

# **New Work Organizations, Flexibility and Decentralization**

## **- a sociological case-study of work organization and cooperation in five Danish industrial enterprises**

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The main objective of this dissertation is to clarify the interrelation between new work organizations and flexibility - and how such interrelation's affect the institutionalized system of cooperation and collective bargaining as well as cooperation within the single enterprise – in short the Danish model.

It has particularly been discussed, in light of new work organizations like Human Resource Management (HRM), if such organizational strategies possibly contribute in individualizing management-worker relations. The priority new management gives to human resources thus might change existing management-worker and worker-union – relations. Hence, the next question posed is how such an individualization process might affect the support of unions and ultimately the whole collective bargaining process.

These questions constitute the primary focal points of the dissertation. The empirical foundation of the dissertation is composed of five indepth case studies of Danish industrial enterprises. All in all 85 workers, shop stewards, line-managers and managers have been interviewed, the outcome being five separate enterprise investigations into the fields of work organization, human resource utilization, cooperation and organizational culture. The theoretical frameworks mounted in these investigations are flexibility concepts and Human Resource Management theories.

The dissertation is in three parts. In the first part different aspects of work organizations – flexibility, Scientific Management, Taylorism, Human Relations, Human Resource Management and management-worker relationships (interpersonal and/or collective) – are discussed theoretically.

In the second part, case studies of five Danish enterprises are presented. These enterprises have been analyzed in terms of flexibility and HRM, as previously defined in part I. The case studies as presented in the dissertation are shortened versions of the empirical data. It should be noted that the complete case studies are available as appendices to the dissertation.

In the third part, a broader analysis is undertaken in order to shed light on how new forms of flexibility and work organizations affect cooperation at the local as well as the central level (i.e. the

level of the collective bargaining system). Finally, it is discussed whether or not, a broad tendency in implementing new work organizations and cooperational systems, can be identified.

### **Theory**

The point departure of the dissertation rest upon a discussion of the flexibility concept. Employers, as well as some employees, demand greater latitude in local pay and working condition agreements. New and evermore diverse consumer demands challenge the flexibility of enterprise, putting the central collective bargaining system under pressure. Thus, during the past decade vast parts of the bargaining system have been decentralized – arguably in order to enhance the possibility of enterprise in obtaining necessary work organization flexibility. Parties seeking local flexibility, likewise agree that the central collective agreements should set the overall agenda.

Work organizations and management dispositions toward human resources, can always be described in terms of flexibility - flexibility thus being the keyword in understanding any enterprise. This approach constitutes a central focus of this dissertation. The different flexibility schemes that managers adhere to can be used when characterizing management strategies, and the flexibility schemes employed often affect management-worker and/or management-worker representative cooperational patterns. Enterprises have and will always crave flexibility, but such cravings often turn out to be guided by unsystematic strategies, unintentionally overlooking the side-effekt that one flexibility scheme has on another - or on cooperational patterns. Actually, it seems like most small and medium sized enterprises – the most commonly found sizes in Denmark – work in an ad hoc manner especially when it comes to managing human resources but this also applies to management in general.

While it seems that the mantra of today has become 'more flexibility', discussions of how to go about implementing and choosing flexibility schemes remain dormant. Thus it follows that discussions of how different kinds of flexibility schemes work together and which unintended consequences these might have are rare if not altogether non-existent.

After discussing several theoretical points and interpretations of flexibility, five forms of flexibility are presented. These five forms of flexibility - numerical flexibility, work time flexibility, functional flexibility, pay flexibility and technical-organizational flexibility - are interconnected. If management chooses to make changes in one flexibility form, it very often affects the possibility in obtaining and maintaining flexibility in other areas. But not only could the above change; the internal power structure and privileges could change likewise. This is why the analyses of priority reallocations in flexibility schemes have become of crucial importance.

The manifold flexibility combinations are decisive for where the emphasis of work organizations and enterprises are placed in human resource management. Historically, different kinds of flexibility can be said to have dominated different eras, and therefore various emphases have been placed in utilization of human resources in the history of production. Hence, different work organizational theories, emphasizing the use of human resources, are presented and discussed.

Taylorism or Scientific Management are briefly discussed as production concepts, which stress numerical flexibility over functional flexibility. This discussion primarily serves to illustrate that even such production concepts, generally considered very rigid when it comes to work design, can

be described in flexibility terms; in such work organization strategies, human resource development is not lent high priority.

The Hawthorne research was probably the first investigation showing that human needs, preferences and social surroundings possibly brings about a considerable impact on productivity. Thus, the Hawthorne investigation could be considered to be a major leap in work sociology.

After World War II, inspired partly by the Hawthorne research, partly by psychological studies of social dynamics in the army, a new theory of work sociology was born – Human Relations. As the name of the concepts indicates, emphasis was laid on social relations in the workplace; in research social factors, especially group dynamics, turned out to have a tremendous impact on productivity. Human Relations theory developed along different tracks. A certain track had inspired the Nordic countries, namely Socio-Technical thinking, which stress the interrelationship between technology and social relations. The reason as to why it was this track that had gained popularity in Scandinavia, was the fact that the theory - as oppose to both the Hawthorne studies and the early HR-research - incorporated collective representations in a systemic mode of thought, where both employers and employees (as a collective) were represented as opposing parties. In countries with a strong collective bargaining tradition, such theory just does not go by unnoticed.

A now classical study in Nordic work sociology, Arbeiderkollektivet, was inspired by the above mentioned circumstances. Based on empirical data, the study yielded that there existed an ongoing competition between the technical-economic system (management) and the collective system (the group of workers/worker representatives), hence both parties strived in obtaining the affiliation and loyalty of the worker to their respective system.

For several reasons the above theory is of particular interest when set in relation to this study. First and foremost, it gives a theoretical framework that makes competition between two systems in work organizations comprehensible. When management (the technical-economic system) implements new work organizational schemes, i.e. changes in the priority of flexibility, the existing power balance between the technical-economic system and the collective system changes, thus initiating a reaction from the collective system. However, this reaction depends to a great extent on worker support, i.e. their affiliation to the collective and technical-economic systems; it therefore follows that if the collective system stands strong, a negative reaction on what is considered a technological-economic systems infiltration, is likely to be provoked. But hitch here nonetheless, is that new work organizations, often offer an alternative to the collective system by granting workers individually designed and interesting jobs, thereby inseminating doubt in the workers conscience as to whether the collective system or the technical-economic system offers the best opportunities. It is therefore this theory can be seen as fruitful, particularly when set in conjunction with the main focus of this dissertation, which is to shed light on the present correlation between new work designs and collective representations.

In the 1980s and the 1990s a new work design concept evolved which - at least in principle - took management of human resources very seriously. Human Resource Management has dominated management concepts the past decade, and in relation to this dissertation, the concept as such becomes interesting because it seemingly offers an alternative to the collective system. Because HRM offers individualized and meaningful job designs, whose purpose is to enhance commitment, integration, flexibility and quality, in a world where employees are still better educated and put forward demands for still more interesting and uniquely designed job descriptions, HRM might just

fill out a void. HRM work designs are rather complex labor organizational designs because they strive to deliver design solutions, which seemingly cover a great deal of the demands that the modern employees put forward.

But HRM designs might also weaken the collective system. Why should the single worker feel affiliated to the collective system that treats everyone alike, if the technical-economic system is able to deliver the goods in demand? Hence, this work design might weaken collective representations, mainly on the locally (the single enterprise) but perhaps also more widespread (on the institutional levels).

These considerations are the impetus to the main hypothesis in the dissertation, called the dual loyalty-thesis:

- *Through new flexibility and work organization schemes like HRM, enterprises seek to obtain the loyalty of the employee on behalf of the solidarity among employees and their union loyalty.*

This hypothesis is central because it touches upon a crucial question in any changes made in work organization schemes: Does it change the existing power balance between management and worker(s)? And furthermore there are especially interesting questions when viewed in a Danish context: Does it weaken workers informal affiliation to the workers collective, and does this in return affect the formal affiliation to institutionalized worker collectives, i.e. the unions?

Accordingly, in connection to the hypothesis above, a secondary thesis will be put forward:

- *In the long term, work organizations like HRM or the like - that enhance the possibilities of influencing and deciding on the organization and content of the individuals work function - can be perceived as a threat to the existing negotiation and collective bargaining systems.*

These are the main hypotheses of the dissertation, but hypotheses on new flexibility forms are also presented.

### **Case-studies**

These theses are tested by indepth research made on five Danish enterprises. All of the five enterprises have in one way or another attempted to work with different flexibility schemes. The five are described in terms of flexibility: what kind of flexibility does each enterprise emphasize, how does management obtain this flexibility, and how do the different kinds of flexibility interrelate? By analyzing the flexibility priority of each enterprise, the case studies wind up giving a detailed picture of which factors are of importance for cooperation at the individual enterprise - particularly the reactions of collective systems to changes made in the work design by management. In each case study, the enterprise is assessed as to whether or not it properly can be defined as a HRM-enterprise according to the HRM ideal type presented in part I. Moreover, the relation between this ideal type and the single company's work design are discussed in each case-study.

## **Analysis**

In the third part the analyses is taken a step further. With the case studies as point of departure, the general implications of management's emphasis on certain flexibility schemes are analyzed.

Management's use of numerical flexibility, i.e. continuing hiring and firing of employees according to the incoming volume of orders, is seemingly the kind of flexibility scheme that generates the most severe tension between management and workers (worker representatives inclusive). Utilizing numerical flexibility thus indicates and prompts workers into realizing that they are but a dispensable resource, and therefore in no way crucial for the enterprise. Such cooperation is basically low-keyed.

Some enterprises employ a labor division between core-workers and peripheral-workers in order to obtain different kinds of flexibility from different persons. Core-workers typically have relatively varied and interesting job functions, a high level of job security, and better possibilities of (in-service) training - they are functionally flexible. Peripheral-workers typically employ routine tasks, have a low level of job security, and if they get any training at all, it is on-the-job training - they are numerically flexible.

Other enterprises handle the order fluctuations by employing work time flexibility schemes. On one hand, this puts an extra strain on workers when the order book is full, and thus they might have to work overtime. On the other hand, these workers generally have a high level of job security. Especially when management explicitly points out that work time flexibility (and a high level of job security) is a conscious choice made on behalf of management in expense of the numerical flexibility scheme, the workers collective response is generally positive. The relationship between worker representatives and management in such schemes are therefore considered to be high trust relationship.

The same pertains to companies where management invests in functional flexibility, i.e. education and job rotation. Often, high emphasis on functional flexibility calls for training, and such investments are generally thought of as management signaling that job security is high. Why invest in training if you have no intention of keeping the workers? Another element in obtaining functional flexibility is elimination of traditional occupational demarcation lines.

Some enterprises employ production externalization strategies, meaning that the more simple and Tayloristic job functions are exported and/or subcontracted to minor companies or countries that have lower labor cost. The more advanced and quality sensitive functions are kept within the enterprise, thereby securing the remaining employees the most interesting jobs. This often generates a high-trust relationship between management and worker.

In other companies, a completely different strategy is employed. When simple job functions have not yet been externalized, management might use externalization as a threat: If employees do not show sufficient flexibility or wage restraint, management threatens to move the Tayloristic work functions to other countries. This strategy commonly generates low trust and insecurity, the off-spin effect thus sometimes resulting in a lowering of the quality work done.

But there also exist another reason explaining why most managers are reluctant in employing externalization strategies: there exist a fear that the quality and supply security might be vested with

too many risks, such as the maintenance of high standards and security supply, if parts of the production become externalized. It should nevertheless be noted that manager's views on work organizations and attitudes to human resources often tend to differ quite a lot, even inside the same enterprise.

Wage flexibility is traditionally closely connected to all other flexibility. Generally wages are thought of as a good if not the primary incentive when wanting to encourage new flexibility schemes. This study however, shows that there are no unambiguous interrelationships between a certain wage system and the possibility of obtaining any certain flexibility scheme. Not two wage systems are alike, and the case studies suggest that in two different enterprises the same kind of flexibility can be obtained, even though the wage systems are completely different from one another. Often, other elements like job security and the possibility of getting an interesting job are as good incentives in obtaining flexibility as pay is.

Technical-organizational flexibility is a concept used in describing the overall ability of an enterprise, when altering its work organization and production concept. One could consider it an umbrella concept, covering all interrelationships between the other four flexibility concepts. But it also covers another thing, namely the employee-management relationship. As the study shows, the cooperation between the technical-economic system and the worker collective is closely interrelated to work organization schemes, i.e. to management's priority of flexibility.

It seems to be important for relations that management explicitly choose the correct work organization scheme. Management in other terms, must employ a systematic and explicit approach when dealing with human resources. However, if management choose not to make such choices, and instead employ ad hoc personnel policy, then the work force becomes insecure and relations tense. This is especially true of enterprises where management seek to obtain maximum flexibility in all areas, not choosing one area above another. In such situations both employees and middle management become confused and frustrated - and this affects productivity and quality. Especially the role of the foreman seems to be under alteration, due to new forms of work organization; thus if the future role of the foreman is not clearly defined, this group of employees will become a major barrier to change.

Formally, HRM as a praxis has not had the equivalent influence on management practice and theory in Denmark, as seen in other countries. This nonetheless does not imply that human resources have low priority in Danish enterprises. The study shows that some companies, though without implementing actual HRM concepts, employ work organization strategies that resemble HRM a great deal. Some of the case study enterprises thus fulfil most of the HRM-enterprise characteristics. However, none have introduced all the HRM elements - this was neither to be expected, as HRM in its purest form is an ideal type.

HRM as a management strategi has been widely criticized for being manipulative and for attempting to individualize the relations between management and the employee. The accusation is of special interest for this study, since one of the main interests here has been to shed light on whether new work organizations might weaken collective representations like the workers collective and trade unions. HRM and similar work organization schemes seem to exist in 'hard' as well as 'soft' versions. The 'hard' version is, among other things, characterized by a management that deliberately ignoring workers collective representations by individualizing work designs, wage negotiations and working conditions. The objective is to weaken the worker collective loyalty of the

employee, thus strengthening his or her enterprise loyalty. In the 'soft' version, management respects collective representations and therefore includes their point of view when decisions are taken.

Based on the case study findings, it seems unwise to ignore the collective system in Denmark. If management's aim is to obtain a specific flexibility scheme, it becomes far easier to reach this goal if worker representatives are involved in the decision and implementation making processes. In Denmark there exists a tradition of strong labor involvement, which explains why attempts to ignore collective representations are hardly ever made. An important result of this study is that management generally respect collective representations - and even if relations between management and the shop-stewards are tensed, it doesn't affect the high certitude management has in trade unions as sparring partners in general.

One thesis posed the question of whether enterprises, through new flexibility and work schemes like HRM, seek to obtain the loyalty of the employee, on behalf of the solidarity between employees and unions. Based on the five case studies this thesis could not be confirmed. None of the management's in any of the enterprises had implemented new work organization with the explicit intent to by-pass collective representations.

Does the above conditions mean that the Danish system of collective bargaining is safe and sound from the potential threat of new work organizations? There is no simple answer to this question. Even though none of the management's in this study have deliberately tried avoiding collective representations, new work concepts like HRM do offer more individualized work designs and do fulfil some of the employees dreams about 'a good work life'. Hence, employees might become more attached to management than to the workers collective or trade unions, because management delivers the goods that they now crave.

Another factor, which might weaken worker support of collective representatives, is - paradoxically - the fact that shop stewards and management often have good relations and are able to solve conflicts in a calm and cooperative atmosphere. Along with shop stewards evermore-intense involvement in management decisions, the demarcation line between 'us' (the workers) and 'them' (management) become blurred, thus weakening the sense of solidarity in worker collectives. The fight for survival, so obvious 'in the good old days', has become invisible to employees, as conflicts are solved and results are reached with more sophisticated measures. Such novel ways of handling conflict might have made the need of unions and collective representations seem less obvious to employee. These are the threats from which the support of collective representations like unions might vanish.

The second thesis put forward in the dissertation claims that work organizations like HRM threaten the existing formal system of negotiation and collective bargaining. This thesis cannot be answered unambiguously. Basically, employers have no intention of marginalising unions or their representatives. But on the other hand the combination, of what new work organizations like HRM offer and what workers demand in obtaining meaningful jobs, creates an integration of management's and worker interests that might make the need for unions seem less obvious to workers. Thus this might erode the unions' base of legitimization in the collective bargaining system.

Never the less, unions have a unique chance at the moment. As shown in the study, the employers' faith in unions' abilities to solve conflicts and in shop stewards as management sparring partners, is still intact. What both management and shop stewards ask for, is that shop stewards become better equipped to meet the new challenges, so that they can become competent and constructive actors when strategic decisions are to be taken. Put in other words, now that workers (representatives) have seemingly gained the influence they had been yearning for the past century, unions have to support shop stewards in taking decisions, maybe even on managerial level.

However, the spread of new work organizations in some areas of industry and service has not meant that old work organizations like Scientific Management have disappeared. Rather, it seems like a dual production system is in action - i.e. a dual system where simple job functions, requiring none or minimum training and which are exposed to high levels of numerical flexibility, exists parallel to more complex and varied job functions where functional flexibility is highly priced. That is, a more or less Tayloristic system and a HRM system existing simultaneously. This labor division could be between countries or enterprises. Nonetheless, though work conditions, wage negotiations, and the level of job security differ, it is also possible that such work designs exist within the same enterprise, depending on whether one belongs to the core or periphery work force. In that sense, it would be more accurate to term it a dual workforce.

The world is changing rapidly and so are production concepts. In the more complex job functions, management does not ask that employees have specific skills, instead they ask that the employee posses the ability to acquire new skills fast. All things equal, it seems like an employee might more willingly learn new skills if the person has been through a formal education system.

But the fact that management nowadays prefers 'soft' skills, such as the ability to adapt quickly to changes, might be a challenge to the existing industrial relations system. And perhaps to the exiting labor market relations theory as well.

### **New theories on labor market relations?**

Probably the most widespread theory on labor market matters is the industrial relations theory. But in light of the spread of new individualized work organizations, the question of whether this theory actually captures all aspects of the labor market remains to be answered. With the collective bargaining system as its basis, the Industrial Relations theory tends to focus on three parties: the employers and their organizations; the employees and their organizations; and the state. However, as the system of collective bargaining is becoming still more decentralized, as existing lines of occupational demarcation gradually vanish and as the relationship between management and the employee become evermore individualized, there might be a need for an theoretical approach which can embrace this individualized and decentralized element in new labor relations. HRM is too much of a management theory in order for it to be able to fulfil such a task, particularly because it underplays the role of collective representations.

Maybe the future lies in the theory of Employment Relations, a promising concept still not fully developed. The concept covers the traditional area of collective bargaining, but also includes items like work organization, managerial style, skill development etc.



Perhaps a new theory on labor market relations isn't as strongly needed in Denmark as in other countries where the collective bargaining system is weaker. Evens so, if the present development continues, such a theory might turn out to be beneficial in a Danish context, before we know of it.