



## *Chp. 2: ER theories*

- ✦ Overview: from multi-disciplinary foundation to general theories and then new ER multi-disciplinary perspectives
  - ▣ Frames of reference provide general outlook; but are historically determined
- ✦ Multi-disciplinary perspectives provide theory tension, new ideas and dynamic
  - ▣ Provides insights to the book's key theory debates

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It is an important message of this chapter that the multi-disciplinary foundation of ER is a major strength & this allows for a dynamic approach to theory development & is an impetus for rich empirical research. This follows the discussion in the first chapter. However, it is also important to understand that there have been few attempts to provide more general theories of ER (few elegant theoretical models in Bray's words – see p. 11). Chp. 2 provides some of these attempts to provide a more general theoretical perspective.

It is our assertion that these general theories are influenced by their social, economic & historical context. In particular, the traditional focus on collective bargaining & union activity may be less relevant in times and in countries where they have been somewhat marginalised. This does not mean that the associated issues have disappeared. In fact, Hyman's traditional labour issues of social order & welfare may become more important in countries where collective bargaining & union density have declined.

It is also important to note that while collective bargaining & union density have declined sharply in Anglo-American countries this has not happened to a similar extent in several other OECD countries.



## *Theoretical approaches*

- ✦ General & 'middle range' theories
- ✦ General theories
  - ✦ Systems theory
    - Provides framework for national 'ER systems'
  - ✦ Conflict theory
    - Theory, ideology or ER 'world outlook' ?
    - Frames of reference – what do they cover?
  - ✦ Social action theory
    - Focus on individual & personal interpretation
- ✦ See other textbooks re: macro-level theories

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Normally general theories do not have to apply directly to practices. However, the general ER theories appear to have some affinity with practices. Still, these theories need the support of middle range theories. For example, systems theory needs further support from theories about collective bargaining processes or from theories about actors' strategies & choices. Likewise, conflict theories can be further supported by models of management styles or theories about union strategies and employer-union relationships.

The notion of middle range theories comes from Merton (1967)

The rise in social action perspective is partly associated with a rise in employee rights and importance. Thus, the growing influence of individualism & psychology can be seen through the rise in HRM theories, with HRM often placing employees as a more critical factor.

The comparative aspect has become more important. As the book has a NZ focus, this is mainly found in theory developments & through the direct & indirect influence on ER trends in NZ.



## *Systems theory*

- ✦ J.P. Dunlop 1958 – (see fig. 2.1, p. 22)
- ✦ Key characteristics of system approach:
  - ✦ Input, process & output
  - ✦ Different parts interconnect
  - ✦ Focus on rules: substantive & procedural
  - ✦ Cohesion provided by common ideology
  - ✦ Tends to support status quo?

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Provides a useful framework, but the framework needs to be filled with other theoretical and empirical notions (see pp 21-27).

Overall, the framework doesn't say much. Rule-making – yes; but what else happens in ER?

Compare our definition (p. 6) with Dunlop's systems theory. Compare also Bray's five core characteristics (p. 11).

Systems theory is now less important but: (a) it still figures in comparative analyses (economic performance and collective bargaining systems – see chp. 10) and (b) interdependency often surfaces in ER public policy debates.

It is also important to stress that systems theory provides an easy way to gain an overview of ER issues, connections & interactions. It is debated, however, whether this theory may blind to reader to other, more useful, ways of interpreting ER issues & trends?

While the overhead's last two points have frequently been mentioned, they have been disputed too (even by Dunlop himself – see Dunlop 1993). It appears that neither needs inherently to be a part of the systems theoretical framework.



## System theory - II

### ✦ Substantive rules

- ✦ Conditions under which people are employed – can have four sources:
  - Implied terms, legislation, agreements, custom & managerial rules & directives
  - Bargaining is often about substantive rules

### ✦ Procedural rules

- ✦ “those rules that govern how substantive rules are to be made and interpreted” (p. 23)
  - Often it is necessary to interpret what is agreed upon
  - ‘Procedural fairness’ has become very important (chp. 4)

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Dunlop “concluded that it [the IR system] is a system of *rules*. Rules, argued Dunlop, are the major outputs of the industrial relations system. They come in varying guises. There are both substantive rules and procedural rules.” (pp. 22-23).

The 4 sources of employment terms & conditions are also discussed in chp. 13 (pp 365-369). The variety of sources of substantive rules show the complexity of these rules. It also indicates the range of factors influencing substantive rules. In particular, substantive rules are influenced by social norms & power balances. Employment terms & conditions from previous periods serve as a reminder of far we have moved in these matters (eg. employees do not have to seek permission to marry in contemporary NZ).

With the ECA 1991, there was an increase in the focus on formal, substantive rules (contractual relationships). However, informal rules still existed with many people – probably around 15% - being on verbal individual employment contracts (see chp 4).

Procedural rules have become more important under the ERA with the concept of ‘good faith bargaining & behaviour’.



## *Conflict theory*

- ✦ Unitary, pluralist & radical models
  - ❖ See Table 2.1 (p. 28)
- ✦ Originally developed by Fox in 1960s
  - ❖ Attempts to describe different managerial approaches to IR in the UK at that time
- ✦ Unitary model
  - ❖ Is it really a conflict theory?
  - ❖ Image of football team or family
  - ❖ Resurgence in recent time through HRM?

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These models were based on key characteristics of management approaches under the voluntarism of British IR approach, emphasising collective bargaining and management-union adjustments (what Clegg called 'continuous compromise') of managers' decision-making power.

In the early 1970s, Fox developed the unitarist & pluralist models further when he described different management styles (see chp. 11).

The resurgence of the unitary model is based on a power shift with higher unemployment and more pressure on business performance. However, the decline in trade unionism is also linked to changes in social values and employment patterns (shift to service sector jobs). 'Japanese work practices' – often called lean production – is also a unitarist approach but with a high emphasis on consensus making.

Is this correct about the unitary model? "It is not surprising, therefore, that such an ideology should be strong in New Zealand where the scale of business enterprise is relatively small, and where teamwork and loyalty to the group were for a long time valued above individual achievement." (p. 29)



## *Pluralist & radical ideologies*

- ✦ Pluralism – the 'favourite' of ER
  - ❖ Actors have different goals but have mutual survival dependency (stakeholder perspective)
  - ❖ Balancing different demands & agendas
    - Achieving consensus & enlarging commonality
    - Assumption of power balance?
- ✦ Radical/Marxist approach
  - ❖ Goes beyond ER; it is a societal perspective
  - ❖ Focus on action & choice
  - ❖ Focus on change & power disparities

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Clegg's 'continuous compromises' are influenced by British voluntarism – lack of a legal framework, contractual stability and institution-building. The voluntarist UK system is totally different from the NZ system (see chapter 3) and thus, NZ unions have been less concerned with workplace rule-making and employee influence on managerial decision-making.

The stakeholder perspective became under attack during the 1980s and many American management analysts and some academics now support a shareholder view which relegates other stakeholders to secondary importance.

While Pluralism has been criticised for assuming power balance in employer-employee/union relationship, this doesn't have to be the case. It is possible to assume a relatively stable power balance without it being static.

The radical approach focuses on 'underlying social and class structures, on the attitudes, behaviours and ideological positions of the parties involved, and on issues related to the distribution of power both in the workplace and in society as a whole.' (p. 31).



## *Social action theory*

- ✦ Primary attention to actors:
  - ✦ Their interpretations
  - ✦ Their goals
  - ✦ Their expectations
  - ✦ Their values and attitudes
- ✦ Influence on motivational theories & work organisation (see chapters 11 & 16)
  - ✦ New insights with rise in individual perspectives :  
eg. HRM, psychological contracts, careers theory

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"Social action theory gives primary attention to the 'actors' and their choices and behaviours in the employment relations system." (p. 32). Fig. 2.2. shows how many factors influence the 'actor' and thus, the associated social action. System theories "gives 'actors' in the system a largely passive role. Instead, social action theory ascribes an active role to those actors. It gives weight to the active participants' views of their work situation and the ways in which those views colour their employment relations behaviour." (p. 32).

Expectations have become a crucial concept in several analyses. For example, expectations are a fundamental part of the notion of psychological contracts (see index). It is also part of the current 'hot' issue of employee preferences (for example, do part-time work fit with women's preferences or it is just what they can obtain as they seek to balance work and family activities?)

The influence on theories about work organisation is discussed in chapter 16 where the subjective meaning of work and the importance of interactions with others can be found in several of the theoretical and practical approaches used in countering Taylorism (see pp 457-469).



## *Multidisciplinary perspectives*

- ✦ Provides the discipline foundation
  - ✦ Often determines the perspective taken
    - See Table 2.2 (p. 34)
- ✦ Theoretical tensions & dynamic growth
  - ✦ Grounded in attempts to explain economic, social & employment changes
  - ✦ Implies that a General Theory of ER doesn't exist
  - ✦ Focus beyond collective bargaining & unions
  - ✦ Having a wide focus on work & employment

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## *Examples of theoretical perspectives*

- ✦ Social order & social welfare
  - ✦ Traditionally, the key labour issues
    - Focus on industrial disputes & working conditions
- ✦ Balancing efficiency & equity
  - ✦ Key public policy issue but with the balance & the underlying understanding shifting over time
- ✦ Recent focus on individual & workplace employment relationships
  - ✦ Legislative framework incorporates individualism
  - ✦ The rise in HRM & direct, workplace interactions

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## *And what does it all mean?*

- ✦ Self-understanding & 'tools'
  - ✦ Provides insights to theories & historical trends in subsequent chapters
- ✦ Shifting fashions in ER
  - ✦ Recently, a shift from unitarism to pluralism?
- ✦ All of these theories needs 'middle range theories' to aid re: specificity
  - ✦ Limited analytical use without specific context & actions (many behaviours, even within individuals)
  - ✦ Links to management styles & strategies (chp. 11)

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This theoretical discussion is the first attempt to make some sense of the plethora of ER events, behaviours and evaluations. It is also linked to other discussions in this book (for examples, see pp 33-34 & 37-39). Recent debates of public policy – for example, surrounding the Employment Relations Act & employee rights - have made ER theories more important than ever.

There is no doubt that these the classical theories (frames of reference) are less popular in ER, compared to 30 years ago. The emphasis appears to be more on multi-disciplinary approaches and more specific (middle level) theories. However, the 'world outlook' of social action theory has become popular recently through new concepts such as the psychological contract and new career theory.

While these theories provide an understanding of ER, they do not say enough about ER practices, behaviours & attitudes. There is, however, a clear link to from the pluralist-unitarist distinction and then to the discussion of management styles (see pp. 297-300).