Enterprise reorganization: negotiated, consultative or unilateral?

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When I was a history student many years – indeed many decades – ago, my friends and I used to say that if in doubt about how to answer any examination question, always claim that the rising middle classes offered the key to understanding whatever it was that the question was asking. This served us well enough to get through, although it did not particularly impress the professor who marked my essay on the Bolshevik Revolution. In our discipline of industrial relations, I would now recommend to students that they should substitute 'the accelerating pace of workplace change' for the rising middle classes. Wherever one looks over the last decade or more, it is impossible not to be struck by the relentless, and it seems continually accelerating pace of workplace change. Employment relations unfold within a wider process of enterprise reorganization. Employers, employees and their unions struggle to understand the dimensions of the process and to cope with its implications. The process challenges the taken for granted assumptions of earlier periods and in many cases undermines entrenched principles that have long governed employment relations.

The theme of Track One at this World Congress is enterprise reorganization, with a particular emphasis on whether the process involves negotiated, consultative or unilateral change. This theme is consistent with the long-standing analytical focus of Industrial Relations on employee rights and industrial citizenship, and thus addresses a critical question for scholars in our discipline. The papers in Track One analyse many different processes of enterprise reorganization and concern themselves with a great variety of issues arising out of those processes. In today's plenary session and in the workshops for Track One, you will hear from the authors of these papers and gain a much deeper understanding than I can offer here of enterprise reorganization. In this paper, I will draw together some of the key themes identified in the papers and provide a broad context for the papers you will listen to later today.

Of the numerous dimensions of enterprise reorganization which we could focus on, I have chosen three. The first dimension is a focus on the drivers of enterprise reorganization. What are the forces which compel firms to discard established practice and to restructure themselves? Is enterprise reorganization driven by one dominant set of considerations and what is the relationship among the various factors which influence it? The second dimension I will address is the forms which enterprise reorganization take and the manner in which this impacts on employees, managers and directors. Thirdly, I will assess the process of enterprise reorganization, and in so doing, address the fundamental question of Track One – the degree to which the process is one of negotiation, consultation or unilateral change.

The drivers of enterprise reorganization

The papers in Track One identify a range of factors which drive enterprise reorganization. Notwithstanding the diversity of the situations they depict, it is possible to group the drivers of workplace change into four categories – market dynamics, the industrial relations institutional environment, technological change and the impact of social and cultural values.

Market dynamics

Market dynamics, including those of labour, product and financial markets, are critical drivers of enterprise reorganization. These markets now increasingly operate as global markets. Globalization deepens competitive intensity and widens it to a trans-national, even world scale. As Levesque and Murray observe (p.2), a fundamental consequence of globalization is the continuous transformation of the 'architecture of production' as firms strive to acquire competitive advantage through ever-intensifying forms of workplace flexibility. Similarly Dell'Aringa, Ghinetti and Lucifera observe that competition in globalised markets is based on 'quality, innovation and customisation' and therefore demand 'more flexible arrangements both of production and work' (p.3). Without exception, the papers in Track One identify market factors as a fundamental influence on workplace change. Dickinson's analysis of a major change project in the South African plastics extrusion industry explains it as arising out of the re-entry of post-apartheid South Africa into the world economy. This led to a recognition that to be competitive, South African industry would need to comprehensively restructure its work practices. Choi explains the emerging shift away from Confucian values as determinants of corporate policies in Korea as resulting from the impact of the Asian financial crisis of the 1990s and the growing exposure of Korean firms to global competition. Willman, Bryson and Gomez show that the likelihood of a UK firm being non-union increases with the competitive intensity of product markets. Alasoini explains the development of network forms of organization among Finnish firms as resulting from the pace of product innovation and technological change. This requires firms to focus on their own core competencies rather than invest in acquiring a wider range of skills which may be overtaken by events. This leads them to replace internal value chains with collaborative networks of firms which can pool resources and expertise.

The globalisation of product, labour and financial markets fundamentally shapes workplace reorganisation. One consequence of globalisation and the increased importance of multi-national companies is that workplace change may be driven by factors external to the country where an enterprise is located. A central issue in enterprise reorganisation within multi-nationals is whether and to what degree the policies and practices of the multi-national's home country dominate over those of the host country. Almond and his colleagues analysed this issue in the context of an American information technology company operating in four European countries. Their focus was on three policy areas – pay and performance management, employee representation and diversity. They found considerable home country effects, particularly with regard to diversity and employee representation. The company's strongly anti-union position put pressure on its subsidiaries to remain union-free. The analysis showed that U.S. practices exerted considerable influence on the policies and practices of the subsidiary. Equally, however, it showed that practices in the subsidiary were also influenced by the institutional environment in the host countries (p. 11). Indeed they found the existence of 'reverse diffusion' whereby practices from one host country became common practice across the whole organisation. However, the analysis demonstrated that the diffusion of policies and practices across the firm involved not only the relationship between the national (host country) level and corporate headquarters (the home country). It also involves an increasingly influential role for European structures which has complicated the host country/home country relationship and led to a weakening of the power of national-level managers (p. 13).

Fleming and Soborg analysed the diffusion of practices between Danish multi-nationals and their subsidiaries in Malaysia and Singapore. These companies are in knowledge-intensive industries and in recent years have faced much more intensely competitive labour markets. As a result, they have experienced much greater difficulty in recruiting, motivating and retaining the calibre of employees they need. Their response has been to transfer standardised HR policies and practices from the parent company to the subsidiaries. This has posed significant challenges due to the very different cultural environment of Malaysia and Singapore. Their tradition of hierarchical, even authoritarian practices in both education and in the workplace are not consistent with the qualities required of individual employees and their work teams in knowledge-intensive industries. One consequence of this, reflecting the importance of these industries to the Malaysian and Singaporean economies, is that both countries are instituting changes to their education style to better support the human capital needs of the knowledge-intensive sector (p. 8). However, it is not simply a matter of the host countries adapting to the parent company. The Danish multi-nationals in this study do not sweep away local practices but seek a balance between home and host country values and practices (p. 10).

The industrial relations institutional environment

A key issue in the analysis of enterprise reorganization is the impact, or lack of it, of different industrial relations institutional environments. Of considerable importance, especially to policy-makers, is whether and to what degree the institutional environment can moderate the influence of market factors. By institutional environment, we mean such things as the nature of government regulation, particularly of the labour market, but also in some cases, product and financial markets, the relative strength of trade unions and employers, the scope and influence of collective bargaining and the role of Works Councils or other forms of employee representation.

In their analysis of variations in employee control over working time arrangements, Berg, Appelbaum, Bailey and Kalleberg stress the importance of contrasting institutional environments. The major contrast is between European Union countries and others. European Union directives influence the enactment of legislation in EU countries. These directives support greater flexibility of working time, set equal treatment for full and part time workers and establish standards for annual paid leave and for averaging weekly working hours (Berg et al, p.12). When reinforced by high union density and more centralised collective bargaining arrangements, the outcome is more influence for employees over working time arrangements. This is contrasted with the United States, Australia and Japan where employees have no legal rights to participation in workplace decisions on working time, and where relatively low union density and decentralized collective bargaining provide no counter to an unsupportive policy framework.

Whereas Berg and his colleagues found that the institutional environment influenced the likelihood of worker participation in enterprise reorganization with respect to working time, Levesque and Murray reached a slightly different conclusion in their comparative analysis of the influence of Canadian and Mexican unions on workplace change. They argue that different national institutional contexts ‘are not statistically associated with union involvement in workplace change’ (p. 9). The contrasting institutional environments of Canada and Mexico did not influence the likelihood of union participation in workplace change in the multi-national firms studied by Levesque and Murray. However, the institutional environment does influence the nature of that participation by shaping the particular strategies adopted by unions in the two countries. Levesque and Murray conclude (p.15) that Mexican unions are more likely to support workplace change initiated by employers while Canadian unions are more likely to oppose it. These contrasting strategies are linked to significant differences in the two institutional environments, particularly the long-standing alliance between the official union movement and the governing party. Union support for the government’s competitiveness strategy constrains their capacity and willingness to oppose employer change initiatives (Levesque and Murray, pp. 8-9).

Technological change

It is of course a truism to observe that technological change shapes workplace reorganization. Intuitively, we understand that historical shifts in technology lead to the creation and application of new knowledge, and make necessary the learning of new skills, and the development of new forms of work organization to harness more effectively these new skills and knowledge. Perhaps what is less obvious is that in the contemporary era the very meaning of skill and knowledge is subject to fundamental change, with corresponding implications for workplace organization. These changes apply with greatest force in high technology industries which historically have assigned considerable priority to research and development (R&D).

As Lam shows in her analysis of the careers of R&D workers in the network economy, the accelerated pace of technological change becomes another contributor to the continuous transformation of what Levesque and Murray call ‘the architecture of production’. More rapid technological change drives increased product market instability and means that firms can ‘less and less rely upon a stable core of products and services’ (p6). This makes the generation of new knowledge and the development of new skills tailored to the products of this new knowledge even more critical for the competitive positioning of firms in these sectors. In turn, observes Lam, this leads to radical shift from Mode 1 knowledge to Mode 2 knowledge. Mode 1 knowledge is grounded within a particular discipline and may be harnessed by individual organisations that employ Mode 1 knowledge workers and capture their knowledge. Mode 2 knowledge arises out of ‘trans-disciplinary and multiple organizational contexts’ (Lam, p.7). This generates fundamental change in the patterns of work organization in firms in these sectors. These firms now acquire and maintain knowledge via networks which transcend organizational and disciplinary boundaries. As Lam observes, these developments challenge the definition of occupation for R&D employees and undermine not only their career stability but the portfolios of knowledge, competence and experience which firms now demand. We might also note that these developments pose radical implications for universities as they develop the curriculum for their science and technology programmes.

Fleming and Soborg’s study of Danish knowledge-intensive multi-nationals showed that employees were establishing networks which create ‘clusters of competence’ and allow them to transfer and utilise new knowledge and information (p. 7). There networks are external as well as within the company and give employees access to their counterparts in other firms and in research centres. Similarly, Brem’s analysis of high-skilled labour in multi-nationals pointed to the existence of networks operating at three levels – networks of individual team members, networks of teams and networks of firms (p. 5).

Social and cultural values

Many of the papers in Track One identify the significance of social and cultural values as qualifying the impact of market, institutional and technological factors. Working time offers an interesting example of an area which in recent years has seen social and cultural values colliding with market driven pressures. Berg et al observe that employer pressures for changes in working time have been driven by increased competitive intensity. This has led to employer demands for flexibility to match work schedules to variations in demand for labour.

Employer success in this strategy began to blur the distinction between working time and non-working time. Although the traditional notion of a standard 40 hour week worked from Monday to Friday never applied to the whole of any workforce, working time flexibility has meant that over the last decade or more, increasingly it applied to fewer and fewer workers. The growth of part-time, temporary and casual employment and other forms of temporal flexibility, including, especially for salaried employees, pressure to exceed the 40 hour week, meant that workers found it increasingly difficult to balance work and non-work responsibilities. This jeopardized their ability to meet family and community obligations and to sustain a reasonable level of recreational and leisure activities.

The response by employees and their unions has been to seek to wrest back some form of control over working time arrangements, but to do so by achieving a balance between employer needs for flexibility and employee needs for some degree of balance between work and non- work time. We will see below that this is more likely to be achieved when government regulations are supportive or where strong collective bargaining systems allow unions to negotiate successfully with employers. It is notable, however, that even where these circumstances do not apply, employee interest in work/non-work balance influences the policies of some employers. Berg and his colleagues observe this development even in the United States, where collective bargaining is the weakest of the countries studied, and where governments are typically not inclined to regulate to moderate employer demand for flexibility. Recognizing the value attached to this issue by employees, many firms in the US now adopt family friendly policies and other practices which allow employees to balance work and non-work responsibilities as a key component of their strategy to recruit and retain good staff (p. 34). Equally many, almost certainly the majority of firms do not, and those that do are more likely to employ professional and technical staff, for whom the trade-off for longer working hours is some degree of control over when and where work takes place (p. 5). But these options are not available for the majority of American workers who increasingly encounter the dark side of temporal flexibility in jobs of poor quality where they exert little control over the timing or duration of their working hours unless their particular skills make them essential to the employer and give them individually-based bargaining power (pp.24-25).

In this respect, organizational practice reflects the fundamental individualist values of US society. Individual success or failure is in their own hands. Where people possess the appropriate resources, they will succeed and where they do not, they will fail. Choi's analysis of human resource management practices in Korean firms points to a similar process but on a larger scale. He shows that Korean human resource policies and practices were traditionally based on Confucian family values. The application of fundamental Confucian principles of patriarchy and mutual obligation ensured employee subordination to the employer, but equally, a reciprocal obligation of loyalty from the employer to the employee. This was evidenced in long-term employment for employees and corresponding organizational rather than occupational identity on the part of employees. Wages systems, promotions processes and lay-off practices were based on a strict application of seniority principles. These practices ran up against their limits in the wake of the Asian financial crisis of the mid to late 90s and the implementation of an International Monetary Fund program of economic recovery. This, combined with growing pressures on the Korean economy associated with globalization, led firstly to labour law reform which gave unions more rights but also gave employers greater flexibility with regard to lay-offs and working time. Many firms began to introduce American management practices, particularly performance-based pay and promotions systems. Choi's analysis shows that where firms adopted more extreme forms of these systems, the clash with traditional Confucian principles generated considerable conflict within the firm, including labour disputes as unions took advantage of their newly acquired rights, high levels of employee turnover and significant loss of organisational loyalty. On the other hand, where firms were careful to strike a balance between traditional practices and performance-based systems, these disruptions were much less likely to occur and significant change was successfully achieved.

The forms of workplace change

The reorganization of enterprises involves fundamental changes at the workplace level. The papers in Track One document a range of change processes. These impact on employees and their unions but also have significant implications for management and governance processes and thus for managers and directors.

At a general level, we can categorise the major changes for employees into two types – changes in work practices and in working time arrangements.

Work practices

When we speak of enterprise reorganization, increasingly we are referring to what have become known over the last decade or more as high performance work systems. Dell'Aringa et al observe that the development of new technologies makes necessary 'a more flexible and skilled workforce' (p3). The intensification of competition and the imperative need to deliver products and services at maximum quality and minimum cost compel organizations to restructure their work systems to achieve this. Despite, or perhaps because of, the voluminous literature in this area, there is no specific agreement on what constitutes a high performance work system. As Cristini Labory, Gaj, and Leoni et al observe (p.7), any consensus on the definition of the various practices operates only at a very general level. However, Cristini and his colleagues argue that it is generally accepted that high performance systems include:

- reduced organizational hierarchy
- job redesign involving multi-tasking
- team working, with particular emphasis on the extent of decision-making autonomy
- delegation of responsibility to employees
- extensive training
- selective hiring, which takes account of relational and cognitive-analytical capabilities as well as technical expertise
- compensation systems based on profit or gainsharing
- a positive industrial relations environment

Dell'Aringa, Ghinetti and Lucifora set out to analyse the relationship between high performance work systems, employee participation, industrial relations characteristics and flexible pay systems in 10 European countries, based on the Employee Direct Participation Organizational Change survey carried out in 1996 by the European Foundation for the Improvement in Living and Working Conditions. The study found that of the four work practices surveyed, the most common high performance work practice was multi-tasking, adopted in 64 percent of firms. Flat management structures were reported by 33 percent of respondents and the existence of teams by 28 percent. The least commonly adopted practice was job rotation which was reported by only 12 percent of firms. With regard to employee participation, more than half the respondents reported that employees had the authority to make certain decisions without reference to management. There was a much lower rate of adoption of flexible and innovative pay systems. The most common form, adopted by 40 percent of firms, was pay based on skill, which is in fact the least flexible and innovative of the pay systems surveyed.. Of the other categories, adoption ranged from only 6 percent for employee shareholding to 19 percent for pay based on team output. The relationships among these high performance work systems revealed some interesting patterns. The adoption of high performance work practices, such as flat structures, teams and multi-tasking was positively related to the implementation of direct employee participation and the adoption of flexible pay systems. However, in sharp contrast to the findings of many other studies, employee participation and flexible pay systems were not positively related.

It is often argued that high performance work systems are less likely to develop within a traditional industrial relations context, particularly because of union opposition to flexible pay systems. Dell'Aringa and his colleagues analysed the relationship between traditional industrial relations, defined as the existence of union, works councils or management advisory committee representatives, and a collective agreement, and the adoption of high performance work systems. They found a positive relationship between traditional industrial relations and the adoption of high performance work practices and direct employee participation. With regard to flexible pay systems, they found that union presence itself has a positive effect on the introduction of pay flexibility but higher levels of union density and the existence of a collective agreement has a significant negative effect on the adoption of flexible pay systems.

Working time

The drive for increased flexibility is felt not only with regard to work systems but with regard to working time. Enterprise reorganization increasingly involves challenges by employers to standard working time arrangements. As we have seen, the analysis by Berg et al demonstrates that in recent years, the employee response to pressure for increased working time flexibility has been driven by concern for an appropriate balance between work and non-work lives. The key issue is the degree to which a balance is achieved between the legitimate interests of employers and employees. The analysis by Berg and his colleagues shows that this is most likely where the industrial relations institutional environment plays a significant role, and particularly where government regulation or strong collective bargaining arrangements prevail. Under these circumstances, we observe the emergence not only of forms of flexibility typically sought by employers, such as part-time, temporary and casual work, but also forms of flexibility sought by employees and their unions. These include compressed work weeks, annualized hours contracts, time banks, flexible starting and finishing times, averaging of hours, shorter working weeks and telecommuting. In many of the countries studied, government legislation sets a broad policy framework within which collective bargaining is able to shape specific arrangements which balance the interests of employers and employees in different industries. For example, in Sweden, the collective agreement in the engineering sector allows workers to save hours worked above the standard work week in their working time account and use them later as paid time off or as contributions to their pension (Berg et al, p. 15). In exchange, employers gain the right to allocate six weeks of working time per year to met variations in labour demand. In the Netherlands, a major retail collective agreement allows employees to exchange leave for pay or bonus pay for leave. Another agreement gives workers an additional eight days leave per year but permits them to sell those days back to the company for a wage increase (Berg et al, pp. 16-17). On the other hand, in countries where the industrial relations institutional environment is weak, an appropriate balance between employer and employee interests is much less likely. In Australia, the decentralization of collective bargaining in the 1990s, accompanied by a decline in union strength, led to the negotiation of thousands of enterprise agreements which ostensibly were designed to embrace ‘best practice’. Closer analysis showed that the most common effect of these agreements was to enhance employer control over working time (Berg et al, p.20). Although this was in exchange for wage increases, the key difference between this and the previous examples, was that individual employees had no control over their working time.

Management and governance

A number of papers examined the implications of enterprise reorganization for firm management and governance. Recent developments have brought the issue of shareholder v stakeholder focus into sharp relief. This has significant implications at both a governance and management level, and for employees and their unions. A shareholder focus privileges the interests of investors and demands an organizational focus based largely if not entirely on maximizing short-term financial returns for shareholders at the expense of the interests of other stakeholders. A stakeholder focus, on the other hand, recognizes a range of interests as legitimate and seeks to achieve a balance between the competing and often conflicting claims of the different stakeholders. Where a stakeholder focus predominates, employees and their unions at least have the opportunity to represent their views successfully, provided of course they are recognised as legitimate stakeholders. Berg et al note the importance of this recognition in the determination of working time arrangements. Where employees and unions are accepted as legitimate stakeholders, as in the European Union, they are able to ensure their views are taken into account. In Australia and the US, the reverse applies.

Deakin, Hobbs, Nash and Slinger analyse the implications of the dominance of shareholder v stakeholder values at the governance level for enterprise reorganization, and particularly for the likelihood that employee interests will be considered. Deakin et al observe that hostile takeovers are central to shareholder primacy (p.1). The threat or the reality of a hostile takeover resolves one of the key dilemmas of principal-agent relationships. They lead either to better performance by the existing management or to the introduction of a new management which can address the performance problems plaguing the previous management. It has been commonly observed that hostile takeovers may lead to the installing of new management teams who repudiate earlier managerial commitments to job security and impose significant job losses.

This is of vital importance in light of the declining levels of union density in many countries of the OECD and elsewhere. If potential managerial sympathizers with employee interests are removed, the prospects of employee interests being taken account of are correspondingly reduced. Thus, the key to whether employee interests are considered in hostile takeovers (as a vitally important example of enterprise reorganisation), is whether there are any significant constraints on the assertion of shareholder primacy.

The study by Almond and his colleagues of the human resource management policies of an American multi-national company in four European countries documents the influence in those countries of the US orientation towards shareholder value. The growth in importance of institutional investors and the elimination of barriers to takeovers obliges European management to implement human resource policies consistent with a narrow, short-term (even quarter by quarter) focus (p.11). Deakin and his colleagues show that in the UK, constraints on the assertion of shareholder primacy are also weak. They analysed a non-random sample of 15 takeover bids. They found that the directors of the firm targeted by the takeover bid saw their duty as being to maximize shareholder returns. They interpreted the

City of London Code on takeovers as transforming their general duty to act in the company's interests into a specific duty to have regard only to the immediate financial interests of the shareholders. This stands above any obligation to consult employees or take their interests into account. This contrasts with the German Takeover Law of 2002 which permits target managers to erect anti-takeover defences if authorized by 75 percent of shareholders or by the supervisory board on which employees have equal representation with shareholders. The consequence of these significant differences in governance principles is the untrammeled assertion of shareholder interests in the UK contrasted with the potential for stakeholder interests, including those of employees, to be taken into account in Germany. The result, at least in the UK, reflects this. Deakin et al show that the longer-term consequence of takeovers, driven by shareholder primacy, is significant job losses and large-scale asset disposal and also no obvious enhancement of shareholder value. Indeed, Deakin and his colleagues conclude that takeovers have the effect of redistributing wealth rather than creating new wealth.

Jacoby and Saguchi have analysed the relative impact of shareholder v stakeholder primacy at the level of management, with particular reference to the role of HR managers in the USA and Japan. Their analysis documents differences in values and power between US and Japanese HR managers. Jacoby and Saguchi argue that the causal link is from values to power. In other words, holding a certain set of values makes it more likely that a HR manager will exercise power within their organization. Jacoby and Saguchi's critical finding is that in the US, HR managers who espouse shareholder values have more influence over strategic decisions than those who espouse stakeholder values. In Japan the reverse is the case. As a result, of the 'three pillars' of Japanese employment relations, two of them, enterprise unions and employment security, persist, while the third, the seniority principle, continues to decline, but is still more significant as a determinant of pay than in the USA. Jacoby and Saguchi conclude that US HR managers are more likely to see employees as a means to the end of higher share prices. Where they don't have these views, they are less powerful. In Japan, HR managers are more likely to see employees as ends, ' as stakeholders with a claim to fairness and security' (p. 20).

Fleming and Soborg found that in Danish knowledge-intensive multi-nationals, human resource management had increased in importance. Intense international competition for staff in the knowledge-intensive sector has raised the stature and influence of human resources. However, its new-found influence continues to be challenged internally by those who still see human capital development as a cost rather than an investment and those who believe the company can buy rather than make and rely on external labour markets to provide a ready supply of appropriately skilled employees (pp. 3-4). It is striking that even in knowledge-intensive industries where firms depend heavily for their competitive advantage on the quality of their staff that the position of human resources remains fragile.

Schirmer argues for a rethinking of the role of middle managers in enterprise reorganisation. Based on an analysis of corporate restructuring in 13 German companies, he argues that the widely held view of middle managers as defender of the status quo cannot be sustained. He shows that middle managers can also be significant drivers of organisational change through their capacity to mobilise change coalitions. In this capacity, they exhibit key qualities of 'political' entrepreneurship' as they manage a successful process of coalition formation and operation. Ironically, as Schirmer points out, the removal of layers of middle management from many firms may mean that 'the flat, ever flexible and boundaryless organisation may be even more dependent on middle management jobs, and middle managers as masters of change politics, than bureaucratic organisations have ever been before (p. 22).

The process of enterprise reorganization

A fundamental question for Track One at this Congress is whether and to what degree employees and their representatives are able to influence the decision-making process. Does corporate management have a free hand or are they constrained by the need to consult or negotiate with their employees and their unions? We have already seen that where a shareholder orientation holds sway among directors and senior management, particularly human resource managers, it is difficult for employees and unions to ensure that their interests are effectively represented in corporate takeovers. In Levesque and Murray's analysis of the capacity of Canadian and Mexican unions to influence workplace change, they identified three profiles of union involvement in change processes. The first profile was union exclusion where management imposed change unilaterally. The second and third profiles respectively were consultation and joint regulation. What accounts for the capacity of unions to prevent unilateral change imposed by management? Levesque and Murray conclude that the possession of power resources, most importantly, greater internal solidarity and established alliances with other unions makes it more likely that management will either consult or negotiate with unions over workplace change. In turn the key power resource which makes it more likely that management will negotiate rather than simply consult with unions is the existence of a network of elected shop floor representatives. This enhances union legitimacy in the eyes of both workers and managers and gives it both the normative and organisational base to engage successfully with management and ensure that negotiation takes place. As Levesque and Murray put it 'democracy becomes a vital source of union power' (p.9). Their analysis is important for its conclusion that, notwithstanding the relentless development of a globalised economy in which unions, often weakened by membership losses and hard-pressed for resources, face trans-national corporations of incomparably greater capacity, their Canadian and Mexican case studies offer 'little evidence of either a unidirectional or undifferentiated decline in local union power' (p.14).

The presence of a trade union makes it more likely that there will be either negotiation or consultation over enterprise reorganization. Willman, Bryson and Gomez analyse the circumstances which lead to a union presence. They follow Freeman and and Medoff in applying Hirschman's classic exit-voice model. This seeks to explain the emergence of different voice regimes as resulting from employer decisions. Employers may decide either to 'buy' employee voice from a union, or to 'make' other voice options which do not involve a union. Alternatively, an employer may decide to have no voice mechanism for employees. They give priority to employer decisions rather than union strategy or employee preferences in explaining the existence of union or non-union voice. Their empirical analysis of union presence in the UK reveals an aggregate shift from 'buy' to 'make'. Since the early 1980s, there has been a substantial shift from union-only voice to what Willman, Bryson and Gomez call 'dual channel' voice or 'hedging' in which a combination of union and non-union voice mechanisms prevail (p.17). The large decline in union density meant that UK employers could no longer be confident that unions offered an effective and genuinely representative voice mechanism for employees. By the 1990s, the dominant pattern had become solely non-union voice regimes, largely as a result of new forms choosing voice mechanisms based on direct communication with employees. However, although the balance between union and non-union voice regimes has changed markedly, the overall balance between voice and non-voice has not altered greatly. This confirms that employers continue to attach importance to ensuring that they hear the opinions of their employees. However, other things being equal, it seems likely that the existence of a union enhances the likelihood that employee voice will be acted upon.

It is often argued that the decentralization of bargaining to the enterprise level limits the capacity of unions to influence workplace change processes. The cases of Brazil and Finland offer examples of systems where unions have been able to combine centralized and decentralized collective bargaining with some degree of effectiveness. Neto concludes that in Brazil, the question of centralized or decentralized bargaining is a ‘false dilemma’, and that the two levels complement each other. Although there has been a growth in decentralized or enterprise level collective bargaining in Brazil, this has not been at the expense of centralized or industry level bargaining. Centralized bargaining not only sets a framework for enterprise level negotiation in firms where this occurs but it also establishes minimum standards for the ‘immense universe’ of firms whose only mode of regulation is the sector agreement. Of the 40 issues negotiated in the metals industry, only one (technological and organizational innovation) was exclusively negotiated at the enterprise level. A further eight involved negotiations at both levels and the remainder were resolved at the sector level.

Finland offers another example of the marrying together of centralized and decentralized bargaining. Alasoini notes that since 1968, a centralised incomes policy has led to a skeleton centralized agreement from which sector and enterprise level agreements are negotiated. Although Finnish employers were critical of the lack of flexibility permitted at the enterprise level in the 1990s, legislative reform and shifts in bargaining practices have now greatly broadened the scope of enterprise bargaining and allowed much greater departure from the sector agreements. There is now a trend towards ‘centralised decentralisation’ although the sector and inter-sectoral agreements are still more important. The high level of union density in Finland ensures that unions are able to exercise influence over enterprise reorganization process despite the decentralising trend. This is not the case in the state of Andhra Pradesh in India where Reguri and Kusuma analysed the reorganization of the public enterprise sector. A structural adjustment programme implemented at the instigation of the International Monetary Fund and the World Bank has resulted in a major withdrawal of the state from responsibility for what were previously public enterprises. Of the 19 enterprises studied, 13 have been privatized, 3 have been closed down and another three have been internally restructured to make them more efficient and competitive. These organizations are in public transport, coal and electricity where unions were strong enough to resist the change process to some degree. However, elsewhere the process has been one of unilateral change imposed entirely without regard to the interests of stakeholders, including management as well as workers and their unions. The process has involved casualisation and contracting out, a significant erosion of workers’ rights and large scale unemployment.

The German co-determination system gives employees and their unions extensive rights at the enterprise level to negotiation and/or consultation over reorganization. Haipeter examines how globalization impacts on co-determination He asks whether the mobility of capital in the globalised economy and the growing dominance of corporate strategies based on the principle of shareholder value have undermined the effectiveness of national systems of regulation, such as co-determination. A relentless focus on short-term financial returns creates huge pressures for rapid workplace changes in response to changing market condition. Market control emerges as a challenge to co-determination as employers seek to impose change without taking the time to go through the proper procedures of co-determination. However, Haipeter’s analysis of co-determination at Volkswagen subtly qualifies this picture. At VW, market control and co-determination have established a new relationship and a new system of regulation. Although market factors are of critical importance, their impact is moderated by the structures and procedures of co-determination. The result is a regulatory system based on a politicized form of market control in which key strategic decisions by management are subject to negotiation. As with most systems of negotiation, there is a mixed outcome. As

Haipeter observes ’the results of the negotiation are ambivalent because they always have two sides. They can be seen as a success for co-determination but just as well as a concession to market pressures’ (p.31). Ironically, it is only because co-determination still applies that short –term horizons do not drive out long-term planning, particularly investment in product innovation. Co-determination not only protects employees against loss of representation rights but also protects employees against the ravages of ‘untamed market control’.

A very different type of change process is documented in Dickinson’s analysis of post-apartheid South Africa. The Workplace Challenge project was relatively unusual for its period (1997-1999) because it was tripartite in origin and execution. Much of the research reported in this Track focuses on change imposed unilaterally by management or negotiated between unions and management. This is not to say that tripartism has met an untimely demise. Levesque and Murray identify a micro-corporatist variant of their three profiles of union involvement in workplace change, while Neto points to the importance of the close relationship between the governing party and the union movement in Brazil. Equally, Alasoini notes that workplace change in Finland continues to occur, as it has since 1968, within the context of a centralised tripartite incomes policy. However, what distinguishes the Workplace Challenge project in South Africa is that the conception, birth and implementation of the policy was a tripartite top down exercise focusing on the workplaces of a particular industry – the plastics extrusion industry – to a degree not replicated in other studies. The Workplace Challenge project was a strategy designed to equip the plastics extrusion industry to face the post-apartheid requirement to achieve re-entry into the global market and to position itself as a competitive player in that market (Dickinson, p.7).

The Workplace Challenge offered unions a significant role in workplace decision-making in exchange for accepting workplace practices which would improve productivity. The difficulty for unions in the industry was that their official policy was to oppose any management proposals for productivity improvement as constituting exploitation. Their concession, and it was a major concession, was that cooperation with management was justified by the outcome which would be a vibrant competitive South Africa which would be to the benefit of their members. They justified this as a patriotic-unionist position. For their part, management accepted the potential of greater union power in return for productivity improvements. Thus, a fragile union/management alliance was created to support the Workplace Challenge. However, this macro-level alliance overlooked the need for internal alliances within management and unions to sustain the higher-level alliance. Management proved quite unable to develop and sustain these internal alliances. Differences of opinion among managers as to appropriate priorities and objectives meant that a coherent managerial strategy never emerged. Management’s failure to define the objectives of the Workplace Challenge coherently, made it impossible for unions to sell the Workplace Challenge to their members. This was compounded by the slowness with which tangible benefits emerged for workers. As a result, union support for the overall strategy was fatally undermined. Union officials were always under pressure from dissidents claiming that their cooperation constituted a sell-out. In the absence of tangible benefits for members, union officials had no defence to this claim and, as a result, the Workplace Challenge failed. Its failure was consistent with the historical reasons for the failure of corporatist policies, whether in Europe in the 1970s or South Africa twenty years later.

Conclusion

The papers in this Track are representative of a widespread scholarly ambition to understand the fundamental change processes occurring within enterprises. This is of course not limited to the discipline of industrial relations. Researchers from many disciplines grapple with different dimensions of this change process. What distinguishes industrial relations research, as exemplified by the papers in this Track, is a concern to identify the pressures which give rise to reorganization, the different forms of reorganization that occur and the processes through which it is implemented, with a particular focus on the degree to which it is imposed or grows out of a process of either consultation or negotiation. The papers to be presented at this Congress identify market dynamics, especially the impact of globalization, as the key driver of enterprise reorganization. This fuels technological developments as firms seek product innovation to allow them to maintain competitiveness in global markets. In turn, this generates enterprise restructuring which may take different forms as contrasting institutional environments and social and cultural values moderate the trans-national impact of market and technological change. For workers, enterprise reorganization has an impact on job security, and job losses are a common feature of significant restructuring. For workers who retain employment, enterprise reorganization makes itself felt most sharply in new work systems, known commonly as high performance work systems, and in new patterns of working time arrangements. Workers do different things and they do them at different times and under very different types of employment contracts. The challenge posed for managers by enterprise reorganization derives from the dominance of shareholder value principles. Where this predominates, as it appears increasingly to do, the interests of managers and their capacity to maintain direction over the firm are undermined. Shareholder primacy shapes the process of change in a further way by setting limits to the capacity of other stakeholders to influence the reorganisation process. Workers and their unions are losers in this process. However, the evidence of the papers in Track One is that no single picture emerges of enterprise reorganization always being imposed unilaterally. Equally, it is not the case that change is always based on consultation or negotiation. But what is striking is that notwithstanding the immensity of the task, and the resources of global firms, international agencies and national governments, employees, through their unions or other forms of representation such as Works Councils, continue to have the capacity in particular circumstance to exercise some influence over enterprise reorganization.