

**The 22nd Countess Markievicz
Memorial Lecture**

Issues at the heart of the emerging European social model

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I would like to begin by saying what a great honour it is to be invited to give this lecture. I would like to say, too, how proud I am to be the third present or past IRRU member (Eric Batstone and Richard Hyman being the other two) to be so invited. It speaks volumes for the regard which colleagues in the Irish Association for Industrial Relations have for IRRU. It has not always been easy, throughout the 1980s and 1990s, to uphold the tradition of critical empirical inquiry which has become IRRU's hallmark. The support IRRU has had from colleagues in other countries, manifested in such invitations and other ways, is much appreciated.

I've chosen as my subject issues at the heart of the emerging European social model. Countess Markievicz, to the honour of whose memory this lecture series is devoted, was obviously a person of action. It seemed appropriate, therefore, to deal with something with significant and controversial policy implications.

The argument of the lecture is reflected in the structure. EU social policy is at a critical point. The "new" or emerging European social model offers enormous potential to satisfy hitherto mutually conflicting objectives: meeting *both* management demands for improved performance and employee aspirations for an improvement in the quality of working life. The successful diffusion of the model faces many challenges, but the key ones concern direct participation ("empowerment") of employees in work organisation. The rhetoric suggests that the logic of direct participation is not in question - everyone, it seems, academics, management "gurus" and Chief Executive Officers (CEOs), is now a believer. Yet the practice is a very different matter. The results of the recent European Foundation EPOC survey investigation of 10-EU member countries conforms the findings of individual country studies: the serious practice of direct participation is very much a minority affair

The main reasons are to do with management rather than employees and trade unions. It is not just a matter of losing control, though this may be an important consideration in some cases. Most of us have considerably under estimated the difficulties management has in changing work organisation - in the language of the debate, the extent of the "strategic choice" available to them has been seriously exaggerated. Such are the barriers to change that management on its own cannot be expected to move far enough or quickly enough. If the changes are to be made, there is need to think in terms of developing coalitions for change which involve governments as well as the social partners more narrowly defined.

1. The emerging European social model

Our starting point must be the traditional European social model or models. Their characteristics are best described in comparison with those of the US model because this is what is happening in the policy debate. This is done in Figure 1. I appreciate

that, in both cases, these models are gross caricatures of reality. It is at this level, however, of simple features and outcomes, that the policy debate tends to be increasingly conducted. Like it or not, therefore, it is at this level that the battle of ideas has to be fought.

Briefly, both the European and US models are seen as having strengths and weaknesses. The key features of the European model are an emphasis on employee rights introduced by collective bargaining and/or legal regulation, which leads to security of employment and relatively high levels of pay and conditions. There is a downside, however, which manifests itself in inflexibility, a lack of competitiveness (leading, for example, to overseas investment by European-owned companies themselves), and high levels of unemployment. In most respects, the US model is deemed to be the exact opposite. Management is supposedly much freer of the restrictions of collective bargaining and legal regulation, leading to greater flexibility, improved competitiveness, and a much lower rate of unemployment than in Europe. The trade-off is considerable insecurity, lower levels of pay, and poorer working conditions for many employees.

Figure 1 Models of HRM/IR: the current stereotypes

	<i>Key features</i>	<i>Outcomes</i>
The "European" model	strong trade unions collective bargaining legal regulation (<i>employee rights</i>)	(security (relatively high pay (inflexibility (lack of competitiveness (unemployment
The "US" model	weak trade unions little collective bargaining management regulation (<i>management prerogative</i>)	(insecurity (relatively low pay (flexibility (competitiveness (employment

These are, as I have said, caricatures. Patently, there is not one single US model, any more than there is one European model. They are also no more than that expressions of one particular time. Go back into the 1980s and there would have been a very different judgement; it would have been very difficult to find any one preferring the US to the German model, for example. No matter. The point is that this is how things have come to be characterised.

The "new" or emerging European social model is summarised in Figure 2. In a nutshell, it tries to get the best of both worlds. It seeks to combine flexibility with

security of employment and education and training, and direct participation ("empowerment") of individual employees with the indirect participation ("partnership") of employee representatives. The outcomes are the virtuous and reinforcing circle of quality people, quality goods and services, competitiveness and "good" jobs.

A great deal is subsumed in this summary and so it will be helpful to put some flesh on the key points (for further details, see Sisson, 1997). The starting point is a particular view of Europe's main source of competitive advantage in the rapidly changing and increasingly competitive global market place. Costs, of course, are important. But developed economies, it is argued, cannot hope to compete on the basis of cheapness with competitors in Eastern Europe and the Far East, let alone the third world. This would mean lowering wages and living standards to unacceptable levels in what, in any event, would be a vain struggle. Instead, the emphasis needs to be on quality products and services. Not only will these satisfy the growing demand for more specialised niche goods. More fundamentally, they make it possible to build on employees' long-standing demands for more challenging and rewarding jobs and "exploit" their higher education and skills. So called "high performance" work systems appear not only to offer the prospect of ever-increasing levels of productivity, but also to enable management to exploit 'other sources of competitive advantage such as high product quality, product differentiation, innovation, and speed to market' (Kochan and Dyer, 1992:2). It is Europe's people, in other words, who are the key to success.

Figure 2 The "new" European social model

<i>Main ingredients</i>	<i>Outcomes</i>
flexibility	(quality people/
security	(quality goods and services/
education and training	(competitiveness/
direct participation ("empowerment")	("good" jobs
indirect participation ("partnership")	

A second respect in which the thinking differs from received wisdom involves the type of flexibility being sought. Most recent attention has been on external flexibility, i.e. the ability of the organisation to vary its commitments through reductions in the number of employees or changes in their status (e.g. from permanent to temporary) or through subcontracting. The real advances, it is argued, are much more likely to come from internal flexibility leading to improved organisational capacity. In the words of

the European Commission's Green Paper *Partnership for a New Organisation of Work* published in April 1997,

It is about the scope for improving employment and competitiveness through a better organisation of work at the workplace, based on high skill, high trust and high quality. It is about the will and ability of management and workers to take initiatives, to improve the quality of goods and services, to make innovations and to develop the production process and consumer relations.

The insecurity that much of the delayering and down-sizing of recent years has produced, it can be argued, is proving to be counter-productive. There is little or none of the trust that managers are encouraged to seek as the basis for a new "psychological contract".

The third, and in many ways the most important, respect in which the new thinking differs involves the way change is to be brought about. Much of the organisational behaviour literature puts the onus exclusively on management. The new thinking emphasises the role of "partnership" above all at workplace level. Trust is again an important consideration. Perhaps even more to the point, the speed of change is nowhere near fast enough and the main reason is not so much the unwillingness of employees or their representatives to move, but of managers. In effect, advocates of the new thinking argue, a coalition for change is required which involves all the major stakeholders and not just management. I'll come back to the why and wherefore of this later.

The thinking is not exclusive to Europe. Indeed, much of it was stimulated by the early work of Kochan and his colleagues in the USA (Kochan, Katz and McKersie, 1986; Kochan and Osterman, 1994). It is in Europe, however, where it has taken strongest root and begun to influence key policy makers both at national and EU level. It is implicit in many recent developments such as the agreements under the Maastricht social policy protocol, but it finds perhaps its most clear-cut expression in the European Commission's Green Paper *Partnership for a New Organisation of Work* (1997). Significantly, too, advocates of the model can point to a growing number of high-profile examples - Blue Circle, Rover, and Welsh Water (now Hydro) in the UK; Bayer, BMW, Mercedes Benz and Volkswagen in Germany; and Fiat and Zanussi in Italy - to emphasise its practical application (for further details, see Hartz, 1996; IPA, 1997).

It goes without saying that implementing the new model poses many challenges. The Green Paper emphasises that the modernisation of the organisation of work can only be achieved by the firms themselves, involving management and workers and their representatives. Its main target, however, is the policy makers. They have an important role to play in developing policies which 'support rather than hinder

organisational renewal' and which 'strike a productive balance between the interests of business and the interests of workers' (p. 2). The Green Paper suggests that these policy challenges can be summarised in one question: 'how to reconcile security for workers with the flexibility which firms need'? (Executive Summary). It goes on to suggest that this raises a number of issues for the public authorities and social partners across the spectrum of employment, education and social policy areas:

- how to organise the necessary training and retraining, so that the workforce can meet the increasing needs for skills and competence
- how to adapt social legislation to take account of new employment trends
- how to adapt wage systems along with organisational structures on which they are based
- how to adapt working time arrangements in the light of the new situation
- how to take advantage of the new employment trends with regard to equal opportunities
- how to develop more flexible organisations in the public services
- how to provide adequate support to firms, in particular small firms, who wish to change, but lack the resources or expertise to do so.

Perhaps the biggest challenge identified by the Green Paper, however, is implicit in the invitation to the social partners and public authorities to 'build a partnership for the development of a new framework for the modernisation of work'. The word framework, the Green Paper spells out in its Executive Summary, should be given a broad interpretation:

It could include everything from the creation of a common understanding of the importance of the new forms of work organisation, through joint declarations, to binding contractual or legal initiatives. The level and content of such a framework has to be clarified through discussion in the social dialogue .

Significantly for present purposes, the business logic of introducing the new forms of work organisation is not really seen as an issue. It is as if this is incontrovertible. True, the Green Paper recognises that only a minority of organisations have introduced these new forms. The impression given, nonetheless, is that any laggardness on the part of management is largely to do with the barriers that stand in their way or the lack of 'expertise and resources'. The possibility that they may "choose" to remain with traditional forms of work organisation is not considered.

2. The significance of direct participation ("empowerment")

My argument is that, numerous though the challenges facing the "new" model are, the key issues revolve around the modernisation of work organisation which means the direct participation ("empowerment") of employees. I appreciate that there are those, particularly in Ireland, who will query the significance I am attaching to work organisation. Surely, they might argue, there are more important issues, such as establishing "partnership" arrangements at national level. My response is that these are important, but if work organisation does not change, the model does not even begin to fly. You do not get the basis for competitive advantage. You do not get the opportunities for security and/or training and development. You minimise the scope for any serious change in workplace relationships. There are strong grounds for suggesting, too, that national "partnership" arrangements will remain very fragile unless their roots are firmly embedded in the workplace. To anticipate a later point, it is not clear that these roots are firmly embedded in many Irish workplaces.

At first sight, the modernisation of work organisation might appear to be a non problem. No one now seems to dispute the need for it as already inferred. Most CEOs can be heard arguing the case.

The language is not always the same, but the argument goes something like this. Three main features of traditional, so-called "Taylorist" or "Fordist", work organisation structures are seen as the main barriers to internal flexibility. One is hierarchy, in which there is a separation of decision making from doing and the few at the top give orders to the many below. The second is bureaucracy, with its emphasis on rules and procedures, which promote control and compliance at the expense of the commitment and co-operation essential to continuous improvement. The third is specialisation, in which the definition of tasks, jobs and functions as narrowly as possible produces the exact opposite of the flexibility increasingly required. In Peters' (1987:302-3) uncompromising words, 'the only possible implementers' of a strategy of quality production are 'committed, flexible, multi-skilled, constantly re-trained people, joined together in self-managed teams'.

There is also a growing body of empirical evidence to suggest that direct participation "works". In a first wave came the evidence collected by Womack (1990) and his colleagues covering the automotive industry. The so-called "lean" production methods associated in particular with Toyota appear to be far superior in performance terms to traditional forms of work organisation, requiring,

half the human effort ... half the manufacturing space, half the investment in tools, half the engineering hours to develop a new product in half the time. Also, it requires keeping far less than half the needed inventory on site resulting in many fewer

defects, and produces a greater and ever growing variety of products (ibid: 13-4; quoted in Wickens, 1993: 77).

In terms of the standard measure of the number of direct labour hours used in body construction, paint and assembly, the results were as follows:

Country	Best	Worst	Weighted Average
Japan	13.2	25.0	16.8
North America	18.6	30.7	24.9
Europe	22.8	55.7	35.5

(Womack et al., 1990:85; quoted in Wickens, 1993:77)

In terms of quality, which is measured as the number of defects per 100 cars traceable to the assembly plant reported in the first three months of use, the results appeared to be equally impressive:

Country	Best	Worst	Weighted Average
Japan	37.6	88.4	52.1
North America	35.1	168.6	78.4
Europe	63.9	123.8	76.4

(Womack et al., 1990:86; quoted in Wickens, 1993:78).

The findings have not been without their critics (see, for example, Berrgren, 1993). The experience of Japanese transplants in other countries such as the UK and the USA would nonetheless appear to confirm the main thrust. The Japanese approach to manufacturing cars, even though it involved only limited direct participation, did apparently produce "better" results.

In the USA, more systematic evidence supporting the case for the direct participation of employees in work organisation comes from the detailed inquiries of Pil and MacDuffee (1996) and Ichinowski and his colleagues (1997). The adoption of high-involvement work practices, albeit accompanied by a number of mutually reinforcing changes in pay systems and other personnel arrangements, has been shown to be positively associated with improvements in performance outcomes.

Even more recent are the results of the European Foundation-sponsored questionnaire EPOC survey of ten EU member countries on the role of direct

participation in organisational change ¹. Six forms of direct participation were identified and it was around these that the questions and analysis were structured (see Figure 3).

Figure 3 The main forms of direct participation

- individual consultation
 - *"face-to -face"*: arrangements involving discussions between individual employee and immediate manager, such as regular performance reviews, regular training and development reviews and '360 degree' appraisal;
 - *"arms-length"*: arrangements not involving discussions between individual employee and immediate manager, such as a 'speak-up' scheme with 'counsellor' or 'ombudsman', attitude surveys and suggestion schemes.
- group consultation
 - *"temporary"* groups: groups of employees who come together for a specific purpose and for a limited period of time, e.g. 'project groups';
 - *"permanent"* groups: groups of employees that discuss various work related topics on an ongoing basis, such as quality circles
- individual delegation

individual employees are granted extended rights and responsibilities to carry out their work without constant reference back to managers - sometimes known as 'job enrichment'.
- group delegation

rights and responsibilities are granted to groups of employees to carry out their common tasks without constant reference back to managers - most often known as 'group work'.

¹ The survey, which was commissioned by the European Foundation for the Improvement of Living and Working Conditions, investigated the nature and extent of direct participation in ten EU member countries: Denmark, France, Germany, Ireland, Italy, Netherlands, Portugal, Spain, Sweden and the UK. A standard questionnaire, translated with the help of industrial relations "experts", was posted to a representative sample of workplaces over the summer of 1996. Altogether, some 5,800 managers (around 18 per cent), from manufacturing and services, and the public and the private sector, responded. The size threshold was 20 or 50 employees depending on country. The respondent was either the general manager or the person he or she felt was the most appropriate. The main subject of the questions was the largest occupational group. For further details of the EPOC survey, see European Foundation, 1997; for further details of the EPOC project as a whole, see Fröhlich and Pekruhl, 1996; Regalia, 1995; Sisson, 1996.

As the summary in Figure 4 below, and the results in Tables 1-8 in the Appendix, show, all forms were reckoned to have a strong impact on a range of indicators of economic performance. Even more significantly, the more forms were used, the greater the reported effects. Also, the greater the scope of the form (i.e. the range of issues employees were consulted on or give rights to make decisions), the greater the reported effects. It will also be seen from the summary that two other ingredients of the "new" or emerging European social model are deemed to be important: training and the involvement of employee representatives (i.e. "partnership") in the introduction: the effects of direct participation were positively associated with qualification, training and the extent of employee representative involvement.

Figure 4 The effects of direct participation

- all forms were reckoned to have a strong impact on economic performance (Table 1)
- the more forms were used, the greater the reported effects (Table 2)
- the greater the scope of the form, the greater the reported effects (Tables 3-8)

The significance of education and training

- the higher the qualification of employees, the greater the effects of direct participation (Table 9)
- the more substantial the training for direct participation, the greater the effects of direct participation

The significance of employee representative involvement

- the effects of direct participation increased with the degree of employee representative involvement in its introduction (Table 10)
- the more extensively employee representatives were involved, the more "successful" direct participation was deemed to be in the view of managers

3. Rhetoric and reality: the nature and extent of the challenge

Evidently, direct participation would seem to "work" - it is not just something that makes sense theoretically but also practically. At first sight, the results the EPOC survey on the practice of direct participation look promising - something like four out of five workplaces in the ten countries practised at least one form of direct participation. Now for the "not-so-good news". Closer inspection suggests that there is a considerable "gap" between the rhetoric and the reality of new forms of work organisation. Figure 5 gives a summary of the main findings on the practice of direct participation and Tables 11-14 in the Appendix supplement these with some of the

detailed figures. The figures for the average of the ten countries and for Ireland and the UK are shown for comparative purposes.

Figure 5 The practice of direct participation

- 5 of the 6 forms were practised in less than 50 per cent of workplaces (Table 11)
- less than one in seven workplaces had five or six forms, i.e. very few could be said to have something approximating to an integrated approach (Table 12)
- the coverage of the three group forms was less than 50 per cent of the largest occupational group in the majority of workplaces (Table 13)
- the scope in terms of number of issues involved was relatively limited for each of the forms - the proportion of workplaces with a wide scope for any of the practices reached double figures in the case of individual delegation only (Table 14)
- the proportion of workplaces with semi-autonomous group work approximating to the "Scandinavian" model (i.e. extensive delegation+high qualification+high training intensity) portrayed in Figure 6 was less than two per cent; most cases seem to have been positioned between the "Scandinavian" and "Toyota" models with a tendency towards the "Toyota" (i.e. low-intensity delegation +medium or low employee skills+ low training intensity)
- a significant proportion of workplaces (around a quarter) did not involve employee representatives in the introduction of direct participation - half of these reflecting the lack of employee representatives and half the lack of their involvement were they were present (Tables 15 and 16)
- only about one in ten workplaces might be said to have been 'skills-oriented' in as much as the level of qualification required was high or very high and there was fairly intensive training of managers and workers for direct participation.

The results were not dramatically different by sector. Significantly, in view of the interest that it has attracted in this sector, industry was not the "leader" in matters of direct participation. The incidence, coverage and scope of direct participation was greater in services and, especially, public services. Construction came "bottom" on most dimensions.

Ireland, it will be seen from Tables 11-14, has some mixed results. It was better than the 10-country average so far as the incidence of five of the six forms was concerned - the exception being "arms length" forms such as attitude surveys and suggestion schemes. A smaller proportion of Irish workplaces (only 10 per cent) practised 5 or 6 forms, against the 10-country average of 14 per cent and the UK's 25

per cent. In the case of the scope dimension, Ireland was close to the 10-country average so far as the consultative forms were concerned - with the exception, again, of the 'arms length' forms. Especially perplexing, however, are the Irish results for the scope of the delegative forms. A higher proportion of Irish workplaces gave a wide range of responsibilities to individual employees than in most other countries; the opposite was the case, however, for group delegation. Group work may be more popular in Ireland than in some other countries, it seems, but the scope is relatively narrow. Indeed, only a very small handful (0.3 per cent) of Irish workplaces had the extensive delegation+ high qualification+high training intensity associated with the "Scandinavian" model portrayed in Figure 6.

It is not our main concern here, but perhaps most disturbing are the Irish results on the relationship between direct participation and indirect or representative participation. Not only did Ireland have the second largest proportion of workplaces (42 per cent) with no employee representatives, but also one of the highest (23 per cent) where employee representatives were not involved in the introduction of direct participation even when they were present (Tables 15 and 16). "Partnership", it seems, has yet to become a reality in many Irish workplaces whatever its standing at national level.

Figure 6 **Types of group work**

<i>dimensions</i>	<i>Scandinavian</i>	<i>Toyota/lean production</i>
membership	voluntary	mandatory
selection of group members	by the group	by management
selection of group leader	by the group	by management
qualifications	mixed	generalists
reward	skill dependent	uniform (seniority)
task	complex	simple
technology	independent of pace	dependent on pace
autonomy	large	narrow
internal division of labour	voluntary	largely prescribed

Based on Fröhlich and Pekruhl, 1996.

4. Why doesn't European management practise what it preaches?

I believe that the answer to this question is in two parts. In the first, it is necessary to remind ourselves that the so-called "transformation" thesis which has informed so much of our thinking in the area of work organisation (including, it would seem, the European Commission's Green Paper) is seriously flawed: far too many commentators make the mistake of assuming that the new forms of work organisation supposedly emerging are inevitable and universal in their application. In the second, it is important to appreciate that there are major difficulties in introducing new forms of work organisation which are only beginning to be fully understood.

A number of trajectories for work organisation

The core message of the "transformation thesis" is that a transformation in work organisation is underway reflecting fundamental changes in industrial society and, in particular, a crisis in the mass production system which has its origins in the arrangements developed most fully by the Ford Motor Company in the period immediately before the First World War. An important consideration in helping to understand why analysis, description and prescription have become inextricably intertwined into what my IRRU colleague Anna Pollert (1988:10) has described as a 'powerful cocktail' is the seemingly widespread intellectual support that proponents can muster. Although they differ significantly in their treatment of the many issues involved, new forms of flexible work organisation are central to the work of Piore and Sabel (1984) in the USA on 'post-Fordism' and 'flexible specialisation', Kern and Schuman's (1984) emphasis on 'new production concepts' in Germany and the 'neo-Fordism' of the French regulation school (see, for example, Boyer, 1988), as well as the more popular writings of such management *gurus* as Peters (1989) on "excellent" companies and Drucker (1990) on the "post-modern" factory. In the circumstances, it is not surprising that the "transformation thesis" has become the perceived wisdom.

Yet the "transformation" thesis, and in particular "flexible specialisation", has been subjected to considerable criticism in recent years which all too often is forgotten. To paraphrase two other IRRU colleagues, Richard Hyman (1991:266-7) and Ewart Keep (1997:5-9):

- The manufacturing sector is treated as the paradigm for the economy as a whole at a time when its significance is decreasing in employment terms. Many parts of the service sector, along with much of manufacturing, remain largely insulated from the international competition which is held to be one of the main drivers of change.

- The thesis of mass production economy in crisis is suspect within its own terms: the notion that economic activity was once driven by mass consumer goods markets which are now experiencing saturation and fragmentation is at best impressionistic and at worst plain wrong.
- It is dangerously simplistic to counterpose a model of multi-purpose machines/differentiated products/short production runs against one of dedicated machines/standardised products/long production runs: it exaggerates considerably the flexibility of the former and the inflexibility of the latter - the strategy of market segmentation, for example, is long-standing in the automobile industry, while many new domestic and leisure electronic products are as standardised as their predecessors.
- Competitive success based on quality and up-skilling is only one of a number of strategies available to organisations. Others include seeking protected or monopoly markets; growth through take-over and joint venture; shifting operations overseas; cost cutting and new forms of "Taylorism" and "Fordism".

In the case of work organisation, to develop the last point, it is possible to identify a number of trajectories besides what might be described as the "quality" option at the heart of the emerging European social model. Each of these trajectories starts from the same point - the questioning of traditional forms of work organisation in the light of intensifying competition. In each case, however, the outcome is very different reflecting specific products and services, market position, cost pressures, technology, and management frames of reference. It may take the form, for example, of straightforward work intensification or some of the leaner (and "meaner") forms of team working, i.e. the "Toyota" rather than the "Scandinavian" or "Volvo" model portrayed in Figure 6, which Berrgren (1989:193) has described as "flexible Taylorism".

The major banks in the UK provide a good example of the complexity of response within even the same organisation. Faced with an increasingly competitive and over-saturated market, most are pursuing a combination of strategies. Take-over or the threat of take over is an ever-present option depending on position - today's take over predator can become tomorrow's victim. There is a constant search for new markets both at home (e.g. investment banking) and overseas (e.g. ill-fated forays into the USA). Similarly, the approach to work organisation combines the "new" and the "old". The introduction of business centres and an increasing focus on customer care, coupled with the introduction of new technology, are creating demands for new skills; there have also been programmes in job redesign and team working. Simultaneously, however, much of the work previously undertaken in the branch offices has been shifted to so-called "office factories" and telephone "call centres", where the

organisation is extremely "Taylorist" and the range of skills much narrower than before. The prospect of the transfer of much of this work overseas, where it could be undertaken at a fraction of even UK labour costs, is also ever present (for further details, see Newell and Terry, 1996; Industrial Relations Review and Report, 1993).

The difficulties of introducing "quality" work organisation

Most "transformation" theorists also considerably underestimate the problems that organisations have in introducing "quality" work organisation even where it would appear rational to do so. It is not so much a question of divergent interests or low trust, although these can be barriers to change in specific cases, or lack of knowledge of alternative arrangements. The durability of existing arrangements is an especially important consideration: the "if it isn't broke, don't fix it" mentality has a very powerful hold. The recent literature on innovation (see, for example, Pil and MacDuffie, 1996) reminds us that the significant changes associated with new forms of work organisation are likely to be 'competence-destroying' in that the organisation is discarding much of the experience gained under the old regime. Moreover, because of the costs associated with unlearning old practices and introducing new ones, performance is initially likely to be worse with the new practices than the old. In these circumstances, there is a strong temptation to prefer the incremental path to change - that is to try one or two elements and assess their impact before going further. In doing so, however, organisations come up against the problem of "complementarities: there is very strong evidence that it is bundles of complementary practices which have the greatest impact. Inevitably, the danger of the incremental approach is that individual practices are tried and rejected because they appear to be unsuccessful in themselves.

As the recent report from the Government of Canada and OECD (1997:15-17) points out, these problems are exacerbated because "quality" work organisation can be seen as a form of investment in intangibles and therefore constrained by market failures associated with information barriers and externality problems. *Information barriers* occur because intangible investments are difficult to measure. Traditional accounting frameworks, at both enterprise and national level, at best measure the costs but not the returns associated with investments in human resources and other intangibles; although there is a general sense that social returns to investments in human capital and technological and (increasingly) organisational innovation are substantial, there is scant hard evidence to support this (and, thus, to support decisions for more investment). Major *externality* problems apply to human capital and other forms of intangible investments because of the inability of organisations to guarantee

that they will capture the returns made on these investments. For example, performance-enhancing organisational innovations require up-front training investments of both a general and firm-specific nature. With respect to general skills, in particular, enterprises face the risk of making initial investments that will be lost if employees leave before the returns can be captured. This problem may become more serious as new workplace systems increasingly emphasise general and transferable employability skills.

The OECD report goes on to argue that some institutional and policy frameworks are especially unsupportive. Significantly, too, these do not just include labour market institutions that discourage human capital investment as an organisational strategy by enabling firms to 'externalise' adjustment costs or weak education and training institutions that fail to generate the supply of skilled workers needed for 'high performance' work systems. Also fundamentally important are corporate governance and financial market institutions which emphasise shareholders' short-run interests (above longer-term interests or those of other stakeholders) and which can act as a disincentive to the kinds of organisational innovation that we have identified as "best practice".

The economic environment, adds the report, has also been hardly favourable. High levels of unemployment and the attendant downward pressure on wages (and, thus, a reduced imperative for firms to aggressively seek strategies to increase labour productivity growth) probably create more disincentives than incentives for employers to invest in human and organisational capital. The uncertain environment prevailing in many OECD countries is never a favourable one for investment in general, but it is particularly discouraging for investments that are poorly measured and evaluated in any case.

In the circumstances, it is not surprising that many of the well-known cases of "quality" work organisation turn out to be very exceptional. They tend to involve either "green-field" operations or a crisis situation which forces the parties to shift from their traditional ways of working.

5. The policy challenge: coalitions for change?

My final remarks are reserved for the policy challenge that this analysis presents. The key, and most controversial, point is that the modernisation of work will require a much more active role for policy makers, at both EU and national level, than most commentators, including the authors of the European Commission's Green Paper suggest. Obviously, any new form of work organisation has to be implemented at workplace level. Yet such are the barriers to its widespread diffusion that it is

extremely unlikely that, left to their own devices, the management of many organisations will adopt the "quality" option unless there are significant changes in the institutional and policy framework to encourage them to do so. In the words of Kochan and Dyer (1992)

"strategic" human resource management models of the 1980s were too limited ... because they depended so heavily on the values, strategies and support of top executives ... While we see [these] as necessary conditions, we do not see them as sufficient to support the transformational process. A model capable of achieving sustained and transformational change will, therefore, need to incorporate more active roles of other stakeholders in the employment relationship, including government, employees and union representatives as well as line managers (Kochan and Dyer: 1).

It is also not just a question, to draw out another implication of the analysis, that the difficulties are on the "supply side" or that it is largely a question of a stable economic framework. Obviously, the co-operation of employees and governments are necessary ingredients, but they are not sufficient. The reform of work organisation is essentially a "demand-side" and not a "supply-side" problem.

Patently, this is not a comforting message. Yet until people face up to it, it is difficult to see the gap between the rhetoric and reality closing; if it does not, it is equally difficult to see much progress being made towards the "high pay, high skills, high productivity" of the "quality" model to which everyone apparently aspires.

There is no simple or single panacea. One requirement, though, is a set of universal individual employment rights - to continuing education and training, information and consultation, participation in the planning of work and representation at work. In each case, bearing in mind one of the objectives of the Green Paper is to move from what might be described as a system of "compulsory regulation" to "flexible frameworks", management and employee representatives should be given the responsibility for the detailed application. There is nonetheless a need for these rights to be enshrined in higher level agreements and/or legislation to give the clearest indications of the direction in which organisations are expected to go.

The right to representation at work deserves a special mention. Traditionally, the justification for having mechanisms for employee "voice" has been both moral and managerial. Management as well as employees, it is argued, benefit from having arrangements for communication, consultation and, more controversially, negotiation through the intermediary of employee representatives. Above all, the involvement of individual employees through their representatives both enables employees to exercise a measure of influence over their life at work they could not otherwise hope to achieve on their own and makes for more efficient, effective and legitimate

decision-making. The views of employees, most commentators agree, are vital to the success of changes in work organisation. In the absence of a representative "voice", there is a danger that these views are either not expressed, for fear of antagonising managers, or are simply ignored. Trust is also essential: trust which depends on the legitimacy of decisions and joint regulation is one of the most tangible ways of expressing such legitimacy.

If the underlying case for employee "voice" is unchanging, the demands of the new forms of work organisation give it a special twist. In Streeck's words,

to consultation on production needs and representation of worker interests tend to be even less separable than in traditional work organisations. Where, under a system of decentralised competence, major production decisions are made, not by "management", but by workers as part of their routine work assignments, consultation between workers and management on how to increase efficiency becomes impossible to keep apart from negotiations on the mutual accommodation of interests (emphasis in original)" (p. 331-2).

The need to address the issue of representation is especially urgent in Ireland and the UK. The price of "voluntarism" in industrial relations matters is that both countries suffer from a significant representation "gap". The EPOC survey results suggest that not only do these countries, along with Portugal, have the highest proportions of workplaces without employee representation of any kind (42 per cent in the case of Ireland and 39 per cent in the case of the UK: Table 16). These two countries also have the highest proportions of workplaces not covered by collective agreements: 44 per cent in the case of Ireland and 64 per cent in the case of the UK (Table 17). In these circumstances, it is difficult to see how there can be any serious coalitions for changing work organisation, let alone meeting the increasing obligation to inform and consult required under EU regulations and decisions of the European Court of Justice: diffusing "best practice" is doubly difficult if there are no employee representation *and* effective sector agreements.

The sensible way forward, in both countries, would be to introduce a hierarchy of rights - to individual representation for grievances and/or disciplinary matters, to information and consultation through some form of elected works council and to negotiation, where a majority of the workforce wanted it, through trade unions. Relying exclusively on "single channel" representation through trade unions hardly seems appropriate in the light of the decline in union membership *and* the relative weakness of sector agreements.

Important though a framework of individual rights is, it will not be sufficient on its own. Education and training will be used to illustrate the scale of the initiatives required - these issues are critical not only in terms of continuous improvement at the

heart of the "quality" model, but also the opportunities for life-long learning and employability of individuals. Someone, and it has to be the State, has to bring the various pieces of the jig-saw together. For, even if organisations are adopting quality strategies and upskilling, it does not follow that they will invest in life-long learning. This assumes that an organisation's skills base is simply the sum of the skills of its employees, instead of being made up of a set of core organisational competencies. It is also a contradiction in terms to expect organisations to invest in employability because of the *externality* problem - it is not rationale for the organisation to invest in education and training from which they are not going to reap the benefits. The onus, therefore, falls on the individual to take responsibility for his or her career or, rather, to ensure that they are 'employable'. But not a great deal is likely to happen if the onus simply rests here. The ability of the individual to influence their future organisation's use of skills is virtually non-existent. The individual is even unlikely to be able to establish what the organisation needs in terms of core competences. There is every likelihood that the tendency to restrict the opportunity to learn, together with the segmentation of the labour market, will be exaggerated.

The implication is that, if policy makers are serious about life-long learning and employability, they will have to think in terms of legislation. There will not only have to be some form of individual learning account as a matter of right, there will also have to be financial contributions to fund the arrangements from the individual, the employer and the State, which is managed through the social security and/or income tax system.

Policy makers are also going to have to seek to influence the wider strategies of organisations so that they increase the demand for skills that go with the "quality" model of work organisation. This means going beyond social policy as it has been traditionally defined. It means, for example, changes in corporate governance arrangements and taxation policy to encourage an emphasis on long-term investment rather than short-run profitability. Naive such an agenda may seem, but if policy makers seriously want to bring about a reform of work organisation in the direction of the "quality" model, this is what they are going to have to contemplate.

I have not said anything about the role of trade unions. For trade unions, involvement in the kind of coalitions for change being envisaged pose both threats and opportunities. The threats are fairly obvious. Acceptance of the many forms of flexibility that may be necessary will not be easy. The greater involvement in the management process that serious "partnership" brings will also raise problems. One trade union official involved in the negotiations at Welsh Water (now Hydro) might have been speaking for his colleagues across Europe in saying that:

a Partnership does mean a different, sometimes a more challenging, role for the trade unions. It is easy to confront, to say NO. It is far more difficult to create a new role working with employees and the company to develop a better future not only for ourselves but more importantly for our customers (Involvement and Participation Association, 1997:16).

More fundamentally, flexible working requires trade unions to move from the general to the particular. The worry must be that, as well as compromising the basic trade union role of establishing minimum standards, it will make it more difficult to manage the tensions between members of different organisations and interest groups, for example, skilled and unskilled, full-time and part-time, with significant implications for the ability to maintain collective strength.

Real though these concerns are, I would argue that there is only one realistic response: trade unions are having to face up to the implications of the different trajectories of work organisation regardless of any strategic position they adopt. More positively, it can be argued, there is much to be gained from trade unions, at national and workplace level, presenting themselves as the champions of the "quality" model and the training and developments opportunities that go with it. Not only would it enable them to give substance to what, at the moment, tend to be rather vague notions of "partnership". The benefits, both in terms of public esteem and, more importantly, membership, could be considerable.

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Table 1 The effects of the different forms of direct participation - % of those responding 'Yes'

	individual consultation: 'face-to-face'	individual consultation: 'arms-length'	group consultation: temporary groups	group consultation: permanent groups	individual delegation	group delegation
reduction of costs	61	66	64	61	60	56
reduction of throughput time	64	66	66	62	69	66
improvement in quality	94	92	95	94	93	94
increase in total output	52	47	48	53	44	58
decrease in sickness	39	40	31	37	22	32
decrease in absenteeism	42	39	39	39	28	37
reduction in nos. of employees	27	37	30	26	26	30
reduction in nos. of managers	26	25	23	22	28	31

Table 2 The effects of multiple forms of direct participation - % of those responding 'Yes'

	1-2 forms	3-4 forms	5-6 forms
reduction of costs	58	64	69
reduction of throughput	59	66	71
improvement in quality	89	94	97
increase in total output	43	48	73
decrease in sickness	30	36	45
decrease in absenteeism	28	41	49
reduction in nos. of employees	26	32	37
reduction in nos. of managers	15	26	34

Table 3 The effects of the scope of ‘face-to-face’ consultation - % of those responding ‘Yes’

	low	medium	high
reduction of costs	55	70	56
reduction of throughput	65	67	56
improvement in quality	90	98	96
increase in total output	52	54	44
decrease in sickness	31	48	38
decrease in absenteeism	32	56	35
reduction in nos. of employees	23	33	20
reduction in nos. of managers	23	32	21

Table 4 The effects of the scope of ‘arms-length’ consultation - % of those responding ‘Yes’

	low	medium	high
reduction of costs	56	74	81
reduction of throughput	63	71	61
improvement in quality	88	95	98
increase in total output	44	51	50
decrease in sickness	30	49	49
decrease in absenteeism	30	48	49
reduction in nos. of employees	33	39	47
reduction in nos. of managers	14	39	33

Table 5 The effects of the scope of temporary group consultation - % of those responding ‘Yes’

	low	medium	high
reduction of costs	65	66	62
reduction of throughput	63	69	66
improvement in quality	95	95	95
increase in total output	38	49	70
decrease in sickness	16	30	57
decrease in absenteeism	32	35	60
reduction in nos. of employees	23	33	41
reduction in nos. of managers	20	27	26

Table 6 The effects of the scope of permanent group consultation - % of those responding ‘Yes’

	low	medium	high
reduction of costs	64	60	59
reduction of throughput	62	65	57
improvement in quality	93	95	96
increase in total output	42	61	56
decrease in sickness	25	41	47
decrease in absenteeism	36	38	43
reduction in nos. of employees	28	27	22
reduction in nos. of managers	16	24	26

Table 7 The effects of the scope of individual delegation - % of those responding 'Yes'

	low	medium	high
reduction of costs	56	60	66
reduction of throughput	60	74	74
improvement in quality	88	94	97
increase in total output	47	37	56
decrease in sickness	14	23	35
decrease in absenteeism	26	21	44
reduction in nos. of employees	22	23	40
reduction in nos. of managers	20	26	44

Table 8 The effects of the intensity of group delegation - % of those responding 'Yes'

	low	medium	high
reduction of costs	46	56	68
reduction of throughput	57	61	87
improvement in quality	96	94	98
increase in total output	39	59	85
decrease in sickness	14	42	41
decrease in absenteeism	24	45	42
reduction in nos. of employees	17	32	47
reduction in nos. of managers	14	29	49

Table 9 **Qualification requirements and the effects of direct participation**

	very high %	very low %
reduction of costs	65	37
reduction of through-put time	70	55
improvement in quality	92	89
increase in total output	56	48
decrease in sickness	33	47
decrease in absenteeism	32	44
reduction in nos. of employees	26	39
reduction in nos. of managers	22	20

Table 10 **Extent of employee representative involvement in the introduction of direct participation and the effects of direct participation - % of workplaces with employee representatives**

	no involvement	limited information	extensive information/ limited consultation	extensive consultation	extensive negotiation/joint decision
reduction of cost	46	43	57	65	67
reduction in throughput	73	62	68	67	66
improvement in quality	96	89	92	92	97
increase in total output	54	40	47	57	53
decrease in sickness	33	9	25	26	45
decrease in absenteeism	30	38	37	24	43
reduction in number of employees	19	25	19	37	36
reduction in number of managers	5	15	18	24	32

Table 11 The incidence of the main forms of direct participation by country

	individual consultation: 'face-to-face'	individual consultation: 'arm's length'	group consultation: temporary groups	group consultation: permanent groups	individual delegation	group delegation
	%	%	%	%	%	%
ten-country average	35	40	31	30	55	36
Denmark	27	45	30	28	57	30
France	52	33	40	34	54	40
Germany	20	38	26	31	64	31
Ireland	39	22	36	28	62	42
Italy	32	42	42	21	44	28
Netherlands	38	73	26	35	59	48
Portugal	25	18	20	25	26	26
Spain	30	20	23	23	40	10
Sweden	29	45	34	29	69	56
United Kingdom	52	40	33	41	53	37

Table 12 The incidence of multiple forms of direct participation by country

	1 form	2 forms	3 forms	4 forms	5 forms	6 forms
	%	%	%	%	%	%
ten-country average	23	25	22	17	10	4
Denmark	25	27	21	15	11	3
France	21	21	23	21	12	3
Germany	27	27	22	14	8	3
Ireland	18	37	20	15	6	4
Italy	25	28	26	14	5	2
Netherlands	14	25	21	24	12	5
Portugal	43	19	19	8	4	6
Spain	31	34	21	11	2	0
Sweden	19	20	26	22	10	4
United Kingdom	19	23	18	14	17	8

Table 13 The coverage of the group forms of direct participation by country*% of workplaces involving 50+ per cent of their largest occupational group*

	group consultation: temporary groups	group consultation: permanent groups	group delegation: group work
	%	%	%
ten country average	48	48	47
Denmark	51	50	66
France	50	58	45
Germany	23	28	26
Ireland	73	71	58
Italy	24	12	12
Netherlands	59	63	53
Portugal	77	56	58
Spain	49	41	56
Sweden	59	66	55
United Kingdom	52	42	47

Table 14 % of workplaces achieving high scores for scope for each form of direct participation by country - all respondents

	individual consultation: 'face-to-face'	individual consultation: 'arm's length'	group consultation: temporary groups	group consultation: permanent groups	individual delegation	group delegation
	%	%	%	%	%	%
ten-country average	6	6	6	8	12	6
Denmark	4	7	8	7	12	7
France	8	5	9	12	11	4
Germany	4	4	5	8	17	6
Ireland	8	4	7	9	20	3
Italy	2	2	2	2	3	3
Netherlands	10	15	9	11	12	8
Portugal	2	0	5	7	3	5
Spain	6	4	3	4	5	0
Sweden	8	10	10	11	15	15
United Kingdom	6	5	6	9	13	5

Table 15 **Extent of employee representative involvement in the introduction of direct participation - % of *all* workplaces with direct participation**

	no participation	limited information	extensive information/ limited consultation	extensive consultation	extensive joint decision making/ negotiations
ten-country average	25	9	22	20	24
Denmark	22	3	10	21	44
France	22	8	37	16	17
Germany	29	5	15	18	34
Ireland	40	8	16	22	14
Italy	25	18	22	17	17
Netherlands	39	8	18	19	16
Portugal	44	8	15	19	14
Spain	19	13	23	24	22
Sweden	3	7	17	29	45
UK	19	12	24	27	19

Table16 **% of workplaces with employee representation - all respondents**

	workplace representation in general	works councils joint consultation committee	trade union representatives
ten-country average	67	28	32
Denmark	66	20	38
France	80	25	39
Germany	66	58	6
Ireland	58	9	43
Italy	80	46	34
Netherlands	55	33	8
Portugal	33	4	10
Spain	83	59	24
Sweden	92	10	85
UK	61	13	32

Table 17 Unionisation and coverage by collective agreement - % all respondents

	unionisation				collective agreement		
	no member	1-29%	30-69%	70-100%	all employees	some employees	no coverage
ten-country average	24	25	15	36	63	82	8-
Denmark	1	6	9	85	41	35	24
France	47	40	10	3	87	5	8
Germany	25	41	23	11	66	15	19
Ireland	32	10	8	49	25	31	44
Italy	12	24	29	35	99	1	0
Netherlands	35	37	20	9	61	9	30
Portugal	34	32	20	14	67	6	27
Spain	15	54	19	11	75	22	3
Sweden	3	1	8	88	91	7	2
UK	47	18	13	23	18	8	64