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Competitiveness & Worker-Management Relations: A Review of Selected Recent Studies

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Economics and Statistics Administration, U.S. Department of Commerce

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Comments
Report Submitted to the Commission on the Future of Worker-Management Relations

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Competitiveness & Worker-Management Relations
A Review of Selected Recent Studies

Warren E. Farb
Economics and Statistics Administration
U.S. Department of Commerce
Purpose of Briefing

Relate recent work on competitiveness issues to worker-management relations.

- 3 of 18 Council on Competitiveness/Harvard Business School Project papers are reviewed
  - International Differences in Labor Turnover (Blinder and Krueger)
  - Human Resource Development and Utilization (Kochan and Osterman)
  - Capabilities and Capital Investment: New Perspectives on Capital Budgeting (Baldwin and Clark)
- Second Annual Report of the Competitiveness Policy Council
- Other studies reach similar conclusions
Findings

Human resource management and enhanced worker participation are increasingly critical elements of competitiveness.

Worker-Management relations are affected by all competitive forces, but most directly by:
- Education and Training
- Investment
- Workplace organization
- Compensation

Worker-Management relations are determined by the private sector but influenced by public policy and economic conditions.
Council/Harvard Study Highlights

Divergence of Interests

- The U.S. system creates a divergence of interests among shareholders, lenders, investment managers, corporate directors, corporate managers, and employees.
- Foreign systems are different, but not necessarily better or worse
- Need to learn from others where appropriate
- American system can benefit from small changes—not wholesale adoption of the way others behave

Focus on investment—tangible & intangible

- Plant and Equipment
- Human resources
- Research and Development
- Education
Compensation

- Legal Compensation
  - Basic Compensation (Salary)
  - Additional Compensation
- Housing
- Living
- Commuting Allowance
- Provision of old age
- Health Care
- Life Security
- Property
- Others
- Human Relations
- Sports, Culture, Recreation
- Career Development

Economic Compensation

- Various Types of Insurance
  - Health Insurance (medical and dental)
  - Pension provided by state
  - Pension provided by the company
  - Unemployment Insurance
  - Workman's compensation Insurance
- Company owned house
- Dormitory
- Company hospital
- Expenses for medical
- Locker room, bath room
- Working hours
- Retirement allowance
- Age-limit system
- Installment savings
- Safety and health control
- Uniform
- Company owned house
- Dormitory
- Meal (restaurant for employee, midnight snack assistance)
- Co-op store
- Educational facilities
- Retirement allowance
- Age-limit system
- Installment savings

Mental Compensation

- Retirement allowance
- Salary and health control
- Company hospital
- Expenses for medical
- Locker room, bath room
- Working hours
- Security for accidents
- Life insurance
- Deposit for housing (special interest rate 7.2% a year)
- Deposit for property
- Loans for housing
- Employee's stock holding system
- Marriage pay, funeral pay, loans
- Company home for rest and recreation
- Sports and culture facilities
- Assistance for athletic meetings etc.
- Recreation allowance
- Personnel activities
- Job training

Competitiveness & Worker-Management Relations
# Alternate Human Resource System

<table>
<thead>
<tr>
<th>Workplace Level</th>
<th>Traditional</th>
<th>Transformed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job Design</td>
<td>Narrow</td>
<td>Broad</td>
</tr>
<tr>
<td>Job Assignment</td>
<td>Single Job</td>
<td>Job Rotation</td>
</tr>
<tr>
<td>Work Organization</td>
<td>Individual Jobs</td>
<td>Teamwork</td>
</tr>
<tr>
<td>Training</td>
<td>Job Specific</td>
<td>Broad Skills</td>
</tr>
<tr>
<td>Career Progression</td>
<td>Seniority Based</td>
<td>Competency Based</td>
</tr>
<tr>
<td>Supervision</td>
<td>First Line Management</td>
<td>Team Leader</td>
</tr>
<tr>
<td>Quality Control</td>
<td>Specialized Function</td>
<td>Team Function</td>
</tr>
<tr>
<td>Participation</td>
<td>Grievance Procedure</td>
<td>Employee Involvement</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Personnel Policy Level</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay Criteria</td>
<td>External Comparison</td>
<td>Individual Performance</td>
</tr>
<tr>
<td>Staffing</td>
<td>Layoffs</td>
<td>Continuity Commitment</td>
</tr>
<tr>
<td>Training &amp; Development</td>
<td>Limited</td>
<td>Major Commitment</td>
</tr>
</tbody>
</table>

Competitiveness & Worker-Management Relations
Building Capabilities

Organizational Capability $\Rightarrow$ Competitive Asset

Internal Integration $\Rightarrow$ Speed and Productivity

External Integration $\Rightarrow$ Quality

Flexibility $\Rightarrow$ Variety & Responsiveness

Capacity to Experiment $\Rightarrow$ Incremental Innovation

Capacity to Cannibalize $\Rightarrow$ Radical Innovation
Competitiveness Policy Council

High-performance workplaces
- Improved skills and work organization cannot be separated
- Individuals, firms, union, and government must work together
- Create environment of life long learning and constant improvement
- Find synergy between government resources and private initiative

Standards based school systems
- Curricula relevant for tomorrow's job market
- School to work transition
- Individualized student incentives