Sandra Jones*

Towards a Theory of Industrial Relations for a Knowledge Economy

This paper first presents a summary of the plethora of challenges that the globalised knowledge era is presenting to a broad spectrum of assumptions upon which business, governments and unions have based their actions and theories. It then turns to a more in-depth analysis of the challenges facing industrial relations practice and theories. A new theory of industrial relations is presented that seeks to both explain current responses by various parties and explores future responses. The theory presented is not a static explanation of practice, but rather a dynamic emergent concept capable of meeting the continuous changing knowledge era.

Für eine Theorie Industrieller Beziehungen in der Wissensökonomie


Key words: Industrial relations theory, globalization, network economy, knowledge economy, international community groups, NGOs

* Dr Sandra Jones is Associate Professor of Employment Relations and Director of Higher Education Programs in the School of Management at the University of the Royal Melbourne Institute of Technology (RMIT), PO Box 2476 V, Melbourne 3001, Australia. E-Mail: sandra.jones@rmit.edu.au.

Introduction – practices and theories under challenge

That the contemporary ‘Information Age’ is presenting fundamental challenges to a broad spectrum of assumptions and theories upon which actions are based is becoming increasingly evident. In this knowledge era natural capital\(^1\), rather than industrial prowess, is recognised as the source of economic prosperity. This is a challenging concept given the increasing scarcity of this resource. Hawken, Lovins, and Lovins (2002) state that the world is on the verge of a new industrial revolution that promises to transform our fundamental notions of commerce and its role in shaping our future. They emphasise the need to recognise the critical interdependency between four forms of capital, human capital (labour and intelligence, culture and organization); financial capital (cash, investments, monetary instruments); manufactured capital (infrastructure, machines, tools and factories) and natural capital (resources, living systems and ecosystems). This leads them to claim that there is need for a new ideology that recognises the “biological realities of nature .. [rather than the] .. lifeless abstractions of neoclassical economics and accountancy” (Hawken, Lovins, and Lovins 2002:9).

The confluence of globalisation and technological development of the world-wideweb has led to networks rather than separate business entities being regarded as the organizational design for the future. Ronfeldt (1996) claims global networks are developing with organizational structures based on web-like ties between groups rather than traditional kinship ties (family), hierarchies (army, the church and the bureaucratic state), or competitive markets (merchants and traders Ronfeldt (1996). Marceau (2000:227) describes this succinctly as, “in a global knowledge world it is networks not entities that matter”. Kelly, J. (1998:6) claims that these networks are transforming our economy, “we are about to witness an explosion of entities built on relationships and technology that will rival the early days of life on earth in their variety”. He states that the world of intangibles (media, software and services) will replace the world of the hard (atoms, objects, steel and oil). In so saying he states that social organization will change into “an infinite variety of new shapes and sizes of social organization”.

Underpinning the newly emergent social organization is the need for closer, participative, relationships. Accordingly, there is need of a new theory of social relationships that is built on networks of actors interacting in a chain, hub or all-channel patterned structure (Evan 1972; Nohria and Eccles 1992; Ronfeldt and Acquilla 2001; Wasserman and Faust 1994; Wellman and Berkowitz 1997). In this social theory, power and influence will depend less on personal attributes, and more on interpersonal relations, with individuals valued not for their ‘human capital’ but for their ‘social capital’, as part of the network in which the individual is embedded (Ronfeldt and Acquilla 2001).

Social capital, used by Putman (2000) to describe interactions between people, social life-networks, norms and trust, and how these contribute to shared objectives,

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\(^1\) Natural capital includes all the familiar resources used by mankind: water, minerals, oil, trees, fish, soil, air etc. plus living systems (grasslands, savannas, wetlands, estuaries, oceans, coral reefs, riparian corridors, tundras and rainforests).
trust and democracy within societies, will be the focus of more attention. This requires recognition of four types of social capital: bonding social capital (between families), cultural social capital (church, ethnic groups etc), bridging social capital (between business associates, friends), and linking social capital (between those of different levels of power or social capital). Jarley (2003:4) states that “human capital entails ‘what you know, social capital involves ‘who you know’ (and who and what they know)” Th. Thus in a global networked environment knowledge becomes infinite and unbounded.

Various writers (Zack 1999; Leonard-Barton 1995; Nonaka 1998; Nonaka and Takeuchi 1995) argue that not only is knowledge not a single entity (it can be explicit or tacit), it is multi-dimensional (made up of people with knowledge and skills, physical and technical systems, managerial systems, and values and norms), it can be general or situational, and it is made up of various types (declarative, procedural, causal, conditional, relational and contributory). Allee (1997) relates these types of knowledge to domains that range in degree and type of skills required, from simple data (know what), to more skill-based application that involves more abstract reasoning (know why). Finally, knowledge can be individual or part of a collective, with different cultures varying in the way they view knowledge. For example Allee (1997) states that Western cultures have traditionally focused on individual rather than collective knowledge development. In other words knowledge requires humans who are able to interpret, reflection upon, and share data and information and turn it into knowledge.

Viewed in all its dimensions, it becomes clear that knowledge is not simply owned by a few technological experts, but actually resides in the heads of a broader range of workers. Managing this knowledge requires a new perspective. Zack (1999:125) states that organizations need to better manage their “intellectual resources and capabilities”. Nonaka (1998:24) goes further and argues that creating new knowledge depends on tapping the “tacit and often highly subjective insights, intuitions, and hunches, of individual employees and making these insights available for testing and use by the company as a whole.”

In summary, the knowledge era necessitates a fundamental reconsideration of a broad spectrum of assumptions and theories upon which social, political, environmental and economic decisions have been made. Business is being encouraged to view organizations as living systems in which complex networks and systems contribute to a dynamic value, rather than as static, structured, complex systems that can be broken down into component parts, fine-tuned and engineered for maximum efficiency and output. Organizations are being encouraged to develop trust, motivation, emotional intelligence of their employees and to recognise the psychological contract in the employment relationship (Connell et al 2003; Schlessinger 2003; Cooper 2002; Goleman 1995). Given the recognition of knowledge, and people who have this knowledge, as being the fulcrum upon which these challenges can be met, there is need to explore the further challenges facing traditional theories of work and the management-employee relationship, particularly in regard to the practice and theories of industrial relations. The next section addresses these challenges.
Implications for work, management-employee relationship and industrial relations

As the foundations of our economy change from an industrial to a knowledge base, so the nature and form of work and the form of the employment relationship changes. Work is becoming less functionally and task structured, less linearly determined, with employees being encouraged to multi-skill and reduce demarcations between tasks that traditionally accompanied the mass production and managerialism of the industrial era. Employment is less stable, with employees being asked to more flexibly meet the uncertain demands of a volatile economy, and to accept the instability of part-time employment. At the same time firms require greater levels of commitment, an increased preparedness to share knowledge, and greater loyalty from employees so that intellectual property is not traded between firms.

This has led to employers designing new schemes to encourage employees to not only continually develop and share their knowledge but also to increase their commitment to the organization. Employee share schemes are being established to encourage employees to see themselves as shareholders in the organization as well as stakeholders. Individual agreements that recognise and reward individual employee contribution, effort and willingness to both continually develop and share their knowledge, are replacing collective agreements. Opportunities for employees to share their knowledge through voluntary communities of practice rather than the more formally established teams of recent years are being encouraged (Wenger 2000). On the other hand, employers are reducing their support for formally established union supported collective consultative committees. Rather, managers are being pressured to encourage individual employees to develop and share knowledge by accepting a more ‘stewarding’ rather than controlling role over knowledge (Amabile et al 2001). Indeed Wenger (2000:18) states “knowledge managers who think that their role is to manage knowledge had better think twice. Knowledge is not an object that can be managed from outside”. Finally employees are being encouraged to develop “collective capacities of listening, and a shared motivation” (Bartoli and Hermel (2001:16), at the same time to compete for recognition as individuals.

The combination of the external challenges to the social, political, cultural and economic environment and internal employer attempts to encourage employees to develop and share knowledge, has implications for the traditional approach to industrial relations, and the assumptions and theories that were developed to explain this relationship. It is not my intent to engage in a philosophical debate about interpretation of these challenges, but rather to reflect upon changes to practice in order to present a more realistic theory of industrial relations for a knowledge economy. In so doing I have been influenced by the call from Kochan (2000) for a new theory of industrial relations, or social contract, that recognises interaction between the industrial parties (particularly unions) and the broader community. Such a theory he claimed, must support existing and new links as “sustained coalitions that both last beyond any single political campaign and [that are] transitions to on-going sources of power and support inside employment relationships” (Kochan, 2000:12).
In designing such a theory my intent is to propose a dynamic rather than a static theory that is less reliant on a cause and effect relationship and is more emergent and capable of adaptation as changes emerge. The theory needs to recognise an employment relationship in which employee rights to improved conditions of employment are combined with employee responsibilities to contribute to organizational decision-making in order for develop trust (Jones 2002a). It needs to be more inclusive of actions, along the lines of the conflict-critical approach developed by Hyman (1975; 1989; 2001). It needs to recognise the social and sustainability dimensions of globalisation as it affects, and is affected by, the industrial relationship. It needs to be globally relevant (Giles 2000; Haworth and Hughes; 2000; Wailes 2000), and able to assist parties to design new forms of global protection for labour as social protection is reduced, unionism and collective bargaining decline, and the balance of power shifts in favour of employers (Lansbury 2000; Brown 2000). At heart, this new theory needs to be less focussed on the systems and institutions of traditional theory (Dunlop 1958), and more focussed on dynamic relationships within and between the three traditional parties and the community in which they function.

**Theory of industrial relations for a knowledge economy**

A proposed new theory of industrial relations for a knowledge economy is presented as a Model in Figure 1. This model has a numbers of elements as explained below.

The model first recognises interaction between the parties to the industrial relationship at two levels – local/national and international. This relationship is shown as a two-way interactive networked relationship in which there is constant dialogue between the two levels. It is recognised that this proposition is not without its difficulties given national legal boundaries, however this is the same challenge that is facing business and government as globalisation advances.

Secondly, the model recognises the role of international bodies outside the traditional employer, union government bodies. For example the actions of Non Government Organizations may influence, or be influenced by, industrial relations. Multi-national organizations or companies that outsource certain operations internationally (eg call centres), can have a broader influence on global industrial relations than simply as a direct employer of labour. There are globally networked community groups (such as Greenpeace) that may influence, and be influenced by, industrial relations without being in an employee-employer relationship. There are government bodies (such as the IMF and the World Bank) whose decisions can be affected by, and can affect, industrial relations despite the fact that they have no direct role in industrial relations. Finally, there are unions linked through international ties (such as Waterfront Unions), that can affect the process and outcome of both industrial and non-industrial issues in various countries.

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2 For example a new weblinked global portal for Industrial Relations Arbitrators and Mediators was launched at the 13th World Congress of the IIRA Berlin 2003.

3 For example World Bank requirements for labour standards to be improved in Indonesia as part of funding assistance after the Asian economic crisis.
Third, the model recognises a two-way complex interaction between employers, government and unions and the broader cultural, political, social, economic and environmental context by which the parties are both affected by, and can affect, these con-
texts under less linear cause-and-effect assumptions. This assumption enables social justice action to be recognised.

Fourth, the model recognises the need to develop new networks and partnerships between the traditional industrial parties and community groups on a plethora of issues, such as education, health and safety, democracy, family-work-life balance. It allows for ‘communities of interest’ within structurally separated groups to become ‘communities of practice’ across these structural separations. What the model proposes is that future partnerships between the industrial parties (particularly unions and possibly umbrella employer associations) will be more long-term, will enable non-union groups to have some sort of ownership of the unionisation effort. This requires the involvement of community leaders from the planning stages with union leadership not necessarily always taking a leading role and greater financial support from unions.

In so saying, what is being proposed is a new role for unions rather than continuation of an existing role. It is this element that particularly identifies the proposed theory as emergent in keeping with the evolving nature of a knowledge era. The theory is proposed in consideration of the need for flexible structures to accommodate the growth and decline of particular networks. In order to test the applicability of the theory the next section presents an analysis of an industrial dispute that occurred in Australia in 1998 that attracted considerable international support and interest, in terms of the proposed theory.

Theory in practice

The waterfront dispute that occurred in Australia in 1998 attracted considerable media attention and an unexpected level of local and national community, and international union support for the unionised workers (Maritime Union of Australia-MUA). The dispute occurred when dock-worker union members of the MUA were locked-out by their employer (Patrick) because of union resistance to proposed new work practices designed to increase flexibility by reducing demarcations between tasks. It escalated when allegations of long-term government ‘collusion’ with the employer, including government support for an earlier company attempt to train ex-army officers in the port of Dubai, in the skills required to unload cargo, were made. That is, the dispute typified the traditional conflictual approach to industrial relations in which employers make decisions and unions oppose them. There was no attempt by any of the parties directly involved in the dispute, the employers, the union or the government, to adapt to the needs of a knowledge era. There was no apparent recognition of the advantage of developing knowledge among the existing workforce, there was no attempt to involve the employees in decision-making, and there was no recognition of the importance of the social needs of employees, as part of the development of new relationships.

Despite this, the dispute is relevant for this paper because of the action that was taken in response to the ‘lock-out’, particularly by various community groups. Indeed, the level, intensity and speed of community support for the union was surprising particularly given the historical links between the predecessor of the MUA (the Waterside Workers Federation – WWF) and the Communist party that had previously led to
militancy and sometimes violence amongst the heavily male-cultured wharves. As a freelance photographer Dean Sewell is quoted as saying:

rarely does any story hold page one like the waterfront dispute did. It captivated the imagination of all Australian. It was the biggest confrontation I'd ever covered in this country (Sewell, quoted at: [http://mua.decp.net.au].)

The union responded with a new approach that recognised the importance of garnering community support by broadening the appeal from simply industrial concerns of union members. Trinca/Davies (2000:186) state that the union was quick to employ a publicity company which advised them to “stop talking about awards, productivity, even job insecurity and talk the language of the ordinary people”.

In response many community groups supported union action. First, there was family. One media report described supporters of the union as:

unionists….mothers, wives and daughters….politicians….student…..ordinary people

moved by the events of the past 97 days to show their support (Herald Sun Tuesday May 5)

Jones (2002b) explains that the female partners of the sacked workers (all male) started by organised food collection, storage, cooking, and distribution, and establishing child care, but then extended into more industrial and political activity. The women accompanied their husbands on the picket line and finally formalised their role by establishing the Women of the Waterfront.

Second, there were church leaders concerned about rights and freedoms of workers and union members. John Bottomley, the Director of the Urban Ministry Network, stated:

the Government and Parliament never really appreciated that there were human beings involved, that there were families involved, they really walked all over families….Families were isolated, fragmented (Jones 2002b:22).

Third, the Arts community became involved, providing live bands, entertainers, and artists at the ‘peaceful assembly’. Melbourne artist, Bill Hay, described his reason for supporting the union by producing 40 watercolours, lithographs and oil paintings portraying the plots and politics behind and during the Patrick dispute:

What started as a few pictures turned into an obsession. I felt insulted by the lies told by the Government and Chris Corrigan. I felt I needed to do something. Australian workers had been unlawfully sacked. I could no longer be a by-stander whilst this injustice prevailed….It was the images of hooded goons and dogs, slimy politicians and slithering CEO, Chris Corrigan, that gripped the mind of the artist before taking form on canvas (Hay, [http://mua.decp.net.au].)

Support of farming groups was developed by the union sending representatives to the county ‘to win the hearts and minds of farmers’ (Weekly Times February 25 1998), and by ensured that no perishable cargo was blocked (Wiseman 1998).

What was also surprising was that although the police were called upon to enforce the law during the dispute, a professional protocol arrangement was agreed between the Victorian police and the Victorian Trades Hall Council to deal with potentially volatile situations. This resulted in delayed and limited action by the police in most ports, in an attempt to avoid violence of the docks. An interesting report was published in the Melbourne Age on April 20th (Kermond) which demonstrated that
the police, involved in their own enterprise negotiations, did not want to take precipitous action.

Police and unions yesterday struck a deal to temporarily maintain the blockade of the Melbourne waterfront, sparking an angry reaction from the company at the centre of the dispute. Senior police and union officials agreed that no trucks would move across the Melbourne waterfront at least until they met again at 10am today. Asked whether police had an obligation to remove protestors under a Supreme court injunction against the Maritime Union of Australia’s picket line, Mr Roberts (Assistant Commissioner) said the legal issues were ‘somewhat complex’.

However, apart from a few isolated cases (regular meetings of the Women of the Waterfront Inc., [WOW] periodic mentions of the dispute in the media, and episodic art exhibitions and theatrical events), the MUA-community coalition ended when the workers returned to work. The union made no attempt to develop ongoing relationships with any community groups, indeed the WOW were warned that they were not to speak publicly on behalf of the union (Jones 2000b). Apart from a website from which the union communicated publicly, no other links with community groups were maintained. On the other side, there is no evidence that the employer attempted to sway public opinion except through periodic claims of productivity improvement on the wharves. Five years later there is little public demonstration of a community memory of this partnership. There is little public concern for the long-term effects of this dispute on the union members or their families, and union membership in Australia has continued to decline.

The other important element in this dispute was the commitment to international industrial relations action by international unions, with some black-banning of ships loaded by non-union labour. Wiseman (1998:10) claims that “the threat of international action provided powerful moral and practical support for the MUA and the Australian union movement.” However, once again, there is little evidence that the union has capitalised on these international links to strengthen their bargaining power.

In summary the 1998 Waterfront presents a case study example of the theory proposed in this paper both by what happened in this dispute and by what did not happen. First, there was clear evidence that the parties to this dispute were both influenced by, and able to influence, the social, political and cultural environment in which the dispute took place. The action of the company (encouraged by the government) in training ex-army officers in the port in Dubai is evidence that the employers (and the government) were thinking on a more global scale. The community support included the massing of people on the picket-line in ‘peaceful assembly’, and significant negative media publicity for both the company and the government. Second, the union-community coalitions clearly demonstrated the numerous networks that can be developed. Third, it recognised the need for internationally networked relations. Although in this case these relations were limited to union links, there is evidence that broader union-community action is possible in the coalitions that have developed against the ‘ships of shame’ (http://mua.dep.net.au).

On the other hand, the fact that these union-community coalitions did not continue after the dispute, supports the need for theory to explore options for future practice as well as to describe current practice. The unilateral changes made by the
employer since the dispute ended, the loss of jobs on the waterfront, and the decline
in union membership, is evidence of the need for a new theory that both explains past
action and presents options for a new approach. On the other hand, the lack of trust
between managers and employees and lack of commitment of employees to develop-
ning and sharing new knowledge, provides ample evidence that the company has lost
the opportunity to develop the social capital necessary to remain competitive in a
knowledge era.

Conclusion
This paper has explored the plethora of change that the knowledge era is bringing to
the industrial relationship. Having done this it presents a more realistic model of
global industrial relations in a knowledge era that seeks to both explain current prac-
tice, and present opportunities to explore options for future practice. In this sense the
theory departs from traditional static descriptive theory and proposes a more dynamic,
emergent approach to the development and use of theory. A case study of an indus-
trial dispute that has many of the hallmarks of this theory was presented to illustrate
how the theory, both in what the parties did and in what they failed to do, as pre-
sented describes current practice and proposes changes required for future practice. In
summary the theory emphasises the need for strategies and relationships rather than
structures and systems. It recognises a two-way interchange between parties and the
institutional environment (local and global) in which they act. It recognises a plethora
of parties and a variety (of yet to be identified) relationships between the three tradi-
tional industrial parties and numerous community institutional groups, in which cross-
institutional communities of practice characterise the relationship, and conceivably
newly emerging structures. Given the emergent approach to the development and use
of theory it, is presented for further discussion as the effects of the knowledge era un-
fold.

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