

WORKPLACE DEMOCRACY AND THE GLOBAL FINANCIAL CRISIS

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ABSTRACT

The global financial crisis provides an opportunity for Australia to undertake reforms which will create a more democratic workplace. This will require a new social settlement between government, employers and unions which not only restores and extends collective bargaining rights but also strengthens workers' legal rights to participate in decision making at the enterprise level. In the global era, Australia should also play a more active role in supporting efforts by international bodies, such as the ILO, to promote decent jobs which embody core labour standards. This paper examines recent Australian and international experience as well as outlining future challenges for workplace democracy.

1. INTRODUCTION

I am honoured to be invited to give this year's Kingsley Laffer lecture, particularly when industrial relations reform is once again high on the political and economic agenda. It is also a time of crisis in the global financial markets which is having devastating effects on work and employment relations around the world.

I wish to discuss the concept of democracy in the workplace. Although it has faded from the agenda of industrial relations reform, I believe that we should reconsider its importance in the light of recent failures of corporate governance and the regulation of financial markets. My concept of a democratic workplace is one in which workers have the opportunity to genuinely participate in and influence the decisions which affect their lives at work. As expressed by Guy Standing: 'workplace democracy is surely about the distribution of power, income and assets, and such matters as technological change and job design. While workers need information, democracy is having the capacity to do something with it' (Standing, 2008: 363).

In my lecture I will address three questions:

- First, is workplace democracy relevant to the economic crisis which we now face?
- Second, what can be learned from previous experience of attempts to foster greater democracy in the workplace?
- Third, how does globalization influence the prospects for workplace democracy in Australia and elsewhere?

2. THE CASE FOR WORKPLACE DEMOCRACY

There are numerous arguments which have been made for workplace democracy but they can be summarized under three headings: efficiency, equity and humanistic reasons why it is worth pursuing.

The case for workplace democracy contributing to **organizational efficiency** has been made by a variety of social scientists who claim that participation results in better decisions (see Aoki, 1990; Miller and Monge, 1986). The basis of the efficiency argument is that involving a wider range of workers in decision-making provides for more information and different views to be taken into consideration. Furthermore, people are more likely to implement decisions willingly if they have been involved in them. Joint decision-making may also improve relations between management and the workforce in general. Research on 'high performance work systems' have argued that increased participation by workers can achieve higher levels of performance (Pil and MacDuffie, 1996; Guest and Peccei, 1998).

The **equity** argument for workplace democracy emphasizes the need to involve a wider range of stakeholders in decision-making in order to provide for greater power-sharing at the enterprise level. This reduces the unilateral power of management and gives workers greater control over decisions which affect them. Research by Baird, Cooper and Ellem (2009) has shown that women in the most vulnerable and low skilled jobs want to have a greater say in how to improve work practices in order to contribute to organizational performance but feel that they are denied the opportunity to do this. Women in this study were proud of working but desired greater decency and democracy in the workplace. Other writers argue that the values of a democratic society should be reflected in the workplace and that participation at work will lead to greater participation in the community in general and thereby strengthen democracy as a whole (Pateman, 1970).

The **humanistic** case for workplace democracy may be seen as idealistic but is regarded by some commentators as the most compelling argument (Wilpert, 1998). The fundamental tenet is that 'having a voice in how they do their work is often as important to people as how much they are paid to do it' (Strauss, 1998). Psychological theories support the view that participation in decisions at work contribute to the individual's sense of competence, self worth and self actualization as it makes use of the whole person. This philosophy underpinned much of the work of Fred Emery and others at the Tavistock Institute in the UK and Scandinavia which argued for greater self management in the workplace (Emery and Thorsrud, 1993).

Many of these arguments overlap and essentially contribute to a shared view that a more democratic workplace will be one in which workers have a greater voice in decisions. This will contribute to greater sharing of influence and power in the workplace, greater motivation and enhance productivity. However, it should also be acknowledged that there are critics who argue that the practice of workplace democracy has lagged well behind the theory. Edward Vaughan, for example, has argued that 'the persistent emphasis on the effects of participation on individual and organizational performance has prevented the

full development of a persuasive case for industrial democracy' (Vaughan, 1986: 46). Vaughan argues that the most compelling argument for workplace democracy is the utilitarian concept of the 'common good' and that democracy is the best means to achieving this end.

3. THE MEANS OF ACHIEVING WORKPLACE DEMOCRACY

There are three broad means by which a democratic workplace can be achieved.

First, workplace democracy can occur through individual membership of trade unions which can bargain collectively with management and represent their members' interests in a variety of ways. Usually the focus of attention on unions is during disputes at the workplace but very often unions are engaged in day-to-day consultation with management to resolve problems before they become disputes. However, collective bargaining is usually limited to issues which do not intrude on managerial prerogatives to organize work and manage the workforce as they see fit. Furthermore, the decline of union coverage means that the vast majority of workers are neither members of unions nor have the opportunity to bargain collectively with management.

Second, workplace democracy can be implemented through membership of other representative bodies such as works councils or joint consultative committees that can provide a voice in issues which are specific to the workplace or enterprise. This is generally referred to as representative or indirect participation. In Australia, a recent estimate is that 50 per cent of workplaces had some form of joint consultation but the issues over which workers were consulted varied considerably and generally did not intrude on managerial prerogatives. However, some forms of participation are underpinned by legal rights for workers such as occupational health and safety committees, on which workers are represented. In the Europe, works councils have become more prevalent with the strongest role for workers being in the German system and an increasing number of European Works Councils have operated in multinational corporations since 1994. There has been slow but growing support for legislation which would establish works councils in Australia (Gollan et al., 2002; Forsyth, 2003 and 2007).

Third, workplace democracy can take the form of direct participation in the organization of work such as through self managing workgroups, the redesign of jobs and other work-related matters. This has become an increasingly important means by which a more democratic workplace can be achieved. The more radical view of direct participation was pioneered by Fred Emery and Einar Thorsrud (1976) in their action research which was conducted initially in Norway and spread to other countries in the Nordic region. Their emphasis was on developing alternative organizational forms stressing 'the concrete conditions for personal participation, including technological factors structuring the tasks, the work roles and the wider organizational environment of workers' (Emery and Thorsrud, 1976: 2). They favoured 'semi-autonomous workgroups' which gave workers greater control over the way in which their work was designed and executed. A more qualified form of direct participation can be found in Quality of Worklife programs, TQM groups and QC circles which were popularized by Japanese firms. Critics have argued,

however, that these approaches often fail to live up to their promise because management allow too little discretion to workers and may even weaken protections for workers (Strauss, 1998: 26).

My view is that different combinations of these forms of involvement by workers will be appropriate in particular circumstances, but that all three avenues are relevant to building a democratic workplace. To be effective, however, approaches to workplace democracy must involve a genuine sharing of power between workers and management. This requires not only stronger legal rights for workers to participate in decision making bodies, such as works councils, but also a cultural change in management which involves a greater willingness to involve workers in the governance of the enterprise.

4. WORKPLACE DEMOCRACY IN THE CONTEXT OF THE GLOBAL ECONOMIC CRISIS

Recently our Prime Minister, Kevin Rudd, has sought to persuade workers, their unions and employers to cooperate at the workplace and community levels to help Australia overcome the current economic crisis. The proposed reforms to industrial relations are designed, in part, to create a 'fairer workplace' in which workers and managers will more likely to work together to achieve greater prosperity as well as equity or fairness . Yet little attention has been devoted to the means by which a more democratic workplace might be achieved. The main focus of the industrial relations reforms introduced by the Rudd government has been on strengthening collective bargaining which is a necessary but not sufficient condition to achieve genuine workplace democracy. It is necessary for more far reaching reforms to facilitate and guarantee greater participation by employees in workplace decisions and enterprise governance.

In an essay on 'The Global Financial Crisis', Kevin Rudd argued that 'social democratic government across the world must ... (rebuild) shattered economic growth, while also devising a new regulatory regime for the financial markets of the future' (Rudd, 2009: 21). However, while Rudd urged that the new regulatory framework should combine investment and productivity growth with social equity, he failed to address the question of how new forms of corporate governance could incorporate a greater role for employees in decisions which affect them at the enterprise level.

The key challenge for those who advocate a more democratic workplace is why support for the concept waxes and wanes over time and why various forms of worker participation have survived over time while others have declined. In my view there needs to be a set of 'favourable conjunctures' in which a combination of political and economic variables, external the enterprise, are congruent with the interests of management and employees within the workplace and are thereby able to create the conditions in which democracy in the workplace will flourish.

I believe that the current global financial crisis and the growing number of corporate governance failures make the issue of workplace democracy relevant to our times.

5. THE LAFFER LEGACY

I have the privilege of being able to draw upon the wisdom of previous Laffer lecturers since the series began 16 years ago. While not directly addressing the issue of workplace democracy, several of our lecturers make pertinent comments on related matters.

In the inaugural Laffer lecture in 1993, former Prime Minister Bob Hawke stated that:

'We are now witnessing one of the most dramatic periods of change in industrial relations ... and many people are bewildered by this...but further change is both necessary and possible. To achieve this it is necessary to change the relationship between management and workers.'

In 1999, the current Governor General (then Principal of Women's' College) Quentin Bryce, in 1999, argued that fairness needed to be restored to the heart of the industrial relations system and expressed concern about continued inequality in pay between men and women. In her words: 'I want equity back on the agenda of labour market and industrial relations'. It is important to note that much of the debate about industrial relations reform as well as workplace democracy has paid little attention to continuing gender inequity. Although there are positive elements in the Fair Work Bill, such as the low pay bargaining stream and equal remuneration principles, there is concern that paid maternity leave may be delayed due to the global financial crisis and consequent budget implications (Baird & Williamson, 2009).

In 2002, Michael Kirby, then a High Court judge, drew attention to Australia's obligations as a signatory to conventions of the International Labour Organisation (ILO) to protect human rights at work. Kirby (2002) was optimistic about the future arguing that:

the quest for justice and human dignity at work – is even more powerful today ... and some of that power comes from the global dynamic of universal human rights. For industrial relations today, the venues of Australia are no longer big enough!

The importance of industrial justice was the theme of the lecture in 2005 by the then Dean of Law at the University of Sydney, Professor Ron McCallum when he argued that in order to achieve 'justice at work', it is necessary that labour laws protect both employees and employers from 'arbitrary, capricious and discriminatory conduct' (McCallum, 2005). McCallum has also noted that:

It has always seemed incongruous to me that while Australian citizens are able to elect their governments, when they enter their work and become industrial citizens, they have no legal right to elect a consultative body to participate in workplace governance.

In a previous Laffer lecture, I argued that we needed a new social contract or partnership between government, employers, the workforce and unions to ensure that Australia remained not only a prosperous society but also an equitable one. This new social contract would rest on three pillars: access to employment for those willing and able to work, accompanied by an adequate social security net, entitlement of all citizens to education

and training and a strong superannuation system to provide for the increasing number of retirees (Lansbury, 2002). I believe that there has been substantial progress on some of these issues but the current international economic problems make the challenges greater and the task more urgent.

Kingsley Laffer, in whose honour these lectures are given, cared deeply about the issue of reducing inequality in the workplace and improving relationships between workers and employers. In his words: 'accommodation in industrial relations has to be built on mutual trust' (Laffer, 1979). Kingsley taught at the University of Sydney from 1944 to 1976. During this period he established industrial relations as a field of study at this University and fostered its development around this country and other parts of the world. He was the founding editor of the *Journal of Industrial Relations* and helped create the Industrial Relations Society of Australia which continues to bring people together from business, government, trade unions and universities to advance knowledge and its application in this field.

Kingsley championed the concept of industrial relations as an interdisciplinary field of knowledge that draws on all the social sciences and takes an applied approach. Not surprisingly, many of Kingsley's students became leaders in the practice of industrial relations as well as in research and teaching. During his final years, Kingsley Laffer was particularly interested in global dimensions of industrial relations and undertook research into the growing importance of multinational employers and the formation of global unions.

6. CONCEPTS OF WORKPLACE DEMOCRACY

Interest in workplace or industrial democracy has spanned several generations. The first major publication on the subject was by Sidney and Beatrice Webb who published their monumental treatise on this subject in the late 1800s (Webbs, 1898). The Webbs anchored the institutional foundations of industrial democracy in strong trade unions and effective collective bargaining machinery. While various terms have been used to describe workplace democracy in contemporary organisations, it may be broadly defined as the 'exercise of power by workers or their representatives over decisions within their places of employment' (Poole, 1986). An alternative definition by Hammer (1998) refers to 'the structures and institutional mechanisms that give workers or their representatives the opportunity to influence organizational decision making in their places of employment' It is clear from the research on this subject that although a number of common forces (including globalization) have influenced developments in various countries, the precise forms that workplace democracy has taken has varied around the world and has been strongly influenced by local practices and institutions (Poole et al., 2001).

My own interest in the issue of workplace democracy was aroused when I went to Sweden as a graduate student in 1967-68 and spent a year studying Sociology at the University of Lund. This was a period of considerable ferment in Europe which culminated in the student unrest and led to major reforms designed to modernize and democratize higher education. It was also a period when the issue of democracy in the workplace was hotly

debated in a number of European countries and led to major reforms in Swedish labour law. Within Swedish and other Scandinavian workplaces there began a period of experimentation with job redesign and self managing workgroups in a variety of workplaces. Some of these examples, such as Volvo, were initiatives by management whereas others were the result of cooperation between employers and unions (Berggren, 1996).

When I went on to undertake doctoral studies at the London School of Economics, I discovered that many of the ideas which underpinned the Scandinavian experiments in workplace democracy had arisen from action research undertaken by an Australian social scientist, Fred Emery, who had worked at the Tavistock Institute in London and collaborated with Einar Thorsrud in Norway (Emery and Thorsrud, 1976). As noted previously, Emery argued that a democratic workplace required workers to be directly involved in managing their own work through self managing groups and that enterprises were 'over-managed', particularly by first line and middle managers. I became convinced that workplace democracy should be a major priority for industrial relations reform and published a number of books with other colleagues in Australia and elsewhere to provide examples of successful cases and attempt to promote the cause (see Davis & Lansbury, 1986 and 1996; Lansbury, 2004).

Another Australian who was very influential in putting workplace democracy on the international agenda was Kenneth Walker. As Director of the International Institute of Labour Studies in Geneva, Walker persuaded the International Labour Organisation to pursue industrial democracy as a key objective during the 1970s and 1980s. An extensive applied research program was headed by Walker, the influence of which can be seen in the ILO's adoption of the 'decent work agenda' which has been pursued in recent years. Walker was convinced that during the last quarter of the twentieth century, 'the business enterprise in Europe (would) evolve into a pattern of organization that may best be designated the participatory enterprise' (Walker, 1977: 1). While Walker's vision is yet to be fully realized, his concepts remain a valid guide to future thinking.

7. PREVIOUS EXPERIENCE OF WORKPLACE DEMOCRACY IN AUSTRALIA

It should be acknowledged that there have been earlier periods of interest in employee participation in Australia. In his study of the history of management in Australia, Wright (1995) noted that joint consultation was applied on a broad scale during the Second World War to improve efficiency and reduce absenteeism. A number of large companies continued some of these practices in the 1950s but limited the activities of the committees to advisory roles. Some unions opposed the introduction of joint consultation committees while others attempted to use them as avenues for more general workplace bargaining. Not surprisingly management became less enthusiastic about these activities.

A resurgence of interest in workplace democracy occurred in Australia in the 1970s, following the election of the Whitlam Labor government and activities in Europe, where workers and their unions were demanding greater worker participation in management. While the Whitlam government was short-lived, the issue was taken up by the Labor

government in South Australia, led by Don Dunstan. Although the Dunstan government established an Industrial Democracy Unit and fostered activities in the public sector, it encountered employer hostility in the private sector to any legislation which would require companies to implement greater employee involvement in decision-making. According to Markey and Patmore (2009), 'the South Australian experiment indicated that government could not overcome lack of consensus and support among the employers and the unions' Although some employers continued with employee involvement activities, 'the main objective of participation moved decisively towards organizational efficiency and away from power sharing, under new economic circumstances of recession and globalisation'. The South Australian experience showed how strongly employers defended managerial prerogatives and how a number of unions also resisted any attempts to open up other channels of worker representation that might compete with their role in the workplace.

Nevertheless, the election of the Hawke Labor government at the national level in 1983, did revive interest in employee participation in management. The Accord between the Hawke Labor government and the Australian Council of Trade Unions (ACTU) provided the basis for strong bipartite support for new initiatives to promote greater industrial democracy and a Green Paper was issued on the subject. In 1988, the ACTU and the Confederation of Australian Industry (CAI) issued a joint statement on employee participation which argued that such schemes provided not only a means of improving industry efficiency and competitiveness but also the quality of working life (ACTU/CAI, 1988). In the automotive industry, a number of the auto companies introduced employee participation schemes, partly inspired by Japanese practices which engaged workers more directly in production activities to improve quality and productivity. However, neither the unions nor employer associations were strongly in favour of institutional reforms to promote new forms of workplace democracy.

During the 1980s, number of academics and consultants advocated new forms of employee participation and organizational change, some of whose work has had a lasting impact. Bill Ford was a key influence on governments, employers and unions and he pioneered Workplace Development Agreements during the Accord era which enshrined concepts of participation (Ford and Tilley, 1986; 1987). Dexter Dunphy linked employee involvement to the creation of sustainable organizations and demonstrated the importance of ecological issues in the workplace. Dunphy's work continues to be highly relevant to global concerns about environmental issues, workers' rights and organizational change (Dunphy, 2008).

The Australian Workplace and Industrial Relations Survey in 1995 revealed widespread examples of direct employee involvement in activities such as autonomous workgroups and quality circles, in up to 40 per cent of workplaces (Morehead et al., 1995). However, further analysis by Harley (1999) revealed there was little to suggest that these practices increased employee autonomy or reduced the significance of the organizational hierarchy in Australian workplaces. According to Wright (1995), 'employee participation initiatives (in the Hawke Labor era) had little impact of existing power relations. In many cases, such systems were aimed at changing employee behaviour to fit more comfortably with corporate business goals, particularly improved productivity and quality'. While

Wright's concerns are valid, it undervalues the capacity for business to change, particularly in periods of crisis when former corporate governance regimes have been shown to fail and new approaches are required which offers a new opportunity for principles of workplace democracy to be reasserted.

8. WORKPLACE DEMOCRACY AND GLOBALISATION

While many of the hopes that were held about advances of democracy in the workplace in earlier decades have not been fully realized, there is evidence of renewed interest in employee involvement and organisational participation in a number of countries (Gollan et al., 2006). The failure of Australian organizations to keep pace with workplace change in other countries in the European Union and elsewhere may be partly explained by the dominance of conservative political philosophy during the Howard coalition government from 1996 to 2008. During this period, and particularly in the last three years, the labour movement was focused on threats to its survival and neo-liberal views were dominant within the business community. Yet the failure of corporate strategies during the current decade, leading up to the financial crisis, has undermined the dominant neo-liberal thinking of this period. Research has demonstrated that strategies implemented through consultation are more effective than those through edict across a range of dimensions (Nutt, 1989). Thus, mandated forms of consultation or a strong independent trade union presence at the workplace may not only meet the demands of workers but also improve firm performance by improving implementation of strategy (Lansbury and Wailes, 2003).

The emergence of globalization as a major economic force has multiple implications for workplace democracy. Some analysts observe that globalization has produced significant increases in competitive pressures across national borders in virtually all markets and increased the mobility of both capital and labour (Dicken, 2007). In some countries this has resulted in reductions in labour standards as governments attempt to prevent loss of foreign investment. This, in turn, has contributed to a 'race to the bottom' which has placed national labour market institutions under considerable pressure because they are regarded as an impediment to the free flow of capital (Tilly, 1995).

However, the impact of globalization has not been identical in all parts of the world. Empirical studies show evidence of continued cross-national diversity in national patterns of working life in the face of globalization. These studies emphasize the importance of national institutional arrangements in moderating the pressures associated with globalization on the workforce at the local level. Globalisation 'sceptics' like Hirst and Thompson (1996) and Wade (1996) dispute the notion of a fully integrated international market and argue that there remains a high degree of differentiation at the national level. Hence, globalization does not mean that countries are powerless to implement forms of workplace democracy but, conversely, it may make it more urgent than previously to implement broad institutional reforms to preserve local arrangements.

Recent research which identifies different types of market economies, based on their institutional arrangements, suggests that globalization may reinforce or even increase differences in industrial relations systems based on different 'varieties of capitalism'. Hall

and Soskice (2001) distinguish between liberal market economies, such as the United States and the United Kingdom, and coordinated market economies, such as Germany, which have stronger forms of corporate governance and labour market institutions. These institutional differences influence the way that globalization impacts on work and employment relations. Coordinated market economies appear to have been able to moderate the impact of global pressures on their workforce more than liberal market economies and have sustained a higher level of employee participation in decisions at the workplace.

Recent survey research in the European Union has revealed increased interest in various forms of employee involvement (Gill and Krieger, 1999). Partly a response to greater competitive pressures in international markets, many employers have recognized the need to involve employees, to grant them greater discretion at work and obtain greater employee commitment as a means of ensuring that organizations become more flexible and productive (see also Huselid, 1995; Becker and Gerhart, 1996). Institutions established in Germany to support codetermination remain strong even though levels of unionization have declined (Thelen, 2000; Thelen and Kume, 2002). The German experience is cited as evidence that institutional support for involvement of workers in decision-making at the level of the firm is crucial to long term workplace reform and economic prosperity (Poole et al., 2001). Globalisation provides both a threat and an opportunity to advance a more democratic system of work. A positive outcome to the current economic crisis will depend on a global approach not only to financial reforms but also to the rights of people at work.

9. INTERNATIONAL DIMENSIONS OF WORKPLACE DEMOCRACY

Workplace democracy also needs to be viewed in the context of changes in the role of global corporations and international institutions which seek to promote global labour standards and better corporate governance. Although multinational corporations (MNCs) have been in existence for many years, and were the subject of extensive research during the 1960s and 70s, interest in their activities has returned as globalization has attracted increasing attention. The number of MNCs has also grown significantly over the past three decades with the increase in foreign direct investment (FDI) and the 'interconnectedness' of the global economy (UNCTAD, 2005). MNCs currently account for about two-thirds of the world's exports of goods and services, of which a significant share is inter-firm trade. This form of trade is less subject to external market prices and is determined by internal decisions of MNCs.

MNCs have also become more complex organizations with the liberalization of cross-national capital flows and internationalization of supply chains. This is particularly the case in the automotive industry in which multiple layers of component suppliers and modularization has meant that the manufacturer obtains many of the parts from different regions of the world and is only involved in the final assembly stage of production on its own premises. In this situation, it has become increasingly difficult to determine where decisions on work and employment relations are made within the automobile manufacturing company. As many auto companies are increasingly owned by a wide range of financial institutions spread over the world, it is difficult to know where the locus

of power lies. Chrysler is currently owned by a large private equity fund rather than a traditional joint stock company. As one commentator has noted: 'shareholding, as the dominant form of ownership has turned into a jungle of equity owner relations in funds and funds of funds, making it virtually impossible to know what is owned by whom' (White, 2004).

Not surprisingly, there are concerns that globalization has resulted in the transfer of power from the nation state to the MNC. The countervailing power at the international level is provided by organizations such as the International Labour Organisation (ILO), international trade union federations and non government organizations (NGOs). The ILO, which was established in 1919, is the oldest and most authoritative international organization in this field and has a mandate from its members worldwide to establish a set of core principles in relations to people at work. The ILO's 'core labour standards' include 'the four freedoms of labour': the elimination of child labour, the abolition of forced labour, encouragement of non-discrimination in employment, freedom of association and the right to collective bargaining. An ILO 'Declaration on Social Justice for a Fair Globalisation' was endorsed by 182 member states in 2008.

The ILO has also focused its attention on the impact of globalization on employment and social issues (Torres, 2001). Many of the countries which have been the focus of concern in terms of the lack of fundamental labour rights are in the Asia-Pacific region (ILO, 2008). However, the ILO lacks any powers of enforcement and has to rely on persuasion to gain compliance of its member states to adhere to core labour standards. According to some informed observers, the international legal framework is 'outdated and ill-suited to the challenges of globalisation' and the prospect of 'regulating for globalization seems implausible' (Ewing, 2008).

The ability of trade unions to organize at the international level in order to negotiate with MNCs has been limited. However, in recent years there have been a number of cases where Global Union Federations have concluded international framework agreements (IFAs) with MNCs. Although this is only one of a number of trade union initiatives, there has been a gradual increase in IFAs. Five GUFs have adopted the negotiation of these agreements as a central strategy and have achieved a degree of success (Ewing, 2008).

IFAs are voluntary agreements negotiated between trade unions and MNCs and usually include a commitment to ILO core standards, including freedom of association and trade union rights. Although they are not legally binding, in some cases European Works Councils have been the forum for negotiating and supervising many of these agreements (Holdcroft, 2006). However, IFAs are still few in number and are at an early stage of development (Papadakis, 2008).

Non government organisations (NGOs) have also played an increasingly important role in putting pressure on MNCs to abide by international labour standards. In a number of cases, trade unions and NGOs have joined forces to establish codes of conduct to which MNCs voluntarily adhere (Compa, 2001). Nike and Gap have been among the more high profile cases, in which the companies have agreed to enforce standards on their suppliers and to produce annual corporate social responsibility reports (CSRs). The UN has also

established a Global Compact, which a number of MNCs have joined, setting out a number of principles including human rights and labour standards. While there is considerable scepticism about the enforceability and long-term impact of these voluntary approaches, they demonstrate that MNCs are under pressure from a variety of interest groups to adhere to the ILO's core labour standards. The ACTU has been to the fore in seeking to strengthen the role of the ILO in the Asia-Pacific region, but the former Howard coalition government was reluctant to engage with ILO activities.

10. RESEARCH ON GLOBALISATION AND IMPLICATIONS FOR WORKPLACE DEMOCRACY

A series of studies has been conducted over the past two decades, led by researchers at the University of Sydney, on the changing nature of employment relations in a variety of industries including automobile manufacturing, airlines, and banking and telecommunications (see Kitay and Lansbury, 1997; Wailes et al., 2007). These projects began in the early 1990s in response to an invitation from Thomas Kochan and others from the Sloan School at MIT in the USA who were interested in examining key industries in a variety of countries to analyse the changes in employment relations as a result of globalization. These studies yielded a number of books which chartered the transformation in employment relations around the world as a result of international economic pressures and changes in the patterns of ownership (Locke et al., 1995; Verma et al., 1995).

(i) Insights from Studies of the Global Auto Industry

One of the key studies was undertaken in the auto industry and followed a major publication entitled **The Machine that Changed the World** (Womack et al., 1990). This book focused on the rise of the Toyota Motor Company and coined the term 'lean production' to describe the methods used by Toyota which differed from the 'mass production' methods which were still dominant in the US and a number of other countries. The authors of the study claimed that lean production would become dominant in the industry and companies that failed to adopt this approach would fall by the wayside. They were particularly critical of the 'big three' American auto companies General Motors, Ford and Chrysler which they regarded as frozen in outmoded production systems and adversarial labour relations. But they also criticized the Swedish auto industry's attempt to undertake job redesign and self managing groups as a futile exercise in 'neo-craftism'.

The key characteristics of Toyota's lean production system included an emphasis on quality control, reducing waste, shorter processing times, smaller stocks, fewer suppliers, continuous improvement and just in time production. While critics of lean production has argued that it has placed greater stress on workers and leaves them with little discretion over their work, others have noted that there is an emphasis on team work with good opportunities for learning and skill development. The principles of lean production have subsequently been applied in a wide range of industries from banking to health services.

In our book, entitled **After Lean Production** (Kochan et al., 1996), which was based on case studies of auto plants in a dozen different countries, we argued that many companies were experimenting with new approaches and were developing 'hybrid' forms of production and workplace organization that suited their own circumstances. The most significant factor in success was not just the way that production was organized but also how workers were involved in the process and provided with the skills and motivation to achieve more effective outcomes. Even in Japan we found that Toyota had concluded that they needed a little more 'thickness' in their production system to reduce the stress under which workers had been placed. We also found that the Swedish carmakers, Volvo and Saab, had adapted elements of lean production but combined these with improvements in the work environment and had provided workers and their unions with greater opportunities to influence decisions about the way work was designed and allocated.

During the past five years, a project initiated by researchers at the University of Sydney with colleagues in other countries revisited the auto industry (see Lansbury et al., 2008). Our objective was to analyse the key changes which had occurred in the past decade in employment relations in the auto industry in these countries as a result of further globalization. Clearly, the last year has witnessed a dramatic crisis in the auto industry around the world with the 'big three' auto companies in the US facing possible bankruptcy, European car makers in a crisis and even Toyota is experiencing worldwide losses. A major shift in production has occurred in the past decade from advanced industrial economies such as North America and Western Europe to industrializing economies such as China, India, Brazil and even parts of Eastern Europe. However, even these economies are now in difficulty and vehicle production is being reduced and the industry is difficulties.

The motivation for developing auto plants by the multinational corporations in newly developing economies has been both to be closer to emerging markets and to reduce the costs of production through a variety of means, including labour which is more easily available, cheaper and more quiescent due the absence of well organized and active unions. For the most part, the MNCs have used mass production rather than lean production as they have concentrated mainly on producing vehicles which are lower quality and lower cost. However, strikes by workers have been increasingly common in countries such as China and India, even where the formal unions are under government control and laws prevent unions undertaking direct industrial action. In China, in particular, MNCs are finding that they have to negotiate with unions over wages and conditions and the government is putting pressure on them to be 'model employers' (Zou and Lansbury, 2009). The Hyundai Motor Company, which was initially very successful in India, has been the target of a successful international union campaign which highlighted the lack of rights among its workers to join unions and to bargain for better conditions, despite the existence of formal laws that protect these rights.

(ii) Learning from a Swiss- Swedish Multinational in the Power Transformer Industry

During the 1990s Swedish unions developed the concepts of 'good work' and 'developing work' which was later influenced the International Labour Organisation to adopt the concept of 'decent work'. These principles included cooperation over work organization,

skills development as an integral part of work, working hours based on social demands, equality in the workplace, a safe and healthy work environment, a fair share of earnings from increased production, job security and co-determination in the firm (Johansson and Abrahamsson, 2008). These principles were also adopted by other unions in Europe and promulgated by the International Metalworkers Federation in their negotiations with multinational auto companies around the world.

In order to further study the way in which Swedish companies were developing alternative approaches to the organization of work at a global level, we participated in a study of Asea Brown Boveri (ABB) which was formed in the late 1980s by a merger of two century-old engineering firms in Sweden and Switzerland. Under the leadership of its first Swedish managing director in the 1990s, Percy Barnevik, ABB claimed that it would seek to combine being global while also providing for maximum diversity at the local level. In the book **Being Local Worldwide: ABB and the Challenge of Global Management** (Berlanger et al., 1999), a series of case studies were conducted at the plant level in a wide range of countries to test what the concept of 'being local worldwide' meant in reality.

The project involved several years studying three power transformer plants in Switzerland, Finland and Australia observing the work and interviewing workers, managers and union representatives at the plant level (Bray and Lansbury, 2000).

The three plants were similar in size, number of employees and products. However, they differed significantly in their levels of performance in terms of productivity, quality and profitability. During the period of our study, each of the plants had to deal with a worldwide decline in demand for their products due to global changes in the power industry. By the mid 2000s, the Australian plant had closed while the Finnish and Swiss plants had successfully restructured and survived.

While there are numerous factors which contributed to the demise of the Australian plant and the success of the other two plants, several significant issues can be highlighted. ABB adopted some aspects of lean production but adapted them to suit their circumstances. These included total quality management which emphasized the reduction of errors and time based management to reduce the time taken from the initial order of a new power transformer to its delivery to the customer. However, while ABB encouraged all plants to adopt these approaches to improve their performance, they also allowed local management to implement the programs to suit their circumstances. ABB also encouraged plants to develop their own innovative strategies. In the case of the Swiss plant, they developed a number of new products and became known as a centre of excellence within ABB for product innovation. The Finnish plant adopted new approaches to the organization of production by eliminating layers of management and introducing extensive team working, thereby becoming a centre of excellence for process innovation. Both plants had extensive systems of employee involvement in these innovations.

By contrast to the two European plants, the Australian plant resisted introducing the new approaches to improve their performance, there was a steady decline in orders and complaints about quality and on time delivery. Eventually the manager of the Finnish plant was sent by ABB to see if the plant could be 'rescued' but he reported that there were

numerous problems which needed to be addressed including upgrading the skills of the workforce, investment in new technology and a reorganization of the process of production within the plant. Unlike the Finnish and Swiss plants, where there were 'works councils' which facilitated involvement of the workforce and their unions in decision making and information sharing at the workplace level, there was no equivalent at the Australian plant. Eventually, ABB decided that the effort to turn around the plant in Australia would be too expensive and take too long, and the plant was closed.

11. FUTURE CHALLENGES FOR WORKPLACE DEMOCRACY IN A GLOBAL ERA

Globalization provides both a threat and an opportunity to the advancement of a more democratic system of work. The expansion of MNCs, global networks of production and services and the increased mobility of capital and labour across national boundaries have made it difficult for individual countries to regulate work and employment relations. Global Union Federations and NGOs have exercised a countervailing influence on some MNCs through campaigns against abuses of human rights in factories owned by supplier companies in developing countries. The ILO has gained support among its member countries for a Declaration in Social Justice for a Fair Globalisation and some of its core labour standards have been enshrined in international framework agreements between MNCs and Global Union Federations. The United Nations has persuaded a number of MNCs to join its Global Compact which involves adherence to certain principles of human rights and labour standards. However, more cooperation is required between international institutions such as the World Bank, the International Monetary Fund and the World Trade Organisation if there is to be a more comprehensive approach to these issues. MNCs and Global Union Federations also need to collaborate on issues of mutual concern if progress is to be made at the global level.

Research on MNCs in recent years, particularly in the global auto industry, has revealed that there have been positive reforms undertaken by some companies, particularly in Japan and Europe, to introduce new methods of production which have resulted not only in greater productivity but also a better quality of working life. Australia has made some progress but has lagged in terms of promoting a greater role for workers in decision making at the workplace level. However, as many of the MNCs have outsourced production to newly industrializing countries, they have reverted to mass production in order to capitalize on low cost labour and with harsh working conditions that were abolished after strong opposition by workers and their unions in the advanced market economies. However, with increased industrial disputation and the growing power of unions and other informal worker groups in countries such as China, India and Vietnam, the MNCs are having to reassess their employment relations strategies.

The example of the European MNC, Asea Brown Boveri, demonstrates that by adopting a policy of 'being local worldwide', this company was able to gain from local innovation and collaborative relationships between management and workers in their Finnish and Swiss plants which enabled them to overcome difficult market conditions. By contrast, the Australian plant failed because it did not innovate or engage its employees in necessary changes which would have made the plant more internationally competitive. The closure

of the plant in Australia occurred with minimal involvement of the unions or the employees in the decision.

The ILO has argued that a positive economic future for the world requires not only adequate levels of employment but also decent jobs which embody core labour standards. A democratic workplace is one that not only embodies these principles but also provides adequate opportunities for workers to participate in decisions which affect their livelihood at work. The evidence presented in this paper is that there has been renewed interest in employee participation and involvement in a number of countries, particularly the coordinated market economies in Europe, such as Germany and the Nordic countries. These practices have been shown to contribute both to improved productivity and increased flexibility in increasingly competitive global markets. In these countries, employers and unions have been willing to cooperate with different forms of work organization in which workers have greater autonomy and discretion over how they perform their work. Successful workplace reforms have also required a longer term commitment by all parties and strong support from labour market institutions.

If Australia is to survive and prosper beyond the current global economic crisis, there needs to be not only a commitment by all parties to a new social contract to underpin future economic and social development but also a willingness to create a more democratic workplace. We need a new social settlement that will provide a strong and lasting foundation for this century. The social settlement of the early twentieth century marked a historic compromise between labour and capital. However, while the unions won rights to organize and collectively bargain, they conceded managerial prerogatives to the employers. The Rudd government has restored key elements of the old social settlement by reinstating collective bargaining rights in the current Fairwork Australia Bill. However, a more ambitious vision is needed that asserts the rights of Australians to both decent work and a democratic workplace which will provide a beacon for the rest of the world. In the words of Michael Kirby in his Laffer lecture of 2002: 'Australia must not only strengthen the rights of individuals at work in Australia but we should be a force in the world ... to assist other nations to achieve fundamental workers' rights'. This means going beyond the restoration of collective bargaining rights and providing a stronger legal right to workers to participate in decision making as well as encouraging management reforms that create more equality of power in the workplace.

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