

# Decentralization of employee relations essay sample



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## Introduction

Since the early 1980s, a number of countries have reported a downward shifting of employee relations, as suggested by some reports. In this regard, the shifting of downward has been witnessed in various levels of companies, which range s from firm to the multi-company level. Decentralization focuses on the dispersal of decision-making processes to lower levels.

The concept of decentralization in the context of employee relations revolves around bargaining powers of employees and unions. Especially, bargaining power with respect to wages of employees is of prime importance in this concept. In this regard, evidences of recent decentralization in the structure of employee relations have been reviewed and analyzed in this paper.

A wide range of understanding of the decentralization of employee relations has been represented by the analysis of some available literature regarding the employee relations. Both the formal employee relations, as well as, the informal employee relations have been examined in this paper. In addition, since written or oral agreements are made for the settling of many important matters related to the industrial relations, locus changes regarding the informal negotiations have also been included in the paper.

## Recent Changes

An archetypical case of centralized employee relations has been considered. In this regard, the blue-collar union confederation and the employers' confederation have played a vital and dominant role in the abovementioned perspective of the Sweden. (Jenkins, pp. 112-117, 2000) In the year 1956,

recommended increment of the wages, and recommendations regarding the non-wage issues were provided by the SAF-LO agreement. (Ulman, pp. 153-155, 1967) In this regard, national affiliates of the SAF and LO were provided with these recommendations and some other details. (Weber, pp. 127-130, 1961)

These recommendations were agreed by the employers and unions, which continued until the 1980s. One of the reasons of positive response was that more stipulations were used in the previous agreements, (Wentworth, pp. 114-116, 1972) and fewer recommendations were given, which lack in the agreements of the 1980s. Before the 1980s, centralized employee relations were being supported by large employers, such as, engineering sector, etc. (Turnbull, pp. 92-96, 2004)

However, in the 1980s, a shift toward the decentralization of the employee relations was favored. (Turnbull, pp. 101-105, 1998) Competitive pressures were heightening globally, and lower labor costs were needed with a wide range of skill differentials, which were being complained by the employers during these years. It was argued by many employers that these pressures would be responded well by the support of decentralization of the employee relations. In some other cases, it was expected that bargaining advantage and flexibility would also be provided by the decentralization.

However, the decentralization of the employee relations was less eagerly favored by the small employers, as it was feared that union powers would be strengthened by the decentralization, and in the result, industrial relations

would be confronting greater instability. (Sikula, pp. 57-59, 2001) Centralized employee relations are sought by most of the central unions at many places.

The 1980s and early 1990s witnessed the decentralization of the economic relations, which occurred in two different types. (Troy, pp. 56-59, 2000) The number of agreements related to the multi-employer was reduced in first type of the decentralization. In this regard, 1950s have already begun the decline of these agreements, and finally 1980s accelerated their decline. In the result, single-employer agreements and plant-level contracts were the replacing ones. Surveys regarding the industrial relations have suggested that late 1970s started the reduction of multi-employer agreements that were related to the centralization of the employee relations. (MacDonald, pp. 23-26, 1985)

Company wide labor agreements were replaced by the plant, business unit, and firm level agreements during the occurrence of second movement for the decentralization of the employee relations. In some companies, downward decentralization was observed in the pay negotiations. However, company level negotiations were used for the settling of working hours.

Furthermore, occurrence of extreme form of decentralizing the employee relations was observed in some of the unionized technical, as well as, clerical staffs. In this regard, individual labor contracts were introduced in this extreme form. The traditional company-level contracts were replaced by individual settling of the pay by the individuals during the decentralization.

During the 1980s, reduction and even elimination of multi-employer

agreements was seen in some companies. In some other cases, master  
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agreements saw their withdrawal by various companies, and in the result, decline in the number of multi-company agreements was observed during this decade. (Leat, pp. 223-225, 2001)

In addition, it was indicated by many researches and surveys that working time arrangements, team systems, and work organization were affected by the decentralization in the agreements related to the employee, as well as, the industrial relations. Managers and workers in the union sector shared a direct communication between each other. (Millward, pp. 333-336, 2000)

### Reasons of the Decentralization

In this regard, we will try to analyze some of the factors that are responsible for the decentralization of the employee relations, in which, trade unions; communications, (Human Relations, pp. 18-23, 1947) collective bargaining, (McNaughton, pp. 17-18, 1946) and the participation of the employees in the decision-making, (Lawshe, pp. 21-23, 1953) as well as, in the management positions are covered.

Firstly, the shifting of the bargaining power from the company to the individual level has been one of the reasons for the decentralization of the employee relations that has increased in different parts of the world recently. (Pettinger, pp. 154-157, 1999) Secondly, flexibility and participation of the employee has been confronting a premium by the spreading of new work organizations, which has resulted in the decentralization process. (Lewis, pp. 413-419, 2003)

Thirdly, work preferences have been diversified, and corporate structure has been decentralized, which has once again resulted in the decentralization of the employee relations. (Grimshaw, pp. 98-102, 2003) These three hypotheses are responsible for the decentralization of the topic in recent years. However, short living of this decentralization has been expected by a number of experts on the bases of the abovementioned explanations of the two hypotheses. Long lasting effects of the third reason has been predicted in the decentralization of the employee relations. (McConnell, pp. 44-47, 1993)

In this regard, it is essential to understand the shifts in the bargaining power, in order to clarify the potential effects that are provided by the decentralization of the employee relations. Increment in the power and authority that is given to the management is one of the reasons for the decentralization of the bargaining structure. (Nigro, pp. 113-116, 1969) The Decentralization of the employee relations has increased in the recent years, as already discussed in the paper. In the previous years, wages were taken out of the competition by the unions, in order to achieve success. (Taxler, pp. 256-259, 2001)

In this regard, a reverse action of their success can be interpreted in defining the possibilities of the decentralization. As more advantage from the bargaining was acquired by the employers, international intensified competition caused an automatic change, and in the result, political strength, as well as, union membership was declined. Subsequently, the bargaining structure tends to be shifted and decentralized. (Beardwell, pp. 88-91, 1996)

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In contrast, a perspective of a useful tool was considered as temporary variant of the hypothesis regarding the decentralization of the employee relations, as advantage of power, bargaining has been gained by the employers through the decentralization campaign. In this temporary variant, the desired concessions are needed to be gain by the employers through the decentralization, as grant would not be given by the unwilling unions. In this regard, this unwilling attitude of the unions should be addressed, by whom centralization of the employee relations is favored at a higher extent.

(Dicker, pp. 79-83, 2003)

It is also possible that the decline of the bargaining power can also be defined as the product of the decentralization, in which, both management, as well as, the unions are considered. In other words, it would be incorrect if the relative reduction or decline of the power of labor would be considered in defining the decentralization.

The importance of the work organization has been raised in recent years, which can be a second explanation for the decentralization of the employee relations. (Clapp, pp. 200-204, 1942) In addition, issues of the shop floor have also been given much importance, which resulted in the same.

In the year 1984, an expert suggested that the restructuring of the workplace by the labor and management has been led by the economic pressures, as well as, the more flexibility in the technologies. (Roberts, pp. 72-74, 1994) At some places, a consideration of co-managers of the internal labor market has been taken during the consideration of workers and local unions.

As a result, importance of non-wage issues has been elevated, and decentralization of the employee relations, as well as, the bargaining structure has been contributed by the negotiations of these qualitative issues. (Corby, pp. 199-203, 1999) In some other places, corporate structures, as well as, interests of the workers have been diversified, which has also played a critical role in the decentralization. This diversification has been increased in the recent years, which should be addressed for the proper clarification of the reasons and hypotheses regarding the movement of the decentralization of the employee relations.

On the corporate side, internal structure has been decentralized by the corporations, which has resulted in the product of the decentralization. (Gennard, pp. 65-67, 2002) In addition, business units and profit centers have been given independence that has also increased in the recent years due to the abovementioned product. In the decentralized corporation, lower-level managers are provided with the direct responsibility that used to be given to the higher-level managers, and consequently, bargaining power and employee relations are decentralized in this way.

In addition, interests of the workers have also been diversified widely, which can be another explanation of the decentralization of the employee relations. In this regard, the argument regarding the diversification of the corporate structure can be taken parallel to this hypothesis. In this point, pursuing of common objectives has been lessened during recent years by the workers, and nowadays, personal gains are not sacrificed by the workers in this regard. (Gennard, pp. 97-103, 2002)



## Challenges

The changes are undergoing in the employee relations, and its decentralization, which need extensive research, as different countries have variation in the understanding of the process of decentralization of the employee relations in their country. (Fitzwater, pp. 111-113, 1999) This variation has resulted in the creation of many challenges during the analysis of the decentralization of the employee relations. In many ways, only a preliminary analysis of the developments and changes that have been done by the decentralization has been done in this paper.

Although decentralization of the employee relations has achieved many evidences and descriptive cases, the evolution of the employee relations has been traced by very few systematic quantitative data. In this regard, surveys on the workplaces have provided the best longitudinal data on the employee relations. (Hollinshead, pp. 77-80, 1999)

In addition, major challenges and changes are confronted by the staffs of the corporate industrial relations due to the decentralization of the employee relations. Staffs of the division industrial relations achieve a shift in influence from the corporate managers. In this regard, greater financial pressures are faced by the local staffs, who acquire a rise in their powers due to a rise in their responsibility regarding the employee relations.

In some cases, cost controls are explicated for the first time, and these staffs become the subject of these cost controls. However, variance has been observed in the redistribution of responsibility regarding the collective bargaining in these staffs. In this regard, a sense of pressure is always felt by

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the local staffs and workers after the decentralization of the employee relations.

In addition, at several levels, a decline has been observed in the influence of the staffs of managerial industrial relations, as operational and line managers are provided with more direct responsibility, as well as, the authority for the issues regarding the industrial relations. For instance, in the Britain, the direction of human resource policy was settled by an active role that was played by general and line managers.

In the result, the managerial staffs felt a sense of depression among them due to the loss of their authority of decision-making in the company. In this regard, new positions and levels are sought by the managerial and corporate staffs, in order to get back their influential authority and power in the company, as local levels are provided with the bargaining power after the decentralization of the employee relations. In this regard, it is the responsibility of the local staffs and workers to respond to these challenges for the proper maintenance of the decentralization of the employee relations.

In addition, completion of a useful survey that has considered workplaces has just been done, which will help in the understanding of the decentralization in the future. Many case studies will help for the clarification of the changes that have been done by the depth of decentralization in different countries.

The determinants of the decentralization would be searched by the tracking of employee relations by the abovementioned longitudinal quantitative data, and the variation across different countries would be able to measure by the <https://assignbuster.com/decentralization-of-employee-relations-essay-sample/>

data. (Poynter, pp. 101-106, 2000) Of course, ineffectiveness might be confronted, as close interrelation would be observed in the various causal factors.

It is clear that the favor for the more outcomes of the bargaining power was expected by the managers, who initiated the decentralization process of the employee relations. (Connolly, pp. 516-519, 1979) However, the gaining of these outcomes has not been able to get any evidences. The long-term consequences and effects of the decentralization of the employee relations have a lot to be learnt about them. In this regard, we hope that future studies and research will help the experts in understanding the decentralization of the employee relations.

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