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"Kaufman's book is a tour de force. It is a thoughtful and analytical history of the evolution of international and comparative industrial relations as a field of study. It is an insightful overview of the links between industrial relations and institutional economics and a passionate (and in my view correct) argument for why we need to maintain and strengthen these linkages. It will be an extremely valuable resource as we take up the challenges facing our field today and tomorrow."

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Tadashi Hanami, Professor Emeritus, Sophia University, Tokyo, Japan

"...an indispensable source of knowledge for anyone interested in the field of industrial relations, in the work of the ILO and in the activities of the IIRA."

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The global evolution of industrial relations

EVENTS, IDEAS AND THE IIRA

Bruce E. Kaufman



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First published 2004

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Kaufman, B.
The global evolution of industrial relations: Events, ideas and the IIRA
Geneva, International Labour Office, 2004

Labour relations, history, trend, developed country, developing country, UK, USA.
13.06.1

ISBN 92-2-114153-5

ILO Cataloguing in Publication Data

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Typeset by Magheross Graphics, France & Ireland www.magheross.com

Printed in Switzerland

SRO

Dedicated to Sidney and Beatrice Webb, John R. Commons and
John D. Rockefeller, Jr., founders of the field of industrial relations

In the world of research, the state of industrial relations is only marginally better. Research on industrial relations in French sociology has substantially declined. At no time past or present has France had an academic journal devoted to industrial relations. A small group of French academics, such as Jacques Rojot, Isabel da Costa, Udo Rehfeldt, Jean Saglio, Alain Chouraqui and Antoine Lyon-Caen, have developed international visibility in industrial relations through English-language publications and extensive participation in international conferences and projects. Nevertheless, this has not translated equally well into higher visibility for the industrial relations field within France. Many French academics do not participate in international conferences or publish in English so their work remains largely unknown outside the Francophone countries.

In the 1980s some progress was made in establishing an internal network of industrial relations scholars in France and generating a self-sustaining research programme. France has a system of government-funded research centres, most of which are located in the Centre national de la recherche scientifique (CNRS). These centres are separate from universities (but with close ties) and have a large number of professional staff who work full time on individual and sponsored research. In 1982, the representative trade unions and government jointly founded a new centre, the IRES in Paris. The IRES set up four permanent research teams to pursue different streams of research on work and employment topics; one was devoted to industrial relations. Building on this, a network of a dozen research centres with an interest in industrial relations, including the LEST and IRES, came together in the 1980s under a CNRS umbrella structure called the Groupement de Recherche (GDR) "Relations professionnelles: Négociations et conflits". This network produced five books and a number of articles on industrial relations. A formal relationship was also established with the three industrial relations programmes in Quebec. In the mid-1990s, however, the CNRS withdrew funding and this GDR was forced to disband. Informal networking and collaboration continue but the net impact was to significantly undercut the perceptible, if modest, forward progress of the industrial relations field in France.

Germany

The Webbs' *Industrial democracy* was translated into German the year after it was published in England, but to this date has not been translated into French. If history is any guide, one would expect that the field of industrial relations would also have come to Germany well in advance of France. Surprisingly, however, the reverse is the case. The French Industrial Relations Association

was founded in 1966 but its German counterpart was not launched until 1970 and began life with only nine members. Likewise, the first textbook in Germany devoted to industrial relations was not published until the mid-1980s. After a slow start, however, the industrial relations field in Germany in the last 20 years has registered modest but sustained growth, while at least in recent years the French industrial relations field has suffered some decline in vitality. The reasons for this disparate behaviour are interesting and are briefly described below.

Germany, like all western European countries, has an extensive pre-history of industrial relations. Indeed, perhaps the most influential theorist of all times in industrial relations came from Germany: Karl Marx. The roots of conventional industrial relations, however, find their location elsewhere.

Germany in the mid-late nineteenth century was preoccupied with the Social Question. Central to this was the conflict between capital and labour and the best strategy to solve it. Several options were advocated.

A small wing of German "Manchester" economists followed Adam Smith and took up the cause of classic liberalism. As the nineteenth century came to an end, however, they largely lost influence.

Most of the battle of ideas was over reform versus revolution (the *Strategiefrage*, or "strategy debate"), with the industrialists and aristocracy looking on from the right with growing apprehension. On the side of revolution, Germany had the largest and best-organized socialist movement in the world in the late nineteenth century. It was, however, split into a variety of factions loosely organized around the Social Democratic Party (SPD) and offshoots. A group led by people such as Wilhelm Liebknecht, August Bebel and (later) Rosa Luxemburg followed a line broadly consistent with Marx and Engels; another followed Ferdinand Lassalle (founder of one branch of the SPD) with greater emphasis on socialism through electoral politics; yet another followed Eduard Bernstein (after his split with Marxism) and his theory of reform through evolutionary socialism (Günter and Leminsky, 1978; Berghahn and Karsten, 1987). Although the specifics differed, these groups were united by an anti-capitalist ideology and commitment to move toward socialism, either through electoral victory or revolution. Toward that end, the socialists were active in promoting trade unionism, with the idea that unions were the industrial arm of the Socialist Party: conceived of as being organized to secure short-run economic gains but with the higher goal of mobilizing the working class for political takeover of the state and the replacement (or substantial transformation) of the capitalist system.

Arrayed against the Marxists and socialists were a variety of reform groups. Most important for the development of capital-labour relations were the

German adherents of what became known (inaccurately) as “state socialism”. As described in Chapter 1, the intellectual architects of state socialism were the German political economists associated with the historical-social school of economics and the Verein für Sozialpolitik, while the political architect of what is often called state socialism was Chancellor Otto von Bismarck. Also comprising an important constituency of state socialism were the Christian socialists and reformist Christian democratic trade unions.

The Social Question was widely acknowledged in Germany in the last three decades of the nineteenth century as the most pressing domestic problem. Gustav von Schmoller, a leader of the Verein economists, told readers in his article “The Social Question and the Prussian State” (1874, cited in Pyle, 1974) that class antagonisms had become so intense in Germany that unless drastic actions were taken by the government the country would soon come face to face with social revolution. In this respect, the Verein economists agreed that Marx and the socialists were mostly correct in their critique of laissez-faire capitalism, but they nonetheless strongly opposed Marxism and the allied political movement of social democracy. Their preferred approach was a state-guided market economy and state-led programme of social reform – a programme they called *Sozialpolitik*. As described by Gustav Schmoller (quoted in Pyle, 1974: 134), “They [the Verein economists] are sincerely for a constitutional system, but they do not want an alternative class rule by the various antagonistic economic classes; they want a strong state which legislates above egoistic class interests, administers with justice, protects the weak and elevates the lower classes.” Another member of the Verein group was Max Weber. Weber, like Schmoller, agreed with a portion of the Marxian critique but sought to develop an alternative solution. Toward this end, he shifted attention from the labour process to the administrative process and sought to use rationalism and science to bring legitimacy, efficiency and fairness to the exercise of power and authority in the firm.

A number of pioneering studies that set the stage for more modern research on labour and employer–employee relations were published in Germany in the 1890–1910 period. An early work on trade unions was Wilhelm Kulemann (1890), *Die Gewerkschaftsbewegung*, while the labour question was explored in Heinrich Herkner’s *Die Arbeiterfrage* (1895). Ferdinand Toennies (1897), founder of the German Sociological Association, published a detailed empirical analysis of the great strike of Hamburg dock workers, “Der Hamburger Streik von 1896/97”. Also of note was the first empirical opinion survey on employer–employee relations: Adolf Levenstein’s *Die Arbeiterfrage* (1912). And, of course, Weber contributed a number of significant works.

Without doubt, the policy programme of the Verein economists was directly in the tradition of what later became industrial relations. Müller-Jentsch (2002: 223) states that their goal was to “establish social fairness between capital and labor”. To achieve social fairness, they advocated a broadened suffrage, public education for the working class and improvement of factory conditions. These economists favoured a market economy, but thought it needed a measure of collective organization and control to ensure stability and bring order out of the “anarchy of competition”. Lacking any theory of macroeconomics, they looked favourably on cartels and trade unions as a neo-mercantilist mechanism for achieving these ends. Both trade unions and labour legislation were also favoured as a means to provide workers with greater social protection and social justice, thus stabilizing the social and political order. A portion of this programme was implemented by Chancellor Bismarck in the form of a set of social insurance programmes, revolutionary at the time, such as workplace accident and old-age insurance. As noted in Chapter 1, while the German government extended the “carrot” to the working class in the form of social insurance programmes, at the same time it used the stick of political suppression and police harassment, made possible by enactment of the Anti-Socialist Law in 1878, to restrain and harass left-wing trade unions.

A major turning point in the history of German capital–labour relations occurred with the First World War. As happened in other countries, under the pressure of war mobilization the German government shifted from a policy of suspicion to active consultation and cooperation with the trade unions. The labour movement thus gained for the first time “insider” status. German defeat in the First World War led to popular uprisings, abdication by the Kaiser and revolutionary takeovers of cities and factories by workers and left-wing political elements. The trade unions, however, formed an alliance with the industrialists, formalized in the Stinnes–Legien Agreement, 1918, to preserve representative democracy and the basic outlines of a market economy, despite their official political programme that called for a transition to socialism. This alliance formed the basis for what later became the principle of *social partnership* (Lehmbruch, 2001). The accord also opened the door for a continued programme of labour reform. The Constitution of the Weimar Republic, 1919, for example, guaranteed for the first time relatively unrestricted freedom of combination on the part of workers and proclaimed that labour unions have an equal position with employers in determining working conditions, while the Works Council Act of 1920 mandated the establishment of enterprise-level works councils.

A significant body of literature related to industrial relations appeared in Germany during the years preceding the rise of Hitler and the National Socialist

German Workers' Party (the Nazis) (Oberschall, 1965). Indeed, during the Weimar years a close parallel field to industrial relations developed in Germany, called *Arbeitswissenschaft* (the science of work). Mary Nolan (1994: 84) describes this new field as "a multifaceted interdisciplinary field devoted to analysing and improving all aspects of work". Centred in psychology and sociology, topics investigated included fatigue and job satisfaction, aptitude testing, vocational education and company social policy for workers. Job satisfaction or *Arbeitsfreude* (joy in work) received more research attention in Germany during this period than in any other country (Campbell, 1989).

With regard to capital-labour relations, Müller-Jentsch (2003) cites the work of several German scholars as foundational. One is Adolf Weber's (1910) *Der Kampf zwischen Kapital und Arbeit*, a book on the struggle between capital and labour that went through six editions. Also influential are the writings of sociologist Goetz Briefs, a Christian socialist who emigrated to the United States in 1934. According to Müller-Jentsch, Goetz Briefs' article "*Betriebssoziologie*" (1931) was a seminal publication that laid the theoretical foundation for analyses of the internal relations in business organizations and especially the role of labour in the hierarchically structured production process. Another noteworthy figure is Hugo Sinzheimer, whose writings formed the basis for the labour law policy of the Weimar government. Also to be mentioned are Emil Lederer and Jakob Marschak's work on the classes and the labour market, "*Die Klassen auf dem Arbeitsmarkt und ihre Organisationen*" (1927).

Another key intellectual included in this foundational group is German industrial sociologist Adolf Geck. Several of the authors cited above were among the first to write on *Tarifpolitik* (collective bargaining) and the institutional infrastructure of the industrial relations system. Geck, on the other hand, did pioneering work on work relations within the enterprise (plant sociology). With Briefs, Geck founded an Institute for Work Sociology (*Betriebssoziologie*) in 1928 at the Technical University of Berlin at Charlottenburg, and in 1931 published a book on work relations in changing times, *Die Sozialen Arbeitsverhältnisse im Wandel der Zeit*. More attuned to international developments in industrial relations than many of his contemporaries, Geck made note of the activities of the IRI at The Hague and wrote about the American personnel management and human relations movements and the research work of the Industrial Relations Section at Princeton University (Hetzler, 1995).

Müller-Jentsch (2002: 225), speaking of the sociologists in this group, summarizes their viewpoint this way: "If there was a common paradigm, ... it was the understanding that industrial production is the hub of modern capitalism, being organized in privately owned firms by vertical and horizontal

division of labour and according to the principles of rationality and profitability." Hetzler (p. 314, translated from the German) provides an alternative assessment, stating that they attempted a "blending of industrial relations, human relations and personnel management" and "intended to take a social and political approach to examining the entire matter and proposed a 'Personnel Constitution' for the Works Enterprise in the spirit of co-determination".

The developments in labour research and industrial relations reform in Germany were aborted in 1933 with the coming to power of Hitler and the Nazis. Independent labour unions were abolished, union leaders were killed or imprisoned, ethnic minorities were sent to concentration camps and millions of other workers were conscripted to work in war industries with minimal rights and voice. As earlier noted, many German academics emigrated.

The modern German employment relations system that exists today was reconstructed from its Weimar roots after Germany's defeat in the Second World War. Central elements are as follows: the dual representation system, with workers represented at the enterprise level by works councils and at the sectoral or industry level by trade unions; a neo-corporatist bargaining structure with collective agreements negotiated at a medium-high level of centralization between sectoral or industry employers' associations and equivalent trade unions; treatment of labour unions as social representatives of workers rather than private bargaining agents; deeply institutionalized accommodation between unions and employers; and a system of co-determination (*Mitbestimmung*) in which workers have representation on corporate boards of directors. The institution of co-determination, originally limited to the coal and steel industries but extended in 1976 in modified form to other large companies, has long been a major object of scholarly attention in comparative industrial relations, followed closely by the German system of works councils (*Betriebsrat*). The German industrial relations system, in turn, is embedded in what has become known as the *social market economy* (*Soziale Marktwirtschaft*). Many of these elements had appeared in the Weimar period; the greatest change engineered with the support of the Allied occupation authorities was the unification of the socialist, liberal and Christian trade unions into the German Trade Union Confederation (DGB). This system is so distinctive and different from the Anglo-American version that later writers have called it *Modell Deutschland*, Rheinland capitalism, or coordinated capitalism (Albert, 1993; Streeck, 1992).

As alluded to above, a central component of the German industrial relations system is the social market economy. Parallel to early industrial relations in the United States, the important ideas and people behind the development of the

social market economy in Germany were actually from the progressive centre of the intellectual and policy spectrum rather than from the socialist left. Indeed, had the German left won the intellectual and political struggle in the years immediately after the Second World War, the social market economy would have been stillborn. Also of interest in the development of the social market economy concept are the links to the earlier German school of historical-social economics, American institutional economics, the Kerr/Dunlop idea of a web of rules, and present-day theories that equate industrial relations with alternative systems of social regulation (Bélanger, Edwards and Haiven, 1994; Hollingsworth and Boyer, 1997).

Although the trade unions and the SPD entered into collaboration with employers and capitalism after the First World War, their official mission remained committed to replacing both. Moving away from Marxian notions of class struggle and revolutionary seizure of the state, however, the unions and SPD developed an alternative evolutionary strategy to attain socialism. This strategy was formulated in the late 1920s and became known as the model of economic democracy (*Wirtschaftsdemokratie*, also carrying the meaning in English of industrial democracy but more broadly conceived, with workers' control and participation at the national, sectoral and enterprise levels). The chief theoretician was Rudolf Hilferding of the SPD (labelled by Grebing, 1969: 95, as of the "moderate radical Left"), while an influential statement of the model was given in the book *Economic democracy: Its character, means and ends* (1928) edited by Fritz Naphtali and with contributions by Hilferding and Sinzheimer. Its most concrete development was in Sweden with the Meidner Plan (Abraham, 1982). The basic idea was to unite politically the working class behind the SPD and use the SPD to slowly legislate away the property rights and profits of the capitalists, ending in worker control of industry. This gradual "chipping away" starts with measures such as wage and lay-off guarantees, transferring administrative control of the unemployment insurance funds to the trade unions, giving trade unions co-determination rights on corporate boards of directors, and implementing equal worker representation on all economic policy-making bodies (e.g., the central bank). Workers control advances further when trade unions gain control over the distribution of profit and investment of capital and finally culminates in the socialization of industry.

The movement for *Wirtschaftsdemokratie* in the 1930s, it should be noted, did not go unchallenged in academic or industry circles. In opposition was a movement known as *Werksgemeinschaft*, or "enterprise community" (Campbell, 1989). The proponents of *Werksgemeinschaft* sought to foster greater collaboration and solidarity between capital and labour in the plant through shop committees, welfare programmes and other accoutrements of the welfare

capitalist model. Thus German industry and academic circles had a similar division, in broad outline, to the PM and ILE schools of the United States.

After Germany's defeat in the Second World War, a struggle ensued regarding the restructuring and future direction of the German economy and industrial relations system. The programme pushed by the DGB and SPD was the model of economic democracy (Günter and Leminsky, 1978; Smith, 1994). The alternative model presented by the Christian Democratic Union Party (CDU) – and supported by the American occupation authorities – was the social market economy, a concept at first based largely on the twin policies of rapid price de-control and monetary stabilization. To the surprise of many observers, the CDU won the national elections in 1948 and the social market economy model was implemented by Minister of Economic Affairs (and later Chancellor) Ludwig Erhard. As described shortly, social democrats and trade unionists are today strong supporters of the social market economy and one now reads statements such as "one of the successes of the labour movement was to introduce the Social Market Economy in 1949" (Széll, 2001: 3). This is, however, a revisionist reading of history.

The ideas behind the social market economy came from a small group of German economists known as *ordo-liberals*. Key people were Walter Eucken, Alfred Müller-Armack and Wilhelm Röpke (Peacock and Willgerodt, 1989; Nicholls, 1994; Tribe, 1995). The *ordo-liberals* are an interesting blend of the Chicago school and the German historical-social school. They reflect the Chicago school in that they have a strong commitment to a competitive market economy; they reflect the historical-social school in insisting that economic theory and policy are historically contingent, must incorporate social and ethical concerns, and that the economy requires active management by the state. The *ordo-liberals* are thus close in a number of respects to American institutionalists and social liberals such as Commons and Coase (Grossekettler, 1989; Peukert, 2000).

The term "ordo" connotes "order", "system" and "framework". The central intellectual premise of the *ordo-liberals* is that all economic activity takes place within and is structured by the legal, social and ethical order. Thus Eucken states (quoted in Yamawaki, 2001: 190):

Whether it is the economy of the ancient world or of Augustan Rome or of medieval France or modern Germany or anywhere else, every economic plan or economic action of every peasant, landlord, trader, or craftsman takes place within the framework of economic order, and it is only to be understood within this framework. The economic process goes on always and everywhere within the framework of historically given order. The order may be a bad one, but without order no economy is possible.

Evidently, "ordo" is closely equivalent to the concept of institution, governance structure, working rules of collective action, web of rules and social mode of regulation.

Unlike neoclassical economists, the ordo-liberals explicitly ground their theory of economics on an ethical value statement (Tietmeyer, 1999; Tezuka, 2001). The primary goal of economic policy, they state, should be to devise the ordo that maximizes individual freedom and personal development. The human condition, not the quantity of goods, is the object of economic science. As a general premise, they hold that a competitive market economy best promotes these values since it allows maximum scope for personal decision, initiative and responsibility. But they again depart from the neoclassical school in several respects. They do not believe, for example, that a competitive market economy is self-regulating, because of various types of embedded (or structural) market and human failures (e.g., externalities, bounded rationality). Thus they reject laissez-faire (the nightwatchman theory of government) and believe that government must actively manage the economy, albeit with a restrained hand and subject to the principle of subsidiarity (Nicholls, 1994). Also distinctive, the ordo-liberals believe that the economy evolves over time and thus the government must adjust the ordo to maintain balance and well-functioning markets. And, finally, the ordo-liberals do not believe that the functioning of a competitive market system can be divorced or isolated from social conditions and ethical considerations (Tietmeyer, 1999). A free market system, they hold, functions best and only survives in the long run when the people feel that the outcomes promote not only efficiency but human values of security, justice and self-actualization. Thus they favour certain institutional interventions in the market economy, such as protective labour laws, trade unions, progressive income tax systems and old-age pensions *as long* as these measures promote an ordo that is consistent with a well-functioning market economy and individual freedom. Whereas neoclassical economists generally reject the concept of social justice as a meaningless metaphysical concept or a thinly veiled excuse to redistribute income, ordo-liberals accept social justice: first, as an intellectual concept, because it effects economic behaviour and, second, as a policy goal, as long as it improves freedom and does not impair market competition (Yamawaki, 2001). The term "social market economy" thus reflects the idea that the market order has first priority but must be complemented by an appropriately structured social order to support the market order. Economic policy and social policy are thus linked rather than separated, as in much of neoclassical economics.

The model of social market economy was implemented by Erhard and was judged by most people to be highly successful, given Germany's rapid

economic recovery and growth in the immediate post-war period. In 1959, the SPD modified its position and endorsed the social market economy, although with continued commitment to economic democracy as the long-term goal (Berger, 2000). Once in power (the Brandt and Schmidt governments), the SPD came to endorse fully the social market economy concept and used it to provide intellectual and political justification for further social legislation and market regulation. With some irony, the trade unions and the SPD are now the strongest proponents of the social market economy, albeit after having taken the concept much further in the "social" direction than the original founders probably ever envisioned (Tietmeyer, 1999).

Not unexpectedly, the re-creation of the German industrial relations system after the Second World War, and its many interesting innovations and features, sparked considerable academic research both in Germany and abroad. While American research on the German system was done by academics firmly associated with the industrial relations field, such as Adolf Sturmthal and Walter Galenson, German research continued to be done within the traditional disciplines. Indeed, industrial relations did not emerge in Germany for 25 years after the war.

The discipline most active in labour research was German sociology. Between 1947 and 1970, 69 chairs in sociology were established and a number of research institutes created. Müller-Jentsch cites three of particular importance in the labour area: the Frankfurt Institute for Social Research, the Sociological Research Institute in Göttingen and the Institute for Social Research in Munich. As noted earlier, one reason industrial relations was slow to take hold in Germany was the very expansive research programme in work and industry undertaken by sociologists. Topics receiving major attention included: technological change and the character of work; shop-floor cooperation among workers; co-determination; automation; industrial democracy; the class structure of the workforce; the structure of trade unions; strikes; works councils; managerial strategies; the organization of work and the labour process. Much of this research was fuelled by very generous government and trade union funding, stimulated in significant measure by that era's policy concerns with the humanization of work life, the impact of new technology and the democratization of industry. Also playing a part, according to Müller-Jentsch (2002: 232), was the desire of the SPD government to "substantiate its policies by social sciences".

Although the concept of industrial relations surfaced in Germany in the 1930s, it largely lay fallow until the GIRA was founded in 1970. Even then, it did not generate great interest. As was the case with France, the founding of the IIRA in Geneva in 1966 was the catalyst to the development of the field in Germany. The Executive Board of the IIRA made overtures to several German

professors about founding a national branch of the Association in Austria and Germany. One of these, Friedrich Fürstenberg, then a professor of sociology at the University of Linz (Austria), took the lead and founded the Austrian Industrial Relations Research Association in 1967. The same year, Fürstenberg organized the first European Regional Conference on Industrial Relations at the University of Linz. This conference served as a forerunner and model for what later became the IIRA European Regional Congresses.

With these developments in mind, and with the encouragement of the German government, Professor Otto Neuloh sent letters to 30 German professors soliciting their interest in forming an industrial relations association. Hetzler (1995: 316) states that the call was greeted with "no overwhelming interest", illustrated by the fact that the initial organizing meeting of the GIRA was attended by nine people. One problem facing the group was that they were unclear about the definition and content of this new subject area.

To the Germans, the core idea of industrial relations was to promote cooperation and consensus between employers and employees, which to them seemed problematic as an academic study area since the post-Second World War legal regime in Germany – exemplified by the system of co-determination – had already established capital and labour as social partners. Thus industrial relations seemed perhaps culture-bound, in that it had application to countries with adversarial systems of labour relations but less evidently to countries with a cooperative system. Ideology also played a role, since at the time Marxist/radical theory had a large influence among German intellectuals and they viewed industrial relations as indelibly tainted with human relations (seen as the manipulation of workers), business unionism (interpreted as class collaboration), and American corporate foreign policy interests (Conrad, 1981; Hetzler, 1995). With this in mind, it will be recalled from Chapter 6, Roberts and Cox decided to drop Germany as a potential founding member of the IIRA because the scholarly labour community was deeply split and predominantly leftist.

Not knowing exactly what this Anglo-American field of industrial relations was, and needing to overcome lack of interest and scepticism in the academic community, the organizers of the GIRA made two decisions (Hetzler, 1995). One was to emphasize as a key distinguishing feature of industrial relations the field's interdisciplinary nature. This allowed the organizers to sidestep some of the definitional and ideological debates and promote industrial relations as an opportunity for scholars from various disciplines to learn from each other. The second, also to avoid definitional debates, was to forego attempts to translate the English term "industrial relations" into a German equivalent and simply incorporate the English term in the title of the new association.

In 1974, the GIRA nearly disbanded for lack of membership and clear sense of mission. Core members resolved, however, to try to move forward by bringing in non-university researchers as members and working to define better the unique intellectual content of industrial relations. Progress on the first front was quite slow because the group maintained into the late 1980s very selective membership procedures and qualifications. Applicants – even those relatively well known in national and international circles – were typically required to give a seminar or some form of demonstration of professional competence and then receive a formal vote of acceptance. In this regard, the rule-laden and formalistic procedures of GIRA provide an interesting contrast to the complete informality of the equivalent British association (the BUIRA had no written by-laws or membership procedures until the early 1980s) and seems to mirror larger national characteristics found in the industrial relations systems of the two countries.

To identify better the intellectual uniqueness of industrial relations, Hetzler states that core industrial relations members gave close examination to classic works in the Anglo-Saxon industrial relations literature, such as Dunlop (1958) and Hyman (1975), and attempted to find common elements with works of German authors, such as Ralph Dahrendorf's *Class and class conflict in industrial societies* (1959) and Weitbrecht's (1969) well-regarded study on collective bargaining in German industry (*Effektivität und Legitimität der Tarifautonomie*). The fruits of their efforts began to pay off as membership in the GIRA slowly increased to 21 by 1978. Independently, the first explicit research project on industrial relations was initiated by Otto Jacobi and Walther Müller-Jentsch in 1979 at the Institute for Social Research in Frankfurt, initiated in part through working relationships with Bain, Clegg, Crouch and Hyman in the United Kingdom. In the same year, the German Sociological Congress included industrial relations as an official topic in a programme track chaired by Gerhardt Brandt, a director of the Frankfurt Institute (Müller-Jentsch, 2003; Frege, 2002). Among the participants were three prominent names in today's German industrial relations: Keller, Müller-Jentsch and Streeck. According to Hetzler, the end of the development stage of industrial relations in German-speaking Europe was reached in 1985 with the publication of the first handbook of industrial relations as practised in Austria, German and Switzerland, *Handbuch der Arbeitsbeziehungen* (Endrueit et al., 1985).

Since 1985, the German field of industrial relations has become increasingly institutionalized and has continued to bring in new participants (Keller, 1996). It has also benefited from cross-fertilization of ideas with the Anglo-American industrial relations community through the work of German-

speaking industrial relations scholars in America, such as Carola Frege, Wolfgang Streeck, Kathleen Thelen, Lowell Turner and Kirsten Wever.

A key event signalling German industrial relations' coming of age was the election of Fürstenberg as president of the IIRA and the holding of the IIRA World Congress in Hamburg in 1986. Fürstenberg was one of the earliest German scholars in the post-Second World War period to take an interest in industrial relations. He wrote his diploma thesis in 1951 on trade unions and distribution theory, was a visiting researcher at the Cornell University industrial relations programme in the United States in the mid-1950s, wrote one of the first articles in Germany describing the field of industrial relations (1969) and several years later published a book *Industrielle Arbeitsbeziehungen* (1975). As earlier indicated, he was for a number of years a professor of sociology in Austria, later returning to Germany. Although most contemporary German industrial relations scholars do not perceive that any one person qualifies for the title "father of German industrial relations", Fürstenberg is widely credited as a pioneer and one of the people who first put German industrial relations on the international stage.

Also appearing in 1986 was the first German-language textbook on industrial relations by Müller-Jentsch, called *Sociology of industrial relations*. Müller-Jentsch was a member of the Frankfurt school of critical sociology and, with Otto Jacobi and Joachim Bergmann, had earlier published pioneering research on German trade unions. Today he is recognized as one of the leading scholars in German industrial relations. In the book, Müller-Jentsch provides a substantial historical treatment of German industrial relations, casts the subject in a systems perspective, puts the collective actors and free collective bargaining at centre stage, and frames the subject as a study in "exchange relations" (*Austauschbeziehungen*) between labour and capital.

A second industrial relations text appeared in 1987, written by law professor Manfred Weiss. As Keller (1996: 203) notes, "The German system of industrial relations has long been noted for a degree of legal regulation which in international comparative terms is particularly high. For this reason, the work of academic lawyers has traditionally been of great importance, and provides an essential contribution to understanding how the system functions." However, despite the long-standing juridification (*Verrechtlichung*) of German industrial relations, most German legal scholars interested in labour and employment issues have traditionally pursued their research within the legal discipline and have largely eschewed an interdisciplinary exchange with the social and administrative sciences. Weiss is an exception in this regard and his book was an early effort to break down these walls. Since then, several other German law professors have been active in the industrial relations field, such as Wolfgang Däubler, Ulrich Mückenberger and Armin Höland.

The multidisciplinary perspective received another boost with a third text, *Introduction to the politics and policies of work*, authored by Berndt Keller in 1991. Keller is a political scientist and well-known author, particularly with respect to industrial relations and the EU project (e.g., Keller and Platzer, 2003). In his industrial relations text he developed the subject around the concept of *Arbeitspolitik* (politics and policies of work) in an effort to give more prominence to the role of the state in structuring the industrial relations system.

The German industrial relations field took another significant step forward in 1994 with the founding of the field's first German-language scholarly journal: *Industrielle Beziehungen – The German Journal of Industrial Relations*. The intent of the founders was to frame the intellectual domain of industrial relations broadly so the German subtitle of the journal is *Zeitschrift für Arbeit, Organization und Management* (work, organization and management). Although the founders of the GIRA in the early 1970s were unsure how to define the term industrial relations, two decades later the term had become definite enough that the founders of *Industrielle Beziehungen* could tell readers in the first issue ("Editorial", 1994, p. 9) that "the editors understand the concept to cover the historically developed systems of institutions for conflict resolution and consensus-building in the world of work. A key characteristic of these institutions is that they have emerged out of conflicts of interest, patterns of cooperation, and the political decision of individual and collective actors."

The one area of the German social sciences that is notably absent in industrial relations is economics. Few economists outside trade union research institutes and the area of business economics participate in the field. Noted one German scholar in private correspondence: "In general, no mainstream economist wants to be suspected to sympathize with trade unions."

Frege (2002) recently performed a content analysis of the articles published in the *Industrielle Beziehungen* in an effort to delineate the distinctive characteristics of German industrial relations research and differences with Anglo-American countries. The results indicate broad trends, although specific inferences are problematic since for promotion and tenure reasons many German scholars publish their more important industrial relations research in discipline-based journals. In terms of subjects, recent German industrial relations research clusters in four areas: reorganization of work (lean production, organizational change, works councils and so forth), transformation of industrial relations at the sectoral level (for example, industry-level collective bargaining), industrial relations transformation in former East Germany, and Europeanization. A second dimension Frege examined was "knowledge frame". She found two salient characteristics: a tendency of

German researchers to examine work and employment issues in a larger political and societal context and interpret industrial relations phenomena as part of socio-political processes; and an underlying assumption that social partnership is the ideal form of industrial relations. The third dimension Frege examined was research methods. Here distinct differences stood out with respect to Anglo-American countries and, most particularly, the United States. She identified four methodological characteristics of German industrial relations research: heavy reliance on qualitative and descriptive data and infrequent use of statistical techniques; less emphasis on positivist analysis and more emphasis on interpretative analysis (partially stemming, Frege states, from the tradition of historical-social economics); more frequent statement by authors of value and policy judgements and expressed effort to develop practice and policy in specific directions; and more reliance on broad socio-political theoretical frameworks and "grand theorizing" in the literary tradition and less emphasis on formal but narrowly constructed models and hypothesis derivation and testing.

Frege sums up her findings this way (p. 254):

In a nutshell, German research is concerned with the institutionalization and functioning of collective actors, a topic which is neglected in current Anglo-American research, and also focuses on the 'black box' of industrial and workplace *relations* rather than in their outcomes (performance), a prime interest of Anglo-Saxon research in recent years.

She further adds, "What most Anglo-Saxon scholars take for granted is quite often what is regarded as most problematic by scholars in other countries." She then concludes with this observation (pp. 254–5):

[T]he universal domination of the Anglo-Saxon research tradition would, in my view, only foster the ongoing decline of industrial relations research. ... Only by broadening rather than narrowing the research questions and methodologies, and in particular by (re)discovering the inherent political nature of industrial relations, can we save and develop industrial relations research as an independent discipline.

German industrial relations, as the narrative in this section suggests, has slowly but perceptibly grown and developed since first emerging in 1970, illustrated by the selection of German legal scholar Weiss to serve as president of the IIRA (2000–2003). In September 2003, over 800 industrial relations researchers attended the Thirteenth World Congress in Berlin, hosted by the GIRA. Also illustrative of the growing self-confidence of German industrial relations is the volume especially commissioned by the GIRA for the congress, *The changing contours of German industrial relations* (Müller-Jentsch and Weitbrecht, 2003).

The German industrial relations field remains relatively small, however, and suffers from the same angst over its long-term future as does the field in other countries. As Keller (1996: 202) notes, "Discussions of the future of industrial relations always tend to turn into a debate on the future of trade unions." Even in Germany, where union density is still comparatively high and collective bargaining is deeply institutionalized, one can reasonably worry about what the future holds on this score as globalization, EU market integration, and the forces of decentralization, union decline and individualization continue apace.

and management degrees, and the pressures exerted on labour standards and collective bargaining by global competition, neo-liberal ideology and International Monetary Fund (IMF) and World Bank policies. Among the last are India's movement away from a highly regulated and collectivist economic development strategy to a more open, market-oriented system, and falling public approval of the trade unions on account of their factionalism and politicization. One may say, therefore, that the status of industrial relations in India is mixed: positive because the field has a long tradition in India, is relatively well institutionalized, with an academic journal, professional association and university degree programmes; negative because external and internal developments are slowly eroding these foundations of the field (Thakur, 2003).

Japan

The pre-history of industrial relations dates from the early 1890s to the mid-1950s in Japan. In the pre-history period, labour research and policy were very influenced by the German approach of *Sozialpolitik*. After the Second World War, the United States replaced Germany as the most important foreign influence in Japanese academic thought and labour policy, and it was at this point that the field of industrial relations first appeared. As in many other countries, the industrial relations field in Japan experienced a golden age until the 1980s, followed by a period of decline.

The history of Japanese labour starts with the end of the feudal Tokugawa government in 1867 and the ascension of Emperor Meiji as the sovereign ruler of the nation. From this period forward, Japan embarked on a determined course of modernization and industrialization. Out of this drive grew the first factories and heavy industry, the emergence of an urban-based wage labour force, the problems of labour exploitation and mistreatment, and the stirrings of labour unrest and antagonism between employers and workers.

Although Japan was a latecomer to industrialization and thus lagged behind the economic development of the United States and Western Europe, this status also provided advantages. One of these was learning from the Western world both what to do and not to do for successful development. Toward this end, Japan sent many intellectuals, businessmen and government officials abroad to observe, study and work, and also opened its doors to the full range of influential Western writers and philosophers. Another important source of Western influence was Christian missionaries in Japan; a number of Japanese labour and social reformers in the early twentieth century were Christian converts. For example, Fusataro Takano lived in the United States for a period

during the 1890s, converted to Christianity, learned the principles of trade unionism from Samuel Gompers, and returned to Japan and became the first trade union organizer.

Between the early 1890s and the First World War, a large number of Western schools of thought came to Japan and gained adherents. Political economy arrived first, including Smithian economic liberalism, the new marginalist economics of Alfred Marshall, and German historical economics and *Sozialpolitik*. Closer to the First World War, Marxism and anarcho-syndicalism began to circulate, as did Taylor's new principles of scientific management.

Of these schools of thought, two had particular importance in shaping the early industrial relations experience of Japan. The first was the German school of *Sozialpolitik* (Morris-Suzuki, 1989; Kinzley, 1991); the second was the American school of scientific management (Tsutsui, 1998).

Japanese society and social values had far more in common with nineteenth-century Germany than with the United Kingdom or the United States (Lehmbruch, 2001). Neither Germany nor Japan were comfortable with the Anglo-American model of individualism, unrestrained competition and commercialism, and the laissez-faire approach of minimalist state control. Both German and Japanese societies featured strong hierarchical status relationships, an emphasis on maintaining social order and harmony, a communitarian or "organic" view of society (society is a living organism with its own will and destiny), a belief that successful economic development requires active state involvement and guidance, and a preference for governance exercised by an enlightened monarch and administered by a strong and capable bureaucracy (a model of "social monarchy"). After the Second World War these common features coalesced into the distinctive German-Japanese model of "coordinated" capitalism (Hollingsworth and Boyer, 1997; Streeck and Yamamura, 2001).

The Japanese who travelled to Europe and the United States reported back not only on the highly advanced state of industry and technology in the West but also on the grave social problems of unemployment, urban poverty and labour unrest that accompanied them. Of greatest concern to the Japanese were the apparent growing class lines, class conflict and portent of socialist revolution in the West – a development that if allowed to grow in Japan would tear apart the order and harmony of society and derail the drive for capital accumulation and economic growth. Beginning in about 1890, Japan was flooded with reports from Europe about the Social Problem. According to Kinzley (1991: 22), "From 1890 no issue so dominated intellectual discourse as the social problem [*shakai mondai*]. Following the Sino-Japanese War *shakai mondai* was one of the most fashionable phrases of the day." Kinzley goes on to say (p. 23),

While the term 'social problem' was applied to an almost unlimited range of issues there was one that elicited the greatest and most persistent concern: the problem of labour. ... [T]he defining issue and the principal focus of the 'social problem' was discussion of the 'labour problem', namely the attempt to determine the proper place for industrial workers in the new society.

Academic writing on labour followed quickly. One early contributor was Touzo Fukuda. He studied under Brentano in Germany and in 1899 published an edited book of Brentano's articles, along with a lengthy introduction of his own, under the title *Labor economics* (Nishizawa, 2001). Fukuda went on to become one of Japan's most eminent economists, noted for his efforts to synthesize the German historical/institutional approach with the British neoclassical approach. One of his students was Ichiro Nakayama, who after the Second World War would become one of the leaders of Japanese industrial relations.

The person who did the most to popularize the German concept of social policy (*shakai seisaku*) in Japan was Noburu Kanai. Kanai spent four years studying economics in Germany (1886–90) and then returned to Japan and became "one of the most significant figures in the history of Japanese social thought" (Pyle, 1974: 140). Kanai became Japan's first major academic economist, a professor of law at the Imperial University (later, Tokyo University), and a founder of a new school of social theory. In 1896, Kanai and a small group of other scholars founded the Japanese Social Policy Association, an organization modelled on the German Verein. Alternative names considered by Kanai for the association included "Social Problem Research Association" and "Labour Problem Research Association". Until the mid-1920s the Association was the only professional organization for economists in Japan, included nearly every practising economist and professor of law in the nation, and had an influence that (p. 141) "pervaded the bureaucracy from the end of the 1890s down to the 1930s". Kanai also introduced a social policy course into the curriculum at Tokyo University (Hanami, 1971).

According to Kanai (quoted in Pyle, p. 144),

Ultimately the highest object of social policy in modern times is to bring back together again the various social classes which are daily becoming more and more separated; and it must establish a socially cooperative life based on intimate relations of mutual help and interdependence. ... In this way we can establish the unity that national strength requires.

This philosophy is further elaborated in the Association's declaration of principles:

We oppose laissez-faire because it creates extreme profit consciousness and unbridled competition, and aggravates the differences between rich and poor. We also oppose socialism because it would destroy the present economic organization, obliterate capitalists, and therefore impede national progress. We support the principles of the present private enterprise system. Within this framework we seek to prevent friction between classes through the power of government and through individual exertions and thereby to preserve social harmony.

This declaration of principles, it might be noted, is quite similar in spirit to the declaration of principles American economist Richard Ely crafted for the American Economic Association he helped found in 1885 after returning from his graduate studies in Germany. Ely, of course, was an outspoken advocate of the historical/social approach to economics and was a major contributor to the development of American institutional economics – the most important intellectual root of American industrial relations. Interestingly, Ely's basic university textbook, *Outlines of political economy*, outsold all other English-language economics books in Japan in the early twentieth century (Rader, 1966).

The members of the Japanese Social Policy Association shared a common perspective and philosophy but differed significantly on specific aspects of dealing with the Social Question. Most supported some type of legislation to protect workers from excessive hours and unsafe conditions. Most also favoured encouraging employers to adopt a more benevolent approach to employer–employee relations and various welfare measures. The group split into factions, however, on the issue of trade unionism. Some members strongly favoured promoting trade unions and collective bargaining. A leader of this group was Iwasaburo Takano (brother of Fusataro Takano), a professor of law and the person who in 1927 translated the Webbs' *Industrial democracy* into Japanese. Another prominent Social Policy Association member, Kumazo Kuwata, played an important role in the development of the Yuaikai, which became the first major national labour organization in Japan and the genesis of the Japan Federation of Labour. Another sizeable group of association members were cool or outright opposed to trade unions, however. While recognizing that workers had legitimate grievances, they felt that the adversarial, sometimes militant and violent approach taken by unions undercut the spirit of cooperation, unity of interest and "warm family relationship" they desired to foster between employer and employee. Instead, they opted for other measures, such as employer welfare practices and educational campaigns (known as "thought guidance") among employers and workers to reaffirm Confucian values of harmony, loyalty, filial piety and reciprocal duty. People such as

Kanai tried to straddle these two positions. Said one such person (quoted in Kinzley, 1991: 61), "If unions are formed with no purpose other than to oppose capitalists they are not good. But, if unions are organized to improve the character of workers, elevate their status, or to meet special emergency situations, I am in no way opposed to them."

As actually practised, Japanese social policy from 1900 to 1930 strongly resembled the approach adopted in Germany. In 1900, a Peace Police Law was enacted that allowed police wide latitude to suppress labour unions and jail their leaders. Although only used when political authorities deemed necessary, the Peace Police Law remained a potent curb on union activity through the 1920s. While suppressing radicalism on one hand, the government sought to eliminate the grievances that promoted radicalism by enacting in 1911 a Factory Law and later a Health Insurance Law (1922) and strengthened version of the Factory Law (1926). Progressive industrialists also emerged from the ranks of Japanese businessmen and sought to encourage others to practise a more welfare-oriented style of labour management, thus maintaining the familial relationship at work that was thought to have characterized Japan in the earlier era of small-scale craft and artisanal production.

In 1919, the Japanese government sponsored a nominally independent group composed of industrialists, scholars and government officials to promote a progressive line in labour-management relations and mediation and reconciliation of labour disputes. Named the *Kyochokai* (Conciliation Society), its mission is described by Kinzley (1991: 84) as promoting social harmony and social justice through the "complete realization of social policy", while Dore (2000: 397) describes *Kyochokai's* mission as "concerned not only with promoting the new, firm-as-family ideology and all the welfare measures and systems which supported it, but also to the development of workers' councils and consultative committees as a means of co-opting the union movement". As Dore's quotation suggests, one visible outgrowth of this movement was the spread of employer-created shop committees and works councils among large Japanese firms in the 1920s (Totter, 1967). The final element of Japanese social policy during this period was continued emphasis on the necessity of harmony and cooperation among the social classes if Japan was to avoid foreign domination and take its place among the great powers. An oft-used exhortation was to "build a rich country and strong military" (Kinzley, 1991: 49).

A quest for harmony and efficiency also led to the popularization of another school of thought in Japan – scientific management. Although Japan and the United States were very dissimilar in many social and cultural dimensions, in certain areas there was a strong congruence. One of these was in the organization and management of industrial enterprise. The Japanese had

a long tradition of emphasizing efficiency and harmony in industrial activities, for example. Japanese society was also less class divided and class conscious than many in continental Europe, and, like the Americans, the Japanese had a penchant for applying science and engineering to industrial operations. The gospel of Taylorism and its creed of harmony through the laws of science and shared fruits of productivity gain thus found a ready and eager audience in Japan.

Taylorism was introduced in Japan by Toshiro Ikeda, a visitor to the United States and employee of the Wrigley Chewing Gum's Japan branch (Tsutsui, 1998: 18). After returning to Japan in 1911, he wrote a series of articles explaining in popularized terms Taylor's principles, with one pamphlet selling more than 1.5 million copies. Two years later Taylor's *Principles of scientific management* was translated into Japanese and soon Japan was in the grip of an "efficiency craze". Hundreds of recruits were dispatched to the United States to learn about American production and management methods and a number of disciples of Taylor travelled to Japan to lecture and consult. Taylorism quickly evolved and broadened beyond its inventor's conception as early Japanese pioneers discovered the importance of the human factor and, in particular, the inability of stop watches and bonus systems to increase productivity without the active cooperation and trust of the workers. Tsutsui (1998: 27) thus notes that "harmony and cooperation became keywords of Japan's scientific management movement". Illustrative of this sentiment is this statement by Yoichi Ueno, the Japanese "father of scientific management", on the nature of the "Mental Revolution" required for industrial success (*ibid.*):

Cooperation is absolutely necessary in all organizations. In business, success is doubtful without cooperation. If all, from the president down to the lowest functionary, can pool together their various personal abilities, work together for the common good of the company's prosperity and devote themselves as a group, then great increases in results are possible. If, however, capitalists live in fear of labor offensives, workers label capitalists as the enemy, and there is never anything but quarreling, then the company will decline day by day. Where there is no diligent cooperation there is no prosperity.

The First World War period introduced great strains into the Japanese economy. War-led prosperity created high inflation and tight labour markets, leading to great problems with employee turnover, spreading interest in unions, and a fivefold increase in strikes. Much as in Europe and North America, the Bolshevik Revolution in Russia – followed shortly by the large-scale Rice Riots across Japan – greatly stirred fears (or hopes, in some circles) of major

social upheaval. According to Pyle (1974: 161), "Writers described the Bolshevik Revolution and the arrival of new radical thought as creating a shock in the intellectual world comparable to the coming of the black ships." Investigative books and articles on the harsh life of Japanese workers, such as Hajime Kawakami's (1917) *A story on poverty*, also stirred concern.

The fears of labour radicalism and the high costs of employee turnover, coupled with the emergence after the war of the first mass production industries and the need for labour peace, led to the appearance of a nascent welfare capitalist movement in Japan broadly similar to that in the United States. Indeed, the employment system developed among leading Japanese companies in the 1920s had greater similarity in structure and philosophy to the American PM-school version of industrial relations than that of any other country. The Japanese movement represented an intermingling of scientific management, *Sozialpolitik* and traditional welfarist paternalism. Illustrative of the intellectual linkages, Tsutsui (p. 27) states, "Ueno's ideas, and the Taylorite ideology from which they were derived, overlapped in many ways with the philosophy of the Kyochokai." Personnel departments were started, shop committees and works councils formed, welfare programmes expanded and internal labour markets developed (Totten, 1967; Gordon, 1987; Jacoby, 1991). The newly emergent Japanese employment system was not a carbon copy of the American, but the parallels were strong at the enterprise level. Indeed, this is not surprising, since leading American practitioners of welfare capitalism, such as General Electric and Westinghouse (both members of the SCC), had close ties to Japanese partner firms and transferred American management practices and ideas to them. Where the American and Japanese models diverged was that the latter adhered to a German approach at the industry and economy level. According to Tsutsui (p. 60),

[T]he American and German models were considered but distinct: the "American-style" rationalization was taken to concentrate on the firm and shop-floor reforms, while the German movement looked to the industry or national economy as its basis ... the U.S. experience contributing the micro-level approaches (scientific management and technologies of production), the German tradition providing the macro-level strategies of concentration, cartelization, and state intervention in industrial organization.

Other parallels to the American case also exist. The Japanese trade union movement, for example, was relatively weak and after a burst of militancy and organizing gains during the First World War was beaten back and largely driven out of the industrial core by a combination of employer resistance and government refusal to provide legal recognition. A modest advance in factory

legislation was obtained, however, partly due to Japan's decision to join the ILO in 1919 and the evident concern of the nation's leaders that it not be seen as openly flouting the ILO's Conventions and Recommendations on workers' rights (Ayusawa, 1966). Also of interest, a wealthy businessman, Magasaburo Ohara, donated funds in the 1920s to promote more harmonious capital-labour relations through the establishment of the Ohara Institute for Social Research. Shortly thereafter, Ohara persuaded a physician-professor to establish a sister organization, the Labour Science Institute.

Dating from the end of the First World War, Japanese intellectual circles gradually became more polarized and factionalized, while government policy drifted toward a harder line dominated by militarists and nationalists. The ideological strains were such that the Social Policy Association disbanded in 1924 and the *Kyochokai* came under increasing internal stress.

Japan had a growing radical and socialist movement in both the trade unions and universities in this post-war period. By the early 1930s, a sizeable contingent of economists and other scholars in the social sciences were Marxists (but not necessarily communists). Among the governing elite, businessmen and more moderate intellectuals, the rise of social and labour radicalism was deeply alarming. The more centrist and progressive among these groups counselled that the best approach was further accommodation, such as the passage of laws protecting workers' rights to organize and mandating works councils, and strengthening protective labour legislation. The position of the moderates was greatly strengthened by Japan's earlier decision to join the ILO.

As Japan entered the 1930s, however, the position of the social policy moderates began to be undermined by the rightward shift in Japanese politics and public opinion (Garon, 1996). The Great Depression hit Japan hard and created large-scale unemployment and bankruptcies in the industrial sector. Japanese public opinion was also increasingly radicalized by the perceived imperialistic double standard of the Western powers as they sought to hold on to their colonies and spheres of influence but at the same time deny Japan the opportunity to expand in southern and eastern Asia. The rightward drift of Japan was then greatly accelerated by the armed conflict set off by the "Manchurian Incident" in 1931 and, later, the invasion of China in 1934. As the nation headed for war, right-wing Japanese politicians and military officers used the pretext of patriotism and national unity to suppress communists and radicals. A series of purges hit the universities and many professors with centrist or left-wing views were forced to resign (Marshall, 1978). Following the example of Germany and Italy, labour unions were outlawed in the late 1930s and a fascist-style government took over the reins of power. In 1941, Japan attacked Pearl Harbor and the ensuing war with the

United States and allies eventually led to Japan's surrender in 1945 and economic devastation.

The history of modern industrial relations in Japan begins with the post-Second World War reconfiguration of the Japanese government and economy under the direction of the Supreme Commander for the Allied Powers, General Douglas MacArthur (see Koshiro, 2000). Acting under orders from President Truman, MacArthur issued directives to the Japanese government in 1945 to enact legislation recognizing and encouraging trade unions and collective bargaining. Quickly, trade union membership mushroomed – from 420,000 before the war to over 5 million in 1946 (Gordon, 1985). To the consternation of the Americans, however, many of the new unions were radical and militant and espoused a socialist form of economy, while some practised a syndicalist form of direct action in which workers seized factories and ran them without the owners and salaried managers. As a result, new laws were passed restricting union activities and a “red purge” of radical unionists was instituted, while a post-war recession shifted bargaining power back to management, who took the opportunity to break industry-wide bargaining and re-establish the pre-war pattern of bargaining at the enterprise level.

The creation of a national union movement more or less overnight, and the associated problems of recognition, bargaining and strikes, naturally created a need and opportunity for academics to move into this area. Hanami (1971: 5) states of this period:

During the immediate post-war years, labour problems became one of the most popular dissertation subjects among young scholars. In most universities and colleges a chair on labour problems took on great importance. Almost all university departments of economics established lectures on ‘social policy,’ ‘labour problems,’ or ‘labour economics’ and every department of law set up ‘labour law’ courses, lectures on ‘management’ or ‘labour management’ were provided in departments of economics or in sociology courses in departments of literature.

Amidst this ferment, Kazuo Okochi, a professor of social policy at Tokyo University, took the lead. Before the war, Okochi had published *A history of thought on social policy in Germany* (1936) and, a few years later, *Smith and List: Economic ethics and economic theory* (1943). After the war, he re-established the Social Policy Association as the main professional organization for economists. In 1950, he and a research team published the first major research study on post-war unionism in Japan, *The actual conditions of the post-war labour unions*. Following this, Okochi received funding from the Ford Foundation to research and publish historical documents on the

emergence of trade unions in Japan earning him recognition as the “J.R. Commons of Japan” (Koshiro, 2003).

A large component of the professors in the Social Policy Association were Marxists of various kinds, as was Okochi. Many were ideologically committed Marxists (reflecting the “hero’s role” Marxists earned in resisting Japanese militarism, and capitalism’s unsavoury connection with fascism, imperialism and industrial monopoly) while others, such as Okochi, were pragmatic or “theoretical” Marxists, in the sense that they used Marxist concepts and theories as a framework for research without necessarily being committed to Marxism as a political and social cause. This “opportunistic” use of Marxism reflected, in part, the relative paucity of theory in the German historical economics and social policy school, and that neoclassical economics was largely unknown at this time (Koshiro, 1980). With respect to his various early post-war studies of labour unions, Okochi’s use of Marxist economics was minimal and these studies were instead largely “institutional” in the sense of emphasizing history, institutions and empirical facts.

Given the dominance of Marxists in the field of social policy in the 1950s, research in the field of labour – the work of Okochi and colleagues excepted – tended to follow along highly partisan and ideological lines, leading to polemical debates and much abstract argumentation (Hanami, 1971). Into this situation entered an American, Solomon Levine, who came to Japan in 1953 on a Fulbright grant. Levine, a professor at the University of Illinois’ Institute of Labor and Industrial Relations, had learned Japanese in the military and came to Japan to write on post-war trade unionism and labour relations. He formed a close association with a small group of “moderates” in the economics and social policy field, including Okochi, Ichiro Nakayama and Keizo Fujibayashi. It was through Levine that the American concept and field of industrial relations sunk its first roots in Japanese universities.

A particularly important role in establishing industrial relations in Japan was played by Nakayama (see the translator’s note in Nakayama, 1975), who was a well-respected economist, president of Hitotsubashi University, and public interest representative on Japan’s Central Labour Relations Commission (Japan’s federal-level tripartite agency responsible for labour-management matters). Nakayama’s book *Industrialization of Japan and industrial relations* (1960) was influential in introducing and spreading the term industrial relations in Japan (Hanami, 2002). He also helped the industrial relations field to become known in Japan by helping to arrange travel to Japan by a variety of the American and British industrial relations scholars, including Kerr and colleagues. Nakayama then wrote the “Foreword” to the Japanese edition of *Industrialism and industrial man*.

Further, Nakayama became president of the Japan Institute of Labor (JIL) in the early 1960s and made it a centre for industrial relations research in Japan. The reader will recall from Chapter 6 that when Roberts and Cox formed the IIRA they invited the JIL to be one of the four founding associations and asked Nakayama to be the IIRA's first president (a request declined for reasons of health). The next year Nakayama, in cooperation with economists such as Okochi and Mikio Sumiya and a number of prominent legal scholars from the Japan Labour Law Association, founded the Japan Industrial Relations Association (JIRA).

The establishment and early development of the industrial relations field in Japan, as in continental European countries, stirred controversy. Although industrial relations has close kinship ties to German social policy, in Japan the two fields had important elements of rivalry. As already noted, the field of social policy in Japan had a large contingent of Marxists – as did the field of labour law at this time and its major academic association, the Association of Labour Law Studies. As in Europe, many Marxist scholars in Japan were hostile to industrial relations from both a theoretical and policy perspective. On the level of theory, Marxism uses class as a core concept and posits a deterministic evolutionary process in which capitalism eventually self-destructs. Industrial relations, on the other hand, eschews class and class struggle as organizing concepts in favour of a functional perspective of institutions (unions, employer associations, etc.) and the process of management, bargaining and negotiation. It was in order to encourage this more harmonious, cooperative approach to labour relations that the ruling Liberal-Democratic government endeavoured to encourage the spread of industrial relations in Japan by creating the JIL in 1958.

On the level of policy, Marxists are also typically committed to deep socialist transformation of the economy, while industrial relations academics desire to keep a pluralistic, mixed capitalist economy, but use selective reforms to increase its efficiency and equity. Illustrative of these different points of view, the term in Japanese for industrial relations is *roshi kankei*, which can be written in two different ways with two subtle differences in meaning. One way, giving it a Marxist emphasis, is to use characters that mean *labour-capital* relations, while a second is to use different characters that mean *labour-management* relations – the form favoured by pluralist industrial relations scholars. When Marxists such as Okochi, Nakayama and others “defected” from social policy to industrial relations (or, later, labour economics), this inevitably led to hostility and recriminations. The split should not be over-dramatized, however, since many industrial relations academics remained members of the Social Policy Association

(and Association of Labour Law Studies) and, today, dual membership is common.

Marxists, it turns out, were not the only ones to find intellectual and ideological problems with industrial relations. Some economists also started to express reservations. Hanami (1971) notes that after the Second World War criticism began to be aimed at the field of social policy because its theories were perceived to be (p. 13) “superficial mixtures of theories of economics, jurisprudence, political science, etc. and ideology”, causing scholars to ask “is social policy a science?” He goes on to say:

In particular, economists who had been engaging in research on labour problems attempted to establish the study of labour problems on a more scientific basis by applying economic theory. This effort shows that they regarded the theory of ‘social policy’ as a hodgepodge of various social sciences and ideology combined in an unsystematic form and hence they tried to establish a more sophisticated theory of labour economics.

Although this quotation is about social policy, industrial relations and social policy were quite close in their conception and practice and thus the criticisms and doubts raised by the economists against the latter carried over in almost all respects to the former. Only later, when neoclassical economics came to Japan in the 1970s and 1980s, did these alleged intellectual shortcomings really start to have serious effects.

The JIL and the JIRA did much to promote the industrial relations field in Japan and move it forward. The JIL published numerous books and research monographs on industrial relations. Its monthly publication, *The Japanese Journal of Labour Studies*, was for many years the major academic research outlet for article-length studies on industrial relations in Japan. The JIL was also a substantial source of funding and data for industrial relations research. The JIL and JIRA also sponsored numerous conferences, such as the first Regional Asian Conference on Industrial Relations in 1969 and two world congresses of the IIRA, the Sixth World Congress in Kyoto in 1983 and the Twelfth World Congress in Tokyo in 2000. Two presidents of the JIL and JIRA have also served as presidents of the IIRA: economist Mikio Sumiya and labour law scholar Tadashi Hanami.

Although the industrial relations field grew and prospered in Japan in the 1960s and 1970s, Japanese universities did not, in general, follow the American model and establish independent industrial relations institutes, centres or academic degree programmes. Several multidisciplinary research centres were established, however, but in some cases they covered more than just industrial relations (Hanami, 1971). Examples of important institutes include the Institute of Social

Science at Tokyo University, Institute of Management and Labour Studies at Keio University, Socio-Economic Institute at Sophia University, the Ohara Institute for Social Research at Hosei University, and the International Institute of Industrial Relations at Kansei University. The Sophia University institute, for example, published numerous industrial relations studies under the editorship of Robert Ballon, a Catholic priest and scholar. Some of these institutes and centres were established with financial support from American foundations (*ibid.*).

Hanami offers an interesting explanation for why multidisciplinary institutes and industrial relations research programmes had a difficult time getting started in Japan. One factor, he states, is a strong element of "disciplinary sectionalism" among faculty members, making them uninterested in collaborating with colleagues across disciplinary boundaries. A second factor is the divisive effect of ideology and political partisanship, for he notes that (p. 6) "each scholar and his group were regarded as belonging to, or at least committing themselves to, a certain cause". A third factor he cites is that scholars tended to get pulled either into the camp of labour or management because research funding and access would only be provided on condition that the results would promote the donor's interests.

In hindsight, the "golden age" of the industrial relations field in Japan extended from roughly 1965 to 1980. Exemplifying the golden age was the publication of *Workers and employers in Japan* by Okochi, Karsh and Levine (1973) – a product of a research team of nearly a dozen of the "who's who" in Japan's industrial relations community. Also noteworthy and insightful was Dore's (1973) comparative case study of industrial relations practices and competitive performance in British and Japanese factories.

A number of factors account for the golden age: union density was relatively high and organized labour played a major role in the economy; the post-war industrial relations system was a new phenomenon in Japan and many exciting and important research topics awaited investigation; Japanese and foreign scholars also created an expansion in comparative industrial relations research contrasting Japanese and Western industrial relations systems and highlighting the unique aspects of the former (e.g., enterprise unions, the dual system of employment, lifetime employment); unions and collective bargaining enjoyed considerable public and government support; and the weaknesses of the social policy and Marxist schools in the areas of theoretical and empirical labour research provided a major window of opportunity for industrial relations.

After 1980, conditions changed and the industrial relations field entered a period of slow but significant decline (Kume, 1998; Hanami, 2002b). By the end of the century, the industrial relations field in Japan was still active but at a noticeably reduced scale in terms of faculty participation, student enrolment

and government funding. Perhaps most illustrative of industrial relations' fallen status is the decision of the Japanese government to merge the Ministry of Labour with the Ministry of Health and Welfare and, in 2002, to end the 45-year life of the JIL by merging it into another agency.

Many of the reasons for industrial relations' decline are mirror images of those that made the 1965–80 period a golden age: a substantial drop in the proportion of the workforce covered by collective bargaining; a sense that industrial relations practices and problems are no longer exciting or leading edge in the worlds of business and government; a waning of government and public support for unions and collective bargaining, with the rise of concerns over inflation, employment growth and international competitiveness; and the sharp fall-off in student demand for industrial relations courses. As in other countries, part of industrial relations' decline in Japan is also directly related to the growing popularity of business schools, the study of HRM and the rise of neoclassical economics. Also contributing is the decreasing attractiveness of interdisciplinary research and a retreat of academics to their home disciplines of economics, law, sociology and business administration.

Although all of these factors are important, Kuwahara (1989) in a study for the JIL points to a deeper and more fundamental reason. Just as the Depression and New Deal displaced the 1920s industrial relations model in the United States, the Second World War and the Allied Occupation Authorities displaced the similar industrial relations model that had arisen in Japan after 1920. The Americans in the 1930s and 1940s switched from a largely non-union welfare capitalism model to an industry-wide adversarial collective bargaining model. When the United States defeated Japan in the war, it sought to install the same model in Japan. Kuwahara suggests, however, that this model ultimately failed because it was contradictory to the key ingredient needed for growth and industrial competitive advantage – flexibility and cooperation. Between the mid-1950s and mid-1970s, Japan quietly introduced a "new" industrial relations model, though many of the basic ideas and practices were from the cooperative/family enterprise model widely used before the Second World War. Thus Kuwahara states (p. 7):

Those seeking novel features [for Japan's economic success] eventually come to lifetime employment, seniority-based wages, enterprise unions, and the philosophy of cooperative management, all of which have been long regarded as characteristic of labor practices and industrial relations in Japan. Ironically, however, these are the features that were previously [in the immediate post-1945 period] regarded as anachronistic, and though the opinions of labor and management differed, attempts were made up until the beginning of the 1970s to abolish these "anachronisms".

In the 1940s–1950s, Japan, like the United States, adopted the collective bargaining model as the preferred employment relations system and sought to purge “anachronistic” elements. These elements were various features that underlay the cooperative unitarist/paternalist industrial relations model of the 1920s – such as employee representation plans in the United States and the enterprise-based lifetime employment model in Japan – and that were now viewed as backward or retrograde. More quickly than the United States, however, Japan moved away from the pluralist collective bargaining model and went back to an updated version of the cooperative PM model in the industrial sector of the Japanese dual employment relations system. This model proved highly successful, Japan enjoyed an economic miracle, and thousands of Americans travelled to Japan to discover the secrets of Japanese management. The Japanese had indeed developed a unique and high-performing industrial relations model, but if the Americans had looked below the surface they would have seen “Made in the USA” stamped on major components (Jacoby, 1991; Tsutsui, 1998).

Commenting on this matter, the leading historian of management thought in the United States, Daniel Wren (1994: 361), states, “the managerial revolution that occurred in Japan after the Second World War was made in the United States”. Wren is referring to the ideas of Taylor (scientific management) and the writings of later management theorists, such as Deming (total quality management). The problem with this view is not that it is incorrect but that it is incomplete, for neither Taylor nor Deming either theorized or operationalized the employment part of what became the modern Japanese employment relations system. Rather, as pointed out in Chapter 2, the employment part of the mutual gains employment model was first articulated by the American founders of industrial relations, such as Commons, and first put into practice in a strategic way by industrial relations executives, such as Hicks. Visiting Japanese scholars and businessmen took this model back to Japan in the 1920s and developed and adapted it. After lying dormant for two decades after the Second World War, the Japanese resurrected and fine-tuned the cooperative/mutual gains model (including derivatives, such as the lean production model) and then turned it on the Americans to rout them from one market after another in the 1970s and 1980s. One may say, therefore, that the Japanese beat the Americans at their own game and that one of the tools they used was, paradoxically, first theorized and operationalized by people in industrial relations.

Unfortunately for modern American industrial relations, it has small opportunity to capitalize on its historical contribution because after the Second World War the field largely disowned the unitarist PM model in favour of pluralistic collective bargaining. The recent outpouring of research by American industrial relations scholars on the high-performance workplace can

be seen as a belated effort to recapture this (largely unrecognized) legacy and school of thought, albeit constrained by certain ILE ideological commitments. Ironically, as the United States and other nations raced in the late 1980s and early 1990s to learn from and imitate the Japanese employment system, the economic pillars of this system were already starting to erode. Part of the explanation is unique to Japan, such as a stock market bubble and over-regulated financial sector, but another part stems from worldwide trends, such as globalization, market deregulation and excess industrial capacity. The result of these forces is that the Japanese lifetime employment system has gradually weakened and shrunk, accompanied by a shift to more open labour markets and market-driven HRM practices as found in the United States (Jacoby, Nason and Saguchi, 2004). These same trends are evident across nearly all industrial economies, suggesting that some convergence in employment systems is taking place. The employment model being converged on, however, may be neither the unitarist PM system nor pluralist ILE system of industrial relations but a variant of the neoclassical market model.

Republic of Korea

Similar to Japan, the origin of industrial relations in the Republic of Korea (henceforth Korea) is in the 1880s, with the opening up of the economy to foreign trade, the establishment of the first factories and the emergence of the modern employment relationship. The first strikes took place in the late 1880s and the first union was formed among longshoremen in 1898 (Lee, 1993).

The history of industrial relations in Korea in the twentieth century was heavily shaped by long periods of government repression of labour, particularly of leftist trade unions. The era of repression began in 1910 with Japan’s military occupation of Korea and subsequent 35-year period of colonial rule. One part of the labour movement became a centre for nationalist and communist agitation against Japanese rule and was heavily suppressed, while other compliant unions were allowed to function but under tight control.

Korea was liberated from Japanese control in 1945 and soon divided into the Republic of Korea in the south and the communist-controlled Democratic People’s Republic of Korea in the north. In the former, the American Military Government, with trusteeship of the country, sought to introduce democratic reforms, including independent unions. However, the military authorities quickly switched course and banned the leftist/communist-dominated General Council of Korean Trade Unions and replaced it with a more moderate rival, the General Federation of Korean Trade Unions (Park and Leggett, 1998). Protective labour laws were also passed but not effectively enforced. Over the