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Achieving Decent Work by Giving Employment a Human Face

John W. Budd

DIALOGUE

Paper No. 7

InFocus Programme on Social Dialogue,

Labour Law and Labour Administration

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Foreward

The International Labour Organization's (ILO) decent work agenda emphasizing freedom, equity, security, and dignity for all workers is difficult to achieve when public discourse is dominated by the liberal market economy focus on economic efficiency, competitive markets, and shareholder wealth. Inherent in this liberal market economy paradigm are visions of employment as a purely economic transaction and of workers as simply inputs into a production process. Achieving the ILO's decent work agenda requires giving employment a human face by re-conceptualising employment as also a social activity with psychological rewards undertaken by human beings in democratic societies.

I am grateful to the workshop participants at the European Foundation for the Improvement of Living and Working Conditions (Dublin), the Department of Trade and Industry Employee Relations seminar (London), the International Labour Office (Geneva), and the Canadian Industrial Relations Association meetings (Winnipeg) for thoughtful comments on presentations that grew into this paper.

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Preface

In this paper, Professor John W. Budd, Carlson School of Management, University of Minnesota, analyses "employment with a human face". This, as has been already emphasized, can be viewed as a classic statement of the first principles underlying the study and practice of modern human resources and industrial relations. As we all know, industrial relations can make an important contribution to good governance and push forward the ILO strategy of Decent Work for All. It has to be based on new forms and contents of social dialogue, on exploring new ways to strengthen competitiveness with social cohesion, on creating better prospects for employment and improving working and living conditions.

Societies are confronted with several challenges: globalization, regional integration, technological change, sound labour markets, demographic changes and new balances between family, work and education. These challenges are changing the role of the social actors involved in industrial relations as well as the problems addressed by them. In this regard, acknowledging the diversity of national patterns of industrial relations and human resources policies, Professor Budd identifies some common and main trends with a view to searching for a balance between industrial relations and social dialogue, especially by recognizing the role of industrial relations in managing change that can be enhanced by renewing the content and instruments available and by strengthening responsibility, responsiveness and representation of the social actors. In this sense, a new approach is emerging based on new practices leading to higher quality industrial relations and human resources policies. Professor Budd's clear articulation of efficiency, equity, and voice as the objectives that underlie modern human resources and industrial relations, accompanied by a strong ethical and empirical analysis of the challenges that we face in transforming our policies and practices, makes this paper a refreshing read for students, scholars and practitioners in the field of human resources and industrial relations.

Giuseppe Casale
Director a.i.
IFP/Dialogue
Geneva, October 2004

1. Introduction

Since its founding in 1919 at the conclusion of World War I, the International Labour Organization (ILO) has been the foremost international agency in the realm of work and an important advocate for workers' rights and standards. Against the backdrop of this longstanding mission, the turbulence of the global economy, and the changes in the contemporary employment relationship, the ILO has refocused its defining goal for the 21st century as achieving decent work: "The primary goal of the ILO today is to promote opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security, and human dignity" (ILO, 1999: 3). The key elements of achieving decent work revolve around four strategies—achieving fundamental workplace rights, creating better employment opportunities for all workers, providing for social protection, and creating social dialogue.

Each of these strategies are multi-pronged (ILO, 1999). Fulfilling the promise that "all those who work have rights at work" (ILO, 1999: 4) focuses on the ILO's Declaration on Fundamental Principles and Rights at Work (emphasizing non-discrimination and equality, the elimination of forced and child labour, and the protection of freedom of association and collective bargaining), the progressive elimination of child labour, and renewing the ILO Conventions on labour standards. Creating better employment opportunities involves using macroeconomic policies to promote employment, promoting productive practices in which workers and enterprises are able to adapt to technological and institutional changes, providing training, and creating equal access to improved jobs. Enhancing social protection requires extending the scale and scope of safety nets for individuals that face reduced employment opportunities because of unemployment, sickness or injury, old age, and other adverse events. Lastly, promoting social dialogue entails working with employers' associations, unions, civil society groups, and governments to create partnerships for addressing critical work-related issues through collective bargaining, consultation, and other cooperative methods.

To promote the realization of decent work, the ILO is refocusing its energies on these strategic initiatives. It sponsors workshops, initiates pilot programs, and publicizes success stories. Various reports, such as the annual follow-up reports to the ILO's Declaration on Fundamental Principles and Rights at Work (e.g., ILO, 2003, 2004), enumerate policies and practices for governments, employers, and unions to implement. These efforts are important, but fulfilment of decent work on a widespread basis also requires intellectual and analytical shifts in the conception and study of work. In short, employment needs to be conceptualised and appreciated as a fully human activity rather than as simply a productive activity.

The rhetoric of competitive markets and efficiency dominates national and international discourse. Social welfare is reduced to economic welfare (Osterman, et al., 2001) and justice is narrowed to marginal productivity justice—market-based outcomes are viewed as fair simply because they are produced by market exchange (McClelland, 1990). Policymaking at the national and international levels, including in the World Trade Organization, World Bank, and International Monetary Fund, is dominated by the promotion of economic prosperity and efficiency through free-market initiatives. To update an old saying, what's good for General Motors is seen as good for the world.

This mindset has critical implications for employment issues. The need for laws, regulations, labour unions, and other institutional checks and balances in the labour market is assumed away because competition among employers vying for workers is assumed to prevent companies from offering bad jobs (Friedman and Friedman, 1980). Free trade agreements therefore protect property rights, but not labour rights. Shareholder interests

trump the interests of workers and other stakeholders. Consumers are more important than workers. Debates over labour unions, minimum wage laws, paid family or sick leave, and international labour standards are reduced to debates over their effects on labour costs and competitiveness. In this environment, decent work is difficult to achieve—even for high-skilled employees whose labour market power is eroding with increased offshoring of skilled jobs.

Underlying the discourse that emphasizes efficiency and competitive markets is the conceptualisation of employment as simply an economic transaction and the view of work as just another input into the production process. Achieving decent work requires that the conceptualisation of employment be given a human face. Employment needs to be embraced as a social as well as economic activity with psychological as well as material rewards undertaken by human beings in democratic societies. Giving employment a human face will generate a richer intellectual perspective in which work is rooted in broader objectives than efficiency, and in which human rights and ethics as well as economics play central roles. Giving employment a human face in the conceptual domain will help foster the achievement of decent work in the practical domain.

2. Balancing the Objectives of the Employment Relationship

The starting point for scholarship on the employment relationship should be the objectives of this relationship (Budd, 2004). Because of the clear implications for competitiveness, economic development, jobs, and economic prosperity, the effective use of scarce resources (efficiency) is an important objective of the employment relationship. Contemporary discourse emphasizes the supremacy of competitive markets in promoting efficiency when supported by well-defined property rights, the freedom to enter into contracts, and protections against property damage and infringement. But even setting aside the controversial debates over the extent to which markets are competitive (Manning, 2003), a sole focus on efficiency 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 in democratic societies—so employees are entitled to fair treatment (equity) and opportunities to have input into decisions that affect their daily lives (voice). In other words, the objectives of the employment relationship are efficiency, equity, and voice (Budd, 2004).

Equity entails fairness in both the distribution of economic rewards (such as wages and benefits) and the administration of employment policies (such as non-discriminatory hiring and just cause discharge). Human resource management emphasizes fairness and distributive justice, especially to enhance organizational performance (Folger and Cropanzano, 1998). In contrast, 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, 1993). Equitable employment outcomes therefore include minimum standards—minimum wages, maximum hours, minimum safety standards, protections against arbitrary discharge and favouritism, and restrictions on child labour. 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). As such, equity is an important objective of the employment relationship in its own right even if it does not enhance organizational effectiveness.

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. Employee voice is an important part of human resource management efforts to improve competitiveness and quality via the creation of high performance work systems (Appelbaum and Batt, 1994). In contrast, 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). The ILO's emphasis on social dialogue is in this tradition that emphasizes collective voice. But the importance of individual voice should not be overlooked. Individual voice is rooted in theology and moral philosophy in which the fulfilment of human dignity requires self-determination. Like equity, voice—both collective and individual—is a critical objective of the employment relationship, even if it does not improve efficiency (Budd, 2004).

In addition to moving beyond the contemporary focus on efficiency, the trilogy of efficiency, equity, and voice also explicitly distinguishes between the instrumental dimension of equity and the intrinsic standard of voice (Budd, 2004). Equity is how employees are unilaterally treated—paid a fair wage, provided safe working conditions, and dealt with in a non-discriminatory fashion. In contrast, voice is not how one is treated and it is independent of distributional issues. Rather, voice is an activity workers engage in which cannot be accomplished unilaterally. Equity and voice can be pursued together (as in labour unions), but might also be achieved through different mechanisms (as in German-style industrywide or sectoral bargaining for equity and works councils for voice). Moreover, equity and voice can clash. Government regulations that mandate overtime payments (equity) might conflict with individual desires to have input into how they are compensated for working extra hours (voice). Centralized bargaining (equity) might clash with workgroup or individual responsiveness (voice). The sharpest conflicts, however, are between efficiency on the one hand, and equity and voice on the other.

When markets are not perfectly competitive and when workers are viewed as human rather than economic agents, the employment relationship is predicted to work better when the competing interests of employers and employers are balanced (Budd, Gomez, and Meltz, 2004). Equality between employers and employees promotes healthy rather than destructive competition and supports both freedom and optimal economic and social outcomes. When employers are too powerful, significant negative externalities can result—what Webb and Webb (1897: 766-767) called "industrial parasitism." Impoverished individuals cannot advance their education and become better workers and citizens (Krueger, 2003), desperate families turn to crime, labour disputes disrupt production, and low wages depress consumer purchasing power and prevent macroeconomic stabilization. As captured by the preamble to the ILO's Constitution: "Universal and lasting peace can be established only if it is based upon social justice" because when "conditions of labour exist involving such injustice hardship and privation to large numbers of people" then "the peace and harmony of the world are imperilled." In fact, across a broad spectrum of countries, there is a positive association between balanced income distributions and aggregate economic performance (Alesina and Rodrik, 1994; Persson and Tabellini, 1994).

In addition to the labour market, balance is also important in the workplace. High-performance work practices that balance employer and employee interests will be more successful, while those that do not will be more likely to fail (Delaney and Godard, 2001). In fact, the moderate adoption of high-performance work practices has been found to increase employee satisfaction, esteem, and commitment while extensive adoption reduces employee well-being because of higher levels of stress (Godard, 2001). More

fundamentally, "Human as distinguished from inanimate commodities require fairness, voice, security and work of consequence to make their maximum contributions to real efficiency" (Barbash, 1989: 116-117) while "An employer dedicated to the purest form of short-run profit maximization without any reference to the human element in the factors of production is likely to create a negative reaction that in the long run will impede the achievement of the desired efficiency" (Meltz, 1989: 110). As such, the employment relationship should balance efficiency, equity, and voice. Employment scholarship must therefore consider the human side of the employment relationship—equity and voice—in addition to issues pertaining to efficiency. This is an important building block not only for a richer understanding of the world of work, but also for achieving decent work.

3. Elevating the Importance of Ethics and Human Rights

Conceptualising employment with a human face rather than as a purely economic transaction elevates the importance of ethics and human rights in employment scholarship. The liberal market emphasis on market-based efficiency embraces a utilitarian ethical foundation— maximizing aggregate welfare and creating the "greatest good for the greatest number." Utilitarianism is a consequentialist moral theory: actions are judged simply by their consequences. The ends justify the means. Rights and virtues are irrelevant, distributive justice and minimum living standards are not a concern, and communities and relationships are only important so far as they increase aggregate welfare. Utilitarianism ignores the human face of employment.

Kantian ethics, in contrast, are based on the view that human beings are rational and therefore capable of self-determination and self-governance (Bowie, 1999). Everyone is therefore entitled to dignity and respect. Rawlsian distributive justice adds a concern with the distribution of outcomes to the Kantian standards of equality and freedom (Rawls, 1971). Aristotelian ethics emphasize virtues that bind individuals into society and create holistic, flourishing individuals and communities (Solomon, 1992). The ethics of care highlight the importance of special, interpersonal relationships such as with parents, children, neighbours, co-workers, or friends (Gilligan, 1982; Noddings, 1984).

It has been argued that "To later generations, much of the moral philosophy of the twentieth century will look like a struggle to escape from utilitarianism" (Korsgaard, 1996: 275, emphasis omitted). The same might be said of the ILO which has spent much of the twentieth century trying to move beyond utilitarianism by imbuing the employment relationship with a respect for human dignity and justice. Explicit incorporation of ethical scholarship in employment research and debates—that is, the recognition of the ethics of the employment relationship (Budd, 2004; Budd and Scoville, forthcoming)—therefore provides a rigorous framework for enhancing the ILO's work, and its attempts to achieve decent work. In fact, in contrast to the consequentialist ethical theory of utilitarianism, major ethical theories in the tradition of Kant, Rawls, and Aristotle all support the need for balancing efficiency, equity, and voice (Budd, 2004).

It bears noting that ethics is not only the normative evaluation of right and wrong, it is also the positive study of the underlying basis for decision-making (Solomon, 1992). Within the context of the parameters set by the external environment, specific actions result from choices made by individual employees, managers, union leaders, shareholders, and policymakers. One important influence on these choices is ethics. Kochan, Katz, and McKersie (1986) document the effect of managerial values that result in new investment being targeted away from unionised plants. This reflects a utilitarian ethical system, but researchers can also consider how outcomes may be similar or different under Kantian, Rawlsian, or Aristotelian beliefs. More generally, the extent to which ethical beliefs

determine employment relationship outcomes should be investigated as this is an important question for employment scholarship and for policy.

Conceptualizing employment with a human face rather than as a purely economic transaction can therefore elevate the importance of ethics in employment scholarship, and can do the same for human rights. The objectives of efficiency, equity, and voice are sometimes mutually-supporting (such as when employee voice increases productivity), but the challenging issue is what to do when they are in conflict. The drive for global competitiveness can negatively affect workers and communities through reduced employment opportunities, wage and benefit reductions, and plant closings. Equitable wage structures and seniority-based promotion and layoff policies might reduce managerial flexibility and efficiency. To resolve these conflicts, we need to ask whether certain goals are more important than others. At a fundamental level, this becomes a question of the competing human rights of property and labour: if the goals of labour and management conflict, what rights should each party have? Are certain rights more important than others?

The rights of business are primarily property rights. Property rights have traditionally been viewed as the foundation of freedom and liberty against coercive governments. But in the employment relationship, the modern emphasis on property rights stems from the promotion of efficiency not liberty. As they pertain to employment issues, therefore, property rights are not sacred or inviolable. In fact, the evolution of human rights thought has elevated second generation economic and social rights (which include equity and voice) to have equal status with first generation civil and political rights (which include property rights) (Lauren, 1998). As such, property rights no longer trump labour rights; rather, the appropriate goal is to seek a balance: between property rights and labour rights, and between efficiency, equity, and voice (Budd, 2004).

The ILO's decent work agenda is firmly rooted in human rights discourse, especially in the ILO's eight fundamental Conventions pertaining to freedom of association and collective bargaining, the abolition of forced labour, equal opportunity and pay, and the elimination of child labour which are "fundamental to the rights of human beings at work," as well as in the ILO's Declaration of Philadelphia (1944) affirming that

> All human beings, irrespective of race, creed or sex, have the right to pursue both their material well-being and their spiritual development in conditions of freedom and dignity, of economic security and equal opportunity.

By increasing the importance of human rights scholarship in employment research (e.g., Adams, 2001; Gross, 1999, 2003; Santoro, 2000), giving employment a human face can bolster the ILO's decent work agenda.

4. An Analytical Framework

Research on the employment relationship is largely guided by the employment relationship objectives that are viewed as important. Research in economics and human resource management that focuses exclusively on whether outcomes are efficient, or whether practices and institutions improve productivity, embodies a normative judgment that efficiency concerns dominate other objectives. Giving employment a human face and recognizing an equal importance of equity and voice with efficiency implies the need for a broader research agenda. Industrial relations already recognizes this broader agenda, but rooting this breadth more carefully in the objectives of the employment relationship can help legitimatise it more widely.

One central aspect of the study of employment therefore should be the analysis of the contributions of individuals, markets, institutions, organizational strategies, and public policies toward the employment relationship objectives of efficiency, equity, and voice. As an example, Figure 1 summarizes the extent to which mechanisms for governing the global workplace fulfil these objectives (see Budd, 2004, for more details). Free trade, whether through the World Trade Organization or regional arrangements, emphasizes efficiency. Fair trade proponents object to this singular focus and instead advocate for the inclusion of equity and/or voice as important goals. Corporate codes of conduct and international labour standards therefore attempt to augment efficiency with the provision of minimum standards (equity). These two mechanisms can also lay a foundation for employee voice through the promotion of the freedom of association, but by themselves, they do not provide voice. Institutions for providing employee voice in the international arena include transnational European Works Councils and transnational labour union activity.

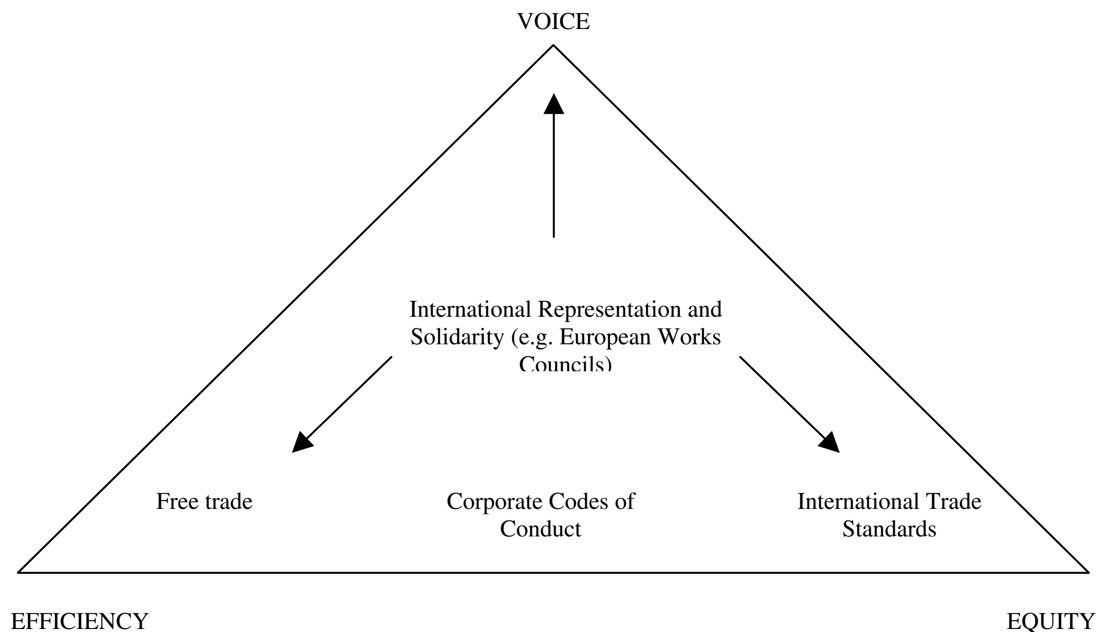

Figure 1: Analysing Global Employment Systems

Where each of these voice mechanisms are located in Figure 1 depends on the details of each situation. The rationale for the European Works Council directive is to enhance employees' rights to consultation and information as it pertains to their company and employment situation. The consultation mechanism provides employee voice, albeit weakly because there is no right to bargain. Moreover, consultation is restricted to narrow issues such as new working methods. The directive also asserts the belief that "harmonious" development of economic activities will be fostered by informing and consulting with employees. As such, European Works Councils have voice and efficiency components, but no redistributive or equity function. Other examples of transnational labour solidarity are intended to boost labour's bargaining power and therefore deliver greater levels of equity and voice for employees in multinational corporations (Turner, Katz, and Hurd, 2001).

As summarized by Figure 2, elements of comparative industrial relations systems can also be usefully analyzed against the degree to which they provide efficiency and/or equity and/or voice (see Budd, 2004, for more details). There seems to be little debate that efficiency is well-served in Japanese-style enterprise unionism as it is congruent with other dimensions of human resource management strategies such as lifetime employment,

company loyalty, and worker participation. Critiques of the Japanese system of enterprise unionism on the basis of impairing efficiency or quality are therefore rare. However, the extent to which equity is fulfilled is questionable. Responsiveness to firm profitability and the lack of inter-firm labour solidarity undermine the establishment of minimum work standards (Kawanishi, 1992). Moreover, the exclusion of large numbers of non-core employees within the enterprise is not consistent with the provision of equity. Evaluating the ability of enterprise unions to provide employee voice is more difficult. The extent of employee involvement and joint consultation provides employee input into a wide range of topics and enterprise unions are legally distinct from the companies and have the right to strike to back up the exercise of employee voice. On the other hand, the extent to which consultation over managerial topics is voluntary and to which enterprise unions are dependent on a single company potentially detracts from the legitimacy of employee voice in this system.

In contrast, European-style sectoral bargaining best serves the equity dimension of the employment relationship objectives. Because of extension procedures, contract coverage can be very high—often over 80 percent and sometimes over 90 percent of the workforce—even if union membership is low. Moreover, these contracts provide uniform, minimum standards for a range of employment terms and conditions. Thus, equity is well-served. The voice standard is fulfilled to some degree because terms and conditions of employment are being established through collective bargaining, not unilateral management action. But this fulfilment is limited because collective bargaining is very centralized and largely removed from rank and file participation (for example, contract ratification votes are rare). Lastly, sectoral bargaining is consistent with efficiency when stability is valued, but contemporary corporate industrial relations strategies emphasize decentralized relationships to enhance competitiveness and efficiency (Katz and Darbishire, 2000). As such, sectoral bargaining serves efficiency and voice to a limited degree, but is weighted towards equity in Figure 2.

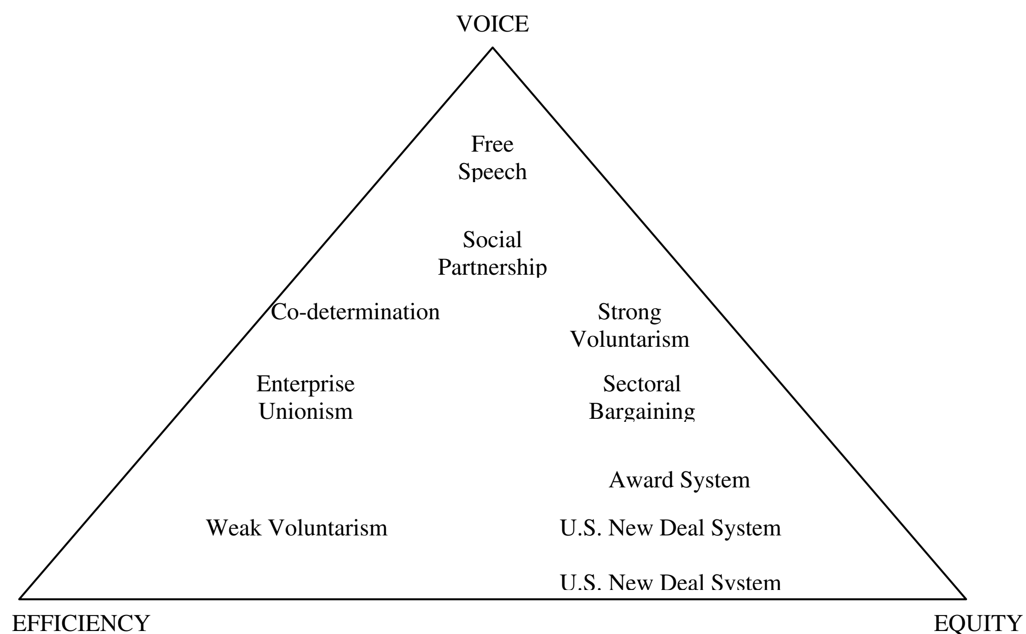

Figure 2: Analysing Comparative Industrial Relations Systems

Or consider voluntarism. In a voluntaristic industrial relations system, the balance between efficiency, equity, and voice depends on the vagaries of markets and public policies. When labour markets are tight, as in Britain in the 1960s, labour has sufficient

power to compel a richer standard of equity and voice ("strong voluntarism" in Figure 2). But this leads to concerns with efficiency, as illustrated by the reform agenda of the Conservative government targeting union power as a perceived roadblock to efficiency and competitiveness (Towers, 1997). When labour markets are loose, as in Britain and New Zealand in the 1980s and 1990s, the evidence suggests that employers' leverage translates, as expected, into domination of efficiency over equity and voice ("weak voluntarism" in Figure 2). To wit, in a weak British labour market, the Japanese auto plants in Britain conceded union recognition on the conditions that broad managerial prerogatives remain in management's unilateral control, that wages and terms and conditions of employment will be established not through bargaining, but through a joint employee-management company council in which the union has no formal role, and that strikes are not be allowed. Katz and Darbishire (2000, 97) label this "quasi-nonunionism."

Other examples are also presented in Figure 2 (see Budd, 2004), but note carefully that the purpose here is not to provide a convincing case that Figure 2 contains the correct evaluations of these elements. Rather, the intent is to demonstrate the usefulness of this analytical framework. Disagreements with the placement of any element in Figure 2, in fact, reinforce the usefulness of this framework.

The study of work also cannot be divorced from different theoretical perspectives on how to best achieve the objectives of the employment relationship (Budd, 2004, 2005; Kaufman, 2004). Neoclassical economics embraces free markets and perfect competition as the route for maximizing efficiency and narrowly-conceived visions of equity (marginal productivity justice) and voice (free entry and exit into and out of economic relationships, including employment) (Troy, 1999). Unions and other institutional interventions are viewed as negative interferences with free markets (Reynolds, 1996).

Giving employment a conceptual human face opens up broader models of the employment relationship in which labour is not treated simply as a commodity or factor of production. Human resource management embraces the unitarist belief that effective management policies can align the interests of employees and employers and thereby remove conflicts of interest. Unions and government regulation are thus seen as either unnecessary or intrusive because decent work is consistent with corporate self-interest. Pluralist industrial relations ascribes to the pluralist belief in an inherent conflict of interest in the employment relationship so that reliance on managerial policies to look out for workers' interests is unwise. Paired with a belief that markets are not perfectly competitive (Manning, 2003), the industrial relations school sees a productive role for unions, government regulation, and other institutions in promoting a balance between efficiency, equity, and voice (Budd, 2004; Budd, Gomez, and Meltz, 2004). Lastly, Marxist or critical industrial relations views employment relationship conflict as class-based or social rather than limited to either a pluralist or unitarist view of conflict confined to the employment relationship (Hyman, 1975; Kelly, 1998). Strong labour unions and worker solidarity are therefore seen as necessary for challenging managerial dominance in the workplace and in society.

These schools of thought on the employment relationship are distinguished on the basis of their views of employment conflict—unitarist, pluralist, or class-based. But they all reject the neoclassical economics conception of "economic man" or "homo economicus" in which individuals are modelled as mechanistic, self-interested, utility-maximizers. Rather, human agents in the tradition of the behavioural sciences are believed to have concern for fairness, justice, equity, voice, others, and social norms. Both extrinsic and intrinsic rewards from working are important motivators of employment-related behaviours (Kanfer, 1992). Attitudes, moods, and emotions can affect workplace behaviours. Social identity determines whether a worker will seek to redress perceived workplace injustices individually or collectively (Kelly, 1998). Beyond neoclassical economic thought, therefore, models of the human agent specify a richer set of human

needs and wants—whether biological, psychological, or social (Kaufman, 1999). This richness emphasizes the need to conceptualise work as a fully human activity (Budd, 2004). Giving decision-makers a human face in analytical models of workers is another element of conceptualising employment with a human face.

In sum, reducing the employment relationship to a purely economic transaction in a world of perfect competition yields research on the nature of work very different from that rooted in a broader vision of the employment relationship as a fully human activity in a world of imperfect competition. A careful examination of the objectives of the employment relationship creates this broader vision, and therefore sets the stage for robust analyses of the nature of work. More robust analyses, in turn, can help promote decent work.

5. Achieving Decent Work

The goal of national and international public polices should be to design employment systems and shape institutions to promote a balance between efficiency, equity, and voice (Budd, 2004). The liberal market economy paradigm does not fare so well against this goal (see Figure 3).

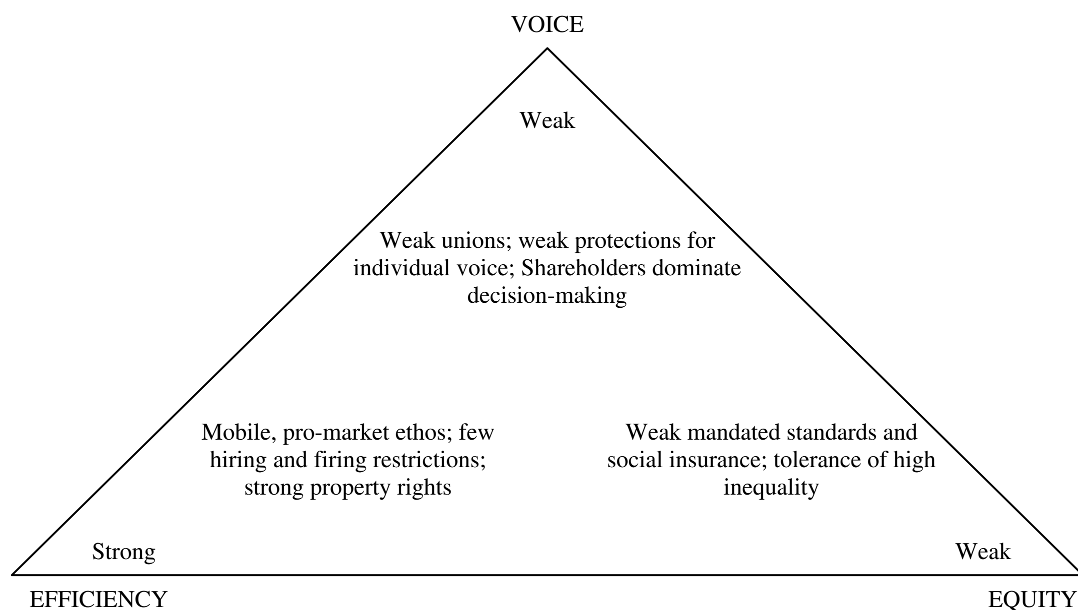

Figure 3: Efficiency, Equity and Voice in the Liberal Market Economy

This paradigm performs strongly on the efficiency dimension with its protection of property rights and its hostility towards labour market interventions. This hostility undermines the achievement of equity. Mandated labour standards are weak, social safety nets have many holes, and high levels of inequality are tolerated. Consider in particular the United States. Even though household income grew in the late 1990s (partly due to increased working hours), it grew much slower than between 1947 and 1973 and grew slowest for those in the bottom half of the income distribution. Similarly, while inequality slowed in the 1990s relative to the 1980s, it still increased. The median corporate chief executive officer earns more than 100 times the average worker's earnings, which represents a five-fold increase since 1962. Poverty rates for minority groups are more than twice as high as for whites. Nearly half of all stocks are held by one percent of

stockholders; more than one-third of U.S. household wealth is owned by one percent of households (Mishel, Bernstein, and Boushey, 2003). Approximately 40 million Americans do not have health insurance (Economic Report of the President, 2001). On a global scale, the benefits of globalisation are quite uneven (World Commission on the Social Dimension of Globalization, 2004).

The liberal market economy paradigm is also weak in the provision of employee voice. Unions are on the defensive and declining nearly worldwide. Workers around the globe face a variety of barriers to unionisation and workplace voice (ILO, 2004). Freeman and Rogers' (1999, 48) survey of over 2,000 U.S. employees revealed that 55 percent of respondents said that "it is very important to have a lot of influence" over workplace issues such as benefits, training, departmental goals, safety standards, and how to do one's job while 53 percent indicated that they had less influence over or involvement in workplace decision-making than they desired. Some people preferred individual voice and some collective, and respondents differed over independent representation versus joint labour-management committees, but the unfulfilled demand for workplace voice is clear. Moreover, drawing on several surveys, Freeman and Rogers (1993, 1999) find that approximately one-third of nonunion U.S. workers would like a union in their workplace (see also, Lipset et al., 2004). This is often referred to as a representation gap: employees say that they want more representation in the workplace than they have. The existence of a representation gap equates to inadequate provision of workplace voice in the liberal market economy. Workplace free speech provisions are typically lacking as well. In the United States, an employee was fired—legally according to the Nevada Supreme Court—by his employer for saying that "blacks have rights too."

This evaluation of the liberal market economy paradigm—strong on efficiency, weak on equity and voice—is not problematic when employment is conceptualised simply as an economic transaction and workers are seen as just inputs into the production process. But this evaluation is in stark contrast to the goals of the ILO's decent work agenda. Achieving decent work requires moving beyond the liberal market economy conceptualisation of work by embracing the human element of employment. Giving employment a human face will generate a richer intellectual perspective in which work is rooted in broader objectives than efficiency, and in which human rights and ethics are important analytical and normative tools.

This richer perspective forces the explicit discussion of the objectives of the employment relationship and the alternatives for their achievement. This approach seeks to move beyond traditional discourse in which free markets on the one hand, or labour unions on the other, are seen as self-evidently good. Should we be troubled by the decline in union density, the increase in income inequality, or a lack of true participation or democracy in some employee involvement initiatives? These questions can only be answered against standards for the objectives of the employment relationship. These standards are balancing efficiency, equity, and voice and balancing the conflicting human rights of property rights and labour rights. We should be troubled by the decline in union density, for example, if it causes greater imbalances between efficiency, equity, and voice. This is the basis for reasoned policy debates and for determining appropriate strategies for realizing decent work. Only with standards for the objectives of the employment relationship can researchers, practitioners, and policymakers craft institutions, policies, and practices that achieve the desired objectives.

Standards that embrace the human element of employment can also help foster the achievement of decent work by broadening the support for this agenda among groups whose primary focus is not the employment relationship. Through papal encyclicals such as Pope Leo XIII's famous encyclical Rerum Novarum ("On the Condition of Workers," 1891) and Pope John Paul II's Centesimus Annus ("The Hundredth Year," 1991), the Catholic Church emphasizes the human aspect of work. In fact, major philosophical and

spiritual traditions from all corners of the globe—from Catholic to Protestant, from Jewish to Islamic, from Buddhist to Confucian, from Hindu to Humanist, from Aristotelian to Kantian—all support the need for decent work not because of a common interest in collective bargaining (for example), but because of the fundamental importance of respecting human dignity (Budd, 2004; Peccoud, 2004). Labour unions have forged successful alliances with churches, immigrant rights groups, environmentalists, and other advocacy organizations in recent years, but the basis for creating stronger bonds with these groups is not through the narrow promotion of specific processes or institutions, it is through embracing common visions of the human nature of work and of globalisation.

In conclusion, only when work is viewed as a fully human activity will the human element be incorporated into employment scholarship and into other discussions of work. By glossing over the human component of employment, for example, the U.S. media frequently portrays labour issues through the eyes of consumers rather than workers (Martin, 2004). This portrayal reinforces the importance of efficiency over other goals—as does the emphasis on free trade in the international policymaking arena and its underlying conceptualisation of workers as factors of production—and undermines the importance and fulfilment of the ILO’s decent work agenda. Giving employment a human face will help advance a broader discourse on the nature and goals of work, and thereby help achieve decent work.

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