

Sage Handbook of Industrial and Employment Relations
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CHAPTER 5

VALUES, IDEOLOGIES, AND FRAMES OF REFERENCE
IN EMPLOYMENT RELATIONS

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Employment relations—which for most of the 20th century was called industrial relations, and what some now call human resources and industrial relations—is a multidisciplinary field studying all aspects of work and the employment relationship (Ackers and Wilkinson, 2003; Budd, 2004; Kaufman, 2004). A multidisciplinary approach means that competing values and assumptions underlie the analyses, policies, and practices of employment relations scholars, practitioners, and policymakers. Unfortunately, these underlying beliefs are often implicit rather than explicit, or, with the longstanding focus on how industrial relations processes work, sometimes ignored altogether. But understanding the employment relationship, corporate human resource management practices, labor union strategies, and work-related public policies and laws requires understanding how values and assumptions form the ideologies and frames of reference used by scholars, practitioners, and policymakers.

According to Kochan and Katz, “The primary thread running through industrial relations research and policy prescriptions is that labor is more than a commodity...and more than a set of human resources” and “a critical assumption underlying industrial relations research is that there is an inherent conflict of interest between employees and employers” that comes from a “clash of economic interests” (1988: 6). From this perspective, labor unions and government policies such as minimum wage laws are seen as socially beneficial because they can moderate the unequal bargaining power between employees and employers. This passage, therefore, is a good illustration of the importance of underlying values and assumptions in employment relations. At the same time, it only describes one perspective (the pluralist perspective). In contrast, labor unions and government regulations are seen as detrimental when one assumes that perfectly competitive labor markets are optimal (an egoist perspective), as unnecessary when employers and employees are viewed as always having common interests (a unitarist perspective), and as

insufficient when one sees the employment relationship as an unequal power relation embedded in greater social and political inequalities (a critical perspective). These four views of unions and government regulation—harmful, unnecessary, socially beneficial, and insufficient—are firmly rooted in four different theories on the employment relationship that embody different values and assumptions (Budd, 2005).

These four key theories are the egoist, unitarist, pluralist, and critical models of the employment relationship.¹ They serve as the central ideologies and frames of reference for scholars, practitioners, and policymakers who deal with all aspects of work. These ideologies and frames of reference are packages of values and assumptions pertaining to the interests of the parties to the employment relationship—that is, the needs, wants, and aspirations of employees, employers, and the state—and the degree to which these interests are compatible. Outlining the important conceptualizations of these interests is therefore a major part of this chapter. The section that follows this discussion considers the different assumptions about the compatibility of these interests and integrates this analysis with a description of the four key theories. The importance of these values, assumptions, ideologies, and frames of reference are then explored. But first, these important concepts need to be defined.

DEFINING CONCEPTS

Values, ideology, and frame of reference are dangerous terms. Everyone has their own

¹ The broad scope and concise length of this review precludes a detailed examination of significant variations and details within the theories and perspectives outlined here. For example, Godard (1992: 244; 2005) includes a fifth model based on a pluralist economic and political system which is “far more egalitarian in opportunities and outcomes and which provides workers with far greater rights” than in what he terms the orthodox pluralist perspective. While these two views perhaps envision different reforms and ideal institutions, they are rooted in similar assumptions and values so we consider them as one model. The interested reader is referred to the references cited herein and to the other chapters of this Handbook for more nuanced discussions of various theories and perspectives.

view of what these terms mean and it's common to use these terms without defining them. The term ideology is particularly problematic in being used in many different ways (e.g., see Eagleton, 1994). Figure 5.1 summarizes our definitions.² At the center of our discussion are theories of the employment relationship—coherent models of how the employment relationship works. Each theory is built upon a collection of values and assumptions. Values are fundamental principles that ought to be true, such as the belief that labor should be treated as more than a commodity. Assumptions are beliefs about human behavior and the nature of various institutions such as markets, laws, corporations, and unions that are presumed to be true, such as the belief that there is an inherent conflict of interest in the employment relationship. Depending on how each theory is used, it can serve as an ideology or a frame of reference.

Thelen and Withall define frame of reference as a “conceptual structure of generalizations or contexts, postulates about what is essential, assumptions of what is valuable, attitudes about what is possible, and ideas about what will work effectively” in which each individual “perceives and interprets events” (1949: 159). Fox notes more simply that actors “perceive and define social phenomena” (1974: 271) through frames of reference. More recently, *The Norton Dictionary of Modern Thought* defines frame of reference as “the context, viewpoint, or set of presuppositions or of evaluative criteria within which a person’s perception and thinking seem always to occur, and which constrains selectively the course and outcome of these activities” (Bullock and Trombley, 1999: 334). In other words, a frame of reference “determines judgment, which in turn determines subsequent behavior” (Fox, 1966: 2). The themes of

² It should be emphasized that Figure 5.1 is intended to capture our definitions; it is not presented as a theoretical model of the determinants of any of the components of the figure. The popularity of an ideology, for example, might shape values and assumptions. While it's important to understand the determinants of dominant ideologies, such theoretical issues are beyond the scope of what Figure 5.1 is intended to portray.

perception, evaluation, and individual action in these definitions are central to our definition of frame of reference.³ More specifically, we define frame of reference as a theory used to guide and evaluate behaviors, outcomes, and institutions. To distinguish ideology from frame of reference, we adopt a definition of ideology that emphasizes public exposition rather than private evaluation. More specifically, we define ideology as a theory that is used to advocate and justify behaviors, outcomes, and institutions. This is consistent with *The Oxford Companion to Philosophy*: “the most important usage [of ideology] in contemporary philosophy and politics” is as “a collection of beliefs and values held by an individual or group for other than purely epistemic reasons” (Honderich, 2005: 419) and with Fox’s (1966: 5) “instrument of persuasion” function of ideology.⁴

In other words, a frame of reference is how one sees the world; an ideology is how one wants others to see the world. When a decline in union density troubles a policymaker because of a concern for protecting employees when employers have greater bargaining power, the pluralist model is being used as a frame of reference. When business leaders deploy the egoist model of the employment relationship to call for deregulating labor law and to justify relocating jobs to low wage countries, this model is being used as an ideology (the liberal market ideology). Admittedly, one’s ideology and frame of reference might involve the same underlying theory—for example, a radical scholar might evaluate outcomes and advocate for reforms using a frame of reference and an ideology both based on a Marxist conception of the employment relationship. But our definitions allow for the possibility that individuals preach from one ideology while practicing another. In particular, an important belief in some schools of Marxist thought is that

³ These themes are also consistent with the construct of framing in psychology (Tversky and Kahneman, 1986) and collective action frames in sociology (Benford and Snow, 2000).

ideology serves as a false consciousness in which the dominant class uses ideology to disguise their control. Managerial statements emphasizing individualism, cooperation, and competition are therefore seen as a strategy to legitimize a hierarchical and unequal workplace and to promote the continued managerial control of work (Bendix, 1956; Fox, 1966; Anthony, 1977; Kunda, 1992). A definition of ideology therefore needs to distinguish itself from frame of reference and allow for the *possibility* that actors say one thing, but do another. At the same time, it is important to remember that ideologies and frames of reference draw upon the same theories of the employment relationship. It is to those theories that we now turn, starting with a discussion of the various assumptions and values about the interests of the parties to the employment relationship.

EMPLOYEE INTERESTS

Employees are obviously a critical part of the employment relationship. But what do employees want to get out of work? Intellectually, how should we model employees as actors in the employment relationship (Kaufman, 1999)? Employees have diverse interests (Ciulla 2000; Kelloway et al., 2004; Kelly 1998). But the four theories of the employment relationship emphasize some interests over the others. It is therefore instructive to consider four categories of employee interests: survival and income; equity and voice; fulfillment and social identity; and power and control.

Survival and Income

Most people need to work to survive. Our ancient ancestors used basic stone tools to butcher animals, cut firewood, and build basic shelters as many as 2.5 million years ago. In modern societies, wage and salary income is the means to purchase the basic necessities of life.

⁴ Definitions of ideology that emphasize assessment and understanding (e.g., Godard, 1995) are

In its most primal state, then, a worker's interest is survival. This survival imperative is reflected in Maslow's (1943) model of work motivation based on a hierarchy of needs in which individuals are posited to first seek the satisfaction of physiological needs before pursuing other desires and is also reflected in Wheeler's (1985) model in which workplace conflict stems from the deprivation of necessary material resources. Both Adam Smith (1776/2003) and Karl Marx (1844/1988) also hypothesized that wages for common laborers would fall to levels that just support subsistence so individuals end up working simply to survive.

In a more contemporary vein, one of the key foundations of mainstream neoclassical economics is modeling individuals as seeking to maximize their personal utility functions (Varian, 1984). Utility is generally seen as dependent on consumption which means that work is an activity tolerated by individuals to earn income to buy goods, services, and leisure (Killingsworth, 1983). As a purely income-earning activity, labor is viewed as any other commodity and is exchanged through impersonal transactions as determined by supply and demand (Kaufman, 2005). At its core, then, neoclassical economics equates employees' interests to income; while not typically seen as mere survival, the implications for the employment relationship are largely the same because the focal point of work is the self-interested acquisition of material or pecuniary benefits.

Equity and Voice

An alternative conceptualization of employee interests is that employees not only want income, but also seek fairness. This is perhaps most simply demonstrated by organized labor's longtime pursuit of "a fair day's pay for a fair day's work." Human resource management scholars and industrial-organizational psychologists also believe that fairness is a critical

frames of reference under our definitions.

dimension of employment. For example, Adams's (1965) equity theory has been widely applied to employment issues. Most simply, workers are posited to reduce work effort if they feel that they are working harder than others who are paid the same. More generally, organizational justice—that is, employee perceptions of and reactions to fairness—has become a key construct in the human resource management and industrial-organizational psychology literatures (Folger and Cropanzano, 1998).

For others, the concern with fairness is rooted more in human dignity and liberty than in the behavioral sciences. The International Labor Organization's (ILO) 1944 Declaration of Philadelphia, for example, asserts that

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

To this end, the ILO promotes labor standards pertaining to equal pay for equal work, reasonable working hours, periodic paid holidays, unemployment and disability insurance, the right to form labor unions, and many other aspects of work. As human dignity is a critical theological concept, the Catholic Church through papal encyclicals such as *Rerum Novarum* and other major religions advocate similar standards and reinforce fairness as an employee interest in the employment relationship (Budd, 2004; Peccoud, 2004). Ethical theories in the Aristotelian and Kantian traditions also support the importance of respecting human dignity in the employment relationship (Bowie, 1999; Budd, 2004; Solomon, 1992). In fact, basic labor standards are increasingly argued to be human rights (Adams, 2001; Gross, 1998; Wheeler, 1994).

Such standards have traditionally been grouped together under a broad heading of equity (e.g., Barbash, 1987). More recently, Budd (2004) articulates the key employee interests as equity and voice where equity is fair employment standards for both material outcomes (such as

wages and safety) and personal treatment (especially nondiscrimination) and voice is the ability to have meaningful input into decisions. A similar distinction in the research on justice in the behavioral sciences is between distributive and procedural justice—that is, between fairness in outcomes and in procedures (Folger and Cropanzano, 1998). Whether seen as equity and voice or as distributive and procedural justice, the implication for employee interests is the same—survival and income are too narrow as the basis of employee interests; rather, employees seek fairness not only in work-related outcomes, but also in how these outcomes are produced.

Fulfillment and Social Identity

Another view of employee interests is based on the premise that individuals use work to provide psychological fulfillment and social identity. This is clearly reflected in the large literature in psychology on work motivation that emphasizes intrinsic work rewards over pay and other extrinsic rewards (Donovan, 2001; Latham and Pinder, 2005). Perhaps most famously, Maslow (1943) theorized that workers seek love, esteem, and self-actualization after their physiological and security needs are met. Thus, work provides employees with a basic outlet to channel their intrinsic motivation for achievement of desired objectives and personal fulfillment—or more simply, joy in work (De Man, 1929). A parallel stream of research in psychology examines the psychological importance of paid work. Building on Freud's claim that man's strongest link to reality is work, Jahoda (1982) argues that employment provides psychological fulfillment by providing time structure boundaries, a wider spectrum of social activities than those provided by family life, and involvement in a broader collective endeavor.

Similar themes are echoed by theorists in other disciplines (Ciulla, 2000; Leidner, 2006; Muirhead, 2004). In fact, Karl Marx, Emile Durkheim, and Max Weber all emphasize the importance of fulfillment through their concern with the loss of human dignity that accompanied

the denial of human fulfillment in the then-emerging modern employment relationship (Hodson, 2001). For Marx (1844/1988), the defining feature of being human is freely working to create things, but under capitalism, workers do not control the means of production and are therefore alienated from their labor, and denied their essential dignity as humans. Durkheim (1893/1933) sees the division of labor as eroding social norms and therefore allowing the exploitation of workers while Weber (1925/1978) sees the bureaucracy of modern corporations as undermining dignity and fulfillment through the depersonalization of work.

The importance of work for individual fulfillment and dignity is also believed to provide the foundation for the importance of work for creating social identities and spiritual fulfillment. To help define themselves and where they fit into society, people classify themselves in occupational groupings (Tajfel, 1978; Turner, 1987; Ashforth and Mael, 1989). In other words, work contributes to employees' development of their self-concept by providing them with a social identity and thus another meaning to their employment beyond that of pay. On a spiritual level, as famously articulated by Weber (1904/1976), the Protestant work ethic is based on Martin Luther's concept of work as a "calling" (serving God by doing good work in whatever occupation you are suited for) and molded by John Calvin into a belief that hard work is the path to salvation. In Islam, Buddhism, and Hinduism, work also serves a higher motive that allows fulfillment of duty towards God such that individuals' interests in work are other than solely economic (Ali, 1988; Schumacher, 1974; Nord, et al., 1990).

Power and Control

A fourth perspective on employee interests is the belief that workers seek power and control in the workplace. Recall from the previous section that for Marx and some other theorists, "labor in the sense of free productive activity is the essence of human life" (Singer,

2000: 35). Meaningful work is therefore seen as critical for fulfillment and dignity, but under capitalism, workers are alienated because the product of their labor does not belong to them, they have no control over what is produced and how it is produced, and work becomes less of a social activity (Hodson, 2001; Marx, 1844/1988). To achieve dignity, a key worker interest is power: “the ability of an individual or group to control his (their) physical and social environment; and, as part of this process, the ability to influence the decisions which are and are not taken by others” (Hyman, 1975: 26).

Power and control can be pursued in various ways. Around the turn of the 20th century in the United States, craft unions developed work rules pertaining to apprenticeship standards, ownership over specific job duties, exclusion of undesirable or unskilled job duties, work allocation procedures, and other standards (Perlman, 1928). These work rules were often established unilaterally by the unions and enforced by having members refuse to work on any other terms and by fining or expelling members who undermined these standards (Montgomery, 1979). Today, some element of power and control are pursued by workers through various forms of solidarity and resistance (such as reduced work effort, absenteeism, and sabotage) (Edwards, 1986; Hodson, 2001; Kelly, 1998). Political theories in which capitalism is seen as inferior to socialism or syndicalism are at least partly rooted in a perception that workers lack sufficient power and control in a capitalist society. In addition to class struggles between labor and capital, struggles for workplace power and control can also take place along gender and racial lines (Amott and Matthaei, 1996; Delgado and Stefancic, 2001; Gottfried, 2006; Lustig, 2004). Lastly, employment relations theories that embrace employees’ interests in power and control are often derived from a belief that the primary employer interest is power and control over the workplace; this is discussed below.

EMPLOYER INTERESTS

One of the primary actors in the modern employment relationship is the employer. It is typical to see the employer's interests as those of shareholders, executives, and managers, or alternatively as those of the organization as a entity in its own right (which might be peculiar except that U.S. law treats a corporation as a person with its own rights and obligations). We generally follow these approaches, but it should be noted that there is some danger in treating an employer as a monolithic entity. Executives or managers might have their own goals independent of those of the organization or the shareholders which can lead to principal-agent problems in which the agent does not always act in the best interests of the principal that hired him or her (Fama, 1980; Jensen and Meckling, 1976). When we speak of the employer's interests, we are referring to the organization's interests which will also be assumed to be consistent with the interests of the shareholders, executives, and managers. To the extent that executives and managers are agents that follow their self-interest rather than the organization's interests, the reader is referred back to the previous section on employee interests. After all, executives and managers are also employees in the employment relationship—they are hired, fired, and are concerned with income, fulfillment, and the like.

In modeling the employment relationship, there are three primary views on the interests of employers. The first is profit maximization—a firm's objective is to structure work so as to generate the highest profit level possible to the exclusive benefit of the firm's owners. The second broadens the objective of profit maximization to include consideration of other stakeholders such as employees. And the third is the pursuit of power and control over employees that goes beyond that necessary to maximize profits in some technical sense. In the first conceptualization, profit maximization is seen as legitimate. In the second

conceptualization, the pursuit of profits is legitimate when tempered by a respect for the interests of other stakeholders. In the third view, a primacy of profits over other concerns is rejected as illegitimate.

Before turning to each of these conceptualizations, the reader is reminded to not confuse employer strategies with employer interests. In practice, we observe a multitude of employment conditions ranging from abusive sweatshops to workplaces with generously-rewarded employees that have extensive decision-making authority. This does not mean that there are a large number of employer interests; rather, this diversity reflects a multitude of strategies for pursuing the three basic employer interests: profit maximization, stakeholder value, or power and control. Moreover, these three interests are not intended to simply capture how employers express their interests; rather we are also considering different ways of conceptualizing or modeling employer interests. Employers likely state that they are pursuing profits in a legitimate fashion or balancing the needs of various stakeholders while radical scholars will see employers as pursuing their interests through a more critical lens. The discussion here is intended to capture this wide range of alternatives.

Profit Maximization

In economic thought, firms are assumed to maximize profits (the difference between revenue and costs) (Varian, 1984). Different types of workers are hired up to the point at which hiring one more worker costs more than the revenue generated. There are differing views on the extent to which labor markets are competitive, to which transaction costs are important, and to which there are principal-agent problems between workers and firms because of asymmetric information (such as the firm not being able to perfectly observe worker effort), but these complications do not change the basic foundation that each firm's objective is to maximize

profits (Manning, 2003; Wachter, 2004). The real-world importance of profit maximization is reflected in the Anglo-American shareholder model of corporate governance. In this system, shareholders are residual claimants and everyone else is seen as receiving fixed payments for their services, such as wages and salaries. Since shareholders single-handedly bear the risk of making a profit or loss, they are seen as the key group and economic performance will be optimized when corporate decisions maximize shareholder value (Blair, 1995). Maximizing profits and shareholder value therefore go hand in hand.

Many features of the modern employment relationship are linked to the profit motive. Frederick Winslow Taylor's development of scientific management in the early 20th century through carefully studying work tasks and scientifically determining the one best way of completing a task can be seen as driven by the pursuit of greater efficiency, and therefore profitability (Kanigel, 1997). As articulated by Weber (1919/1946), the rise of the bureaucratic organizational form was a rational solution to decision-making problems in the face of significant organizational complexity (March and Simon, 1958). The bureaucratic form of organization is therefore geared towards the profit motive that is the prime employer interest. The contemporary movement away from the narrowly-defined tasks of Taylorism and the iron cage of Weber's bureaucracy reflects an attempt to boost profitability by creating more flexible employment practices (Applebaum and Batt, 1994). Layoffs, outsourcing, moving production to low-wage countries, and reducing employee benefits are also all done in the pursuit of enhancing profitability for the benefit of shareholders.

Stakeholder Value

Note carefully that the shareholder model of corporate governance assumes that labor markets are perfectly competitive. As such, employees face little risk—if managers mismanage

the business and it goes bankrupt, the assumption of perfectly competitive labor markets means that workers who lose their jobs can always find equivalent jobs elsewhere at no cost. Shareholders, however, lose their investment so the shareholder model holds managers liable for serving shareholder interests. But what if labor markets are not perfectly competitive? Employees invest their own human capital in a corporation and therefore, just like shareholders, make significant contributions and face risky returns (Blair, 1995). Employees might not be able to recoup their investment or costlessly find an equivalent job elsewhere if the business is mismanaged. As a result, stakeholder theory asserts that all stakeholders—not only shareholders and owners, but also employees, customers, suppliers, local communities, and others—are sufficiently affected by corporate actions to deserve the right to be considered in corporate decision-making. Stakeholder theory can also be rooted in property rights: even in the United States with strong restrictions against harming others, property rights are not unlimited, so, the argument goes, a corporation must take multiple interests into account (Donaldson and Preston, 1995). In other words, a corporation does not exist just for the benefit of shareholders, and should be operated for the benefit of all those who have a stake in it. Supporters of stakeholder theory believe that shareholders deserve a fair rate of return, but also that the ideal of maximizing shareholder value without regard for other interests (as in the shareholder model) rests on questionable foundations and should not be used to elevate the importance of corporations over other stakeholders (Ghoshal, 2005).

In this vein, then, the interest of employers in the employment relationship should be serving the interests of shareholders, employees, and other stakeholders. In the United States, 32 states have constituency statutes in which company directors are explicitly allowed to consider interests beyond those of the shareholders (Adams and Matheson, 2000). In Europe,

codetermination policies institutionalize stakeholder theory by requiring employee representation on corporate boards of directors while social norms in Japan also foster a concern for stakeholder value (Jacoby, 2001, 2005).

Power and Control

For another set of employment relations scholars, characterizing the interest of employers simply as profit maximization, or even as increasing stakeholder value, is too benign. Rather, employer interests are modeled as seeking power and control over labor. This dominance serves not only to boost profits, but to promote capital accumulation, the amassing of wealth, and sociopolitical control (including, in the extreme, preventing a workers' revolution) by the owners of capital.

For Marx, this dominance is an integral feature of capitalism. As capitalists control the means of production, they are able to extract labor's surplus value which further empowers the capitalists at the expense of workers, not only in the economic arena, but in the sociopolitical realm as well. Rather than employers benignly seeking profit maximization by competing for workers in neutral labor markets, employers are seen as controlling and dominating labor through their superior economic and sociopolitical power (Hyman, 1975). In this vein, corporations are seen as using their political clout to promote their own interests by obtaining government subsidies and contracts and by shaping legislation that placates workers enough to avoid a broader working class threat while channeling labor conflict into tightly-regulated channels preferred by business rather than labor (e.g., witness the U.S. restrictions on secondary boycotts) (Domhoff, 1990).

In the workplace, the deskilling and division of labor that accompany Taylorism are not seen as a win-win situation in which labor works more efficiently, but rather as managerial

strategies to decompose both skilled craft and clerical occupations into simplified, routine, low-skilled jobs in order to gain control over the workplace (Braverman, 1974; Montgomery, 1979). Bureaucracy is not seen simply as an efficient structure for managing complexity; rather, bureaucracy is seen as a strategy to routinize all aspects of management and to consolidate the power to establish rules and procedures in order to control the operations of an entire organization (Edwards, 1979). More generally, labor process theory emphasizes the importance of control mechanisms in the workplace (Thompson and Newsome, 2004). In addition to issues of control along class (labor and capital) lines, control methods can also occur along gender, racial, and ethnic lines, such as with occupational sex segregation (Greene, 2003). All of these are examples where employer interests are modeled as power and control beyond that needed to benignly pursue profits.

STATE INTERESTS

The third major actor in the employment relationship is the state. The state has five roles in the employment relationship (Godard, 2005). In the regulative role, laws regulate workers, unions, and companies. In the employer role, the state is a public sector organization with its own employees. In the facilitative role, the state establishes social norms and provides support services for the employment relationship. The structural role consists of economic policies that shape the economic environment. And in the constitutive role, the state determines how the employment relationship is constituted by the type of economic system embraced by the state (such as a market-based capitalist economy). But what are the interests of the state in the employment relationship that determine how the state acts in these five roles? In other words, what is the state trying to achieve? We present three broad alternatives: a focus on freedom and the rule of law, an interest in promoting equitable outcomes, and an objective to support the

domination of the elite. As with the discussion of employer interests, these three interests are intended to capture different ways of conceptualizing or modeling state interests; they do not simply describe how the state expresses its interests.

In all three conceptualizations of the state's interests, it's possible that the state does not have independent interests; rather, its policies might simply mediate the political pressures of workers and employers in a pluralistic model or reflect and implement the political wishes of the dominant class in a Marxist model. For example, promoting freedom and the rule of law might be seen as an extension of employer interests, not an independent interest of the state. However, some research emphasizes the possibility of autonomous state action, especially as rooted in international connections of state officials, the need to maintain domestic stability, and the ability of government officials to use resources to pursue their own ends (Skocpol, 1985). In employment relations circles, it is widely believed that the anti-union policies of the Reagan administration and Thatcher government were more aggressive than would have been dictated if these administrations were simply reflecting business lobbying. Either as reflections or as independent interests, we believe the following three categories are instructive.

Freedom and the Rule of Law

In the liberal market paradigm, the interest of the state is in protecting freedom and the rule of law. As applied to the employment relationship, the law's role is to promote and protect the operation of free markets with voluntary exchange between companies, investors, consumers, and workers. In the United States, this view manifests itself in an emphasis on common law principles that support economic transactions, especially well-defined property rights, liberty of contract, and the law of torts to protect against property damage (Posner, 1986). As captured by a report from the Bush administration:

By providing a legal foundation for transactions, the government makes the market system reliable: it gives people certainty about what they can trade and keep, and it allows people to establish terms of trade that will be honored by both sellers and buyers. The absence of any one of these elements—competition, enforceable property rights, or an ability to form mutually advantageous contracts—can result in inefficiency and lower living standards (Council of Economic Advisors, 2004: 149).

Equitable Outcomes

In pluralist political thought, the state responds to the power of competing interest groups and, in the variant most relevant here, enforces existing rules while also ensuring fair outcomes (Dunleavy and O’Leary, 1987; Faulks, 1999). An alternative vision of the state’s interest in the employment relationship is therefore the promotion of equitable outcomes. As articulated by Sidney and Beatrice Webb, two of the founders of industrial relations, the state must balance various interests:

...industrial administration is, in the democratic state, a more complicated matter than is naively imagined by the old-fashioned capitalist, demanding the “right to manage his own business in his own way.”...In the interests of the community as a whole, no one 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 (1897: 821-23).

In contrast to liberal market proponents then, in this paradigm there is greater support for government intervention to reduce market imperfections (such as unemployment), to equalize bargaining power between employers and employees through unionization and social safety nets, and to provide workers with greater voice through works councils. At an international level, there is support for the International Labour Organization and its promotion of labor standards. For those that see labor rights as human rights, the state has the responsibility to guarantee these rights.

Dominance of the Elite

A third view on the interests of the state in the employment relationship is that the capitalist state perpetuates the dominance of the ruling class. This view is most clearly articulated in Marxist thought in which social change is driven by capitalism rather than the behavior of the state so that the state is viewed as an instrument of the capitalists who are then society's ruling class (Faulks, 1999; Pierson, 1996). Even though the state appears to be acting autonomously and neutrally, given its role of protection of ownership it is in effect intertwined with particular economic interests (Hyman, 1975; King, 1986). To wit, Kelly (1998) discusses how government repression of strikers and the protection of strike replacements reduces the effectiveness of collective action and thereby favors capital over labor.

THE (IN)COMPATABILITY OF INTERESTS

The framework developed in this chapter asserts that the ideologies and frames of reference of employment relations are rooted in two key dimensions: the interests of the parties to the employment relationship and the degree of compatibility of these interests. The compatibility or incompatibility of interests, in turn, depends on how markets and the employment relationship work. Now that the interests have been described, consider four different views on the compatibility of these interests and the nature of the employment relationship:

1. Employers and employees freely pursue their own self-interest in competitive labor markets; when these interests align, they consummate an economic transaction, when they do not align, they keep searching for mutually-beneficial exchanges.
2. Although labor markets might not be perfect, employers and employees share a unity of interests, especially in that treating employees well improves the company's bottom

line and vice versa.

3. Employers and employees interact as unequals with some shared and some conflicting interests, but these conflicts are economic in nature and limited to the employment relationship.

4. Employers and employees interact as unequals with significant power differentials that are pervasive through all social relations.

These differing views on the compatibility or incompatibility of the interests of employers and employees, as possibly shaped, mediated, or reflected by the interests of the state, define the four theories that underlie the essential ideologies and frames of reference for most employment relations scholars, policymakers, and practitioners—the egoist, unitarist, pluralist, and critical employment relationships (see Table 5.1).

The Egoist Employment Relationship

The egoist employment relationship is rooted in the pursuit of individual self-interest by rational agents in economic markets. Labor is conceptualized as a commodity like any other productive resource. Employees are seen as interested in income while firms pursue profit maximization. The state promotes economic transactions through protecting property rights and enforcing contracts. As such, there isn't a conflict between employers and employees; rather, they simply engage in voluntary, mutually-beneficial transactions to buy and sell units of productive labor based on the what the market will bear. Wages are never too low or too high, they simply reflect each worker's productive contributions. If workers and employers are equal in terms of economic power, legal expertise and protections, and political influence, then neoclassical economic theory shows that abuses and exploitation are prevented by perfect competition in the labor market.

Employment-at-will—that is, the right to hire and fire, or take a job and quit, at anytime for any reason—is a key feature of the egoist employment relationship. Employers and employees should be able to enter into any explicit or implicit agreement involving any mutually-agreeable terms and conditions of employment, including compensation, hours, duration of employment, job duties, and the like. In the interests of both economic optimization and individual freedom, employers and employees should likewise be able to end these arrangements when conditions or preferences change, or if a better deal comes along (Epstein, 1984). Labor unions and government-mandated labor standards are seen as interfering with the invisible hand of the free market and distort employment and output levels throughout the economic system (Reynolds, 1984). Unions are also seen as interfering with the discipline of the market by protecting lazy workers. Note carefully that the egoist employment relationship critically depends on embracing a value system in which efficiency is the primary objective of the employment relationship and whatever the market bears is best.

The three remaining theories place less emphasis on market determinism; markets are seen as useful for allocating scarce resources to productive uses, but as also imperfect because of information problems, mobility and transactions costs, unequal access to financial and legal resources, the importance of behavioral concerns such as fairness or social pressure in individual decision-making, and other real-world complications (Manning, 2003). The three remaining theories are also rooted in a different set of values (based on embracing different employee interests), especially in that workers are seen as human beings with psychological and physical needs and aspirations, and in the last two theories, with moral worth and democratic rights, too.

The Unitarist Employment Relationship

The second theory embraces a unitarist view of the employment relationship—the right

employment policies and practices will align the interests of employers and employees (Bacon, 2003; Fox, 1974; Lewin, 2001). In other words, labor and management have a unity of interests; any conflict in practice stems from poor employment practices. This frame of reference underlies contemporary human resource management which focuses on creating policies that simultaneously benefit employers (through their interest in profit maximization) and employees (through their interest in fulfillment) (Pfeffer, 1998; Ulrich and Brockbank, 2005).

In practice, there are a number of variants of the human resource management model ranging from hierarchical, paternalistic approaches to high-commitment approaches to strategic approaches (Applebaum and Batt, 1994; Katz and Darbishire, 2000). The underlying common denominator, however, is the attempt to devise human resources policies that are seen as aligning the interests of employees and employers. Some common examples include valid and reliable selection measures to hire and promote employees; training and development opportunities; respectful methods of supervision; compensation that provides more than a living wage while also rewarding performance; benefits that foster personal growth, security, and work-life balance; and informal or formal dispute resolution procedures.⁵ As reflected by the emphasis on employees' interest in fulfillment, psychology is arguably the dominant disciplinary influence in the unitarist camp.

The unitarist emphasis is generally on individual rather than collective identities, behaviors, and practices. In fact, in the unitarist employment relationship, labor unions and government-mandated labor standards are unnecessary. If companies are following the human resource management school's ideas of effective management, then workers will be satisfied and

⁵ So-called low road strategies rooted in low wages and managerial control are better captured by the egoist theory of the employment relationship in that they are rooted in a narrow conception of employee interests and in an emphasis on what the labor market will bear.

will not support a union nor need mandated labor standards. Such institutions are also largely seen as unnecessary because the unitarist view emphasizes fulfillment and intrinsic rewards. The role of the state is limited—while some scholars advocate government policies to promote high-performance work practices (e.g., Levine, 1995), human resources professionals are more likely to lobby against rather than for additional regulation; instead, the state’s role is seen as promoting the rule of law and economic transactions because this serves organizational performance. As with the other theories, this perspective is rooted in specific values and assumptions pertaining to the interests of the employment relationship and the nature of conflict within this relationship, and is often used as an important ideology and frame of reference by employment relations actors.

The Pluralist Employment Relationship

The pluralist employment relationship consists of workers and employers bargaining in imperfect labor markets in the presence of pluralist conflict—that is, in an employment relationship consisting of multiple, sometimes-conflicting interests (employers might want lower labor costs, flexibility, and an intense pace of work while employees might want higher wages, employment security, and a safe work environment) as well as shared interests (such as quality products, productive workers, and profitable companies) (Clegg, 1975; Fox, 1974).

The pluralist view of conflict is intimately related to a belief that labor markets are not perfectly competitive. Sidney and Beatrice Webb, John R. Commons, and other early institutionalists attributed the exploitive Anglo-American employment conditions of the early twentieth century to the superior power of large corporations over individual employees (Kaufman, 1997). This power advantage was believed to be rooted in market imperfections such as isolated company towns, mobility costs, lack of family savings or other resources, segmented

markets, and excess labor supply. Moreover, a core pluralist value is the rejection that labor is simply a commodity (Kaufman, 2005) and therefore that labor is entitled to equity and voice in the employment relationship (Budd, 2004). As such, the role of the state is to promote equitable outcomes. Because inequitable outcomes are seen as stemming from imperfect labor markets and unequal bargaining power, unions and mandated labor standards are viewed as mechanisms for leveling the playing field between employers and employees thereby promoting the optimal operation of markets rather than interfering with it (as predicted by theories rooted in competitive markets). Also, because of the belief that there are at least some conflicts of interests, the pluralist industrial relations school rejects the unitarist reliance on corporate self-interest and goodwill to protect workers. Rather, labor unions are seen as a productive counterweight to corporate power; social insurance and mandated minimum standards also help protect all workers against the vagaries of the business cycle and corporate power.

The Critical Employment Relationship

The critical employment relationship is rooted in the power and control interests of employers and employees and therefore sees the employment relationship as a struggle for power and control (Gall, 2003; Hyman, 1975, 2006). The schools of thought subscribing to this frame of reference can be grouped together under the umbrella of critical industrial relations and encompass Marxist, feminist, and other sociological theories based on the division and control of labor. While sharing the view that labor is more than just a commodity, unlike the pluralist view in which employer-employee conflict is confined to the employment relationship, the critical perspective is that employment relations conflict is part of a broader societal clash between competing groups (Kelly, 1998). A Marxist perspective assumes that employer-employee conflict is one element of unequal power relations between the capitalist and working classes

throughout society. A feminist perspective focuses on unequal power relations between men and women; a critical race perspective emphasizes segregation and control along racial lines (Amott and Matthaei, 1996; Delgado and Stefancic, 2001; Gottfried, 2006; Greene, 2003; Lustig, 2004).

In the critical employment relationship, the labor market is not seen as a neutral forum for matching self-interested workers with self-interested firms (as in the egoist employment relationship); rather it is seen as a socially-based instrument of power and control (Hyman, 1975). The employment relationship is therefore not a voluntary exchange but rather is a contested exchange (Bowles and Gintis, 1990). Because of the socially-rooted, ongoing conflict between labor and capital, human resource management practices are not seen as methods for aligning worker and employer interests, but rather as disguised rhetoric that quietly undermines labor power and perpetuates the dominance of capital (Legge, 1995). Strong, militant labor unions are seen as important advocates for workers' interests in the workplace and in the political arena. But ultimately, relying on collective bargaining to advance workers' interests is inadequate because of the structural inequalities that pervade the workplace and the greater socio-political context. That conflict between competing groups is not limited to the employment relationship also means that the state is largely concerned with perpetuating the dominance of the powerful group, whether it be capitalists, men, or a dominant ethnic group. As with the other theories, the key to understanding the critical employment relationship is through an analysis of the interests of the employment relations actors paired with an understanding of how the parties interact and the extent to which the various interests are compatible.

FROM THEORY TO IDEOLOGY AND FRAME OF REFERENCE

Ideologies and frames of reference related to work and employment relations are pervasive, from portrayals of labor in the paintings of Victorian England to the coverage of

contemporary events in the mainstream media (Barringer, 2005; Martin, 2004). Under Mao, the authoritarian communist regime in China until the late 1970s emphasized unitarist employment themes because communism is supposed to resolve the conflicts of interest believed to be inherent in capitalism (Taylor, et al., 2003). In the Western workplace, business executives and managers use ideology to legitimize employment practices (Anthony, 1977; Bendix, 1956; Kunda and Ailon-Souday, 2005); unions and workers use ideology to justify their own behaviors and actions. The various actors use their frames of reference to evaluate the ideologies and actions of others. When another's ideology is unconvincing (because it is rejected by your frame of reference), it is tempting to dismiss that ideology as hollow rhetoric to support a special interest. We believe, however, that it is more instructive to see these ideologies (and frames of reference) as rooted in the four theories of the employment relationship. Depending on the application, all four theories can serve as an ideology and as a frame of reference. Many of the examples used here follow the rest of the literature and focus on managerial ideologies and frames of reference, but it again bears emphasizing that all employment relations actors have ideologies and frames of reference. This is implicit in Dunlop's (1958) assertion that an employment relations system is stable only if the actors share a common ideology.

Management discourse currently emphasizes market ideals (Kunda and Ailon-Souday, 2005). The ideal corporation is portrayed as a nimble network of empowered entrepreneurial work groups that focus on core competencies; excess layers of management are supposed to be downsized; low value added activities are supposed to be outsourced. This ideology is grounded in the egoist employment relationship model and its laissez-faire ideals. Scholars that believe the values and assumptions that underlie the egoist model and use it as their frame of reference see the calls for more flexible business organizations as legitimate and wise. The power of the four

models is in illuminating alternative perspectives. Scholars that analyze the employment relationship through a critical frame of reference see this market-based ideology as a mechanism of control that causes workers to buy into a system that doesn't serve their interests because employer and employee interests are fundamentally opposed.

Similarly, unitarist corporate ideologies are seen as valid frames of reference by unitarist actors, but are seen as disguised coercion and union busting by actors who look at human resources policies through the lenses of pluralist and critical frames of reference. Differing views on labor unions—from harmful to unnecessary to beneficial to inadequate—are clearly rooted in the four frames of reference presented here (Budd, 2005). Contrasting perspectives on ownership and control rights also flow from these frames of reference. In the egoist model, property rights are paramount so a firm's owners should have complete control rights. In the pluralist model, stakeholders merit full consideration, and in the critical model, even stakeholder rights are insufficient to overcome the structural inequalities of capitalism. In advocating such positions, the underlying theories are being used as ideologies; in evaluating ownership and control rights, the underlying theories are being employed as frames of reference.

The importance of ideologies and frames of reference is also apparent in the legal arena. In the United States, for example, the *Lochner*-era Supreme Court in the early 1900s is well-known for striking down labor and employment laws on the basis that they interfered with the liberty of contract. In the critical frame of reference, the liberty of contract might be viewed as a rhetorical justification for rulings that favored capital, but there is some evidence that judges truly believed that liberty of contract benefited capital and labor as in the egoist frame of reference (Forbath, 1985). As a second example, Dannin (2006) shows how contemporary U.S. judges decide labor law cases using common law principles pertaining to property rights as the

basis for their legal analyses. This is consistent with their legal training so it is not surprising that it forms the basis of their egoist frame of reference.

Empirical work on ideologies and frames of reference is rare, but a few studies support the approach outlined here. In surveys of U.S. and Canadian employment relations scholars, Godard (1992, 1995) finds that significant fractions of scholars use each of our four theories as a frame of reference. Moreover the evaluations of different employment relations issues are consistent within a frame which supports the coherence of these models. Godard (1997) further finds that managerial ideologies/frames of reference are an important determinant of managerial actions pertaining to employment relations. Kochan, Katz, and McKersie (1986) ascribe the rise of the nonunion employment relationship in the United States largely to managerial frames of reference. Poole et al. (2005) find that the attitudes of British managers are linked to broader political and economic trends while Barley and Kunda (1992) present qualitative evidence that U.S. managerial ideologies differ between economic expansions and contractions. There are likely many other complex factors that determine what ideology is dominant, how ideology shapes frames of reference and values, and many other important questions. There is therefore a need for more research on the dynamics of ideologies and frames of reference. For employment relations, the starting point is the four theories presented here.

CONCLUSION: VALUES AT WORK

The chapter presents four theories as a starting point for understanding the major perspectives within the study and practice of employment relations. When these theories are used to analyze employment relations and to determine one's actions, they become the four key frames of reference in employment relations. When these theories are employed to advocate a certain viewpoint, they become the central ideologies in the field. Distinguishing between

ideologies and frames of reference allows us to readily analyze situations in which some actors express one view but other actors see those actions differently. Union leaders may express an ideology of employee voice and balancing interests; employers may see this in their frame of reference as rhetoric covering up the union's selfish pursuit of better wages for union members at the expense of others. Rooting these ideologies and frames of reference in four theories of the employment relationship allows us to readily appreciate where these differing ideologies and frames of reference are coming from. Continuing with the previous example, the union leader's ideology might be rooted in a pluralist model whereas the employer's frame of reference is an egoist or unitarist model.

The postmodern emphasis on discourse underscores the importance of explicitly recognizing the power of language in the world of work (Burrell, 2006; Hearn and Michelson, 2006). By rooting the analysis of employment relations ideologies and frames of reference in the four theories of the employment relationship, it becomes apparent that clashes in discourse and practice between different ideologies or frames of reference stem from divergent underlying values and assumptions, especially as they pertain to the interests of the parties in the modern employment relationship. One of the key values of employment relations outside the egoist model is that labor is more than just a commodity (Kaufman, 2005). In contrast, in the egoist model one of the key values is that laissez-faire market outcomes have particular worth because they are produced by voluntary free exchange. These differing values go a long way toward explaining divergent ideologies and frames of reference in employment relations and approaching employment relations in this way reveals these underlying differences.

Values and ideologies are defined here (and elsewhere) with a large normative component—they represent principles and systems that *ought* to be true. Adherents to the egoist

model lobby for the deregulation of the employment relationship. Believers in the unitarist model argue that companies should use certain human resources practices. Subscribers to the pluralist theory support public policy reforms that make it easier for workers to unionize. Adherents to the critical school seek more fundamental changes in ownership and control rights. But at the same time, it is essential to recognize the theoretical or analytical aspects that are rooted in the values and assumptions of employment relations. The egoist model predicts that market-based relationships maximize welfare. The unitarist model implies that providing opportunities for individual fulfillment boosts employee productivity. The pluralist model hypothesizes that unions can improve productivity. The critical model predicts that managers will pursue strategies that increase their control in the workplace. Contrary to the characterization of even some employment relations scholars (e.g., Kochan, 1998), values do not comprise just the normative foundations of the field; rather, values and assumptions underlie views on how the employment relationship works analytically as much as how it should work normatively (Budd, Gomez, and Meltz, 2004).

On both a normative and positive level, as the support for various values and assumptions wax and wane, the four ideologies and frames of reference exhibit an uneven trajectory during the development of the field and practice of Anglo-American employment relations (Ackers and Wilkinson, 2005; Kaufman, 1993; 2004). The egoist employment relationship was firmly cemented by the end of the 19th century in the United States with the development of the employment-at-will doctrine and the rejection of mandated labor standards on the grounds that it interfered with free contracting. Cycles of economic depressions and widespread sweatshop working conditions, however, sparked the development of Marx's views on work and capitalism in the mid-1800s, and the later development of the pluralist model around the turn of the 20th

century, and the creation of the unitarist model shortly thereafter. The pluralist model was embraced on an international scale with the creation of the International Labour Organization at the end of World War I. During the 1920s, the four models competed for dominance, but the Great Depression discredited the egoist and unitarist models in the United States. During the 1930s, then, the New Deal policies of the Roosevelt administration were rooted in the pluralist model. In Great Britain, the centrality of the pluralist model was reflected in the *Donovan Royal Commission on Trade Unions and Employers' Associations* in the 1960s. Fast forward to the 21st century and we see that with the rise of the liberal market paradigm, the egoist model has made a comeback; its ideology is certainly spoken with the loudest voice in popular discourse. In spite of ideas for revitalizing pluralist (Ackers, 2002; Budd, 2004) and critical (Kelly, 1998) employment relations, the field is in flux as the pluralist and critical models face significant challenges from the egoist and unitarist perspectives (Ackers and Wilkinson, 2003, 2005; Kaufman, 2004).

With respect to evaluating corporate policies or shaping public policy, competition among these ideologies and frames of reference are to be expected since—as illustrated here—the models embrace different visions of the interests of the employment relationship and of their compatibility or incompatibility. But as an intellectual endeavor, the diversity of employment relations is both a strength and a weakness. It is a weakness when adherents of different views are isolated and talk past each other. It is a strength when diverse perspectives can help us understand the complex issues inherent across the entire spectrum of the world of work. To foster this strength, competing and shared values, ideologies, and frames of reference must be given explicit recognition in our scholarship and discourse. For those new to the field, a true

understanding of employment relations requires an appreciation for the diverse values, ideologies, and frames of reference in the world of work.

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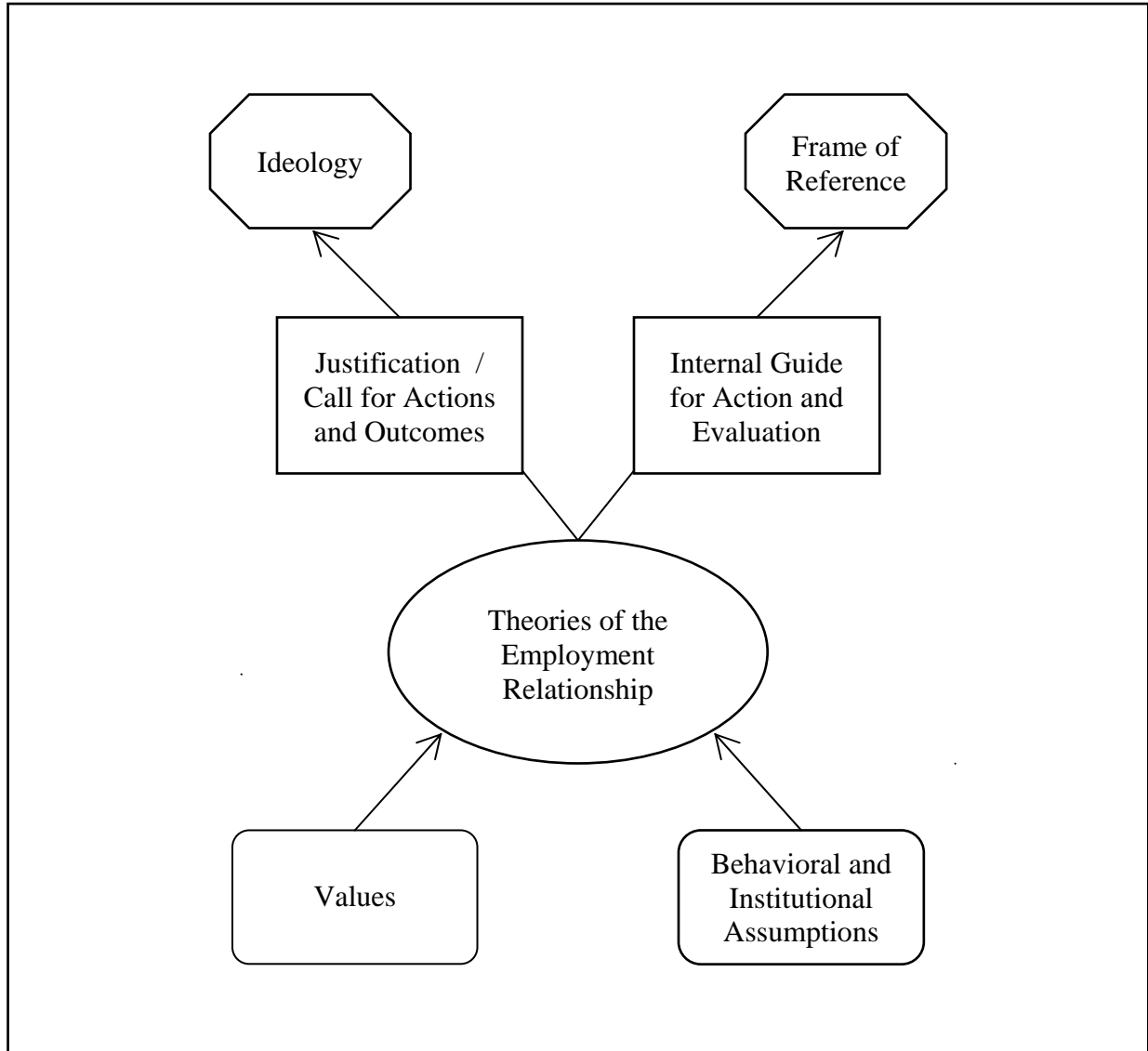
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Figure 5.1: Defining Ideology and Frame of Reference



Note: This diagram provides schematic definitions, not a causal model.

Table 5.1: Four Theories of the Employment Relationship

Theory	Employer Interests	Employee Interests	State Interests	Key Beliefs
Egoist	Profit-Maximization	Utility-Maximization (Survival and Income)	Freedom Rule of Law	Freedom and individual self-interest yield optimal outcomes through free market transactions
Unitarist	Profit-Maximization	Fulfillment	Freedom Rule of Law	Corporate policies can align the interests of employers and employees
Pluralist	Profit-Maximization or Stakeholder Value	Equity Voice	Equitable Outcomes	Optimal outcomes are achieved when there is a balance between employer and employee interests
<u>Critical</u>				
Political Economy	Power and Control	Power and Control	Dominance of the Elite	Capital dominates labor in the employment relationship and in broader societal institutions
Feminist	Power and Control	Power and Control	Dominance of the Elite	Male concerns dominate female concerns in the employment relationship and in broader societal institutions
Race	Power and Control	Power and Control	Dominance of the Elite	Concerns of one ethnic group dominate other group's concerns in the employment relationship and in broader societal institutions