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Contents

<i>Preface</i>	ix
<i>Abbreviations</i>	xiii
Introduction	I
1. The Objectives of the Employment Relationship	13
2. The Balancing Imperative: Human Rights in Conflict	32
3. Balancing Outcomes: The Environment and Human Agents	47
4. Balancing Outcomes Revisited: The Ethics of the Employment Relationship	66
5. The Balancing Alternatives: Workplace Governance	82
6. The New Deal Industrial Relations System	101
7. The Geometry of Comparative Industrial Relations	118
8. Alternatives to Job Control Unionism	137
9. Balancing the Global Workplace	158
Conclusion	180
Epilogue: The Late Middle Ages of Industrial Relations	188
<i>Notes</i>	199
<i>References</i>	223
<i>Index</i>	257

Introduction

EMPLOYMENT IS A CRITICAL feature of modern society. The nature of employment determines the quality of individuals' lives, the operation of the economy, the viability of democracy, and the degree of respect for human dignity. It is therefore essential that modern society establish societal goals for employment. Economic prosperity demands that employment be productive, but economic performance should not be the sole standard of the employment relationship. Work is not simply an economic transaction; respect for the importance of human life and dignity requires that the fair treatment of workers also be a fundamental standard of the employment relationship—as are the democratic ideals of freedom and equality. Furthermore, the importance of self-determination for both human dignity and democracy mandate employee input and participation in work-related decisions that affect workers' lives. In short, the objectives of the employment relationship are efficiency, equity, and voice. This book is about these objectives and the alternative ways in which they can be achieved.

In some situations, efficiency, equity, and voice are mutually reinforcing. A productive workforce provides the economic resources for equitable working conditions that include employee voice in decision making. And equitable treatment and employee participation can provide the avenues for reducing turnover, increasing employee commitment, and harnessing workers' ideas for improving productivity and quality. But the more important question is: What should happen when efficiency, equity, and voice conflict with each other? This is the critical question that makes the analysis of the employment relationship a dynamic topic with diverse perspectives. Should efficiency—and the closely related property rights of employers—automatically trump equity and voice concerns? Or should the reverse be true—should equity and voice have priority over efficiency needs? Neither of these extreme options is preferable;

rather, a democratic society should seek to *balance* efficiency, equity, and voice. The power of free economic markets to provide efficiency and economic prosperity is important and should be encouraged, but respect for human dignity and democratic ideals further requires that the power of economic markets be harnessed to serve the quality of human life and provide broadly shared prosperity. As such, the imperative for the drivers of employment—individuals, markets, institutions, organizational strategies, and public policies—is to provide employment with a human face, which I define as a productive and efficient employment relationship that also fulfills the standards of human rights. The International Labour Organization (1999) calls this simply “decent work.”

This imperative is underscored by the turbulence of the employment relationship in the twenty-first century. Expectations of stable, lifetime employment have all but vanished, and information technologies empower employees to harness information in remote locations while subjecting them to increased monitoring and demands for around-the-clock responsiveness to coworkers and customers. Globalization continues to put downward pressure on employment standards as well as on the ability of corporations and nations to compete with others. More workplaces are abandoning traditional, hierarchical forms of work organization; compensation is becoming more contingent and at-risk; demographic changes continue to force organizations to confront diversity and issues involving the balance of work and life; and disparities in labor market outcomes are widening.¹ The trend worldwide is for flexible employment relationships—employment flexibility, pay flexibility, functional flexibility, and procedural flexibility (see chapter 8). As a result, the institutions that traditionally have provided checks and balances on economic markets in the employment relationship, such as government standards and labor unions, are under attack and in decline.²

But the principle of adding checks and balances to economic markets is not limited to the employment relationship and should not be an idea in decay.³ The United Nations continues to call for the creation of markets with a human face. Its *Human Development Report 1999* has the subtitle “Globalization with a Human Face” and opens with the following: “The real wealth of a nation is its people. And the purpose of development is to create an enabling environment for people to enjoy long, healthy, and creative lives. This simple but powerful truth is too often forgotten in the pursuit of material and financial wealth” (United Nations Development Programme 1999, 1). Replace “development” with “employment” and add “productive” to “long, healthy, and creative lives” and the resulting statement perfectly describes the need for employment with a human face. The report continues:

But today’s globalization is being driven by market expansion—opening national borders to trade, capital, information—outpacing governance of these markets and their repercussions for people. More progress has been made in norms, standards, policies and institutions for open global markets than for people and their

rights. . . . Competitive markets may be the best guarantee of efficiency, but not necessarily of equity. . . . The challenge of globalization in the new century is not to stop the expansion of global markets. The challenge is to find the rules and institutions for stronger governance—local, national, regional and global—to preserve the advantages of global markets and competition, but also to provide enough space for human, community and environmental resources to ensure that globalization works for people—not just for profits. (2)

In other words, markets should be respected and largely allowed to function, but with protections and safeguards—a set of checks and balances—that will help respect and serve human life (Flexner 1989; Hartmann 2002; Kortten 1995) and democracy (Frank 2000; Kelly 2001; Phillips 2002). In 1999, the United Nations initiated a Global Compact with business in which corporations would respect human, labor, and environmental concerns while the United Nations would promote open markets so that “business could then be left to do what it does best, create jobs and wealth while giving the global market more of a ‘human face.’”⁴

Another mainstream institution, the Catholic Church, also advocates improving markets with checks and balances. In reaffirming Pope Leo XIII’s famous encyclical *Rerum Novarum* (“On the Condition of Workers,” 1891), Pope John Paul II’s *Centesimus Annus* (“The Hundredth Year,” 1991) declared that

The State must contribute to the achievement of [dignity at work, a just and secure wage, and humane working conditions] both directly and indirectly. Indirectly and according to the principle of subsidiarity, by creating favorable conditions for the free exercise of economic activity, which will lead to abundant opportunities for employment and sources of wealth. Directly and according to the principle of solidarity, by defending the weakest, by placing certain limits on the autonomy of the parties who determine working conditions, and by ensuring in every case the necessary minimum support for the unemployed worker. (§15)⁵

The Catholic Church, which represents hundreds of millions of Catholics worldwide, roots this doctrine in the belief that labor markets fall short of the theoretical ideal of economics textbooks—that is, labor markets are imperfect. Consequently, employers and employees, capital and labor, are not equals, and unregulated market-based outcomes will favor employers at the expense of employees, with the potential for abuse. Checks and balances are needed to restore equality between labor and capital:

The State, however, has the task of determining the juridical framework within which economic affairs are to be conducted, and thus of safeguarding the prerequisites of a free economy, which presumes a certain equality between the parties, such that one party would not be so powerful as practically to reduce the other to subservience. (*Centesimus Annus*, §15)

Pursuit of a balance between efficiency, equity, and voice in employment therefore raises fundamental questions about the nature of work, the operation of labor markets, conflict and power in the employment relationship, and the role of employment in a democratic, capitalist society. Differing views on these questions lead to contrasting visions of the employment relationship. Economic models of competitive markets emphasize laissez-faire employment policies free of regulatory and institutional interference. Critical theories based on the Marxist view of capitalist employment as a fundamentally unequal relationship, rooted in mutually reinforcing ideological and power differences, envision an employment relationship in which capitalism is challenged by worker control. Human resource management theories produce balanced employment outcomes by assuming that conflict between employers and employees can be resolved by effective corporate policies that will align the interests of corporations and workers. Mainstream U.S. industrial relations principles embrace the benefits of economic markets but also include a necessary role for nonmarket institutions—such as government regulations and labor unions—to balance unequal bargaining power between employers and employees and to therefore produce outcomes that create economic prosperity and respect for human life.

Explicit analyses of fundamental issues pertaining to the nature of work, the operation of labor markets, conflict and power in the employment relationship, and the nature of employment in capitalism, however, is not a hallmark of contemporary scholarship on employment, especially in the United States. In the golden age of U.S. industrial relations that followed World War II, for example, there was a widespread belief among industrial relations scholars that collective bargaining was “self-evidently good” (Reynolds 1988, 123). Today, the subject of labor relations is often presented to students of industrial relations—traditional students in a classroom, policymakers, and the general public—from this same self-evident perspective. The same is true for human resource management. This is perhaps most visibly illustrated by the numerous textbooks that focus uncritically on labor relations or human resource management *processes*.⁶ This process-based focus is also reflected in policy debates over labor law reform in which lawmakers hear about the need to weaken wage and hours laws or ban strike replacements because *processes*—for compensating employees or bargaining contracts—are handicapped by them. Process-based treatments are typically closely related to an emphasis on work rules, as if they are ends in themselves.⁷

Furthermore, the rhetoric of competitive markets and efficiency dominates public discourse (Frank 2000; Phillips 2002; Yergin and Stanislaw 1998). Social welfare is conceived simply as “economic welfare” (Osterman et al. 2001) and justice as “marginal productivity justice”—that is, whatever worth is determined by the market must be fair (McClelland 1990).⁸ Critics of labor unions generally paint a narrow picture of labor union monopolies as harmful to efficiency, competitiveness, and the smooth operation of free markets.⁹ The concern with competitiveness and efficiency is so strong that the last ma-

major U.S. government commission on industrial relations under a Democratic president was charged with investigating how to improve efficiency, not justice.¹⁰ And even while for the most part supportive of unionism, the large literature on the positive effects of union voice spawned by the seminal book *What Do Unions Do?* (Freeman and Medoff 1984) focuses on the economic effects of unions and reduces debates over unions to whether they enhance productivity. In fact, U.S. research on employment issues increasingly focuses on the narrow issues of competitiveness and quality (that is, efficiency) of work policies and practices.

Adding to the rhetorical power of efficiency is the close association of efficiency with property rights. Shareholders—the owners of corporate property—desire efficiency to maximize profits and therefore the returns on their investments. Standard economic theory emphasizes the importance of well-defined property rights for market-based economies to produce efficient outcomes. Government regulations and labor unions are seen as restrictions on property rights and efficiency to the extent that they constrain the freedom to allocate resources to their most economically productive use. But property rights are also considered a fundamental basis of liberty and, therefore, a basic human right. In contrast, equity and voice stem from concern about the treatment and rights of employees as human beings. Of particular interest is ensuring that markets, or corporations, do not produce outcomes that undermine the value of human life. As such, conflicts between efficiency, on the one hand, and equity and voice, on the other, can be considered conflicts between the conflicting human rights of property and labor—or, in popular discourse, freedom versus justice.

To balance these competing human rights, the employment relationship should, therefore, balance efficiency, equity, and voice. Can markets or corporations be relied on to balance these goals in the absence of unions, government regulation, or other institutions? Or is seeking a balance a futile exercise because of the fundamentally unequal employment relationship in a capitalist society? Is collective bargaining more effective at balancing efficiency, equity, and voice than other methods of governing the workplace? What forms of employee representation and statutory regulation are best suited for specific contexts? Do human resource management policies achieve efficiency with the help of, or at the expense of, equity and voice? These are the central questions of the employment relationship. Explicit examination of these questions is essential for the study of employment, but it also has broader importance because many of the contemporary social and political debates—whether over tax policy, welfare, globalization, or public education—are rooted in the same debates over visions of freedom and justice and over the extent to which free markets benefit everyone.

Robert Hoxie (1917, 3) asked why labor unions should be studied: “What is the vital problem which [trade unionism] presents to us as individuals and which we must strive to solve through its study? . . . What vital human and social interests does unionism touch and affect through its aims, principles,

policies, demands, methods, and attitudes?” These same questions apply to the study of employment more generally. What “vital problem” does employment present to us that we “must strive to solve through its study?” The vital problem is not a narrow focus on work rules or how processes work, nor is it a limited focus on efficiency.¹¹ The vital problem is how to balance efficiency, equity, and voice in the face of the conflicting human rights of property and labor. The “vital human and social interests” is the fulfillment of employment with a human face.

Studying the World of Work

The employment relationship can be studied from various academic perspectives, but the academic field that defines itself as the study of the employment relationship is industrial relations. Its roots extend back into the 19th century and the rise of dissatisfaction with both the nature of wage labor and classical economic theory and the writings of Karl Marx, Richard Ely, Sidney and Beatrice Webb, and, most notably for U.S. industrial relations, John R. Commons in the first few decades of the twentieth century.¹² The field’s development in the United States can best be understood in terms of the early twentieth-century “labor problem”: undesirable outcomes that stemmed from an inequitable and contentious, or perhaps even oppressive and exploitative, employment relationship. Workers suffered through long hours at low wages in dangerous working conditions; employers faced problems of turnover and labor conflict; and society suffered from the resulting costs of unemployment, poverty, and social unrest.

Two major schools of thought on the labor problem emerged: an institutional school that saw the labor problem as rooted in imperfections in labor markets that caused an inequality in bargaining power between labor and management, and a personnel management school that believed that the labor problem stemmed from short-sighted management practices that ignored the human needs of workers. The personnel management school focused on improving management principles, while the institutional school focused on using institutions, especially labor unions and government regulation, to address the labor problem.

Modern industrial relations subscribes to the pluralist or institutional belief in an inherent conflict of interest in the employment relationship and, as a consequence, believes in a productive role of unions and government regulation. Modern human resource management follows the unitarist belief that effective management policies can align the interests of employees and employers and thereby remove conflicts of interest. From their point of view, unions and government regulations are either unnecessary or intrusive. A third alternative is the critical industrial relations school that 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.¹³ In this

book, I define “human resources and industrial relations” (HRIR) as the academic discipline that includes all three schools (see epilogue). It includes scholars from multiple disciplines, including economics, history, law, political science, psychology, and sociology. The normative perspective of this book generally reflects a modern restatement of the pluralist conception of industrial relations, but the three schools within HRIR—pluralist industrial relations, unitarist human resource management, and critical industrial relations—will be compared at important junctures (especially in chapter 5). Most significantly, the analyses of the efficiency, equity, and voice framework have great relevance for all three schools—and anyone interested in the employment relationship—and draw on diverse scholarship from the disciplines just mentioned as well as moral philosophy and theology.

The need to balance competing objectives has a distinguished intellectual history in industrial relations. In discussing consumption and production decisions, Webb and Webb (1897, 823) asserted that none of the “interminable series of decisions can be allowed to run counter to the consensus of expert opinion representing the consumers on the one hand, the producers on the other, and the nation that is paramount over both.” As the Webbs explicitly highlighted the welfare of workers as being in the national interest, their statement implies the need for a balance. Commons (1919, 43) discussed the need for “the equilibrium of capital and labor” rather than the domination of one or the other. Kochan (1980, 21, emphasis in original) stresses that “industrial relations theories, research, and policy prescriptions must be conscious of the relationships among the goals of workers, employers, and the larger society and seek ways of achieving a workable and equitable *balance* among these interests.” My analysis seeks to refocus attention on the basic goals of the employment relationship; to create the industrial relations trilogy of efficiency, equity, *and* voice; to strengthen the need for a balance by grounding it not only in the traditional view of an imbalance of power between employees and employers but also in contemporary thought on human rights, property rights, and ethics; and to consider alternative methods to achieve this balance.

Plan of the Book

Analysis of employment starts with the objectives of the employment relationship. Chapter 1 argues that the employment relationship objectives are efficiency, equity, and voice. Efficiency is the common economic standard of effective use of scarce resources, and a critical issue is the extent to which workplace efficiency can be achieved by relying on laissez-faire market policies. Equity in the employment relationship is a set of fair employment standards that respect human dignity, the sanctity of human life, and liberty and cover both material outcomes and personal treatment. Essential elements include fair outcomes pertaining to wages, hours, safety and health, child labor, retirement, health and disability insurance, and family leave as well as equal

opportunity (nondiscrimination) and just cause dismissal policies. In other words, equity entails fairness in both the distribution of economic rewards (such as wages and benefits) and the administration of employment policies (such as nondiscriminatory hiring and firing). Voice is the ability to have meaningful employee input into decisions. This includes not only free speech, supported by protection against unfair dismissal and grievance procedures, but also direct and indirect participation in workplace decision making.

Although efficiency dominates popular discussions, efficiency and equity are traditionally considered the core industrial relations goals. Some might argue that voice is part of equity, but they should be treated separately. Efficiency and equity are instrumental standards in that they provide the means to greater ends (such as purchasing basic necessities), while voice is an intrinsic standard. Voice may increase efficiency and thus be instrumental, but irrespective of this participation is valued for its own sake in support of both democratic and human dignity ideals. When voice is included as part of equity, instrumental and intrinsic standards are being mixed. Equity pertains to distribution and administration, voice involves participation. Equity can be unilaterally provided, voice requires employee involvement. Thus, some methods of governing the workplace may more effectively deliver equity than voice, or vice versa. Some forms of unionism may also be better suited to providing voice than equity, or vice versa. Thus, for both theoretical and applied reasons, voice should be elevated to an equal and distinct standard alongside efficiency and equity. The objectives of the employment relationship are efficiency, equity, and *voice*.

The basic objectives of efficiency, equity, and voice can be complementary, but they often 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. Employee voice can reduce efficiency by making managerial decision making more cumbersome. Equitable wage structures and seniority-based promotion and layoff policies can reduce managerial flexibility and efficiency. Chapter 2 argues that these clashes are fundamentally conflicts between competing human rights—property rights and labor rights. The theme of conflicting human rights is therefore an integral part of studying the employment relationship. The intellectual history of the nature of human rights, including both property rights and labor rights, supports the need to seek a balance between property rights and labor rights.

To analyze the determinants of efficiency, equity, and voice, a necessary foundation is the understanding of the factors that shape employment outcomes. Chapters 3 and 4 present a model in which employment outcomes are the product of interactions between employees and employers as influenced by both the work environment and the nature of human decision making, including ethics. In economics and industrial relations, the environment has long been recognized as a key determinant of employment outcomes. At the same time, research in psychology, sociology, and organizational behavior emphasizes the importance of the behavioral aspects of human decision making. Fi-

nally, as Kochan, Katz, and McKersie (1986) highlight, employer-employee and labor-management interactions can take place at several levels within an organization and society. Chapter 3 brings this scholarship together. The richer set of human needs and wants beyond income—biological, psychological, and social—that have been identified in the scholarship of individual decision making reinforces the need to conceptualize work as a fully human activity. And, thus, a fuller set of employment relationship objectives beyond efficiency is required. At the same time, the importance of the environment for employment outcomes implies that the controllable portions of the environment, such as the legal environment, should be structured to balance property rights and labor rights to promote a balance between efficiency, equity, and voice.

Inherent in this model of employment outcomes, and as emphasized by Kochan, Katz, and McKersie (1986), is that employees, managers, policy makers, and their organizations have choices. These choices are shaped by various factors, but a critical factor that is typically overlooked is ethics. Chapter 4 applies business ethics scholarship to the employment relationship. Given the close connection between the employment relationship and concerns for dignity, respect, justice, and fairness, a serious treatment of ethics in human resources and industrial relations is long overdue. Kantian moral philosophy, Rawlsian conceptions of justice, and Aristotelian virtue ethics provide compelling support for the central premise of balancing efficiency, equity, and voice. But ethics is more than a normative subject; explicit ethical theories can be used to better understand the choices that individuals make in the employment relationship.

This book therefore presents the study of employment—human resources and industrial relations—as the analysis of the contributions of individuals, markets, institutions, organizational strategies, and public policies toward the employment-relationship objectives of efficiency, equity, and voice in the workplace, as influenced by the environment and individual decision making, including ethics. This broad conception provides the basis for not only examining specific processes and practices but for addressing more fundamental questions regarding the potential need for reform of employment and labor law, management strategies, and union behavior. The trilogy of efficiency, equity, and voice builds on the important questions in human resources and industrial relations while providing a modern restatement of the field by explicitly including voice and by grounding these principles in the scholarship on human rights and ethics. Various institutions and employment-relationship patterns emphasize different combinations of efficiency, equity, and voice. With efficiency, equity, and voice as the three points of a triangle, the study of employment becomes the analysis of the geometry of the employment relationship.¹⁴ The application of this conceptual framework from chapters 1–4 to important topics in human resources and industrial relations is the focus of chapters 5–9.

Chapter 5 addresses the question of how to broadly structure the employment relationship to achieve a balance between efficiency, equity, and voice.

Compensation and other terms and conditions of the employment relationship can be established by labor market forces, human resource management strategies, worker control, government regulation, or negotiations between employers and independent employee representatives (Weiler 1990). Each workplace governance mechanism has strengths and weaknesses, and explicit discussion of these issues reveals the importance of nonmarket institutions as a component of the employment relationship system for balancing efficiency, equity, and voice. Chapter 5 further distinguishes these alternative workplace governance mechanisms on the basis of differing beliefs concerning four fundamental assumptions about the nature of labor markets, work, conflict, and voice. The central beliefs of pluralist industrial relations yield a critical role for independent employee representation, as through labor unions, to provide equity and voice.

Chapter 6 analyzes the New Deal industrial relations system as favoring a certain system of workplace governance relying on particular mechanisms to achieve efficiency, equity, and voice. Seven decades of legal decisions and labor-management practices have tried to balance property and labor rights. Continuing debates, such as those over employee involvement, flexible work practices, or nonunion employee representation, reflect differing perspectives on how to balance these conflicting rights and achieve efficiency, equity, and voice in the geometry of the employment relationship.

Comparative research should be an important component of human resources and industrial relations. Chapter 7 applies the geometry of the employment relationship paradigm to the commonly discussed features of industrial relations systems in other industrialized market economies: social partnerships, sectoral bargaining, centralized awards, enterprise unionism, exclusive representation, codetermination, and voluntarism. The standards of efficiency, equity, and voice provide an important framework for analyzing these institutional arrangements and provide a common focus for comparative employment research. That the comparative framework of chapter 7 demonstrates the trade-offs between efficiency, equity, and voice inherent in different institutions further reinforces the value of the geometry of the employment relationship paradigm.

As with comparative institutional arrangements, alternative union strategies can be analyzed with the standards of efficiency, equity, and voice. Chapter 8 presents the principal U.S. postwar model of job control unionism and two broad alternatives. Within the constraints of the dominant scientific-management paradigm, job control unionism sought to balance efficiency, equity, and voice, but as management strategies move away from scientific management, the effectiveness of job control unionism is waning. Moreover, proponents of strong unions are critical of the narrow workplace focus of business unionism and the passive servicing model of representation embedded in job control unionism. Within business unionism's focus on the workplace, I outline a model of employee empowerment unionism in which workers are empowered to determine their own outcomes within a union-negotiated framework of procedures. Minimum standards and procedural safe-

guards are created through collective bargaining, while individual employees are empowered to make decisions, with the institutional support of union representation, as needed. Employee empowerment unionism is consistent with high-performance work systems, episodic employment patterns, desires to blend individual and collective representation, and an organizing model of representation—and can balance efficiency, equity, and voice. Social unionism alternatives to business unionism are also presented and analyzed in the context of the geometry of the employment relationship.

Globalization continues to pressure the employment relationship in very challenging ways, and chapter 9 examines efficiency, equity, and voice in the global economy. In particular, I focus on the question of who should govern the global workplace. The basic options for governing the workplace in the international arena are considered: free markets (free trade policies promulgated by the World Trade Organization), human resource management (corporate codes of conduct), government regulation (International Labour Organization or North American Free Trade Agreement side agreements), or independent employee representation (European Works Councils and transnational collective bargaining or labor solidarity). Each of these options represents different mechanisms for balancing efficiency, equity, and voice as well as property rights versus labor rights in the global economic system.

The concluding chapter revisits the problem of creating employment with a human face in light of the intellectual framework and analyses developed in the preceding chapters. It has long been recognized that there is no U.S. consensus on the nature of public policies pertaining to employment (Dunlop 1961; Brown and Myers 1962), and this continues to be true.¹⁵ As a consequence, either policy changes do not occur or they occur as an overreaction to specific events and special-interest-group power. A necessary first step toward consensus is explicit recognition of the goals of the employment relationship. Constructing detailed reform proposals for creating employment with a human face in the complex world of the twenty-first century would require a second book; the goal here is to articulate the apparatus for considering such reforms by developing the intellectual framework for thinking about the objectives of the employment relationship and the alternatives for their achievement. Chapters 6–8 largely focus on the role of different types of unions and industrial relations systems in providing equity and voice because of their traditional importance in delivering these critical objectives of the employment relationship. But unions are not necessarily the only mechanism for serving these ends. The intent of this book is not to answer how equity and voice should be provided but to provide a solid intellectual justification for the importance of this question and a useful framework for analysis. The analysis of the geometry of the employment relationship implies that the U.S. employment system is not balancing efficiency, equity, and voice and points to new institutional arrangements, union strategies, and methods for governing the global workplace that would more effectively achieve this balance; but the options considered here are not intended to be exhaustive.

For readers specifically interested in the future of the academic field of in-

dustrial relations, a separate epilogue explores the implications of the efficiency, equity, and voice framework for the definition of an inclusive academic field of human resources and industrial relations. Contrary to deep-seated traditions, human resources and industrial relations does not need a single theory; it needs a common vision of the unique domain of the field. The major themes of efficiency, equity, and voice, combined with the alternatives for achieving these goals (ranging from competitive labor markets to government regulation, from human resource management to labor relations), encompass several key theories or paradigms, and one unifying vision of a renewed academic discipline. This framework also provides the basis for a shift in teaching from a process-based approach, which focuses on the operation of the current processes, to a theme-based approach in which the current processes, as well as alternatives, can be better understood and evaluated in the context of the goals of the employment relationship. An emphasis on employment with a human face, rather than specific processes, also provides the basis for stronger links with other disciplines.

Employment with a Human Face proceeds from the abstract to the concrete. Objectives of the employment relationship that move beyond efficiency and are rooted in human dignity involve philosophical questions about the nature of human life. A detailed examination of these philosophical questions is necessary to establish the case for equity and voice with intellectual rigor and thoroughness. The contemporary efficiency discourse is powerful; careful philosophical analysis is needed to counter this power. Moreover, my intent is to establish a broadly applicable characterization of the employment relationship goals—not objectives limited to a particular time and place—and this requires abstraction. For those who associate employment with processes, or industrial relations theory with John Dunlop's *Industrial Relations Systems* (1958), this book may seem to take a long time to get to specific processes and conventional thought. But my argument is that the examination of employment processes and conventional thought should start with first principles—the objectives of the employment relationship and their relative importance. Efficient work systems, equitable treatment of workers, and employee voice are critical human resources and industrial relations issues, and these are ultimately the subjects of the beginning chapters.

These issues are so critical, in fact, that they should lay the foundation for all other work. For this reason, they precede the later, more concrete chapters. Without an explicit statement of first principles, there is no basis for evaluating employment trends and practices. Is growing inequality a problem? Is the decline in union representation a cause for concern? Is the breakdown of the employment relationship's social contract troublesome? Is the lack of powerful employee voice in many employee participation programs worrisome? These questions can only be answered against standards for the objectives of the employment relationship. And only when such standards are in place can researchers, practitioners, and policy makers turn their attention to the design of institutions, policies, and practices that achieve the desired objectives.

I *The Objectives of the Employment Relationship*

THE STARTING POINT for analyses of the employment relationship should be the objectives of this relationship. Research in human resource management, industrial relations, and other disciplines as well as public debates should be grounded in the employment relationship objectives—the goals of employers, employees, and also of society. These objectives are efficiency, equity, and voice. Efficiency is the well-known standard of economic performance, equity encompasses fair employment standards in material outcomes and personal treatment, and voice is the ability to have meaningful input into decisions. Efficiency is an instrumental standard of economic performance—the effective use of scarce resources that provides the means for consumption and investment—and is the primary objective of employers. Equity and voice are the objectives of labor. Equity is an instrumental standard of treatment—a fair wage, basic social or private insurance coverage, vacation time, and nondiscriminatory treatment are instrumental in providing the means toward greater ends such as food, shelter, health care, and leisure. Voice is an *intrinsic* standard of participation—participation in decision making is an end in itself for rational human beings in a democratic society. Intrinsic voice is important whether or not it improves economic performance, and whether or not it alters the distribution of economic rewards.

Efficiency is paramount in mainstream economics, human resource management, and public debates. It is important to move beyond this narrow focus. Within industrial relations, efficiency and equity are often viewed as the classic standards as illustrated by Noah Meltz's 1989 title "Industrial Relations: Balancing Efficiency and Equity." Moreover, the industrial relations conception of equity sometimes includes voice. Barbash (1989, 116–17), for example, defines equity as "fairness, voice, security and work of consequence." It is also common to refer to both protection and participation

(Weiler 1990) or protection and democratic rights (Godard and Delaney 2000) as the key industrial relations principles. It is time to formalize these principles into distinct components of equity and voice, and to make them more than *industrial relations* principles.

There are several important reasons to explicitly distinguish between equity and voice as separate objectives of the employment relationship. First, equity is often used more narrowly in other disciplines.¹ Consequently, a revised industrial relations conception of equity that excludes voice is more consistent with popular usage. Second, even in industrial relations, equity sometimes excludes voice. Meltz's (1989, 110) definition of equity is "the fair treatment of human beings in a work place free from arbitrary decisions, discrimination, favoritism, and free from reliance only on the narrowest measures of short-run contributions to productivity." Similarly, Kaufman (1993, 13) states that the early industrial relations scholars sought "greater equity in the distribution of economic rewards, the utilization of labor, and the administration of employment policies in the workplace." Neither of these usages of equity include the principle of noneconomic voice. Third, equity is an instrumental standard of treatment whereas voice is an intrinsic standard of participation. This distinction has important implications for both the justification and the implementation of each standard. It bears emphasizing that equity is how employees are treated—paid a fair wage, provided safe working conditions, and dealt with in a nondiscriminatory fashion. In contrast, voice is not how one is treated—it is independent of distributional issues—but is rather an activity workers engage in (Klare 1985). Voice cannot be accomplished unilaterally—a specific participation vehicle is required.

An explicit distinction between the instrumental concept of equity and the intrinsic concept of voice is strengthened by similar distinctions in industrial and organizational psychology. First, there is a well-accepted distinction between extrinsic and intrinsic work motivation (Campbell and Pritchard 1976; Herzberg, Mausner, and Snyderman 1959; Kanfer 1992). Extrinsic factors include pay, working conditions, and job security. Intrinsic factors include stimulation or satisfaction from achievement, interest in a task, and self-determination or responsibility. This parallels the needed distinction between equity (which is instrumental) and voice (which is intrinsic). Second, there is also a well-established distinction between distributive justice and procedural justice (Cropanzano et al. 2001; Folger and Cropanzano 1998; Folger and Konovsky 1989; Greenberg 1987; Thibaut and Walker 1975). Distributive justice focuses on the fairness of outcomes whereas procedural justice focuses on the fairness of the process that determines outcomes. Although my definitions of equity and voice do not perfectly equate to distributive and procedural justice, respectively, the longstanding distinction between these two components of organizational justice reinforces the need to carefully distinguish between different standards, such as equity versus voice.² Thus, the popular emphasis on "efficiency" and the traditional industrial relations dyad of

“efficiency and equity” should be replaced by the triad of “efficiency, equity, and voice” as the central employment relationship objectives.

The remainder of this chapter describes the dimensions and justifications for these three objectives. The three objectives are intentionally broad so that they can characterize the fundamental employment relationship goals for all democratic societies. The methods to achieve these objectives might vary with different cultures, technologies, and resource endowments, but the basic principles do not. As a consequence, the development of these basic principles in this chapter is abstract. Moreover, efficiency, equity, and voice are rooted in diverse thought in economics, law, political theory, moral philosophy, and theology so the discussion is necessarily theoretical and philosophical. As noted in the introduction, contemporary debates over employment are largely dominated by efficiency concerns. To advance a framework that moves beyond efficiency requires a careful examination of philosophical questions pertaining to basic elements of human dignity in order to rigorously and convincingly establish the case for equity and voice. Later chapters delve into concrete applications of the abstract framework established in the early chapters.

Efficiency

Efficiency is the effective use of scarce resources. The standard economic definition of efficiency is Pareto optimality: when no one can be made better off without making someone else worse off (Hausman and McPherson 1996).³ Otherwise, if someone’s welfare can be improved without harming someone else, the current situation is wasteful (inefficient) and scarce resources are not being utilized as effectively as they could be.⁴ In more familiar terms, efficiency is closely associated with the business objective of maximizing profits. With its emphasis on effective use of scarce resources and the resulting benefits of economic prosperity, efficiency is an important objective of the employment relationship. Individuals differ, however, on their beliefs of what an efficient employment relationship should look like and how to best achieve it. The powerful link between efficiency and free market competition is revealed by the first fundamental theorem of welfare economics: every (perfectly) competitive equilibrium is Pareto optimal. Consequently, mainstream economics (the familiar neoclassical economics paradigm) emphasizes the importance of competitive markets: under some assumptions (such as perfect information and no transaction costs), voluntary economic transactions between self-interested, rational, informed agents in competitive markets result in efficient, Pareto optimal outcomes. In other words, economic welfare is maximized by the invisible hand of economic activity in competitive markets. The common law elements of well-defined property rights, freedom to enter into economic relationships (liberty of “contract”), and the law of torts to protect property damage support free exchange and are assumed to promote efficiency because

of the behavior of self-interested individuals and companies (Epstein 1984; Posner 1986; Schwab 1997). Moreover, with no transaction costs, the famous Coase Theorem demonstrates that optimal efficient outcomes will result from competition irrespective of the initial distribution of property rights (Coase 1960).

These economic and legal theories are mutually reinforcing. Consumers, workers, corporations, suppliers, investors, and other economic agents will maximize their individual welfare and profits. If they can interact as equals in competitive markets, pursuit of their self-interest yields socially optimal, efficient outcomes—outcomes that cannot be improved via government intervention or other means. Unless the textbook assumptions are violated, laissez-faire economic and legal policies allow freely adjusting prices for inputs and outputs to signal scarcity and relative worth and guide the participants to efficiency, profit maximization, and economic prosperity.

This laissez-faire approach is the baseline theoretical model for judging efficiency. However, even some laissez-faire proponents admit that the classical, textbook assumptions are suspect, especially in the employment relationship. Thus, market failures can interfere with efficiency. While bearing in mind that some argue that in many cases trying to correct a market failure can exacerbate rather than improve an inefficient outcome, there are three broad categories of market failures to consider.⁵ One, even in competitive markets, there can be externalities—essentially, spillovers in which an individual's or an organization's behavior benefits or harms someone else—in which case individual self-interest will not necessarily produce socially desirable outcomes. Two, if labor markets are not perfectly competitive, unregulated economic activity does not necessarily produce efficient outcomes. Three, the mainstream, neo-classical economics calculus often downplays the human side of labor, and it may be possible to increase efficiency by incorporating psychological and social concerns. In sum, in all three of the categories, economic outcomes can be improved by supplementing the invisible hand of free markets, for example with a law, a union, or a human resource management policy. In other words, “often the invisible guiding hand of competition is all thumbs” (Mangum and Phillips 1988, 4–5).

One example of an externality (a spillover) involves workplace public goods such as safety provisions, lighting and ventilation, just-cause discipline and discharge provisions, or grievance procedures. By definition, an individual benefits from a public good regardless of whether they have directly paid for it. Consider an employee who can choose a lower wage in return for additional workplace safety protections that are freely available to all employees. Pure self-interest creates a free rider problem: rather than pay for this public good, let the others pay for it while you enjoy the benefits, that is, you can get a “free ride.” In the extreme, when everyone is a free rider, no public goods will be produced even if the aggregate benefits outweigh the aggregate costs. The problem is that self-interest ignores the spillover benefits to others. Thus, even in competitive markets, the free rider problem can cause lower than op-

timal or desired levels of workplace public goods to be produced or offered because individual employees do not account for the social benefits in their own decision making (Freeman and Medoff 1984; Kaufman and Levine 2000).

A host of other externality problems may arise if there are social costs to competitive outcomes, that is, if there is a negative spillover.⁶ For example, suppose a competitive labor market yields low wages, dangerous working conditions, and lack of health insurance coverage for unskilled workers. This can impose negative externalities on the rest of the community because taxpayers foot the bill for welfare, subsidized food purchases, public housing, and public health clinics. Or approaching the problem from the opposite angle, provision of family and medical leave, for example, can have positive externalities if it results in a healthier, better-nurtured populace. Providing advance notification of layoffs generates positive externalities if this advance warning lessens social costs to the community.

Negative externalities are also implicit in the legislative justification for the Wagner Act, which was enacted during the Great Depression to encourage workers to unionize. The reasoning was that strikes and other industrial disputes weaken the economy while (destructively) competitive labor market outcomes with low wages depress aggregate purchasing power (Kaufman 1996). By stabilizing industrial relations conflict, and by increasing workers' bargaining power (and therefore compensation) through unionization, the Wagner Act would stimulate the economy, or so the New Deal thinking went.

Last, there can be externalities and problems stemming from coordination failures in trying to move from a mass manufacturing to a high-performance employment system (Levine 1995). Starting from a mass manufacturing equilibrium, consider what happens if one company tries to switch to a high-performance paradigm. If a high-performance workplace has narrower wage differentials than the competitive market (to foster group cohesiveness, for example), then high-performance workplaces will have difficulty attracting higher skilled employees who can earn a higher wage elsewhere (Levine 1995). As a second example, if a high-performance workplace offers a just cause dismissal policy while the rest of the market does not, this firm will suffer from adverse selection problems in which workers with the greatest need for just cause protections—perhaps because of absenteeism or other undesirable habits—will disproportionately join this firm (Addison and Hirsch 1997; Levine 1995; Schwab 1997).

Many of these externality arguments are closely related to the second market-failures category of arguments that undermine the achievement of efficiency solely through laissez-faire economic and legal policies: information asymmetries, mobility costs, liquidity constraints (imperfect capital markets for workers), and transactions costs can impede the operation of competitive labor markets.⁷ Employees likely have incomplete information about dismissal policies, accident risks, or pensions and therefore do not behave optimally (Weiler 1990; Addison and Hirsch 1997). The old institutional labor

economists emphasized that labor market imperfections gave employers superior bargaining power relative to individual employees, which caused workers to engage in excessive labor market competition (Kaufman 1997b). Recent increases in globalization, and the international mobility of capital, have increased employer bargaining power in some industries and occupations (Befort 2002). Modern internal labor markets, unvested pension benefits, and employer-specific health insurance plans can also increase a firm's leverage over workers by increasing workers' mobility costs and therefore making it more difficult for employees to find an equivalent job elsewhere (Buchmueller and Valletta 1996; Ghilarducci 1990; Weiler 1990). At its worst, superior employer bargaining power can result in low wages, long hours, dangerous conditions, and arbitrary or abusive supervisory practices.⁸ In addition to the negative social costs mentioned above, these labor problems can be detrimental to efficiency by undermining trust, cooperation, and motivation.⁹

This foreshadows the third category of efficiency-enhancing arguments. Contemporary human resource management emphasizes fair treatment, or distributive and procedural justice, as an important mechanism for reducing turnover and improving employee loyalty, motivation, and performance (Folger and Cropanzano 1998; Hammer 2000). Moreover, some form of employee voice is an important part of many recent corporate efforts to improve competitiveness and quality via employee involvement programs and the creation of high-performance work systems.¹⁰ Employee representation can potentially enhance efficiency by addressing problems stemming from asymmetric information (Freeman and Lazear 1995), transactions costs (Kaufman and Levine 2000), and lack of procedural justice (Hammer 2000). And the possibility that unions can increase productivity by providing worker voice was famously demonstrated by Freeman and Medoff (1984).

In sum, because of the importance of using scarce resources effectively and therefore creating economic prosperity, efficiency is a primary objective of the employment relationship—and in other spheres of economic activity. In an ideal, textbook world, perfect competition yields efficient outcomes. But in real world labor markets, there is less agreement about how to achieve efficiency. This section has suggested a number of possible efficiency enhancements to the employment relationship (see table 1.1). They are not all well-accepted—in fact, market proponents argue that these enhancements cause more harm than good—and they are not presented here as truths. Rather, wide-ranging possibilities are presented to enable us to think broadly about the possible elements of an efficient employment relationship.

Equity

Equity in the employment relationship is a set of fair employment standards covering both material outcomes and personal treatment that respect human dignity and liberty. In industrial relations, the emphasis on equity can be

Table 1.1 Dimensions of Efficiency, Equity, and Voice

Objective	Rationale
Efficiency	
Market-based transactions and contracts	Allocative efficiency
Minimum labor standards (wages, hours, safety, family leave, advance notice, child labor)	Externalities (social cost, purchasing power), asymmetric information
Income maintenance (unemployment insurance, workers' compensation, pension standards)	Asymmetric information, costly dispute resolution, liquidity constraints
Industrial peace	Externalities (social cost)
Increased labor bargaining power	Externalities (social cost, purchasing power), mobility costs
Workplace public goods	Externalities (free riders)
Equality of opportunity	Externalities (social cost)
Employee representation/participation	Coordination failure, asymmetric information
Just cause dismissal	Coordination failure, costly dispute resolution
Equity	
Minimum labor standards (wages, hours, safety, family leave, advance notice, child labor)	Human dignity (moral and religious)
Balanced distribution of income	Political equality/liberty
Equality of opportunity	Human dignity (moral and religious), political equality/liberty, due process rights
Just cause dismissal	Human dignity (moral and religious), political equality/liberty, due process rights
Voice	
Industrial democracy	Political equality/liberty/democracy
Employee decision making and autonomy	Human dignity (moral and religious), psychological/social needs, property rights (stakeholder theory)
Free speech	Liberty/human dignity (moral)
Political employee voice	Political equality/liberty

traced to the early twentieth-century concern with excessive labor market competition among employees leading to employment practices that were sometimes abusive and exploitive. This was labeled the “labor problem” and was characterized by long hours at low wages in dangerous working conditions (Kaufman 1993, 1997b). As such, the drive for equitable employment outcomes focused to a large degree on minimum standards—minimum wages, maximum hours, minimum safety standards, protections against arbitrary discharge and favoritism, and restrictions on child labor.

In human resource management, the emphasis on equity is focused less on minimum standards and more on general fairness. This is perhaps classically illustrated through the equity theory of Adams (1965) in which a person views the distribution of outcomes as fair if the ratio of the individual's outputs to inputs equals the analogous ratio for someone else. In other words, equity stems from perceived consistency between effort and reward. In the labor movement, this is associated with the famous slogan "a fair day's pay for a fair day's work." Contemporary theories of organizational justice also include procedural justice, which focuses on the fairness of procedures (Cropanzano et al. 2001; Folger and Cropanzano 1998; Folger and Konovsky 1989; Greenberg 1987; Thibaut and Walker 1975).¹¹

Equity as a standard of the employment relationship contains all three of these concepts: a set of minimum standards, distributive justice, and procedural justice.¹² Equity is therefore fairness in the employment relationship such that employees receive the treatment they deserve including both minimum conditions worthy of any free human being and fair conditions based on objective standards of performance.¹³ Equitable minimum standards include minimum wages, maximum hours, safety and health protections, child labor restrictions, family leave, and the provision of retirement, health, and disability insurance (see table 1.1). Equity also includes work rewards that are fair and a balanced distribution of income. Equity also requires nondiscrimination policies so that people have equal opportunities and also protections against unjust dismissal. The importance of these precepts are underscored by their wide-ranging justifications including moral views of human dignity, religious beliefs about the sanctity of human life, humanistic psychology theories of human nature, and political theories of liberty and democracy.¹⁴

The employment relationship objective of equity can be supported by various ethical theories.¹⁵ In the philosophy of Immanuel Kant, our actions must "always treat humanity, whether in your own person or in the person of any other, never simply as a means, but always at the same time as an end" (Sullivan 1989, 148). This stems from the basic value of human life and yields equity as an important standard of the employment relationship—for example, paying unfair wages or managing people in a discriminatory fashion treats them as a means, not as an end (Bowie 1999). Unjust dismissal without due process similarly violates Kantian moral principles (Bowie 1999; Pincoffs 1977). In the Aristotelian moral tradition, Nussbaum (2000, 5) argues that human beings have a moral right to pursue basic human capabilities—"what people are actually able to do and to be." Of particular relevance for the workplace, the universal capabilities that everyone is entitled to include "being able to live to the end of a human life of normal length" (78), "being able to have good health, including . . . to be adequately nourished" (78), and "having the right to seek employment on an equal basis with others" (80). Although emphasizing capabilities instead of explicit outcomes, this is another moral argument for important dimensions of employment relationship equity such as a minimum and fair wage, safety standards, and nondiscriminatory treatment. This is again based on the basic value of human dignity. More broadly, Goodin

(1985) argues that standard moral theories imply, or are at least consistent with, a particular responsibility for protecting the vulnerable. This includes vulnerabilities stemming from the employment relationship and is therefore essentially a moral theory of workplace minimum standards and equity.

Religious views on the sanctity of human life and respect for human dignity often closely resemble secular ethical conceptions of human dignity. It is thus no surprise that the standard of equity in the employment relationship also derives from religious thought (Ryan 1912).¹⁶ In the form of papal encyclicals, the Catholic Church has been the most explicit. In the first encyclical on social thought, *Rerum Novarum* ("On the Condition of Workers," 1891), Pope Leo XIII wrote "justice demands that the dignity of human personality be respected in [workers] . . . It is shameful and inhuman, however, to use men as things for gain and to put no more value on them than what they are worth in muscle and energy" (§31).¹⁷ Why? Because "no one may with impunity outrage the dignity of man, which God Himself treats with great reverence, nor impede his course to that level of perfection which accords with eternal life in heaven" (§57). Consequently, *Rerum Novarum* advocates workplace equity: a living wage, a limit on working hours, health standards, and restrictions on child labor.

These principles are reaffirmed in Pope John Paul II's *Centesimus Annus* ("The Hundredth Year," 1991):

God has imprinted his own image and likeness on man (cf. Gen. 1:26), conferring upon him an incomparable dignity, as [*Rerum Novarum*] frequently insists. In effect, beyond the rights which man acquires by his own work, there exist rights which do not correspond to any work he performs, but which flow from his essential dignity as a person. (§11)¹⁸

While also affirming the importance of private property, the efficiency of the "modern business economy," and the "legitimate role of profit," *Centesimus Annus* asserts that the market should be "appropriately controlled by the forces of society and by the State, so as to guarantee that the basic needs of the whole of society are satisfied" (§32 and 35). Thus, to fulfill moral and spiritual development in human beings created by God, a fair set of material standards and fair treatment are necessary in the employment relationship.

Although Catholic labor policy has been the most explicit, Protestant, Jewish, and Islamic traditions also champion the dignity of human life and therefore the need for workplace justice.¹⁹ According to Perry (1993, 1), in Judaism, "a social justice imperative appears repeatedly in Talmudic decisions concerning worker rights." This yields important standards regarding the payment of wages, hours of work, and sick and disability pay (Weisfeld 1974; Perry 1993). In Islam, one hadith of the Holy Prophet can be interpreted as requiring a living wage for workers and many teachings emphasize justice and fairness. Equitable distribution of wealth and lack of discrimination or favoritism are also important (Khalil-ur-Rehman 1995).

In addition to secular and religious beliefs about human dignity, the equity

standard can also be constructed from political theories of justice. One line of argument is that the goal of a political system should be to provide the basic standards needed for self-development and self-actualization (Hill 1997). Humanistic psychology maintains that self-actualization flows from a hierarchy of needs that includes physiological and security needs as the building blocks (Maslow 1968).²⁰ As such, the standards of workplace equity that provide for these basic needs—including a living wage, safe working conditions, job security, and health insurance—are necessary for self-development and self-actualization and should therefore be provided by the political system.²¹ In other words, workplace equity should be an important societal goal.

Another political theory in support of workplace equity stems from John Rawls's landmark *A Theory of Justice* (1971). A centerpiece of this framework is that social and economic inequalities are acceptable only if opportunities are available to all and if the inequalities benefit the worst-off members of society. This conception of justice implies that everyone is entitled to a minimum of resources and to equal opportunities—in the workplace this amounts to minimum material standards and policies of fair, nondiscriminatory treatment.²² This is a political theory because it can be justified on the basis of the requirements for free and equal citizens in a political democracy; that is, on the basis of political liberalism (Rawls 1993, 2001). In other words, the lack of equity—discriminatory treatment and a lack of minimum standards—is counter to the basic ideals of political democracy. This assertion has two strains (West 2001). First, citizens are not able to function as political equals when they lack a basic level of material well-being (Cohen and Rogers 1983; Sandel 1996). Second, irrespective of the inability to function as political equals, a democratic state has an obligation to provide minimum standards. To do otherwise would violate the democratic, and U.S. constitutional, requirement of equal protection and due process (Michelman 1969; Zietlow 1998).²³

Rawls's theory is not without its critics (see Daniels 1975; Sandel 1982). At the other end of the liberalism spectrum, Nozick's (1974) entitlement theory of justice emphasizes the achievement of justice through libertarian rights of individual freedom and private property in the tradition of John Locke. However, even libertarian theorists such as Locke and Nozick are troubled by social outcomes that deprive some individuals of enough income to survive (Edelman 1987).²⁴ In fact, Sterba (1988) argues that libertarian (emphasizing liberty), socialist (emphasizing equality), feminist (emphasizing androgyny), and communitarian (emphasizing the common good) theories of justice all support the liberal egalitarian right to welfare and affirmative action.²⁵ Sterba's (1988) logic applies equally well to minimum wage and safety standards. As such, various political theories can be argued to support the standard of workplace equity, especially in terms of minimum standards and nondiscrimination. Ideals of political equality, civic engagement, and social cohesion also imply that a balanced distribution of income is desirable (Krueger 2002; Osterman et al. 2001; Sandel 1996).

But what about just-cause dismissal protections? The libertarian argument is that personal freedoms mandate that employers are free to discharge workers at any time just as employees are free to quit at any time (Epstein 1983). Two counterarguments are often made. First, the lack of unjust dismissal protections embedded in the employment-at-will system undermines the ability to achieve other dimensions of the workplace equity standard (Blades 1967; Summers 2000). That an at-will employee can be fired for saying “blacks have rights too” to a coworker begs the question of the reality of equal opportunity laws.²⁶

Second, and more strongly, respect for liberty, due process, and human dignity ought to imply the need for unjust dismissal protections in their own right. Examples of abusive discharge have been well-catalogued (Blades 1967; Summers 2000) and include being legally fired for failing to divorce one’s wife, refusing to falsify federally required food and drug records, and refusing to illegally smuggle liquor or illegal immigrants for an employer. Workers have been fired for living with someone without being married, smoking, drinking, riding a motorcycle, and other legal activities outside of work (Dworkin 1997). Unjust dismissal protections therefore develop “a greater respect for the individuality of the employee” (Blades 1967, 1414), provide “elemental fairness” (Bellace 1983, 212) and are “an essential element of industrial justice” that “should need no argument in our time” (Summers 1976, 532). In short, how can the employment-at-will doctrine, with its explicit admission that workers can be fired for morally wrong reasons, be morally acceptable?²⁷

In sum, equity should be a societal objective of the employment relationship that includes both minimum and fair standards that pertain to material outcomes such as wages and to issues of treatment such as nondiscrimination and just-cause discipline and discharge (see table 1.1.). In other words, equity is fairness in distribution and administration. This equity standard stems from ethical and religious theories rooted in the sanctity of human life and dignity, and from political theories of liberty and democracy. It is an instrumental standard because its violation denies individuals the ability to live a full and free (working) life. This equity standard, however, can be fulfilled without the employee’s participation—all of the dimensions involve how the employee is treated (unilaterally) by the employer. For a standard of participation or involvement, the voice component is necessary.

Voice

Voice is the ability to have *meaningful* input into decisions. The addition of voice to the pillars of efficiency and equity explicitly adds and emphasizes an element of self-determination in the employment relationship—even if it doesn’t enhance efficiency. This conception of voice has two elements: industrial democracy rooted in political theories of self-determination, and employee decision making that stems from the importance of autonomy for

human dignity (see table 1.1). As such, although voice is closely related to democracy, there are aspects of voice that go beyond democratic conceptions of voice or participation. Put differently, it is difficult to fulfill the voice standard without some elements of democracy in the workplace (industrial democracy), but there are additional forms of individual decision making and autonomy that can also contribute to this standard. It is therefore better to use the term “voice” than “democracy” even though to a large extent they are closely related.²⁸

Before turning to the elements of voice, it is important to note that “voice” has been used in employment research and practice in varied ways. Hirschman (1970, 30) largely established the conception of voice in economics as efforts to “change, rather than escape from [that is, exit], an objectionable state of affairs.” This thinking has been very influential in employment research as illustrated by the numerous studies of the determinants and consequences of employee voice versus exit (e.g., Bemmels 1997), and of labor unions as institutions of collective voice (Freeman and Medoff 1984). For Hirschman (1970), Freeman and Medoff (1984), and others in this tradition, the interest in voice focuses on its effect on efficiency. But this is not the only use of the term “voice” in employment research and practice. Over one hundred years ago, a hearing of the United States Industrial Commission (1901, 772, emphasis added) discussed whether “it is a *legitimate purpose* of workingmen, or a set or workingmen, to have some *voice* in fixing the hours of labor and the sanitary conditions under which they work.” Foreshadowing Senator Wagner’s New Deal vision of promoting collective bargaining as “a voice in industry” (see below), Estey (1928, 208, emphasis added) wrote

It is a fundamental doctrine of political democracy that one should have some voice in regard to matters that vitally affect him. . . . For unless he has this voice, usually exercised through the vote, then the most important incidents of his life, his wealth, his property, indeed his very life itself are removed from out of his control. . . . If there is an argument for giving [a worker] a vote, even more is there an argument for giving him a *voice* in the conditions of shop and factory.

Osterman et al. (2001, 12, emphasis added) similarly describe labor unionism as, at least partly, “a positive social and economic institution that helps give workers a *voice* in regard to their working conditions.” Or witness the AFL-CIO’s recent “voice at work” campaign, which similarly highlights unions as vehicles for participating in the workplace determination of wages, hours, and terms and conditions of employment. These conceptions of voice are not narrowly limited to Hirschman’s (1970) efficiency-enhancing, alternative-to-exit definition of voice but are rather linked to visions of workers’ rights for self-determination in the workplace. This latter conception of voice is what the standard of voice developed in this book extends.²⁹ The principle of voice articulated here as one of the three objectives of the employment relationship stems from political, moral, religious, psychological, and even property rights foundations.

The first element of voice is industrial democracy. Heckscher (1988, 166–67) articulates four basic rights critical for “an effective system of representation . . . necessary to permit the expression of employee concerns”: due process, information, speech, and association.³⁰ It borders on a truism, but freedom of speech is essential for meaningful voice. But to make this freedom effective, it must be backed up by three other protections. Due process provides for a set of standards so that employees can only be disciplined or discharged for just cause. This includes not only discipline or discharge for valid, job-related reasons, but also standards relating to reasonableness, evidence, and the nature of a hearing (Koven and Smith 1992).³¹ Due process is vital if voice is not to be hollow, in both the workplace and the political arena, to prevent reprisals against the expression of complaints and unpopular or critical views (Derber 1970). Information is necessary not only because viable participation and the expression of voice must be based on informed knowledge of situations, but also to foster the accountability of leaders and representatives (Derber 1970). Lastly, the freedom of association or representation is essential (Greenfield and Pleasure 1993; Gross 1999).³²

In other words, industrial democracy entails having a *meaningful* voice in the determination of working conditions based on the political principles of democracy. Workers should be able to express unpopular views. Workers should be protected from arbitrary treatment and have access to fair dispute resolution procedures when disagreements arise. And either directly or through representatives, workers should be able to participate in workplace decision making. The earliest arguments for voice appear to stem from political thought—hence the term “industrial democracy.” As far back as the 1790s, Albert Gallatin, the later Secretary of the Treasury for Presidents Jefferson and Madison, stated “The democratic principle on which this nation was founded should not be restricted to the political process but should be applied to the industrial operation as well” (as quoted in Derber 1970, 6). The arguments behind this idea were diverse (Harris 1993), but a basic undercurrent flows from the concept of liberty.³³ This is apparent in this 1904 Iron Molders editorial: “Political equality is not sufficient and unless the wage-earner possesses an industrial equality that places him upon a par with his employer there can never exist that freedom and liberty of action which is necessary to the maintenance of a republican form of government” (as quoted in Harris 1993, 46–47). Senator Wagner promoted the National Labor Relations Act on this same basis:

The struggle for a voice in industry through the process of collective bargaining is at the heart of the struggle for the preservation of political as well as economic democracy in America. Let men become the servile pawns of their masters in the factories of the land and there will be destroyed the bone and sinew of resistance to political dictatorship (Keyserling 1945, 14).

These sentiments are often echoed today. Gould (1993, 32) is typical: “democratic values are important in the workplace . . . Real participation in in-