

1 What Should We Be Looking for in Industrial Relations in China?

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Managing work is never easy. Worker discontent can arise over pay, effort levels, job control and much else. Both employers and employees devote considerable effort to stabilising their relationship, and they are generally successful. But when worker discontent is co-ordinated, it can lead to work stoppages and costly disruption. This in turn can have expensive consequences for the wider society. Most countries have experienced periods of turbulent relations between employers and workers. Governments feel obliged to intervene, not only to limit the damaging repercussions of worker action but also to prevent employers from treating their workers in ways that are socially unacceptable.

The result is a complex structure of agreements, laws, procedures and informal rules, applied at any level from the international sphere to the whole nation, and all the way down to the individual place of work. These cover the substantive details of the terms on which workers are employed. They also provide the *procedural rules* by which those details are fixed and challenged and changed. These procedural rules provide an essential scaffolding of legitimacy to relations between employers and workers. They include, for example, whether workers should be dealt with individually or as a group, and on which issues they should be consulted or have the right to negotiate. They set out what to do in the event of a dispute and at what organisational level agreements should be reached. They also specify whether, and how far, such rules should be influenced by the government.

The way in which employers, workers and the state interact to shape these rules is the subject matter of industrial relations. To some extent the term 'industrial relations' can be used interchangeably with 'employment relations' and 'labour relations'. Industrial relations will be used in this chapter because it reflects a particular intellectual tradition which has focussed on the policy implications of different institutional

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arrangements. Fundamental to industrial relations are the power relationships between employers, workers and the state. Within countries, these vary between firms and between sectors. They vary over time, as market circumstances and political regimes change. The power relationships also differ between countries, each reflecting the character of its country's distinctive political and economic history and its legal and institutional traditions.

What should we be looking for in describing the emerging industrial relations of China? In particular, what sort of industrial relations is evolving in China's growing market sector? What clues might there be in the changing ways in which Chinese employment is being managed as employers respond to the growing pressures of competitive markets? We should not be searching for replicas of the institutions of the Western developed world. The growth of the modern Chinese economy has been so recent, and so rapid, and from so unique a cultural, political and legal past, whatever is emerging there will be unlike anywhere else. We can, however, look for some underlying features that might constrain and shape the power relationships that are implicit in employment in market economies. The purpose of this chapter is to discuss what these features are as background to the account of China that follows.

The Inherently Collective Nature of Employment

For employers, work is difficult to buy. Simply hiring workers does not get work done. They then have to be trained, equipped, managed, monitored and motivated to work with the required skill, effort and care. The employment contract is often described as 'open ended' because of this. The productivity of workers depends to a great extent not on them as individuals, but on how well or how badly their employer manages them. The implicit contract of employment is also open ended in the sense that, for anything other than short-term employment, what is expected of the worker alters in unpredictable ways as time passes. The technologies used, the consumers' demands and the skills required are all subject to change, and the worker will be expected to adapt to these.

Another reason why work is difficult to buy is that its content is usually difficult to specify. There is no objective measure of 'hard work' in terms of worker input. Even if one could measure it, other than by the number of hours worked, workers differ in what they personally find difficult, tedious, fulfilling or stressful. There is usually no objective measure in terms of outputs either. The management techniques of 'work study' or 'industrial engineering' were developed in the early twentieth century to enable the monitoring of workers' inputs by measuring their outputs.

The main challenge was how to be consistent in measuring outputs from the very different sorts of work that are typically being carried out within the same premises. How do you compare how hard people are working when they are engaged in diverse tasks? While these techniques approach the measurement of job performance systematically, their assessment of what is a 'standard effort' and their scaling around that are essentially normative and a matter of judgement. In the end, the appropriate level of effort and quality of work are what the worker's supervisor or, increasingly, highly automated surveillance says they are. That, in turn, depends upon what the targets set by the higher management require, subtly modified by the prevailing norms of the workplace in question.

Setting aside this elusive nature of the content of work, its price – the wage paid – is also notoriously difficult to determine. Labour markets provide very imprecise price mechanisms. For varied reasons, there is typically a substantial dispersion of wages paid within the same small geographical area by different employers for duties with apparently the same job description. But if labour market mechanisms are relatively forgiving, individual workers are not. Besides workers' concern with the extent to which their pay meets their basic material needs, they also tend to be acutely sensitive to what they see as unjustified differences in pay for comparable duties. The closer the source of comparison, socially as well as spatially, the more anxiously it is watched. Workers have no sense of what they are 'worth', whatever that might mean, in any general market sense. How could they? But they have an acute sensitivity to what they consider to be 'fair' in terms of their immediate social environment. This is partly because, for all of us, so much of our own self-esteem is tied up with our concern about how our peers and colleagues perceive us. For better or worse, paid work for most people is a central source of their self-esteem. As individuals, we take very seriously what we are paid relative to those around us, simply because it is a uniquely concrete indicator of how our own very particular social world values us.

This has important implications for the productivity of workers. It is often said that pay provides a valuable method of motivating employees to work harder. There is a lot of uninformed enthusiasm for performance-related pay and other payment by results. In practice, however, the effective use of variable payments of this sort is very difficult. They are appropriate to a rather limited range of production technologies. Indeed, for most managers the dominant aspect of pay is not its potential as a motivator, but concern that it can unintentionally be a powerful demotivator of workers. A manager's constant anxiety is that something untoward might disrupt the established pay differentials between jobs, the differentials that their workers have come to perceive to be 'fair'. A similar

nagging anxiety is that inter-personal differences in payments reflecting different individual performance may be thought unjustified by the workers concerned. Such adverse responses can sour relations and undermine the sort of co-operative behaviour that is usually essential for productive working. Experienced managers have good reason to be extremely cautious in using any discretion they have over pay (Brown and Walsh, 1994).

It is the unavoidably normative aspect of both the content of work and of its payment that makes work so hard to buy. Notions of 'fairness' are never far away. They are inherently based on social comparison, and usually on comparison using limited and flawed information. This complicates the immediate social interaction aspect of employment, whether or not trade unions are present. However much employers try to treat their workers as individuals, those workers are irretrievably locked into comparisons with their work-mates. Furthermore, because workers interact socially at work, many of their attitudes and expectations are collectively formed. It means that a critical aspect of work management is the legitimacy, in the workers' eyes, of the process that determines what they do and what they are paid for doing it. It has to be got right if workers are to be motivated to work hard. To this process we now turn.

The Power Relationship Between Employer and Employee

The social aspect of work matters because workers interact so much. Rumours, grumbles, gossip and jesting about work are unavoidable and inevitably shape workers' attitudes. This becomes much more significant if workers get themselves organised, whether as informal groups or, even more, as trade unions. Such organisation is likely to harden attitudes and reinforce expectations. It also raises the possibility that workers might take concerted action to strengthen their position with their employer, for example, by them all threatening to cease work. Strike action is an important part of the history of organised labour in all countries.

Fundamental to industrial relations analysis is that it is concerned with power. The employment relationship unavoidably involves a power relationship. All social and economic activities are, of course, criss-crossed by power relationships. We experience them, for example, within our families and in our local communities, quite apart from at higher levels. They are usually tacit, and rarely exposed by open conflict. We manage them through unremarkable everyday routines of

negotiation, avoidance, guidance, custom and law. But they are particularly important in industrial relations because the way in which the power relationship between employer and worker is shaped, mediated and regulated has a profound impact on the terms on which workers are employed. It is a major determinant, for example, of what they are paid, whether they are trained and how they are treated at work.

There is no shortage of historical evidence on how employers can treat workers when they have unlimited power over them. In Europe, within living memory, hundreds of thousands of workers were deliberately worked to death in forced labour camps. There are many reports in our contemporary world of circumstances where workers, who have no alternative way of earning a living and no prospect of escape, are employed under conditions that are widely seen to be harsh and degrading. These are extreme cases. But because some employers might exploit their power in ways that are generally unacceptable, most countries have laws setting out minimum standards for employment. One reason for these statutory minimum standards is that poor employment conditions impose external costs on the wider society. For example, they may result in occupational ill health and they may lead to the adverse consequences of workers' children growing up in extreme poverty. Another reason for governments' seeking to enforce minimum labour standards is, perhaps paradoxically, pressure from employers themselves. Most employers wish to be seen as 'good' employers, offering rates of pay and employment practices that are considered 'decent', which is difficult if other, 'bad' employers are able to outcompete them by cutting costs as a result of harsh labour practices.

Historically, it was the rise of trade unions which did most to redress some of the imbalance in the workers' power relationship with their employers. Initially, in the nineteenth century, it was workers with a common skill, working within a particular locality, who were most successful at organising themselves. Their employers were obliged to reach agreement with them because there was nowhere else to turn for that skill. Trade unions were later to use a variety of ways of increasing their bargaining strength, including organising workers at strategic bottlenecks in the production process and broadening their worker coalitions with other occupations. Perhaps their most effective strategy was mobilising political power through the electoral votes of their members. In this way they could help the introduction of legislation which gave them rights to organise and take action. By the mid-twentieth century, in most Western industrialised countries, trade unions were largely accepted as an integral part of a democratic society, with a range of rights enabling them to organise workers and to negotiate with

employers as a routine process. Strike action, although important as a last resort, was generally rare.

Different Views of the Employment Power Relationship

The power relationship between employers and workers can be viewed in different ways, which imply different policy responses by government. The oldest perspective historically is that employers have an unchallengeable right to manage their workers as they see fit. This was asserted because employers own the place of work and supply the equipment used. They also hire and pay the workers, who can leave if they are dissatisfied. Underlying the implied moral authority of the employers is an assumption that the well-being of workers is aligned with the success of the enterprise for which they work. The implication drawn was that employers and employees have, in this respect, the same interests. This perspective, commonly referred to as *'unitarist'*, allows no role for trade unions and no opportunity to question managerial authority (Fox, 1974).

A contrary perspective, referred to as *pluralist*, views society as a patchwork of groups with often conflicting interests, and it considers that social stability requires them to reach compromises. The interests of workers and of the enterprise that employs them do overlap, but they are definitely not the same, according to this perspective. A weaker implication, which is essentially pragmatic, is that if their workers are organised in trade unions, employers will not be able to run the enterprise satisfactorily unless they are willing to negotiate with them. A stronger, normative version is that, by virtue of the contribution that workers make to the enterprise, they have an implicit moral right to be represented and to bargain. For both versions it follows that a pluralist employer expects there to be a two-way traffic within the employment relationship, accommodating shifts in relative power, and that the employer will provide workers with the rights and procedures that will facilitate this with minimum overt conflict (Flanders, 1970).

The distinction between unitarist and pluralist perspectives is useful in understanding different theoretical views of the employment relationship. Let us compare the implications of three ideologies which have been particularly influential in recent decades, those of free market economics, of Marxism and of pluralism. With the warning that brevity necessitates oversimplification, how do they differ in the way in which they deal with power at the workplace?

At the heart of economic analysis is the idea of markets, which use price mechanisms to maintain a balance between the supply of and demand for goods and services. The analysis of markets has opened up a range of

powerful understandings which have contributed greatly to improved living standards worldwide. But there is a normative aspect that is often associated with narrow interpretations of the central body of economic theory, which we can refer to as *free market* economics. This is that the unimpeded working of markets produces outcomes that are not only optimal in efficiency terms but also, in the longer run, optimal in social welfare terms. The distribution of income (or value added) as between profits and wages between the employers and the employed is therefore best left to market forces. Government intervention is only justified, in the free market view, when markets fail to operate, for example, in cases of monopoly suppliers.

The default implication of this view of economics is that whatever impedes a free market is likely to reduce economic growth and social welfare. It implies not only that the organisation of workers in trade unions but also that the collusion of employers in employer associations are anticompetitive and consequently to be discouraged. In contemporary political debate it is associated with hostility to institutions that are perceived to introduce labour market rigidities, such as collective agreements and statutory labour standards. It implies the unitarist assumption that employers should be free to manage workers as markets require, rather than the pluralist assumption that procedures should be made available to enable workers to voice and protect their own interests. The unitarist perspective is sometimes loosely associated with the use of 'human resource management', but that is mistaken. Human resource management techniques are fully compatible with a pluralist approach to employment relations, insofar as they do not prohibit negotiation with employees.

Marxist analysis of market economies starts with some features of the pluralist perspective. In a market economy, described as 'capitalist', the interests of employers and workers necessarily differ. In particular their interests differ over how profits should be divided between them. In practice, this distribution is determined by their power relationship, which will reflect worker organisation, market forces and state intervention. Where Marxism is distinctive from pluralism is that it embodies particular theories both of the relationship between employers and workers in a market economy and of how that relationship might be changed. A fundamental division in capitalist societies is seen to be between the owners of enterprises and those who work in them. The dynamic for change is theorised to be a unified working class replacing the owners and the governmental system they support, and in the process ending the market economy. The outcome, by implication, would be a new form of economy in which employment relationships are essentially unitarist because the workers would have replaced the managers and taken over

the government, and would have done so without losing their allegiance to their class. The Marxist approach has a more qualified view of trade unionism than pluralism; unless trade unions increase working-class consciousness and revolutionary potential, they are seen as compromising with capitalism and delaying its overthrow.

The *pluralist* approach is concerned with understanding how a market economy is managed and reformed rather than with how it might be overthrown. It can encompass a range of political views which are anything from conservative to socialist in terms of their aspirations for the distribution of income and wealth. The central focus is on providing different interest groups with some sort of representative voice, and with establishing procedures, accepted by all concerned, through which power can be channelled and compromises achieved. In pluralism, unlike in the free market and Marxist approaches, market mechanisms are of secondary significance. They provide the context, within which pluralist institutions such as trade unions operate, rather than the forces that should either dominate economic life or be overthrown to create a better society. The pluralist attitude towards markets is cautious and critical (Heery, 2016). For pluralists, in certain circumstances, markets may further the efficient allocation of resources. But supposedly freer markets may not necessarily be in the interest of the society as a whole, not least because markets can be shaped by particular interest groups. That is why all contemporary economies are, to a greater or lesser extent, 'mixed' economies, with varying degrees of state ownership and regulation. As we shall see, state (sometimes called 'public') sectors and market (sometimes called 'private') sectors make very different demands of pluralist approaches to the employment relationship.

Institutionalising the Power Relationship through Collective Bargaining

Arrangements that involve trade unions in the management of the employment relationship are generally called *collective bargaining*. They arise when an employer manages aspects of the employment relationship by engaging with employees not as individuals, but as a group that is organised with some degree of independence of the employer. By dealing formally with the trade union, the employer grants it *recognition*. Collective bargaining covers a spectrum of engagement. At the lighter touch end is consultation on employment matters, which involves no more than the exchange of information and views and the discussion of options. The outcome may or may not result in the employer's altering their intended actions. *Collective consultation* does not necessarily involve

any formal agreement, written or otherwise. It will be argued in Chapter 7 that this is the predominant form in China. At the more formal end of the collective bargaining spectrum, the employer makes proposals, the workers' side makes counterproposals and a negotiation takes place to achieve a mutually acceptable compromise. This is then recorded in a *collective agreement*, which is mutually binding until both sides are persuaded that there should be a renegotiation. In practice, collective bargaining usually involves a mixture of consultation and negotiation, depending upon the issues (Kochan, 1980).

An important decision for the employer, historically, was whether they should engage in collective bargaining on their own or whether they should coordinate their bargaining activities with other employers. In the early years there was little option. Whether or not trade unions were a threat, employers who were in competition with each other in a local market for a product often saw advantage in adopting a common front to 'take wages out of competition' by colluding on labour issues. Their incentive to do this was greatly increased when labour began to be organised in trade unions. In an economy of small firms in competition with each other, it made no sense for a trade union to organise workers in just one firm. Anything the union won for their members in that one firm might jeopardise their jobs by weakening the firm's chances of competitive survival. Consequently, the objective for unions was to organise the workers at all the firms in competition with each other, which further encouraged the employers to form a united front. They would unite in an *employer association* which ideally included all the firms competing in that particular product market in their geographical area. This employer association would negotiate with the trade union to achieve a collective agreement that would set out common terms on key issues such as wage rates and hours of work, covering all their employees in those groups represented by the union.

These *sectoral* collective bargaining arrangements, sometimes called *multi-employer* arrangements, proved to be very robust. The same agreements would cover many employers within specific industries, within specific regions. They became the main form of collective bargaining in Western Europe in the twentieth century. As markets were extended geographically by improved transport, in most countries they became national arrangements. From the employers' perspective, if trade unions could not be avoided, this was a good way of restricting their influence. Sectoral collective bargaining frustrated the union strategy of using strikes selectively to pick off weaker firms. It provided common pay scales, which reduced the scope for employees to complain about unfair pay comparisons. It provided a solid basis for encouraging all firms to provide

uniform skills training to their workers. Often the agreement would be linked to a *dispute resolution procedure*, whereby irresolvable disagreements between the management and the union within a firm could be conciliated by knowledgeable people at the higher, sectoral level. Perhaps most important of all, by focussing the trade union's attention on concluding agreements that covered a whole sector, it meant that the union's influence within the workplace would be reduced. Sectoral agreements protected the employers' day-to-day freedom to manage their workers.

There were also advantages to the trade union. Because employers were committed to granting recognition to the union for sectoral bargaining purposes, it improved the recruitment and retention of union members and enhanced union legitimacy at the workplace. There was pressure for any employer who refused union recognition to follow the rates and conditions set out in the relevant collective agreement, even if they were not formally linked to it. Union leaders could live with a lesser role for workplace union activists if this was accompanied by an enhanced role for themselves and more centralised union discipline (Clegg, 1976). There was also a deeper benefit in terms of sharing the profits. Insofar as there was imperfect competition in the sectoral product market, the sectoral agreement made the union in effect complicit, to the benefit of its members' pay, in sharing with the employer any excess profits that could be extracted from customers.

Last but not least, there were also advantages for the state. These include securing social peace and, in effect, depoliticising industrial relations by delegating regulation to private actors in a way which secured comprehensive regulation of the labour market. The continuing resilience of sectoral collective bargaining in continental western and Nordic Europe over many decades owes much to the legal support that has been provided by their governments, to which we shall turn shortly.

Despite these benefits, in some countries there were particular circumstances under which employers felt that, if they had to deal with trade unions, they would prefer to do so on their own. Rather than join with other employers in sectoral bargaining, they chose to engage independently in what is usually called *enterprise bargaining*. By contrast with multi-employer bargaining, it is sometimes referred to as *single-employer bargaining*. This enterprise bargaining was an early feature of some unionised industries of Japan and of the United States, for example. They were dominated by comparatively few very large enterprises, which saw little benefit to be gained from colluding with their smaller competitors to influence the labour market.

For some countries, a decline in sectoral bargaining has been quite recent. In Britain, in the later twentieth century, enterprise bargaining

became dominant over sectoral bargaining in the market sector because sectoral agreements were weak and increasingly loosely followed, and trade unions were strong at workplace level. Enterprise-based bargaining gave employers the freedom to regain control of the management of labour at the workplace. Because of this, and because of the tougher competitive pressures that lay behind it, strike action in the market sector declined so much as to become a rarity. Enterprise bargaining for many firms turned out to be, by the twentieth century's end, a transitional stage to their complete withdrawal from bargaining with trade unions. The firms that abandoned bargaining first were those whose profits were squeezed the hardest by competitive pressures (Brown *et al.*, 2009).

Where trade union organisation continued in the market sector, it tended to become effectively centred on the enterprise and was highly dependent upon the employer for recognition and organising facilities. In these circumstances, the agenda of collective bargaining tended to become more concerned with co-operation with employers in the pursuit of competitiveness, and less with any form of confrontation over the distribution of profits. Britain was not alone. With the end of the twentieth century, a similar story of collective bargaining both shrinking in coverage and withering in impact in their market sectors could be told of, for example, the United States, Canada, Australia and New Zealand.

The rise and, to some extent, the fall of collective bargaining in the Western world has had a profound impact on the development of its economies and societies. Most evident had been the contribution of its rise to reducing the inequality of income distribution within countries, from the middle until the late twentieth century. By internalising and institutionalising conflict over income within enterprises, within sectors and within nations, collective bargaining had provided a pyramid of negotiation by which workers' incomes had, more or less, kept pace with the productivity consequences of technological change. In the process, this encouraged the development of labour-replacing technology and thereby increased labour productivity. The subsequent weakening of collective bargaining has contributed to the more recent failure to stimulate labour productivity in some countries. It has also contributed to the recent decline in the redistribution of the financial gains from productivity improvements to the lower paid and has consequently led to increasing income inequality within many countries (Atkinson, 2014).

The Part Played by Government in Collective Bargaining

Governments have no choice about managing employment relations for their own employees working in state sectors. In practice, governments

also cannot avoid becoming involved to some degree in market sectors. Employment relations play too important an economic and political role to be treated as a private matter between employer and employee. Even if trade unions are not present, the wider costs to society arising from irresponsible employment practices are so severe that governments generally have to establish some minimum labour standards by legislation. If trade unions are present, then government involvement in the regulation of collective bargaining is unavoidable. The wider costs of disruptive strike activity are too great. For some countries a crisis provoked by strikes has had enduring consequences for their labour legislation. For Canada and Australia, for example, transport strikes that paralysed their national economies at the start of the twentieth century led to laws being introduced which lasted for decades, providing a central role for state-supported conciliation and arbitration.

The labour laws on collective bargaining of different countries vary greatly. There are many reasons for this. Some are political. For example, the occupying powers immediately after victory in the Second World War were determined to establish a secure legal position for trade unions in Germany and Japan; this was partly because of the unions' impressive pre-War record of resisting the rise of militarism. For some countries their colonial inheritance has played a key part. It has been suggested that the different legal traditions of common law in the Anglophone world and of civil law on the continent of Europe have influenced their contrasting perspectives on the role of the state. The Anglophone perspective tends to see the state playing a role only when labour problems arise, whereas, by contrast, the continental European perspective assumes that the state has a responsibility to establish initial order. In the European Union, there is an additional layer of co-ordination between unions and employers at the national level in some countries, which has resulted in social pacts which address labour market issues and social welfare reforms. As was mentioned earlier, the legal support underpinning collective bargaining tends to be greater in countries where trade unions have been able at some time to influence a ruling political party.

In what ways do governments shape collective bargaining in market economies? One important area is in the support they provide for trade unions in terms of their *rights to strike* and *to organise* workers, free from legal penalties or employer harassment. Having said that, it is the detail of those rights which is important. They may in practice be highly constraining in terms of the procedures that have to be followed for legal strike action, and they may leave much to the discretion of the law courts. Furthermore, as with individual employment rights, collective rights

count for little if enforcement by the state is poor or if the costs to employees and unions of achieving enforcement are prohibitive.

The high potential cost to the public of employment disputes has encouraged governments of countries with collective bargaining to facilitate peaceful dispute resolution. These countries typically have an agency that offers to *mediate* disputes, offering expert *conciliators* and, if necessary, *arbitration*. So long as they are seen to be independent, these services generally work well and greatly reduce the chance of disputes either turning into strike action or ending up in the law courts. In most countries which have them, these agencies have in recent years increased their emphasis on preventing disputes from occurring and escalating. They have done this by offering training to employers to help them to improve their *internal disputes procedures* and employment practices (Brown, 2014).

It is common for governments to provide legal procedures whereby workers who can demonstrate sufficient support can win recognition for their union from their employers. It is a rather different matter whether they can then persuade the employer to engage in effective negotiation. At the softer end of the spectrum of collective bargaining, many countries have laws that facilitate consultation arrangements with worker representatives. These may take various forms – for example, work councils, consultation committees and representatives on supervisory boards. They often take the form of hybrid arrangements, with some representatives coming through trade union channels and others being elected by non-unionised workers (Hall and Purcell, 2012).

Another important area of government involvement concerns sectoral bargaining. Some governments are unsympathetic to employers who form employer associations for collective bargaining purposes. They disapprove of it, seeing it as a restriction on competition. Other governments, by contrast, value and encourage sectoral bargaining as providing an important basis for labour market stability and skill acquisition. In many continental Western European countries, where this latter view is dominant, four legal provisions are important. The first is that sectoral collective agreements are considered by the courts to be compulsory contracts. In effect this so-called ‘peace clause’ means that if either side breaks the agreement, through a strike or lock-out, they can be sued for damages in court. The second provision is that sectoral agreements are considered to be legally enforceable, so that all members of the relevant employer association have to offer terms to their employees at least as good as in the agreement. A third provision, the ‘favourability principle’, is that employees at the enterprise level may be allowed to improve on the

terms of the sectoral agreement through an additional collective bargain with their employer. The fourth provision is that the terms of sectoral agreements can be 'extended' by legal action to apply to any employer in the sector, even if they are not a member of the employer association. They become, in effect, legally enforceable sectoral minimum wages and conditions, but fixed by collective bargaining and thus reflecting the economic circumstances of the sector.

It was noted earlier that many sector-based systems of collective bargaining have proved to be robust. It is notable that, following the financial crisis of 2008 and the subsequent crises in the Eurozone, the majority of European countries with sectoral bargaining have retained it. In the minority of countries where it has been weakened, the main reason has been that, as these were debtor countries, the weakening of sectoral bargaining had been a condition placed on loan packages by the international financial institutions, which tend to have a 'free market' view of economic life. Elsewhere, sectoral bargaining has adjusted to the adverse economic environment by allowing more discretion for enterprise bargaining, within clearly specified 'articulation' provisions governing the relationship between the two levels. As mentioned earlier, governments in countries with strong sectoral bargaining tend to use the sectoral employer and trade union organisations as 'social partners' in a wider pluralist process of political consultation in dealing, for example, with employment problems arising from industrial decline. To that extent, collective bargaining in these countries extends up to the national level and covers the wider economic context (Marginson and Sisson, 2006).

It will be apparent that governments play a fundamentally important role in determining the extent and the nature of collective bargaining in the market sector of their countries. In a past world, where markets were largely confined within national frontiers, trade unions in most western countries were permitted to bargain on behalf of workers in an orderly way and to build institutions with employers. Governments generally saw advantage in providing legal support for this. But in the late twentieth century, sharper competition, and especially greater international competition and more international enterprise ownership, changed all this. On the one hand, trade unions in the market sector have become more dependent upon the legislative support of governments; on the other hand, under less bargaining pressure from trade unions, governments are increasingly unwilling to provide such support (Gumbrell-McCormick and Hyman, 2013). National governments show similar contrasting extremes in their treatment of trade unions in their own state sectors. To this we now turn.

Governments as Employers

At the start of the twentieth century, the great majority of trade union membership in Western countries was in their market sectors. The great majority of strikes at that time, expressed as a percentage of working days lost, also occurred in their market sectors. By the start of the twenty-first century that had been largely reversed. Currently, to varying extents in different countries, trade unionism is mainly a feature of state sectors. It has diminished, sometimes very substantially, in market sectors. Although strike activity has declined across all Western countries in the past couple of decades, where it does occur it is generally largely confined, in terms of percentage of working days lost, to their state sectors. Market sector strikes have become, in historical perspective, rare. Why is the state sector so different?

Employment by governments, in their countries' state sectors, raises very different issues for collective bargaining compared with market sectors. So far this discussion has been primarily concerned with enterprises in the market sector. There the driving force is one of competition – in the product market over goods and services, in the capital market for investment, and in the labour market. Increasingly that competition is international. In sharp contrast, state sector enterprises face little direct competition for their services and they face no international competition. In the labour market, they are typically themselves the main sources of training in the specialist skills they need, and they are also the main users of those skills. There are far higher levels of both monopoly and monopsony power than in the market sector. It is not markets which constrain what terms of employment are affordable, but the government, which indirectly is itself the employer. There are no profits to be bargained over – just the tax-payers' money. To add to this contrast, there is an inherently political aspect to what is considered to be an adequate service in, say, education, government, health, armed forces, prisons, postal service or the police. There is no market to help define standards, and the concept of labour productivity in public services is unavoidably controversial. For example, does reducing the number of nurses in a hospital, or of teachers in a school, or of police on the street, increase or decrease those service's productivity?

These distinctive economic features of state sector employment have shaped their employment relations. Lacking severe market constraints, Western governments in the twentieth century tended to adopt a fairly protective stance towards their own employees in order to maintain their compliance. State sector pay, for example, was generally kept roughly in line with market sector pay in most Western countries. The problem of

productivity was partly managed by giving substantial authority to the employees with the key professional skills – the doctors, the army officers, the university professors, the senior civil servants and so on – who largely controlled the professional standards, organisation and training of their respective services. In most countries this was combined with what became high levels of trade union organisation. It suited the unions to work closely with their respective public service professional managers in a collaborative way. In some countries it was accompanied by fairly comprehensive collective bargaining. Elsewhere, favourable employment conditions were a trade-off for a prohibition on strike action. State sector collective bargaining, at any rate for the major public services, was in most countries characterised by detailed collective agreements, substantial trade union influence at all levels, and relatively little overt conflict.

The wider context was that, at least until the final quarter of the twentieth century, employment in state sectors had increased as a proportion of the labour force in most Western countries. Partly because of wartime experience, more demands were being made on services by the public. Many countries saw benefits in state ownership of public utilities such as energy, water, posts, telecoms, transport, and health. The faltering of the post-War economic boom in the 1970s challenged all this. Governments were forced to press harder for the financial efficiency of services while dealing with trade unions which historically had strongly defended the perceived interests of their state sector members.

How can a state services monopoly, committed to a pluralist approach to its workers, also respond to the wider public interest, when that demands substantial changes in working practices? There are countries, for example in north-western Europe, where the experience is that, with far-sighted and politically engaged trade union leadership, this can be successfully negotiated through collective bargaining. But, in other countries, a common government response has been to sell off these services to the private sector, wholly or in part. Unable to impose financial discipline comparable to that of markets, the state has simply given up being the employer. The consequence for the newly marketised services has typically been that collective bargaining has been stopped, or its influence has been greatly diminished. For the services remaining in state ownership, the influence of collective bargaining has often diminished also. For them, the threat of being sold off has been added the reality of many activities being outsourced to market-sector sub-contractors using non-unionised labour. Many governments in countries with pluralist traditions have not yet achieved a settled form of collective bargaining for their own employees.

The Principal Underlying Features of Industrial Relations

As background to considering the emerging institutions in China, this discussion has looked at issues that generally arise in the employment relationship in mixed economies when employees have a collective response to their employers. It will be apparent that different countries have developed different forms of collective bargaining and collective consultation to deal with this. It will also be apparent that collective bargaining in all countries has undergone repeated change. There was never a 'golden age' of collective bargaining. There is no perfect model to be copied. It has been adapted, country by country, with varying degrees of success, as their economic circumstances have changed.

Would it have helped for this discussion to have focussed less on Western economies, and to have given more attention to the developing world? Probably not. The experience of building industrial relations institutions in the developing world is extremely varied. For many developing countries it has been shaped, for better or worse, by inheritances from a past colonial period or from traumatic liberation experience. It is currently often externally influenced by self-interested pressures from foreign direct investors or dominant trading partners as well as by international institutions such as the World Bank. In many developing countries some of the state sectors have a substantial trade union presence. But in their market sectors any trade unions are typically highly fragmented, with sometimes only sporadic concentrations of strength amid an otherwise very small and often declining percentage membership (Van Klaveren *et al.*, 2015). In the developing world the challenges that trade unions face in terms of getting employers and governments to support collective bargaining are usually far more extreme than in the developed world. Despite this, the institutions they aspire to build usually have the same underlying features. For almost a century the International Labour Organization (ILO) has endeavoured to nurture them.

In describing the emerging industrial relations of China, what should we be looking for? Some issues relate to rights provided by national law. For the worker, a fundamental question is the status of their individual contract of employment. How specific does the law require it to be? In countries where the law provides workers with little support, what the employee is expected to do and when they must do it is effectively at the discretion of the employer. A growing feature of contemporary employment for many employees almost everywhere has been a weakening of the traditional relationship with the employer as a result of increased use of out-sourcing of work and of agency or dispatched workers.

What protections are provided by law? A related issue is the support offered to the employee by the state if the employer breaks the contract or breaches other legal protections by, for example, not paying employees, dismissing them illegitimately, or employing them in illegally unhealthy conditions. It then matters, not just in formal terms, but in reality, how accessible and affordable the courts are to aggrieved workers, how independent of the employer they are, and how speedy and full their remedies are. Although these are related to individual rights, they matter in terms of collective behaviour because an important part of a trade union's role is commonly one of ensuring that their members can implement their legal individual rights.

Important aspects of collective legal rights are set out in ILO conventions. These include rights to organise trade unions, the protection of activists from victimisation by employers, rights to strike, and the right to engage in collective bargaining. One set of questions concerns how far national laws provide these rights, and what constraints they impose on them. Another, that is equally important, concerns how far they are implemented and enforced in practice. The earlier discussion has emphasised the importance of the legal support provided for collective bargaining. The means to enforce collective agreements is important to both sides. But it will be clear that a profoundly important aspect of law for most Western European countries has been the law relating to sectoral bargaining: the legal status of agreements, their enforcement, the scope for individual employers to add to them and the extension of their terms across their sector. This has provided a basis of collective bargaining for many countries which has given stability for decades and has adapted to changing circumstances. It has facilitated job training, dispute avoidance, and the responsible linking of worker pay to productivity improvements, as well as, in many cases, the wider involvement of the social partners in the government of employment.

The behaviour of employers is central to the conduct of industrial relations, quite apart from what the law requires of them. How far do they manage employment autocratically or, alternatively, how far is their approach more pluralist? Do they have relations with a trade union, and in what ways? Do they encourage their workforce to have a representative voice, through the union or otherwise, or to be involved in any routine consultative procedures? Do negotiations ever take place within the enterprise that result in a written agreement? There is also the inter-employer aspect of sectoral bargaining. Do employers discuss employment policy with other employers in their local labour market, or in their product market? Are they members of an employer association, and does it have consultative or negotiating relationships with a union? Is it

involved in discussions with the government at any level? In what ways are employers in the state sector different in their dealings with their employees from those in the market sector?

Although the ILO conventions require trade unions to be 'independent' in financial terms, this is a vague concept in practice. Many market sector unions depend heavily on employers for resources and facilities at sectoral, enterprise and workplace levels. They depend on employers granting recognition rights to represent the members and they also often depend on employers collecting their members' subscriptions for them. In state sectors, where most trade union members in most countries are now situated, the trade unions are unavoidably close to both the employers of the state enterprises in which their members work and to the governments on whom their funding ultimately depends. But some degree of independence from employers is essential. One aspect of this is that unions should have discretion over use of the finance that comes from their members' subscriptions. This is necessary if union officials are to be perceived by members to be independent of employers. More important, however, if they are to retain the support of their members, is that unions provide a voting system whereby those members can have some influence over the choice and dismissal of their representatives and of the policies they adopt. An important role of trade unions lies in building realistic expectations and consensus among their members, and for this the members' perception that they are independent and representative is essential.

A crucial aspect of any mature industrial relations system is the processes of resolving conflict. If the power relationships implicit in employment are to be moderated in an orderly way, it is necessary to have clearly defined procedures for resolving both individual and collective grievances and for facilitating, usually incremental, change. These set out, for example, how contentious issues can be introduced for resolution, which representatives of employers and workers should be involved, in what sequence discussions progress, and what time constraints are appropriate. They provide a structure within which grievances can be discussed in a timely and rational way by representatives who can speak with authority for each side.

Procedural rules, as was observed at the start of this chapter, provide a scaffolding of legitimacy for relations between employers and workers. They are essential for orderly industrial relations. But there is always the possibility that, despite the internal procedure, finding a compromise is too difficult for those immediately involved. To deal with this, most procedures have an additional option of bringing in an independent conciliator from outside who can broker a settlement. Should this fail,

most also provide for a final arbitration stage to provide a mutually binding settlement. It is a feature of pluralist systems that they seek to internalise the resolution of conflict within the most appropriate unit, whether it is the workplace, the enterprise, or the sector. Achieving this depends upon following clear, integrated and internally consistent procedures. A surer sign of a mature industrial relations system than procedures for settling disputes once they have arisen is the existence of procedures for consultation and negotiation that prevent them from arising at all.

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