.

Similarly, not only did managements promise greater income but productivity deals actually provided it. It seems reasonable to suggest that productivity payments give workers new ideas about the size of wage increases which could be achieved. To the extent that management failed to match these expectations, strike action was the result. To the extent that they did match them, the result was an increase in wage costs.

Such developments were further exacerbated by the very nature of productivity bargaining. Such bargaining highlighted the link between the wage and effort sides of the wage-effort bargain. It emphasised that workers could reasonably expect additional pay for co-operation. Moreover, in modern industry it is often extremely difficult to identify the exact contribution made by individuals or groups. Consequently there is a great deal of scope for negotiation and argument over exactly whose effort and co-operation led to productivity increases and who was to blame for the failure to achieve such increases. The net result has, it seems, often been that productivity bargains are less payments for greater effort or new-working arrangements than a cloak for payments to ensure industrial peace. At the same time, as has often been argued, this heightened bargaining awareness could mean that workers were *less* prepared to fall in with management proposals unless there was money in it. In short, if management's approach was in practice an **economistic** one, then we should not be surprised if workers learnt to play the same game.

Such checks upon management are to be found not only in the **operation** of agreements, but also in their negotiation. What I find striking in looking **at** productivity agreements—even those which are generally **proclaimed** as examples of 'best practice'— is how far they fail to remove those elements which management believed were obstructive of efficiency. Many agreements not only contain

mutuality or *status quo* clauses, but also even enshrine — and thereby give a wider legitimacy to — custom and practice. Hence, I would agree with Alan Fox's conclusion that productivity bargaining is an:

example of how changes initiated by one side in a low-trust direction led to greater specificity, formality, and inflexibility of rules and relations. Management's move to strengthen its control over workgroups was countered by workgroup moves to contain and limit that enlargement of control by precise definition and vigorous policing of the new frontiers (*Beyond Contract*, 1974-130-1).

Many of the developments associated with reformism highlighted the principle that workers could reasonably expect to receive higher wages in return for improved performance. But if this principle was adopted at a group level it could, of course, disrupt relativities and differentials which were legitimated either by notions of an equitable and rational wage structure or by the not insignificant force of tradition. Those whose relative position suffered as others gained productivity bonuses could point to the force of these other logics, or to the dubious basis of many performance-related rewards.

At the same time, the growth of tripartism at a national level was often associated with the establishment of additional principles of pay determination: not only were pay increases frequently tied to the cost of living (a relatively new principle), but also it had been common to treat the lower-paid rather more favourably (another new principle). There was, then, a proliferation of pay criteria resulting from national and local developments which were often mutually contradictory; and any of them could quite legitimately be employed by a work group. The different rationales of government and management behaviour added up to overall irrationality. Attempts to 'square the circle' often exacerbated the ever-present tendency for the language of rationalisation and efficiency merely to constitute a game which in reality had quite different purposes.

These tendencies were exacerbated by the pattern of steward and management organisation. The main arm of reform was to establish meaningful negotiations primarily at plant level. A growth of shop stewards has been encouraged to this end but—as I have noted — steward power still tends to be concentrated at the level of the steward constituency. At this level, the steward confronts a foreman with weaker power than he had in the past. The main centre of power within management has been shifted — in the case of multi-plant companies — to outside the plant; and this at the very time when management proclaims the existence of meaningful plant-level negotiations. **This** sounds like a recipe for industrial disaster — and the strike evidence suggests that this is indeed the case. Surveys indicate that the highest incidence of strikes is to be

found where plant bargaining exists but where local management has little discretion.

My argument has been a pessimistic one. And, of course, we can all point to exceptions to the pattern I have described. But if my general argument is correct, the number of exceptions must be fairly limited. In addition, at least in Britain, two developments over the last five or so years suggest there has been a more general realisation of the problems of reform.

The first of these is an extension of the logic of reformism: in Britain it is best seen in the move from Donovan to Bullock and the resurgence of interest in the idea of joint consultation. On the union side, there was a growing demand for real influence. On the management side, the interest in industrial democracy was an attempt both to stem union demands and to create the consensus which reform had shown was lacking. But how far management is prepared to cede power, and how far unions can — or will — accept the implications of greater power, are both open to question.

The second development is a retreat from the logic of reform. Management seeks to by-pass the unions; it tries to develop a direct relationship with workers which combines human relations techniques and tougher control. While such approaches may increase productivity in the short-run, their effects in the longer-term are far less certain. For managerial actions which seek to exploit *to the full* shifts in the balance of power legitimate corresponding strategies on the part of unions and workers when they have the advantage. Perhaps more importantly, such strategies move us towards a type of society which, I believe, many of us do not wish to see.

What, then, is to be done? My brief answer is that I do not know. But it does seem to me that if we are serious about the idea of social partnership — and the alternatives are pretty awful — then we must be prepared to follow its implications through in all features of our industrial and social life. It is not enough to confine social partnership to the formalities of collective bargaining. Those **principles** have to be applied also on the shop-floor and be reflected **in** the **principles** both of work organisation and management organisation. And, along with this, we have to be sure that the **principles** and rationales of the various levels of bargaining — shop-floor, company, industry and national level—are consistent.

The present situation appears to correspond to that described in a children's story about the two-handled jug. A young boy—**Tom**—got a bloody nose, in a fight with his best friend, Kenny. His lather told him he should not wish to avenge himself and beat Kenny up, explaining that 'a problem is like a jug with two handles. **Tom** could wish to beat Kenny up — that was one handle. Or he could decide that he had had a bad time with his best friend

and should make friends with Kenny again — the other handle with which to grasp the problem. Tom, of course, decided to take the latter approach. But the process of reconciliation was wrecked when each claimed he could really beat the other up. Tom lost once more in the ensuing fight and that night Tom's father once more talked of the jug with two handles. This pattern recurred several times and so Tom finally determined to learn to fight properly. At the next attempt at reconciliation Tom and Kenny once more ended up in a fight. Tom knocked Kenny down, sat on top of him and then told him about the jug with two handles — that is, there was more than one way that Kenny could look at his situation. Kenny could say the Tom had given him a bloody nose or say he had had a bad time with his best friend and should make it up.

The story, it seems to me, is a pretty good account of management and union behaviour in the reform process — each wants to give the other a bloody nose and then tell the other to adopt the perspective of partnership. It is not a recipe for success.