

SOCIAL PARTNERSHIP: AN ORGANIZING CONCEPT FOR INDUSTRIAL RELATIONS REFORM

Lowell Turner
School of Industrial and Labor Relations
Cornell University

In this era of globalization and intensified world market competition, once stable relationships involving firms, unions and government have come under pressure everywhere. Here in the United States, a crisis of economic competitiveness, industrial relations instability, and union decline has generated a new openness to reform efforts, including a widespread willingness to learn from the successful practices of both domestic innovators and foreign competitors. Employers, for example, have increasingly moved to adopt "lean" and high-quality-oriented forms of organization as well as new participatory programs for employees. Unions have shown increasing interest in getting involved and providing input into the establishment and operation of such innovations. A new government wants to reform labor law to facilitate workplace change and labor-management cooperation. We still lack, however, broad concepts to inform a package of meaningful industrial relations and labor law reform. In this paper, I argue that social partnership, borrowed from the European Community, Germany, and numerous other societies, if adapted to particular American circumstances, is an ideal concept around which to organize and synthesize industrial relations reform in the United States.

Social partnership is an organizing concept for a range of practices based on labor-management negotiation and collaboration, for the good of the economy, firm and workforce. The essential contemporary relevance of this approach is that we are all in this together; in today's turbulent markets, managers and employees will sink or swim together. This is not, however, one vague, utopian happy family. Firms, like societies, contain contrasting interests; these interests need to be organized and recognized so that realistic negotiation between social partners can succeed. In much of Europe, for example, managers and employer associations represent the firm; works councils and unions represent the workforce. For the U.S., application

of this concept requires labor law reform to encourage both official recognition of workforce representatives and social-partnership-style negotiations and outcomes.

We do not need minor labor law reforms that nibble around the edges of our own system, in the name of accepting political realities or preserving our distinctive American system. This system no longer works well, because the world has changed. We need substantial reform based on new concepts that reflect new product and labor market realities: intensified world market competition and pervasive non-unionism in the United States. The social partnership conceptual framework can pull together substantial reform into a politically viable package. Social partnership makes possible labor law reform that will increase the morale, commitment and participation of American workers in their own workplaces, raise skill levels, productivity, and flexibility to increase the competitiveness of American firms in world markets, and contribute to a revitalization of the U.S. labor movement.

Many have given up on the future of unions in the United States. For those of us who have not, it is clear that American industrial relations must change in two important ways. First, there must be major new organizing efforts that draw on the lessons of successful campaigns by unions such as the SEIU, supported by legal reform that levels the playing field for union proponents (Friedman and Prosten 1993; Bronfenbrenner 1993). Second, American workers and unions must have increased capacity to participate in a proactive and constructive way in management decision-making processes (Marshall 1987; Cohen-Rosenthal and Burton 1987; Weiler 1990; Turner 1991). New organizing is necessary to revitalize the labor movement and reverse its long-term decline; increased worker participation is necessary to overcome the primarily adversarial relationship between labor and management that has launched American employers on a long-term, anti-union trajectory and that has denied workers and their unions full input into the many ways in which work is being reorganized.

THE ELEMENTS OF SUCCESSFUL SOCIAL PARTNERSHIP

There are four critical elements of social partnership.

Mutual Recognition

Mutual acceptance and recognition are based on the notion that there are contrasting although overlapping interests in the workplace that need to be identified for purposes of

discussion, negotiation, conflict resolution, and where possible, consensus building. No other advanced industrial society has the kind of bitterly adversarial campaigns for and against union recognition that we have in the U.S. While there are good historical reasons why we have done things this way, and while progressive New Deal legislation was necessary to make these battles as fair as possible, world market circumstances demand that we move on. Not only are such battles costly, they can and often do permanently damage the prospects for a constructive relationship between labor and management, no matter who wins the NLRB election.

From large countries such as Japan and Germany to smaller countries such as Austria, Denmark and Belgium, societies with much higher rates of unionization than found in the U.S. have done well on world markets (in the above sample, union density ranges from the 20-30% level (Japan) to the 60-80% level (Austria and Denmark)).¹ In these societies, unions are not required to wage costly and adversarial campaigns for recognition, nor do employers put major effort into opposing union membership among their workforces.

We need labor law reform that will not simply level the playing field for unions and managements (although that is important), but encourage mutual recognition and acceptance as well. Labor law should be reformed around the new concept: it is government policy to encourage relations of partnership between labor and management. Unions operating in this framework conceive of themselves both as organizations to advocate member interests and as proactive negotiating partners working for the interests of the company's market success. Employees should, therefore, be encouraged to join unions; certification elections should be greatly speeded up and facilitated, at best through 50% card check recognition. Employers are encouraged as a matter of public policy not to wage antagonistic and demoralizing campaigns against social-partnership unions. Penalties for unfair labor practices such as illegal firings of union activists should be greatly stiffened.

The intent of this set of policies would be to spread social-partnership industrial relations and collective bargaining throughout the economy. A government elected with strong support from organized labor should be willing to go on record for labor law reform that encourages increasing union membership density, within a social partnership framework.

Participation

The new wisdom in the U.S. is that employees and their representatives have much to offer in a proactive way to company practices, from strategic decisions to shopfloor practices. We hear calls for enhanced participation, employee input, commitment from corporate and union headquarters, and, now, interest and concern on the part of the highest offices of government. At countless conferences, large and small, we have heard testimonials about successful cases of participation: Saturn, NUMMI, Xerox, AT&T, and many others. We know now that participation can work, and that participatory relationships between employees and their employers, and between unions and management, are particularly suited to the requirements of flexibility, innovation and quality in today's demanding market circumstances (Eaton and Voos 1992; Marshall 1992; Belzer 1993).

But participation will remain ad hoc, dependent on personal relationships, or confined to particular innovative firms, unless it is anchored in society-wide institutions. When power-sharing is involved, internal barriers to innovation are often insurmountable, even if the idea makes supreme market sense. When such innovation fails (as it all too often does), this can be viewed as a case of market failure that requires a corrective, external push. Employees in the United States and elsewhere, therefore, need formal rights and structures to guarantee their integration in company decision-making, which in turn can have a salutary effect on the smooth implementation of new company policies to reorganize and restructure (Weiler 1990; Adams 1992).

Works councils are the critical vehicle for employee participation in firm decision-making in Germany, Denmark, the Netherlands, Belgium, Luxembourg, and elsewhere. We need an American version based on new legislation requiring Employee Participation Councils (EPCs) in workplaces of more than 50 employees, elected by the entire workforce, hourly and salaried, in union and non-union workplaces alike, to guarantee employee information, consultation, and participation rights.

This is a new idea for the United States, but an idea whose time is approaching. There has been a recent flurry of interest in such proposals from labor scholars such as Weiler (1990), Kochan (1992), and Freeman and Rogers (1993). This may not be an idea that will win

widespread acceptance right away in either business or labor circles -- there is understandable resistance to such far-reaching reform -- but the conversation needs to begin.

If well designed and legally supported, EPCs would bring a new measure of regularized participation into American workplaces at low cost and low risk. Consider the advantages for the various parties. For companies, costly and often inconclusive internal management debates concerning where to start in changing decades-old adversarial relations and habits (on the part of both managers and workers) could be partially resolved. There would be a common starting point in every firm: an EPC empowered to share information with management, to discuss and negotiate the terms of internal reforms in work organization and personnel policy, and to help smooth the implementation of innovation. High-level executives, who often favor new relations of cooperation, trust, and participation, but see well-meaning programs undone at middle levels of the organization, would have a mandated structure to insist upon and monitor. Middle managers, who fear displacement of authority in cooperative programs such as Employee Involvement and Total Quality Management, would have a protected and clearly designated partner for discussion and negotiation, as well an important ally for implementation efforts.

While EPC costs would be paid for by the firm, these costs would be low in relation to the potential gain. Firms incur substantial expense in order to communicate programs and policy changes to the workforce, respond to negative reactions and effects, scrap failed programs, and develop yet another round of new programs and policies. The regularization of such information channels and considered approval of innovation through the EPC would go a long way toward justifying the cost of regular council meetings. Since changes in business strategy, personnel and human resource policy, and production organization would all benefit at the outset from blue- and white-collar employee input through the council, smooth innovation could make the small investment in EPC costs a big winner for firms that approach the new institution in a positive and proactive way.

For employees, EPCs would bring to the workplace a regularized mechanism for participation by means of elected representatives. Unlike many management participation schemes that appear to come from on high and are widely distrusted (and half-heartedly implemented if not ignored or sabotaged), the position of the EPC would have legitimacy. If their constituents so desired, councillors could help design and implement broader participatory

processes to include all employees. In nonunion workplaces, employees would have new structures of representation to ensure that their voices are heard, their needs considered, and their potential contribution to company decision making not overlooked. In union workplaces, employees would have an additional structure of representation beyond collective bargaining to make their voices heard in traditional areas of "managerial prerogative" that have a direct bearing on the quality of their working lives.

For unions, EPCs would offer little or no threat, and they might provide considerable opportunity. As in most other countries that have works councils of one kind or another, EPCs would be expressly enjoined from activities in the traditional union domain such as collective bargaining for wages.² In union workplaces, local unions could run slates of candidates for EPC positions to achieve for the workforce and union an added measure of constructive voice in personnel and work organization decisions. The experience from countries with strong and weak works councils alike is that union members typically do very well in council elections.³ EPCs can serve to integrate local unions into company decision-making, in relations of social partnership, to revitalize the capacity of local unions to provide an independent voice for the workforce.

The evidence from Europe is that works councils on the whole, far from undermining union influence, have bolstered the union position within the workplace, firm, and society (for Germany, see Streeck 1984; Thelen 1991; and Turner 1991; for other countries, see Ferner and Hyman 1992).⁴ It is for this reason that labor movements once opposed to works councils (viewed as class collaborationist and undermining union influence) have become strong proponents, as in Italy, Britain, and Ireland. The European Trade Union Confederation is actively promoting the spread of cross-national Euro-works councils at firms throughout the European Community (Turner 1993). In Great Britain, the last European labor holdout against works councils, union research centers are studying the possible application of works councils to British industrial relations even as the Trades Union Congress has taken a position in favor of Euro-works councils at European multinational companies.⁵

At non-union workplaces, it is unlikely that EPCs would serve as a major new barrier against union efforts to organize. In any case, unions are making few inroads into unorganized territory at the present time. By offering their services and advice to the councils (on questions

such as work organization, personnel policy, and participation programs), unions could find their prospects enhanced. As union organizing drives take on a social partnership dimension, pro-union employees could make the legitimate claim that unionization would bolster the independence and proactive capacities of the established EPC.

As much as possible, council efforts should be concentrated at the plant level to ensure meaningful and direct participation. Yet, participation at the firm level is obviously important as well so that employees become involved in the company's strategic decision making. For firms with 50 or more employees scattered among small workplaces, there should be a cross-plant EPC. For firms with multiple workplaces each consisting of 50 or more employees, there should be councils at each plant as well as one general council (composed of delegates from the plant councils) to ensure employee participation in the firm's long-range planning.

Works council rules and structures vary so much from one country to the next that this new institution need not be viewed as a foreign import. Rather the EPC can accurately be conceived of as a consolidation and systematization of the recent waves of participatory innovation in American workplaces, union and non-union alike (Eaton and Voos 1992; Kochan, Katz and McKersie 1993).

Vocational Training

It has become a matter of conventional wisdom that we need to raise skill levels throughout our working population, and that this is now an important matter of public policy (Reich 1991). Yet once again we face the danger of ad hoc and piecemeal reform in the face of market failure to provide the necessary incentives and protections for widespread, nationwide vocational training. Rather, we need comprehensive vocational training reform based on generalized incentives and facilitating structures -- just as we do for labor relations reform. In fact, the two are closely related and should be conceived of together as part of the new package of social partnership relations. Such linkages have worked well in other countries, just as they have worked well in the past in American industries such as construction.

Germany is often cited as a society that has mobilized high skills in its working population. It is widely recognized that German industrial success over the past thirty years is based upon an extensive system of vocational training in which up to two-thirds of young

Germans complete three-year apprenticeships in a wide variety of service, technical, and industrial occupations. Critical to the success of this system in Germany is the active participation and leadership of employers and employer associations as well as unions and works councils, thereby helping to ensure that skills training reflects the most advanced needs of the shopfloor and office (Lynch 1993; Berg 1994a and 1994b). Costs are widely shared as employer association and government-sponsored incentives encourage the participation in this massive training effort of virtually all large and medium-sized firms, and many small firms as well. Unions and works councils facilitate implementation by proactive participation in training programs and by demanding a steady stream of new apprentice hiring. Firms use their apprenticeship programs to develop and keep the best available potential talent.⁶

Because of the condition of contemporary world markets, the United States needs a nationwide system of vocational training, with the joint participation of industry, labor and government at national and local levels, to ensure that training is linked to innovative work organization.⁷ Labor law should be reformed to encourage broad training and retraining as a fundamental and universal element of industrial relations. Joint and regularized participation in widespread training efforts is one central task upon which the social partners can cooperate. If the economy of the United States needs to move toward both labor-management partnership and a more highly skilled workforce, it makes sense to link the two developments closely in a mutually reinforcing framework of reformed labor law.

Institutional Infrastructure

Most important, perhaps, is the recognition that all of these concepts and the implementing policies associated with them need to be integrated into an interlocking institutional infrastructure. These approaches work because they are closely related to each other. If we decide, for example, to increase federal funding and incentives for vocational education, this is unlikely to improve the competitiveness of American companies unless employers and unions are directly involved in setting up training programs and unless such training is linked to shopfloor innovations in work organization. To modernize industrial relations in the United States, we need not just new skills training, EPCs, a level playing field for unions, or an ideology of social

partnership; we need all of these things, as parts of a broad, mutually reinforcing policy package that can be implemented successfully.

Past economic and social policy reform efforts in the United States have often fallen far short of expectations. One major reason for such failings has been the tendency in our relatively decentralized political economy to consider specific policies separately rather than to recognize close interrelationships and linkages (Wilensky and Turner 1987). We need reforms that will build participation, cooperation, flexibility, high skills, and representation into a virtuous circle of mutually reinforcing success. Social partnership is the critical concept that can provide the framework to pull these various elements of success together.

HOMEGROWN SUCCESS

We do not need Japanese lean production, German works councils, or French wine. We make fine wine in California, although many of the grapes originally came from Europe -- and our superb domestic production does not prevent us from also appreciating French wines. Just so, we can appreciate what the Japanese and Germans have accomplished -- we can learn the appropriate lessons (just as they have each learned so many lessons from us) and we can enjoy superior products produced in these and other foreign countries. But at the same time, we can produce our own modernized industrial relations, new production organization, and widespread skills training. There is nothing foreign about notions of partnership between industry, labor, and government. We have distinct American traditions upon which to build, from the long-term efforts of the National Planning Association to the dramatically successful War Labor Board to more recent innovations at Saturn, Xerox and AT&T.

Social partnership is an idea whose time has come in world markets that demand continual innovation. In constructing the partnership, we have our own homegrown and successful traditions upon which to build: risk-taking American entrepreneurs unafraid of innovation and reform; large and medium-sized corporations skilled in internal organization, negotiation, and power-sharing; assertive employees versed in political democracy external to the firm and anxious for enhanced voice and participation within the firm; a "laboratory" of successful and unsuccessful participatory experiments in union and non-union settings; assertive and democratic unions experienced in representing the best interests of employees and, at the

same time, ready to compromise; and, an adversarial tradition that paradoxically produces assertive parties capable of meaningful partnership under new and challenging circumstances.

Participatory partnerships of one kind or another have proven themselves in countries around the globe, from Australia to Japan to North America to Europe. Such efforts arguably have the broadest success where they are underpinned by institutional incentives and structures. We have the inspiration and the path-breaking examples but not yet the necessary society-wide policy and institutional support.

Before we start tinkering with the specifics of labor law reform, we need a new conceptual framework that will provide direction for future participatory efforts. Social partnership -- or perhaps to give it a distinctly American flavor we should call it "strategic partnership" -- can provide that framework. Once we have broad agreement on the framework, we can move quickly to specify and negotiate the details of policy reform -- reformed procedures for union recognition, new structures of participation, system-wide skills training -- that can combine in a workable and politically viable package of labor law reform.

ENDNOTES

1. For Japan, see Freeman (1989, p.130); for Austria, see Traxler (1992, p.285); for Denmark, see Scheuer (1992, p.177).
2. Germany affords a useful example of how this "dual system" of representation works and has proven compatible with both strong economic performance and influential unions. See Streeck 1984, Thelen 1991, and Turner 1991, 95-117.
3. In works council elections in Germany in 1990, 75% of elected councillors were union members (Niederhoff 1990, 11-12). In 1989 works committee elections in France, where the committees are much weaker than in Germany, 74% of elected committee members belonged to unions (although divided among a number of contending union federations; European Industrial Relations Review 200 [September 1990], 6).
4. Ferner and Hyman (1992, xxiv), on the basis of 17 country case studies, make the persuasive argument that union resilience in the contemporary period has much to do with the integration of workplace structures of representation and national unions. For example, such integration has characterized Austria and Germany, where unions have stayed strong, but not Britain and France, where union influence has declined seriously.
5. It is no coincidence that in Britain, with no works councils, union influence in the workplace and society has declined seriously in the past decade (Turner 1991, 200-205;

Edwards et al. 1992). See the revealing recent article by John Edmonds (1994), one of Britain's top labor leaders, who wounds the call for a British version of works councils.

6. See also Abraham and Houseman (1993) and Stephen Kinzer, "Germans' Apprentice System Is Seen as Key to Long Boom," New York Times, Feb. 6, 1983, pp. 1,5.

7. See, for example, "AFL-CIO Guidelines on Skill Training and School-to-Work Transition in the 1990s and Beyond," in "Statements Adopted by the AFL-CIO Executive Council," Washington DC, May 4, 1993, pp. 3-7.

REFERENCES

- Abraham, Katherine G., and Susan Houseman. 1993. Job Security in America: Lessons from Germany. Washington DC: Brookings.
- Adams, Roy J. 1992. "The Right to Participate." Employee Responsibilities and Rights Journal, Vol. 5 No. 2, pp. 91-99.
- Belzer, Michael H. 1993. "Strategic Bargaining and Information Exchange: An American Version of Co-Determination?" Institute of Collective Bargaining, ILR School, Cornell University.
- Berg, Peter. 1994a. "Strategic Adjustments in Training: A Comparative Analysis of the United States and German Automobile Industries." In Lisa Lynch, ed., forthcoming.
- _____. 1994b. "The German Vocational Training System: Providing General Skills Through Institutional Coordination and Incentives." In Geoffrey Owen, ed., Britain's Training Crisis. Center for Economic Performance, London School of Economics, forthcoming.
- Bronfenbrenner, Kate L. 1993. "Seeds of Resurgence: Successful Union Strategies for Winning Certification Elections and First Contracts in the 1980s and Beyond." Ph.D. dissertation, Cornell University.
- Cohen-Rosenthal, Edward, and Cynthia E. Burton. 1987. Mutual Gains: A Guide to Union-Management Cooperation. New York: Praeger.
- Eaton, Adrienne E., and Paula B. Voos. 1992. "Unions and Contemporary Innovations in Work Organization, Compensation, and Employee Participation." In Mishel and Voos, eds., pp. 173-216.

Edmonds, John. 1994. "After the Revolution." Paper presented at the conference "The International Evidence," Commission on the Future of Worker-Management Relations, Washington, D.C., March 14-15.

Edwards, Paul, Mark Hall, Richard Hyman, Paul Marginson, Keith Sisson, Jeremy Waddington, and David Winchester. "Great Britain: Still Muddling Through." In Ferner and Hyman, eds., pp. 1-68.

European Industrial Relations Review, various issues.

Ferner, Anthony, and Richard Hyman, eds. 1992. Industrial Relations in the New Europe. Oxford: Blackwell.

Freeman, Richard B. 1989. "The Changing Status of Unionism Around the World: Some Emerging Patterns." In Huang, ed., pp. 111-37.

Freeman, Richard B., and Joel Rogers. 1993. "A New New Deal for Labor." New York Times, March 10.

Friedman, Sheldon, and Richard Prosten. 1993. "How Come One Team Still Has to Play with Its Shoelaces Tied Together?" Industrial Relations Research Association: Proceedings of the 1993 Spring Meeting (April 29-May 1). Madison: IRRRA, pp. 477-85.

Huang, Wei-Chiao, ed. 1989. Organized Labor at the Crossroads. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research.

Kochan, Thomas A. 1992. "Principles for a Post New Deal Employment Policy." Sloan School MIT, WP#3425-92-BPS.

Kochan, Thomas A., Harry C. Katz, and Robert B. McKersie. 1993. The Transformation of American Industrial Relations, second edition, Ithaca:ILR Press, forthcoming.

Lynch, Lisa M. 1993. "Strategies for Workplace Training: Lessons from Abroad." Washington, DC: Economic Policy Institute.

_____, ed. 1994. Training and the Private Sector. Chicago: University of Chicago Press, forthcoming.

Marshall, Ray. 1987. Unheard Voices: Labor and Economic Policy in a Competitive World. New York: Basic Books.

_____. 1992. "Work Organization, Unions, and Economic Performance." In Mishel and Voos, eds., pp. 287-315.

Mishel, Lawrence, and Paula B. Voos, eds. 1992. Unions and Economic Competitiveness. Armonk, NY: M.E. Sharpe.

Reich, Robert B. 1991. Work of Nations: Preparing Ourselves for 21st Century Capitalism. New York: Knopf.

Scheuer, Steen. 1992. "Denmark: Return to Decentralization." In Ferner and Hyman. eds., pp. 168-97.

Streck, Wolfgang. 1984. "Co-determination: The Fourth Decade." In Wilpert and Sorge, eds.

Thelen, Kathleen. 1991. Union of Parts: Labor Politics in Postwar Germany. Ithaca: Cornell University Press.

Traxler, Franz. 1992. "Austria: Still the Country of Corporatism." In Ferner and Hyman, eds., pp. 270-97.

Turner, Lowell. 1991. Democracy at Work: Changing World Markets and the Future of Labor Unions. Ithaca: Cornell University Press.

_____. 1993. "Prospects for Worker Participation in the Single Market." In Ulman, Eichengreen, and Dickens, eds., pp. 45-79.

Ulman, Lloyd, Barry Eichengreen, and William T. Dickens, eds. 1993. Labor and an Integrated Europe. Washington, DC: Brookings.

Weiler, Paul. 1990. Governing the Workplace. Cambridge: Harvard University Press.

Wilensky, Harold L. and Lowell Turner. 1987. Democratic Corporatism and Policy Linkages: The Interdependence of Industrial, Labor-Market, Incomes, and Social Policies in Eight Countries. Institute of International Studies, Research Series/Number 69, University of California, Berkeley.

Wilpert, Bernhardt, and Arndt Sorge, eds. 1984. International Yearbook of Organizational Democracy, vol. 2. John Wiley.