

Prepared for the International Expert Conference on Job Quality
Copenhagen Business School, July 2012

**A (LARGELY PLURALIST) INDUSTRIAL RELATIONS PERSPECTIVE
ON JOB QUALITY**

Professor John W. Budd
Center for Human Resources and Labor Studies
Carlson School of Management
University of Minnesota
321 19th Avenue South, Suite 3-300
Minneapolis, MN 55455-0438 USA
jbudd@umn.edu

Version Date: June 24, 2012

ABSTRACT

An industrial relations perspective on job quality highlights a workers' rights view of job quality because industrial relations sees workers as citizens entitled to standards of human dignity and self-determination, and emphasizes the importance of institutions because of belief in imperfect rather than perfectly-competitively labor markets. A specifically-pluralist perspective further, and uniquely, points to efficiency as an important dimension of job quality. Consequently, a pluralist industrial relations approach also includes significant attention on how to structure capitalist non-market institutions to effectively balance a plurality of competing yet legitimate employer and employee interests and thereby promote desirable levels of job quality.

Work is a multi-faceted and deeply important element of human life (Budd 2011), so it is important to consider as well as promote job quality. This paper presents an industrial relations view on job quality, with a particular emphasis on the pluralist industrial relations perspective. Within industrial relations, workers are seen as citizens entitled to standards of human dignity and self-determination, and labor markets are seen as failing to fulfill the textbook ideal of welfare optimization based on perfect competition. Workers' rights are therefore viewed as central to job quality, and non-market institutions are embraced as necessary for achieving high levels of job quality. Moreover, pluralist industrial relations thought models the employment relationship as consisting of a plurality of competing yet legitimate employer and employee interests, so good jobs are those in which these interests are balanced, typically with the help of non-market institutions.

WHAT IS INDUSTRIAL RELATIONS?

The academic field of industrial relations is characterized by a multidisciplinary approach to studying and improving the employment relationship. This field is rooted in a concern with the labor problems that were created by the transformation of work brought on by the industrial revolution and the rise of industrial capitalism (Kaufman 2004). The then-newfound importance of labor markets for determining workers' wages and working conditions were and are analyzed by classical and then neoclassical economists through a lens that embraces perfect competition and the importance of consumption and other economic activities. The industrial relations paradigm, in contrast, emphasizes imperfectly-competitively labor markets in which employers typically have a power advantage over workers, and embraces a broader social view in which non-economic goals are also important. Workers' rights, institutions, and power are therefore important in industrial relations thought (Hyman 1975; Budd 2004).

Perhaps the most famous critic of the classical economists, especially in the context of

a concern for the plight of workers under capitalism, was Karl Marx. Unlike the classical economists who saw capitalism as something separate from society, Marx viewed it as set of unequal power relations created by society. Today's critical school of industrial relations continues to see the employment relationship as an unequal power relation between antagonist groups embedded in systemic inequalities throughout the socio-politico-economic system (Edwards and Wajcman 2005; Kelly 1998).

In the late 19th and early 20th century, Sidney and Beatrice Webb in Britain, John R. Commons in the United States, and others sought to craft an institutional approach to economic analysis that, like Marx and his followers but unlike the (neo)classical economists, emphasized the human and the moral implications of economic activity and the contingencies of institutions (Kaufman 2004, 2005). But unlike the early followers of radical Marxist thought, Commons (1934: 143) and others sought "to save capitalism by making it good." From these roots sprang today's pluralist school of industrial relations that recognizes the human qualities of labor, rejects perfectly-competitively labor markets, and accepts capitalism (Kaufman 2004), and therefore sees the employment relationship as characterized by a plurality of legitimate interests akin to a pluralist political system (Clegg 1975). Pluralist industrial relations thought therefore embraces the use of institutions within the capitalist system to solve labor problems, and places greater weight on balancing a plurality of competing yet legitimate employer and employee interests than does the critical school (Ackers 2002; Budd 2004).

USING EMPLOYMENT RELATIONSHIP OBJECTIVES TO DEFINE JOB QUALITY

The interests of the parties to the capitalist employment relationship are a key concern in industrial relations scholarship. Indeed, a central argument of this paper is that an industrial relations perspective defines job quality through these interests. I have argued elsewhere that the central objectives of the employment relationship should be seen as:

Efficiency: effective, profit-maximizing use of labor and other scarce resources.

Equity: fairness in the distribution of economic rewards, the administration of employment policies, and the provision of employee security.

Voice: meaningful participation in workplace decision-making (Budd 2004).

Efficiency, Equity, and Voice

The neoliberal market ideology emphasizes competitiveness, economic development, jobs, and economic prosperity. As such, the effective use of scarce resources (efficiency) is important to consider as an objective of the employment relationship. A sole focus on efficiency, however, reduces the employment relationship to a purely economic transaction that workers endure solely to earn money. But work is a fully human activity—in addition to being an economic activity with material rewards undertaken by selfish agents, work is also a social activity with psychological rewards undertaken by human beings / citizens in democratic communities (Budd 2011). The goals of economic activity should not be seen solely as production and consumption, but as also contributing to “the full and harmonious development in each individual of all human faculties” (Ely 1886: 3).

It is therefore common in industrial relations to highlight equity as a key objective of the employment relationship (e.g., Barbash 1984; Budd 2004). Equity entails fairness in the distribution of economic rewards, the administration of employment, and the provision of employee security. While human resource management emphasizes fairness and distributive justice, especially to enhance organizational performance (Folger and Cropanzano 1998), the industrial relations concern with equity traces back to the sometimes abusive employment practices of the early 20th century, such as long hours at low wages in dangerous working conditions (Kaufman 1997). From an industrial relations perspective, then, equitable employment outcomes frequently emphasize minimum standards—minimum wages, maximum hours, minimum safety standards, protections against arbitrary discharge and

favoritism, restrictions on child labor, provision of robust social safety nets, and the like. These elements of workplace equity are rooted in political theories of liberty and democracy, moral views of human dignity, humanistic psychology theories of human nature, and religious beliefs about the sanctity of human life (Budd 2004).

In addition to equity, industrial relations scholarship also highlights the importance of employee voice. Voice is the ability to have meaningful employee input into decisions both individually and collectively. This includes not only free speech, supported by unfair dismissal protections and grievance procedures, but also direct and indirect participation in workplace decision-making. Unlike a human resource management perspective that emphasizes employee participation to improve competitiveness and quality, the industrial relations conception of voice focuses on industrial democracy rooted in political theories of liberty and democracy and is premised on the belief that workers in a democratic society are entitled to the same democratic principles of participation in the workplace as in the political arena (Derber 1970). But the importance of individual voice should not be overlooked. In particular, the ability to speak freely and participate in decision-making can be seen as ends in themselves for rational human beings in free, democratic societies. Moreover, religious social teachings, Kantian ethics, humanistic psychology, the stakeholder theory of the firm, and various political theories all support the centrality of employee voice in the modern employment relationship (Budd 2004).

Industrial relations thought further assumes that there are at least some inherent conflicts between efficiency, equity, and voice. Critical perspectives tend to emphasize sharply antagonistic employer-employee conflict and therefore privilege equity and voice (or other conceptualizations of workers' interests) over efficiency and other employers' interests. A central premise of the pluralist industrial relations paradigm, however, is that the legitimate interests of employers and employees should be balanced.. Pluralist industrial relations

thought fully respects capitalism and business owners' need to make a profit, but in contrast to mainstream economic thought and the neoliberal market agenda, efficiency is not paramount. Rather, balancing workers' rights / citizenship elements and employers' property rights is necessary for striking a balance between efficiency, equity, and voice (Budd 2004).

Implications for Job Quality

Pluralist industrial relations thought seeks to understand how institutions and practices affect efficiency, equity, and voice while also trying to design institutions and practices to balance efficiency, equity, and voice. A pluralist industrial relations perspective on job quality, therefore, is one that analyzes job quality through a lens that focuses on the efficiency, equity, and voice aspects of jobs as importantly affected by institutions. Moreover, this reasoning within pluralist industrial relations thought indicates that high-quality jobs fulfill efficiency, equity, and voice, while low-quality jobs are those that lack one or more of these elements. And non-market institutions are needed to promote and protect high levels of job quality while improving jobs that are of low quality.

From a critical industrial relations perspective, less weight would be placed on efficiency, and perhaps more weight placed on employee power. Indeed, the literature on job quality frequently ignores efficiency issues and focuses largely on focuses on worker-oriented dimensions of equity (e.g., Antón et al. 2012) or equity and voice (e.g., Pocock and Skinner 2012). A pluralist industrial relations perspective uniquely implies that efficiency should also be a legitimate dimension of job quality. From a macro or social perspective, good jobs should add value. In other words, a job that provides many favorable benefits to workers and has robust levels of voice, but is a wasteful or unproductive job should not be seen as a good job from a macro perspective. This thinking is reinforced by considerations of meaningful work as part of job quality—namely, it seems reasonable to hypothesize that doing something productive and valuable (broadly-defined) at least adds to, if is not required,

for deriving a robust sense of meaning from one's work.

A U.S. SCORECARD FOR AGGREGATE JOB QUALITY

A paradigm of balancing efficiency, equity, and voice can be a powerful conceptual framework, but the dimensions of efficiency, equity, and voice need more specificity if they are to be useful in measuring and improving specific issues such as job quality. This section provides an example of how this could be done. Because pluralist industrial relations thought indicates not only that high-quality jobs fulfill efficiency, equity, and voice, but also that non-market institutions are crucially important, my approach in the remainder of this paper is to consider job quality through a lens of efficiency, equity, and voice with an emphasis on their intersections with public policy.

With respect to efficiency, efficiency is usually seen as achieved by self-interested agents freely interacting in competitive markets. From such a view, the most efficient employment regime is the one with the fewest legal constraints, and the U.S. system should rank as highly efficient. U.S. labor and employment law evolved out of a strong *laissez faire* tradition, and the American employment relationship continues to be subjected to far less governmental "interference" than in the remainder of the industrialized world. But this does not necessarily mean that the system of workplace regulation currently in place operates in an efficient manner. Indeed, two aspects of the present-day U.S. regime fall particularly low on the overall efficiency scale (Befort and Budd 2009). First, the U.S. regulatory scheme relating to the individual employer-employee relationship is a confusing, overlapping maze that imposes undesirable transaction costs. Second, the prevalent employer-sponsored system of employee benefits in the United States, particularly with respect to health care benefits, unfairly taxes employers, under-provides benefits, and dampens employment. Globalization and information technology also raise issues of the ability of workers to update their skills to keep pace with the global rate of change. These are all dimensions that should be examined

when looking at the ability of an economy to support good jobs that are efficient.

Turning to the equity dimension, Befort and Budd (2009) outline seven dimensions: 1) balancing work and non-work needs, 2) a living wage, 3) balanced income distributions, 4) security and social safety nets (including income security, health security, and physical security), 5) nondiscrimination and fairness, 6) good cause dismissal, and 7) contingent employment. These dimensions could further be operationalized to create measures of how many jobs score well or poorly in terms of equity (e.g., Antón et al. 2012). Alternatively, from a public policy perspective, Befort and Budd (2009) note important areas of concerns where the United States is lacking with respect to equity, and therefore by extension, falls short of a robust promotion of good jobs. For example, in the United States there is great tolerance for high levels of inequality combined with weak mandated employment standards (including a lack of universal unjust dismissal protections) and low levels of social insurance (including a lack of universal health care).

With respect to voice, Befort and Budd (2009) define four dimensions: 1) employee free speech, 2) individual self-determination, 3) consultation, codetermination, and social dialogue, and 4) countervailing collective voice such as labor unions that have sufficient power to counterbalance corporate power. This or similar categorizations (e.g., Dundon et al. 2004) can be operationalized to measure the extent to which various jobs deliver voice and thereby contribute, or not, to the existence of good jobs. Alternatively, on an aggregate level Befort and Budd (2009) identify significant areas where public policy falls short of what is needed to promote the voice aspect of good jobs, especially weak labor unions, weak protections for individual voice, and legal mechanisms that support the primacy of shareholders over employees in corporate governance.

Putting these three dimensions together can then yield a scorecard for job quality. An overview of an aggregate scorecard with a U.S. public policy emphasis is provided in Figure

1. More detailed scorecards could also be created with more detailed measurable dimensions within the three broad categories of efficiency, equity, and voice. Note that the normative implications of these analyses depend on the relative importance one wants to give the three objectives. Regardless of these weights, however, explicitly analyzing the dimensions of efficiency, equity, and voice provides a useful way to conceptualize and measure possible aspects of job quality, and the pluralist industrial relations perspective seems unique in including efficiency in its conceptualization of job quality.

PROMOTING JOB QUALITY THROUGH INSTITUTIONS THAT BALANCE EFFICIENCY, EQUITY, AND VOICE

I assert that there are two key normative principles of a pluralist industrial relations perspective on job quality: that good jobs fulfill efficiency, equity, and voice, and that non-market institutions are needed to promote good jobs. In the previous section, I drew on Befort and Budd (2009)'s evaluation of efficiency, equity, and voice in the U.S. employment relationship to illustrate weaknesses in the public policy supports for the equity and voice dimensions. So we should consider work-related public policies that can improve the balance between efficiency, equity, and voice and thereby enhance job quality. For this, my earlier work (Befort and Budd 2009) is again illustrative (see Figure 2).

First, consider the efficiency aspect of job quality. To many, the best governmental policies for promoting economic efficiency are limited to the maintenance of law and order so that the invisible hand of the marketplace can produce efficient outcomes. But to be completely effective, markets need to be perfectly competitive. There are many factors that inhibit perfect competition in the labor market—employees often have imperfect information about accident risks and pensions, quitting a job is not costless, a lack of savings can make it difficult to hold out for the best job, and there are many externalities in the modern employment relationship. Consequently, public policies that correct market failures can enhance efficiency and thereby improve this aspect of job quality. Examples include

workplace standards that reflect international norms that will accommodate the global marketplace, improved training programs, portable employee benefits that enhance labor market flexibility, health insurance benefits that are divorced from employment, and a coherent, efficient system of workplace law and enforcement mechanisms (Befort and Budd 2009).

In the pluralist industrial relations paradigm, government policymaking can and should also play an important role in establishing minimum standards and crafting other policies to redress bargaining power imbalances and promote the equity aspect of job quality. Job creation is not enough. Equity requires high-quality jobs and safety nets which, in turn, require public policy supports. There are many public policy options in this regard (Befort and Budd 2009). To better balance work and non-work needs, mandated labor standards should include paid personal leave and greater employee control over their work schedules. To achieve a living wage, minimum wage laws can be strengthened, and tax policies such as the earned income tax credit can be expanded. Employee security and social safety nets can be improved by broadening unemployment insurance coverage, strengthening retirement policies, enhancing occupational safety and health monitoring, and divorcing the provision of health insurance from the employment relationship. Nondiscrimination and fairness are protected by civil rights legislation, and could be expanded to cover unjust dismissal through the adoption of a good cause standard for termination. Equity for contingent workers could be improved by extending the coverage of employment laws to include these workers. And all of these policies would also help foster more balanced income distributions, as would limits on corporate tax deductions for excessive levels of executive compensation.

With respect to voice, the situation is slightly more complex because public policy cannot mandate voice. Some employees might prefer to remain silent or to defer to others; such decisions are legitimate uses of voice and are valid self-determined choices to the same

extent as more active modes of participation in decision-making. The role of public policy, therefore, is to facilitate employee voice by protecting individuals who want to exercise various forms of voice and by outlawing actions that restrain employee voice (Befort and Budd 2009). This can be done by enacting free speech protections for employees (that are balanced with legitimate employer concerns), giving employees a right to request a changed work schedule, mandating disclosure of the terms and conditions of employment, extending protections for joint labor-management health and safety committees and other consultative mechanisms such as works councils, and strengthening labor law to protect workers' rights to unionize when desired.

CONCLUSION

The intellectual principles of industrial relations sketched in the previous sections yield an industrial relations perspective on job quality that emphasizes workers' rights and the need for non-market institutions to provide safeguards against poor levels of job quality and to provide improvements in job quality. This perspective highlights a workers' rights view of job quality because industrial relations sees workers as citizens entitled to standards of human dignity and self-determination, and the importance of institutions is derived from the belief in imperfect rather than perfectly-competitively labor markets. A specifically-pluralist perspective further, and uniquely, points to efficiency as an important dimension of job quality. Consequently, a pluralist industrial relations approach also includes significant attention on how to structure capitalist non-market institutions to effectively balance a plurality of competing yet legitimate employer and employee interests and thereby promote desirable levels of job quality.

With that said, industrial relations scholarship focuses more on how workers should be treated than on the nature of work and why workers work. This is a limitation of this paradigm, and this approach to job quality should be complemented with other scholarship

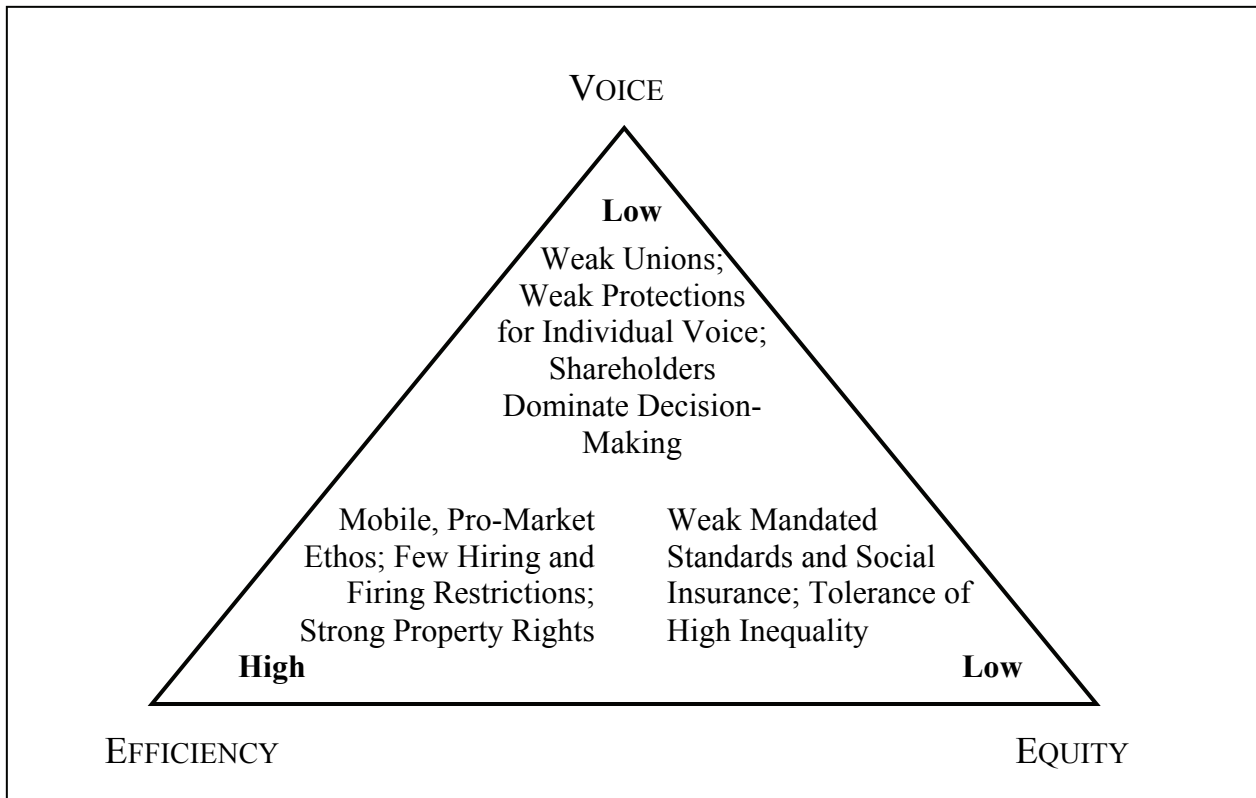
that focuses more directly on the nature of work. In particular, work can have many meanings and many facets (Budd 2011), and our treatments of job quality or job-related well-being (Rothausen 2012) need to be equally rich. Industrial relations has a strong tradition of embracing multidisciplinary approaches so it should welcome these types of complementary perspectives on job quality.

REFERENCES

- Ackers, Peter (2002) "Reframing Employment Relations: The Case for Neo-Pluralism," *Industrial Relations Journal* 33 (March): 2-19.
- Antón, José-Ignacio, Enrique Fernández-Macías, and Rafael Muñoz de Bustillo (2012) "Identifying Bad Jobs Across Europe," in Chris Warhurst et al., eds., *Are Bad Jobs Inevitable? Trends, Determinants and Responses to Job Quality in the Twenty-First Century* (Basingstoke, Hampshire: Palgrave Macmillan): 25-44.
- Barbash, Jack (1984) *The Elements of Industrial Relations* (Madison: University of Wisconsin Press).
- Befort, Stephen F., and John W. Budd (2009) *Invisible Hands, Invisible Objectives: Bringing Workplace Law and Public Policy Into Focus* (Stanford, CA: Stanford University Press).
- Budd, John W. (2004) *Employment with a Human Face: Balancing Efficiency, Equity, and Voice* (Ithaca, NY: Cornell University Press)
- Budd, John W. (2011) *The Thought of Work* (Ithaca, NY: Cornell University Press).
- Clegg, H.A. (1975) "Pluralism in Industrial Relations," *British Journal of Industrial Relations* 13 (November): 309-16.
- Commons, John R. (1934) *Myself* (New York: Macmillan).
- Derber, Milton (1970) *The American Idea of Industrial Democracy, 1865-1965* (Urbana: University of Illinois Press).
- Dundon, Tony, Adrian Wilkinson, Mick Marchington, and Peter Ackers (2004) "The Meanings and Purpose of Employee Voice," *International Journal of Human Resource Management* 15 (September): 1149-70.
- Edwards, Paul, and Judy Wajcman (2005) *The Politics of Working Life* (Oxford: Oxford University Press).
- Ely, Richard T. (1886) *The Labor Movement in America* (New York: Thomas Y. Crowell).
- Folger, Robert, and Russell Cropanzano (1998) *Organizational Justice and Human Resource Management* (Thousand Oaks, CA: Sage).
- Hyman, Richard (1975) *Industrial Relations: A Marxist Introduction* (London: Macmillan).
- Kaufman, Bruce E. (1997) "Labor Markets and Employment Regulation: The View of the 'Old' Institutionalists," in Bruce E. Kaufman, ed., *Government Regulation of the Employment Relationship* (Madison, WI: Industrial Relations Research Association): 11-55.
- Kaufman, Bruce E. (2004) *The Global Evolution of Industrial Relations: Events, Ideas, and the IIRA* (Geneva: International Labour Office).

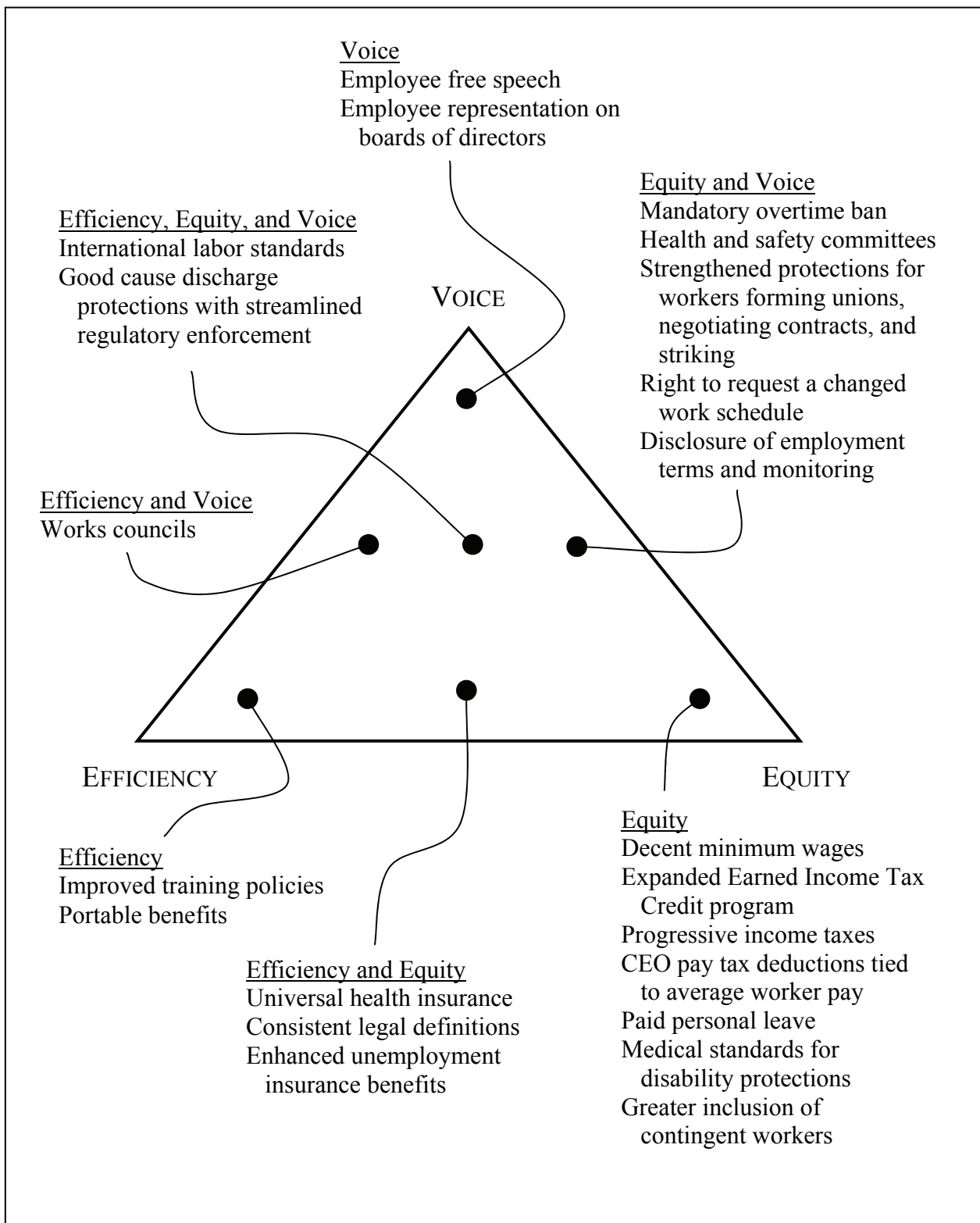
- Kaufman, Bruce E. (2005) "The Social Welfare Objectives and Ethical Principles of Industrial Relations," in John W. Budd and James G. Scoville, eds., *The Ethics of Human Resources and Industrial Relations* (Champaign, IL: Labor and Employment Relations Association): 23-59.
- Kelly, John (1998) *Rethinking Industrial Relations: Mobilization, Collectivism and Long Waves* (London: Routledge).
- Pocock, Barbara, and Natalie Skinner (2012) "Good Jobs, Bad Jobs and the Australian Experience," in Chris Warhurst et al., eds., *Are Bad Jobs Inevitable? Trends, Determinants and Responses to Job Quality in the Twenty-First Century* (Basingstoke, Hampshire: Palgrave Macmillan): 61-77.
- Rothausen, Teresa J. (2012) "Mapping Job-Related Well-Being: Fulfillment of Job Purpose and General Facets of Job Satisfaction," unpublished paper, University of St. Thomas.

Figure 1: An Aggregate Scorecard for U.S. Job Quality



Source: Adapted from Befort and Budd (2009)

Figure 2: Examples of Public Policies to Enhance Job Quality



Source: Befort and Budd (2009)