Industrial relations from A to Z

The global evolution of industrial relations: events, ideas, and the IIRA. By Bruce E. Kaufman. International Labour Office, Geneva. 2004. 722 pp., $74.95/hardback.

This virtually encyclopedic work encompasses a far broader historical and political analysis than the title indicates. It discusses the origins, the rise, and the decline of "industrial relations" as a system of mediating the usually adversarial relationships between employers and the unions representing their employees—a system founded on academic and other organized research. Industrial relations originated in the United States, and this book deals extensively with the American experience. It also encompasses other English-speaking nations, as well as non English-speaking countries in Europe, Asia and Africa, and Latin America.

The working and living conditions of workers in the late 19th and early 20th centuries, and ceaseless conflicts between labor and business, gave rise to a radicalism of large groups of workers—Marxism, Anarchism, and Syndicalism being among the major manifestations of it. The reports by the Bureau of Labor (later the Bureau of Labor Statistics), and of the Industrial Commission (1898–1902), appointed by Congress to investigate the economic problems of the time, gave ample testimony of working and living conditions. Concern and apprehension about social unrest and possible threats to representative government stimulated reform efforts and a search for the means to abate industrial conflict.

Among intellectual pioneers of industrial relations, Kaufman discusses Sidney and Beatrice Webb and John F. Commons. Commons was a protégé of Richard Ely who in turn had been a graduate student at the sessions of the Association for Social Policy in Berlin—an association of scholars in the fields of economic sociology who opposed the reigning doctrine of laissez-faire and insisted on the study of factually ascertainable developments and their historical roots.

This approach, Kaufman indicates, largely negates the abstractions postulated by Marshallian and neoclassical economics (which, however, have been widely adopted by economists since the 1970s). Neoclassical economics views the labor market in terms of supply and demand setting labor's "price," (wages). Involuntary unemployment does not exist; workers' effort levels are "neutral." Such abstractions from the realities of work and the labor market are rejected by institutional economics, of which Commons was a founder. He, as well as the Webbs, held that wages are partly determined by the worker's bargaining power, which, however, is vastly inferior to the employer's. The worker's bargaining power is weakened by the prevalence of unemployment and the resultant competition from other jobseekers, as well as by the insecurity he or she experiences on the job. Nor has the worker any protection against long hours or the lowering of standards. Hence, collective action to gain equality of bargaining power is a must; the Webbs were among the foremost defenders of trade unions.

Another idea which the Webbs developed was that of the "common rule." Essentially, the common rule represented an argument for industrywide bargaining so as to "take wages out of competition." It was adopted by the International Labour Organization (ILO), and practiced by American industrial unions until late into the 20th century. But globalized competition and outsourcing have, in effect, vitiated it.

Commons and associates rejected neoclassical economics also on quasi-ethical grounds. Commons held that "labor is not a commodity"—a tenet subsequently adopted by the 1944 Philadelphia convention of the ILO—meaning that labor, and the conflicts which arise from labor's position, versus that of the employer's cannot be approached as if labor were a commodity to be bought at a given price. For the labor power a worker furnishes for pay is integral to his or her person, and the output of such labor power is not determinate (contrary to the production function of neoclassical economics). The implicit contract between worker and employer cannot usually stipulate output with precision, hence the workshop is always "contested terrain,"—"a place of moral significance." Kaufman does not go into detail regarding this problem; be it noted that much of the history of such trade unions as the United Auto Workers can be written in terms of the unending grievances and strike actions revolving around output quantity and its composition in a prescribed time period.

Acceptance by business—industrialists, managements, financiers—of the program and ideas expressed by Commons and other social reformers was not forthcoming. A key exception was John D. Rockefeller Jr. Rockefeller had been "converted" to a conciliatory approach to labor when, in the course of a bitter conflict, a dozen women and children at the Ludlow, Colorado, coal mining camp were killed in 1913. The company was run by a company in which he and his father were major stockholders. He had at first rejected all responsibility, shifting it to the mine's management and agitators. Public outrage caused him to visit the camp under the tutelage of Mackenzie King, a well-known Canadian labor expert. Rockefeller in time favored a "collective voice" for labor and argued the common interest of labor and capital. Commons, who also wrote a few books devoted to management personnel policies, insisted on an "organized equilibrium of equality" between management and labor—equality of bargaining power. He and other reformers promoted protective labor legislation, municipal ownership of utilities, and health and unemployment insurance—arguing that were such insurance systems left to employers, coverage would be incomplete and labor costs would be driven back into competition. Kaufman writes that conservatives considered these programs "dangerously socialistic," and some of the labor-friendly academics, including Commons and Ely, were threatened with dismissal from their university positions or were indeed dismissed.

Business generally remained averse to the industrial relations ideas and policies proposed by the reformers. A relatively small number of corporations introduced what has been termed welfare capitalism, becoming more open to such organizational changes as personnel management, human relations programs, pensions, and job tenure assurance (subject to business conditions). Some arranged for workers to voice their work-related concerns. But trade unions and collective bargaining were still widely viewed as interfering with free markets and as disputing the employment-at-will doctrine and underlying property rights. Emblematic of this position, and caring not a whit about the alarms over social unrest and revolution earlier reported by Kaufman, was the refusal of steel industry employers (in 1919) to cut back on the 84-hour week over which steelworkers were striking nationwide. Raymond Hogler has written that "The defeat of the steel strike…signaled the beginning of an employer offensive against unions that significantly reduced their strength for the remainder of the 1920s…" Moreover, more than 2,100 court injunctions were imposed on unions during that decade at the behest of employers. Only the Norris-LaGuardia Act (1932) ended this practice. (*Employment Relations in the United States*, pp. 62, 107.)

With President Roosevelt's New Deal, Kaufman writes, industrial relations entered its "Golden Age" which crested in about 1960. The New Deal legislation met a key objective of industrial relations professionals by establishing the right of workers to bargain collectively with representatives of their own choosing and forbidding employers to interfere with this right or the right to form or join a union. Furthermore, company unions were declared illegal. Much of the business community supported the legislation which would in effect stop the competitive cutting of wages and spur aggregate demand, hence also reduce unemployment. Yet, parts of the business community bitterly opposed the apparent shift in workplace power to employees. Between 1937 and 1947 numerous laws in opposition to the reach of the National Labor Relations Act (1935) were introduced in Congress and in state legislature, topped by the Labor-Management Relations (Taft-Hartley) Act (1947). The act weakened many provisions of the original labor relations act, and also permitted states in effect to make it virtually impossible to organize within their jurisdiction.

After 1960, a few new journals appeared that dealt with industrial relations, and academic interest in the field grew somewhat in the 1970s. Its fundamental concern had been, and for a time after 1960 continued to be, the struggle between labor and capital. The instruments of this struggle on labor's side were the trade unions and collective bargaining. However, as union density declined, the labor-capital problem as a focus of public concerns lost salience. Relatively successful macro-economic policies diminished the importance of collectivist solutions. The expansion of social regulations, such as civil rights and the lifting of employment barriers to handicapped or aged persons, also contributed to the labor movement's diminishing importance. The re-emergence of neoclassical economics in the 1970s and 1980s, moreover, could not be easily countered by industrial relations professionals who were unable to offer an equally "elegant" theory.

Perhaps most important for the declining relevance of industrial relations in the United States was a loss in unions' bargaining power, as indicated by managements' pressure for "give-backs," curtailment of health and pension benefits, threats of joblessness from global competition, and priority given to shareholder value and corporate earnings results. No action could more graphically illustrate the "downward spiral" of industrial relations in the United States than the University of Wisconsin's closing of its industrial relations program in 2003—the school of labor institutionalism, the home of John Commons.

With the exception of some countries in the European Union and Scandinavian nations, interest in, and study of, industrial relations generally abated during and after the 1980s. Kaufman discusses the historical and social backgrounds of industrial relations in all major countries where trade unions were free—including Canada, Australia, the United Kingdom, France and Japan (we cannot summarize details here). But repression of trade unions as occurred in China, high unemployment as occurred in the Russian Federation, and low levels of economic development elsewhere do not provide significant material for his discussion. In Germany and other E.U. countries, alternative regimes of employment regulation exist—such as tripartite concentration at the state level; bargaining on the industry and sector levels; enterprise regulation by means of work councils; and shop floor regulation of the labor process—but such models have hardly anything in common with American industrial relations.

Kaufman devotes a longish chapter to the work of the International Industrial Relations Association (IIRA), which was founded in 1966 under the aegis of the ILO, and remains closely associated with it (note that the book discussed here has been published by the ILO). It is not clear how successful IIRA has been in promoting the "global dialogue" for which it was designed.

Industrial relations were in part formulated in terms of the trade unions of the late 19th and the first half of the 20th centuries. But now, writes ILO in its 2003 publication, *Economic Security for a Better World*, "Old-style trade unions are in trouble…(T)he forms of voice that are going to predominate in the 21st century will look very different from the trade unions of the 19th and 20th centuries." (p. 331) Kaufman is unquestionably aware of this. His great work is perhaps the best preparation to ponder and help deal with the future of labor's voice, labor's representation.

—Horst Brand
Economist, formerly with the
Bureau of Labor Statistics

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