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15.676 Work, Employment, and Industrial Relations Theory
Spring 2008

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15.676 Notes
Class 2:
Spring 2008

Goals

1. Trace evolution of the field in the context of the changing social/econ/pol envs.
2. Discuss what's distinctive about IR Theory: What should carry over? What needs to change as we move forward?

Two questions for consideration as we walk through the history of ideas in this field:

1. Are we in a period parallel to the early years of our field, i.e., the pre New Deal period when the shift from an agrarian to an industrial economy and the expansion of markets from local to national scope produced a situation where the economy and workforce were changing while institutions failed to keep up?
2. If so, what does this imply for the next generation of theory, research, and policy analysis?

I. Enduring Features of IR (Work and Employment Relations)

- Problem based—focus on the phenomenon of concern not disciplinary theory
- Broad Definition of the field: Study of people at work
- Use of theories and methods of multiple disciplines—econ, history, beh sci, law...
- Differentiated from more recent econ-sociology—more phenomenon and problem based, evolutionary—historical, and institutional in the old sense of that term
- Defining feature: normative perspective—debates among Marxists, neo-classical economists, pluralists, and unitarists.

II. Origins: latter half of 19th Century: Context: Industrializing conditions in Europe & Britain

- Karl Marx
 - Labor as more than a commodity
 - Fundamental conflict of interest at work
 - Source of conflict: labor vs capital; embedded in the nature of the capitalist system
 - Solution: overthrow of the capitalism so labor owns the means of production

- Differences with Lenin and others over who leads revolution; whether the seeds of destruction are woven into capitalism (i.e., it will self destruct as profits decline and worker exploitation increases, Marx's view) or must be led by intellectuals (Lenin's view)
- The Webbs:
 - Fabian Socialism—evolutionary model; unions and collective bargaining would help evolve to a socialist society in which community interests would become predominant
 - First theory of trade unionism
 - Beatrice Webb's study of poor working conditions in British factories generated the hypothesis that workers inherently are in a weaker bargaining power position with employers.
- John R. Commons legacy 1904-1930s—pre U.S. pre-New Deal
 - An early institutional labor economist in the “old” institutionalist sense of the term
 - Institutions defined: norms, structures, policies, etc. that mediate between the effects of market or technical forces and outcomes.
 - Richard Ely, early founder of Am. Econ. Association (1886) in revolt against overly deductive classical economics
 - Institutional research: inductive; field based (theorizing from what is observed in practice)
 - Deep understanding of the context—description of the institutions
 - Focus on where and by whom decisions are made; recognized many decisions/actions taken collectively rather than by autonomous individuals
 - Intellectual father of the New Deal
 - Broad public policy—societal focus—not firm centric or labor centric
 - Multiple tools—management policy (HRM), unions and coll barg; gov policy, market forces
 - Pragmatic—involved in the policy world—our field holds the highest esteem those who move between world of ideas/research/theory and the world of action—policy and practice—1912 – 1915 Industrial Relations Commission
 - Provided basis for pluralist normative assumptions about employment relationships
 - Conflict of interests between workers and employers a natural and enduring phenomenon
 - Conflict not limited to capitalism; inherent in the structure of employment
 - Not universal—mixed motive; some conflicting and some shared interests
 - Requires periodic resolution (negotiations)

III.. IR from 1930s-70s: Context: post New Deal—task was defined as: Make the institutions and policies work for the benefit of society and to achieve labor peace (effective collective bargaining and orderly development of personnel management)

- War Labor Board's major imprint—making collective bargaining work and generated the cadre of post WWII scholars/practitioners—Taylor, Kerr, Dunlop, Myers, Harbison, Cole, Derber,...many others
- Collective bargaining became focus of study (for better and for worse—ends up too narrow
 - My 1980 Coll. Barg & IR book is the pinnacle of this work—the last calm (reliance on cross sectional variation in search of explanatory models...) before the storm of change that comes in the 1980s
- Internal Labor Market Theory in 50s and 60s—Kerr, Dunlop, Doeringer, Piore, Osterman...and then the sociological school of ILM theory..

IV. 1980s-early 90s: Transformation of IR: Context: Fundamental changes in economic, political environment and power relationships within corporations

- Period of fundamental changes in practices (and policy/ideology) that throws our cross sectional explanations into disarray—we used the “anomaly” concept from Kuhn to point out how badly our inherited models and ideas missed what was occurring around us
- Our work added (tried to) a more dynamic and contingent (strategic choice) component, sought to bring HR and IR practices together—focused on both union and non union settings; broadened the scope of practice to stress importance of workplace and strategic levels of the firm along with functional (coll barg and HR) levels of activity—focused on interrelationships
- Led to and helped start/motivate era of empirical research on effects of workplace practices on performance outcomes—era of HPWO research...
- Argued for equally fundamental changes in public policy needed if a true transformation was to continue and to diffuse—didn't occur so our Scenario 1 prediction—further decline of the system—prevailed

V. Current Period: Back to pre-New Deal era?? Shift from national, industrial to global, knowledge-based economy and from a male breadwinner to a diverse workforce with work-family integration/balance as a central challenge?

- NLRA model outdated, incremental fixes or adjustments won't have much effect
- Labor movement split is the final signal of the decline—perhaps before the turning point???? Who knows—it will take a much more fundamental change in strategy of labor for a turnaround
- All IR/Work and Employment institutions are in disarray and need of change—dramatic decline in labor standards and conditions in the U.S. is a signal of the failure of our institutions
- HRM practitioners losing influence in corporations (lack of external pressure of unions, government, labor markets...)

- Basic problem—back to Commons’s key theoretical proposition—can’t take labor (wages) out of competition and therefore we see a degradation of labor standards.

So, back to the future—we once again need a major overhaul of institutions and public policy and new strategies from the key actors. Task of research in our field is to provide the theoretical and empirical evidence that provides the intellectual foundations for a new set of public policies, institutions, and relationships/processes at work and in employment relations—just like Commons and his students circa 1900-1930.

Questions for Discussion as we explore the readings in more depth:

1. Are the normative premises underlying IR theory still a relevant/appropriate foundation on which to build positive theories of work & employment relations?
2. Does the efficiency-equity-voice framework provide a useful anchoring for theory in our field or is it too narrow?
3. How do we build on Budd’s introduction of philosophy into our theorizing and research?
 - a. Property rights versus human and labor rights?
 - b. Metaphor of a breakdown in the social contract at work?
4. Can the differences in the normative premises or starting points among the following different schools of IR be reconciled or are they simply irreconcilable or competing starting points for theorizing?
 - a. Marxist/labor process (Marx- Hyman)
 - b. Pluralist (Commons- Barbash- Dunlop-KKM,- Budd)
 - c. Neo-classical economics: (Stigler-Friedman-Lazear)
 - d. HRM (Mayo-McGregor-?)