**Definition:** Industrial relations from *The AMA Dictionary of Business and Management*

Linkage between labor and capital, represented by management in the conduct and evolution of productive sectors of the economy. It governs the environment in which products are manufactured or built and the climate of goodwill or ill feeling generated as a result of actions by the workforce or management.

**Summary Article:** INDUSTRIAL RELATIONS

*From Encyclopedia of Industrial and Organizational Psychology*

*Industrial relations* refers to relationships between employers and workers. In common parlance, the term is particularly associated with trade unions and the exercise of overt conflict, most notably by workers in the form of strikes, picketing, and work-to-rules, although employers' lockouts of workers and explicit resistance to trade unions' attempts to recruit workers are also significant. *Trade unions* are associations of workers that provide a distinctive form of empowerment, as they are independent of management and have an existence beyond the boundaries of the organization. In most countries, trade union rights are protected by the state, although this protection may take a variety of forms. Trade union rights may be part of a country's constitution, as is the case, for example, in Germany, Italy, Sweden, Brazil, and South Africa. In contrast, in North America and the United Kingdom, where no such constitutional rights exist, there are laws defining the processes of the certification of trade unions so their independence from management is protected.

**INDUSTRIAL RELATIONS AS A FIELD**

*Industrial relations* has also been defined, especially in North America, the United Kingdom, and Australasia, as a field of study within the social sciences. Spawned by the rise of trade unions and the conflict associated with the management–worker relationship, it was particularly strong in the immediate postwar period. As the study developed, attempts to define its scope stressed that it extended beyond trade unionism so it included forms of regulation other than collective bargaining and, particularly, the law and unilateral rule making by management or work groups. It was also concerned with substantive labor problems such as low pay, job insecurity, health and safety risks, poor working conditions, and unequal opportunities, and not just procedural problems involved in the handling of conflict, as well as the more general issues of economic efficiency and social justice.

Nonetheless, much academic study was centered on trade unions, as they were seen as a vital concomitant of industrialization and political liberalization in most countries. As trade unions’ influence grew to unprecedented heights in developed countries in the 1950s, social theorists saw them as a key ingredient of the capitalist economy and symbols of the maturity of liberal democratic societies, which within the Cold War era were contrasted with communism. Trade unions were seen to offer workers a channel to air their grievances and ensure due process in the workplace. Their core activity, collective bargaining with management, provided a means by which the benefits of productivity growth could be distributed in a fair way, and in the wider political arena, trade unions could serve as vital intermediary organizations in pluralist societies.
THE ROLE OF TRADE UNIONS

Yet through the 1960s and 1970s, particularly in the United States and United Kingdom, the activities of trade unions increasingly became a source of concern among employers, governments, and the public. The purported role of unions in fueling inflation, and their potential negative effect on cost reduction, technological innovation, and productivity growth, were given particular prominence. Research has confirmed that wages tend to be higher in unionized firms, although the effect of unions on productivity and technical change is less clear-cut.

A core foundation of the industrial relations field is that unions have two sides, a monopoly and a voice face, and that because of this duality they can potentially affect organizational performance positively or negatively. The monopoly face is likely to reduce organizational performance as their power to bargain for better wages and fringe benefits means that unions secure for their members a greater proportion of the company's surplus revenue and hence reduce profits. Moreover, unions can negotiate rules regulating jobs (often known as restrictive practices) that may constrain the optimal allocation of labor. These rules cover issues such as internal job mobility, redundancy, the allocation of overtime, demarcations between occupations, and working conditions.

In contrast, through their voice face, unions may have positive effects on performance. By providing a conduit for employees to have their say, unions help to retain skilled labor and to motivate employees, because workers can use the union to redress grievances and dissatisfactions rather than leave the organization. Moreover, employee voice may be used to suggest improvements in working practices, training methods, and safety procedures. This cooperative dimension of employment relations is part of what is increasingly being labeled a partnership approach, in contrast to the adversarial one traditionally assumed to dominate union behavior. An additional way in which trade unions may contribute positively to organizational performance is in their role as agents of effective management. More specifically, union representatives, as a result of their involvement in collective bargaining, both legitimize and help to police agreements.

PUBLIC POLICY AND THE TRANSFORMATION OF INDUSTRIAL RELATIONS

The public policy concerns generated by the problems of industrial relations in the 1970s and 1980s particularly focused on the monopoly side of trade unions and served to heighten interest in the field. Much study had a pragmatic orientation, as many scholars, viewing collective bargaining as the best way to conduct industrial relations, were concerned with improving such bargaining. They focused on reforming the institutions of industrial relations—for example, by consolidating the growing importance of bargaining at the organizational rather than the industrial level.

Nonetheless, fueled greatly by neoclassical economics and neoliberal political theory, the roles of collective bargaining and trade unions were increasingly questioned as their negative effects on economic performance at both the firm and national level were emphasized. Governments, and particularly neoliberal governments such as Ronald Reagan's administration in the United States (1980–1988) and the Conservative governments in the United Kingdom (1989–1997), acted on these criticisms by introducing new state controls on the trade unions. The 1980s marked a transformation of industrial relations in these and other countries, and much study of industrial relations in the late 20th century focused on the nature and causes of this development.

A major element of the changing landscape of industrial relations has been the almost universal decline in trade union membership and influence, accompanied by a decline in strikes, particularly in the private
sector. This is true even in countries such as Germany and the Netherlands where there is a dual industrial relations system, in which collective bargaining is predominantly at the industry level and is supplemented by legally based works councils at the organizational level. The exceptions to such broad trends in declining union influence are mainly in countries freed from military dictatorships or other forms of political repression in the past 20 years, such as Brazil and South Africa.

Coinciding with this union decline, increasing attention has been given to new forms of human resource management (HRM) practices associated with the so-called high performance organization model (often referred to as high-involvement management), many of which were pioneered in large nonunionized U.S. firms such as IBM. These are taken to reverse many of the practices associated with scientific management and Taylorist forms of organization, the negative effects of which had helped to fuel a desire for unionism. The new HRM has even been seen by some as a means by which management is aiming to substitute the union for unilateral management control—for example, through directly communicating with workers, linking pay more directly to performance, and enhancing the role of team leaders at the expense of union representatives. Mirroring these changes in unions, some have questioned industrial relations as a field of study, both from outside and within, suggesting, for example, that it will be subsumed within the study of HRM.

THE BROADENING OF THE FIELD OF INDUSTRIAL RELATIONS

There is little evidence to suggest that HRM is substituting for trade union representation, and certainly elements of both coexist in many organizations in a variety of countries. The field of industrial relations has, nonetheless, broadened to encompass the study of the development of high-performance practices and other elements of HRM. It is thus now accommodating wider developments in management to a greater extent than it has in the past. Moreover, the law and other institutions of the state have played an increasingly important role in most societies, both in regulating the institutions of industrial relations and in directly addressing labor problems such as low pay, health and safety risks, and unequal opportunities. Through studying these and other developments, the field has moved well beyond its past overemphasis on trade unions. Increasing salience has also been given to alternative forms of representation to trade unionism, notably works councils, which, as legally constituted in some European countries, are independent from management. This has also fueled a renewed interest in comparing industrial relations practice across countries, particularly in light of the emphasis in political theory on varieties of capitalism (e.g., coordinated and liberal market economies). As employee voice is no longer equated with trade unions, it is increasingly acknowledged that the use of multiple channels for employee (and employer) voice is likely to be the norm. Thus the field of industrial relations is giving way to a broader notion of employment relations centered on different voice regimes. Symbolic of this, the United States’ main professional body, the Industrial Relations Research Association, changed its name in 2005 to Labor and Employment Relations Association.

INDUSTRIAL/ORGANIZATIONAL PSYCHOLOGY AND INDUSTRIAL RELATIONS

Industrial/organizational psychology has contributed to the study of industrial relations in a variety of ways, although its influence compared with disciplines such as economics, sociology, and political science has been relatively small. First, psychology has contributed through studying conflict and modes of resolution, particularly through its emphasis on perceptions and attitudes. For example, the study of the way in which group consciousness forms, which involves social comparison processes, is important for defining what an individual considers to be fair treatment and appropriate rewards. Second,
psychology has contributed through studying why people join and participate in trade unionism, and more broadly why they value certain types of participation and voice in the workplace. Third, psychologists have studied many of the substantive issues that lie behind the grievances that constitute labor problems, including job insecurity, job design, discrimination, and most recently workplace violence and bullying. In addition, the methods used in empirical studies by industrial relations scholars have been influenced by psychology, most notably their use of factor analysis and structural equation modeling. The attempts by psychologists to make qualitative research more systematic may yet be significant in the study of employment relations.

See also
Conflict at Work; High-Performance Organization Model; Human Resource Management; Job Security/Insecurity; Union Commitment; Unions

FURTHER READING

Stephen J. Wood

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