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HUMAN RESOURCE FUTURES
Chapter 19
of
HUMAN RESOURCE MANAGEMENT: AN ECONOMIC APPROACH
by
David Lewin and Daniel J.B. Mitchell

Dnvid Lewin
Professor, Anderson Graduate School of Management
Director, Institute of Industrial Relations
University of California, Los Angeles
Los Angeles, CA 90024-1481

Daniel J.B. Mitchell
Professor, Anderson Graduate School of Management
University of California, Los Angeles
Los Angeles, CA 90024-1481

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INSTITUTE OF INDUSTRIAL RELATIONS
UNIVERSITY OF CALIFORNIA
LOS ANGELES

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David Lewin
Daniel J.B. Mitchell
Anderson Graduate School of Management
UCLA
Los Angeles, CA 90024-1481

HUMAN RESOURCE FUTURES

In the closing chapter of this book, we deal with the future of human resource management at both the broad, macro level and at the narrower, firm level of analysis. Attempts to predict the future in any discipline, area or topic of interest are risky and fraught with conceptual and methodological problems and issues. Nevertheless, the many and rapid recent changes in human resource management in the U.S. and abroad, including those discussed in earlier chapters, strongly suggest that it is both important and necessary to attempt to identify future changes and trends in human resource management as the 20th century comes to a close[1].

Macro Level Economic and Human Resource Forecasting

Beginning at the macro level of analysis, there are many forecasts of aggregate economic activity for the U.S. and other advanced developed nations. These forecasts attempt to predict the Gross National Product (GNP), Net National Product (NNP), Gross Domestic Product (NDP) and other macroeconomic indicators of a nation's economy for selected future periods, typically one year but sometimes longer. For example, the Organization for Economic Cooperation and Development (OECD) has predicted/projected macroeconomic "futures" through 1995 for two dozen developed nations, as shown in Exhibit 1[2]. For the U.S., there are more than 50 well-established macroeconomic forecasts;

the predictions of one of these, the UCLA Business Forecast, are shown in Exhibits 2 and 3 for the 1995-2003 period[3].

The UCLA forecast is relatively unusual among such forecasts in that it predicts macroeconomic changes for relatively long time periods, and because it provides a detailed forecast of state-level economic activity--in this case, for California. At the national level (Exhibit 2), the UCLA forecast is for rapid growth during most of the remainder of the 1990s with a bit slower growth after the turn of the century to the year 2003. For California (Exhibit 3), UCLA forecasts relatively low growth rates in the mid-1990s, more rapid growth rates during the latter 1990s, and quite rapid growth rates at about the turn of the century extending to the year 2003. These forecasts, in turn, reflect the fact of a much slower recovery from the economic recession of early 1990s in California than in the U.S. as a whole.

The relevance of macroeconomic forecasts for human resource management largely concerns the state of the labor market at any point in time. Observe from Exhibits 2 and 3, for example, that the UCLA forecast is for 5.7 percent unemployment nationally in the U.S. in 1995, but 9.3 percent for California. Under these predictions, labor markets will be far tighter nationally that in California, so that the costs of recruitment, search and wages and salaries should rise more rapidly for employers nationally than in the State of California during this period.

More generally, forecasts of rapid or modest economic growth typically imply tightening labor markets, that is, falling unemployment rates, whereas forecasts of economic decline imply loosening labor markets, that is, rising unemployment rates. Observe from Exhibit 1 that the macroeconomic forecasts for North American, European and Asian countries through 1996 lead to expectations of falling unemployment rates in almost all of the countries included in those areas of the world. What this reflects, in turn, is a broader expectation of recovery from the recessionary conditions that characterized virtually all of these countries during the early 1990s. Consequently, employers' costs of recruitment, search and wages and salaries should be expected to rise during the mid-to-late 1990s.

These macroeconomic forecasts follow a common approach and methodology, grounded in econometrics, in which the levels of consumer spending, business capital investment, and government expenditures are estimated for one or another future period. Also included in these forecasts are certain predictions about income tax rates, the money supply, interest rates, international trade balances and other variables that influence macroeconomic activity. The econometric models used to generate these estimates employ multivariate analysis, primarily regression analysis, to control for the influence of these and other factors, or independent variables, on GNP, GDP, NNP and/or other main dependent variables. It is one or another of these dependent variables, for example, GDP, which are forecasted or predicted for future periods.

Contrasting with econometrically-driven macroeconomic forecasts of nations' future economic activity and trends are other, more qualitative, forecasts which typically rely on the judgment or views of a small set of "experts." The latter approach to economic forecasting usually employs a Delphi (after the Greek oracle) or modified Delphi technique which involves (1) the submission of a set of questions about future economic activity and trends to each member of the small group of experts, (2) analysis of the individual responses to these questions, winnowing of "extreme" or "outlier" responses, and the submission of a second, more focused set of questions to each member of the same group of experts, and (3) analysis and winnowing of this set of individual responses, followed by a meeting of the experts in which the main issues underlying the aforementioned sets of questions are discussed and debated. The convener or moderator of the meeting, who usually also constructs and poses the initial questions, then prepares a written summary of the "consensus" views of the experts on the various issues which served as the subjects of the questions and the topics of discussion at the meeting. These types of small group "expert" forecasts typically offer predictions for shorter time periods than do macroeconomic forecasts.

Two examples of this modified Delphi approach to macro level economic and human resource forecasting are provided in Exhibits 4 and 5, respectively. Exhibit 4 summarizes the forecast of an expert panel of human resource management executives and academics of changes in U.S. unemployment, inflation, manufacturing labor costs and private sector wages and salaries for 1994. The report of this panel also presents debate, discussion and forecasts of changes in public policy concerning the economy, international trade, health care, immigration, employment discrimination and other human resource issues in 1994[4]. Note that this panel's "predictions" were made in late 1993 and were not periodically revised during the following year, as were most econometric forecasts of national economic activity.

Exhibit 5 summarizes the forecast of members of the Human Resources Round Table (HARRT), a group of 35 senior human resource management executives of California-headquartered companies, of changes in unemployment, private sector compensation, and hiring in California in 1994. This panel's report also presents debate, discussion and forecasted changes in public policy concerning the California economy, workers' compensation, immigration, health care, business restructuring and international trade, especially with Mexico, in 1994[5]. Notably, the North American Free Trade Agreement (NAFTA) was enacted by the U.S. Congress (on November 4, 1993) shortly before the HARRT members met to exchange views and finalize their California Human Resource Forecast for 1994[6]. Understandably, therefore, much of the HARRT members attention focused on the likely consequences of NAFTA, with a consensus emerging among this group that the legislation would work to the benefit of

California and the nation in the long run, but not without some major adjustments portending job losses in the short run.

Contrasting with both econometric forecasts and small group, Delphi type forecasts are large scale surveys, which occasionally have been undertaken to forecast human resource management trends. A recent example in this regard is a Towers Perrin survey of some 3,000 human resource executives, line managers, and academic and consultant specialists in human resource management in 13 countries, who were asked to identify, rate or rank key areas of change in human resource management over the period from 1991 to 2000.[7]

The respondents to the Towers Perrin survey believe that, by the year 2000, human resource management strategy, policy and practice in business enterprises will become (1) more responsive to a highly competitive marketplace and global business structures, (2) more closely linked to business strategic plans, (3) jointly conceived and implemented by line managers and human resource managers, and (4) more focused on quality, customer service, productivity, employee involvement, teamwork and work force flexibility.

From these findings, the authors of the Tower Perrin study developed a model of human resource transformation, which is summarized in Exhibit 6. The principle message underlying this model is that the human resource function will move away from being a functional specialty and toward becoming a multiskilled, proactive, strategically-oriented business partner with line executives and managers. In addition, this study was able to identify country differences in those environmental factors likely to exert key influences on human resource management strategy, policy and practice in the enterprise during the last decade of the 20th century; these are summarized in Exhibit 7. Observe from this exhibit that "fewer workforce entrants" and "changing workforce demographics" are judged to be of relatively high importance by the respondents from Japan and the U.S., but to be of relatively low importance by the respondents from Latin America, Korea and Australia. By contrast, "economic globalization" and "increased international competition" are judged to be of relatively low importance by respondents from Japan and the U.S., but to be of relatively high importance by respondents from Latin America, Italy, Mexico and Brazil[8].

Macro level economic and human resource forecasting is "big picture" forecasting in which the intent is to identify broad trends and directions. Because most of these types of forecasts are published (as shown in the examples contained in Exhibits 1-7), their accuracy can be tracked, judged and compared over time. Micro level human resource forecasts, in contrast, are not regularly conducted, published or tracked so that it is difficult if not impossible to gauge the accuracy of such forecasts. Yet, this hardly means that micro level human resource forecasting is not important or cannot be done. Largely because of its importance, we attempt in the sections below to identify what we believe will be some of the key micro level human resource management developments and trends in the U.S. and abroad during the remainder of this decade.

Micro Level Human Resource Forecasting

Perhaps the leading recent developments in human resource management at the level of the firm have been the increased uses of employee participation in decision making, that is, nonfinancial participation, and variable pay arrangements for employees, that is, employee financial participation, in the enterprise. Will these initiatives come to be adopted by other firms and thus constitute long-term trends, or will they peak and perhaps even decline as the end of the 20th century approaches[9]?

Risk Preferences. An especially important concept to be carefully considered in answering this question is that of risk preference. This term refers to the preferences of individuals for assuming and avoiding risk--risk proneness and risk aversion, if you will. While the concept of risk preference is central to the theory and practice of finance[10], it has rarely been applied to the study and practice of human resource management. Yet, consider what is perhaps the key tenet or assumption of team-based, strong culture, highly participative organizations of the type that have grown so rapidly in recent years, namely, that employees invariably want a broader scope of decision making, that is, participation, in the enterprise, than they have had previously or traditionally[11].

Is this assumption valid in the sense that a desire for "high" nonfinancial participation in the enterprise presently characterizes or will be the central tendency of employees? This question cannot be answered inductively by referring to existing data because there are little or no data available with respect to this issue. Instead, one must rely on logic or deductive reasoning to approach an answer to the question. In this regard, consider the central proposition of probability theory that a "population" will be "normally" distributed along virtually any salient dimension of an issue, problem or phenomenon[12].

To illustrate, when testing high school students for entry into colleges and universities, the Educational Testing Service (ETS), which administers the Scholastic Aptitude Test (SAT), assumes that the student population of test-takers will be normally distributed along the range of 400 to 1600 points. This means that a few students will be in the 400-500 range, a few will be in the 1500-1600 range, and the largest single (modal) group will be in the 800-1000 range. Similarly, for the Graduate Management Aptitude Test, which is administered by the ETS to those interested in applying to graduate Master of Business Administration (MBA) Programs in colleges and universities, the expectation is that individuals will be normally distributed along the 200-800 point range achievable on this test. A few people will be in the 200-300 range, a few will be in the 700-800 range, and the largest single (modal) group will be in the 400-600 range.

Suppose there is a range of possible scores of employees along the dimension "desire for participation in decision making in the enterprise." The concept of a normal distribution derived from probability theory suggests that a few individuals will have a low desire for such participation, a few will have a high desire for participation, and that the largest single (modal) group will have a "mid-level" desire for participation in decision making[13]. Yet the employee involvement or nonfinancial participation initiatives mounted in recent years by many businesses assume that employees uniformly have a high desire for participation in decision making[14].

Viewed from the perspective of probability theory, this assumption readily appears unrealistic. In turn, this reasoning suggests that in those firms which have adopted nonfinancial participation programs for all employees, some and perhaps many employees are actually indifferent toward or opposed to such programs. Further, in those firms which have adopted nonfinancial participation programs for some employees, attempts to extend participation to other remaining employees will be met with indifference or opposition. And, in firms which have not adopted nonfinancial participation programs for employees but are considering doing so, some and perhaps many employees will be indifferent toward such programs, while fewer others will be strongly favorable toward or opposed to such programs. Stated differently, there may well be a gap, possibly a large gap, between the "risk preferences" of senior management and those of employees with respect to the desirability of nonfinancial participation in decision-making in the enterprise. Further, where nonfinancial participation initiatives of the firm exceed the desire for nonfinancial participation of the "median" employee, there may well develop a backlash and possibly overt opposition to such participation among employees, which may in turn cause the firm to reconsider and perhaps abandon some of its nonfinancial participation initiatives and programs[15].

Similarly, the recent trend toward placing relatively more of employees' pay at risk through firms' adoption of gain-sharing, profit-sharing, bonus, stock ownership and stock option programs and plans for employees also assumes that employees do indeed have a strong (and growing) preference for pay at risk. Yet, here, too, the concept of a normal distribution suggests that some employees strongly prefer pay at risk, others are indifferent toward it, and still others are opposed to it. Moreover, even is most or all employees prefer a modest amount of pay at risk, say five percent of total compensation, some or most employees may well prefer not to have "too much" pay at risk, say 15 percent or more. Stated differently, the relationship between employee preferences for pay at risk may be inversely related to the amount of pay that is placed at risk under a particular firm-initiated variable pay program.

Support for this proposed inverse relationship comes, ironically, from the study and practice of executive compensation. The literature on this topic shows quite clearly that the economic performance of the firm, as reflected in such measures as return on investment (ROI) or equity (ROE), and return on assets (ROA) or capital employed (ROCE), is not a statistically strong predictor of levels of executive compensation in firms. Instead, the strongest predictors of executive compensation, according to this literature, are the size of firm, measured by total revenue, assets or employees, and the number of management levels in the firm, or "verticality[16]."

In fact, some authorities contend that the compensation of senior executives of U.S.-based firms is at present less closely tied to the performance of the firm than it was in the 1930s, and additionally that senior executives and managers of U.S.-based firms currently "own" smaller proportions of firms (via stock holdings) than they did in the 1930s[17]. Hence, it may be the case that senior executives and managers are initiating variable pay or pay at risk programs for employees that require a relatively higher proportion of employees' compensation than of senior executives' compensation to be tied to the performance of the firm! All the more reason, then, to expect some opposition to or backlash among employees against the recent and growing initiatives of firms to enhance the proportion of employees' pay that is "at risk.[18]"

Supervisory Opposition. Beyond this risk preference-based "prediction" of future employee opposition to the nonfinancial and financial participation initiatives and programs of business enterprises, other factors are relevant to the sustainability of these initiatives. For example, firm-initiated programs of employee nonfinancial participation in decision-making are often based on the principle of "self-management" and often take the forms of semi-autonomous and fully autonomous work teams[19]. Such teams are expected to exercise responsibility for or monitor and control team behavior and performance, that is, to exercise functions normally undertaken by (formally designated) supervisors.

If semi-autonomous or fully autonomous work teams are actually able to perform these functions--supervise themselves--then it makes little economic sense for the firm also to pay supervisors to monitor and control workplace performance. Consequently, the demand for supervisors should decline and some, perhaps many, supervisory jobs will be eliminated under team-based goods production or service generation. Formally designated supervisors should, in turn, oppose programs of employee nonfinancial participation in decision-making because "successful" programs may mean that these supervisors will lose their jobs[20]. The history of and literature on the enigmatic role of the supervisor in the business enterprise can be read further to support a prediction of future supervisory opposition to programs of employee nonfinancial participation in the firm[21].

Labor Law. Employer-initiated programs of employee nonfinancial participation in U.S. firms are also constrained, and in future may be further constrained, by National Labor Relations Board (NLRB) and court decisions limiting or circumscribing such programs. In 1993, for example, the U.S.

Supreme Court ruled in the Electromation case that a "voluntary" program of employee involvement in decision-making initiated by the firm violated the Taft-Hartley Act in that the program "unfairly" competed with labor unions for the right to represent Electromation's employees[22]. Recall that, under U.S. labor law, the union is the exclusive representative of employees for the purpose of collective bargaining and related matters, and that a company cannot dominate or otherwise influence its employees in the exercise of their right to determine whether or not they wish to be represented by an exclusive bargaining agent.

In the related Dupont case, which is being considered by the Supreme Court at the time of this writing, a similar challenge was mounted to a company-initiated voluntary employee involvement program by the union which represents some Dupont employees at certain of the company's facilities[23]. A ruling in favor of the union would strengthen the precedent set in the Electromation case to the effect that employer-initiated employee involvement and nonfinancial participation programs may run afoul of U.S. labor law. Unless this law is changed, and recent efforts mounted by employers have failed to do so, the content and provisions of the law (and the use of them by labor unions) constitute an additional factor potentially limiting and even reversing initiatives at employee nonfinancial participation in decision-making undertaken or contemplated by business enterprises operating in the U.S.

Two-Tier Work Forces. Still another factor likely to limit and perhaps reverse the recent trends toward expanded employee nonfinancial and financial participation in the enterprise are companion firm-initiated policies to reduce (that is, downsize or rightsize) the work force and create smaller core and larger peripheral work force segments. The recent trend toward smaller size work forces in U.S. firms was documented in earlier chapters of this book, as was the accompanying trend toward shrinking the proportion of core employees--those who are employed full-time, covered by fringe benefit programs, and eligible for training and promotion opportunities--and expanding the proportion of peripheral employees--those who are employed part-time, temporarily or on a contingent/vendored basis and have few if any fringe benefits or training and promotional opportunities[24].

As the "typical" firm's core work force shrinks and its peripheral work force expands, a two-tier or two-status work force arrangement is created and institutionalized. Consider that programs of employee nonfinancial and financial participation in the enterprise are confined virtually exclusively to the core full-time work force; in most cases, the peripheral work force is not eligible for them. Under these circumstances, members of the peripheral work force can be expected to oppose initiatives at nonfinancial and financial participation in the enterprise because they are excluded from them and because their "secondary" status in the firm is enhanced by them. Note further that peripheral or secondary workers are rarely represented by labor unions and, together with their lack of coverage by employer-initiated nonfinancial and financial participation programs, have relatively little voice in the enterprise compared to members of the core work force. Thus, recent initiatives undertaken by firms to reduce their labor costs, which importantly include shrinking the core work force and expanding the peripheral work force, may well breed latent opposition among peripheral work force members to programs of nonfinancial and financial participation for members of the core work force. The "threat" for the future in all this is that this latent opposition will turn into overt, explicit opposition--which is another reason to be circumspect about the future of employer-initiated programs of employee nonfinancial and financial participation in the enterprise[25].

Employee Voice and Representation. Outside of the U.S., especially in Western Europe, employee participation in decision-making in the enterprise takes such forms as codetermination (that is, employee representation on the Board of Directors), works councils and anti-discharge legislation[26]. Are any of these arrangements likely to emerge or spread in U.S. enterprises? Probably not, in our judgment, but this question, or the answer to this question, is certainly debatable.

For example, the Commission on the Future of Worker/ Management Relations, appointed in 1993 by President Clinton, appears (at the time of this writing) to support the use of works councils in U.S. business[27]. Such councils, which are found at the plant, facility, business unit and company-wide levels of Western European enterprises, are consultative bodies enrolling "representatives" of blue-collar, white-collar, professional, first-line supervisory, and mid-management personnel. Senior management consults with these representatives on a wide range of issues, including strategic level issues of plant/facility closing and relocation, business acquisition and divestiture, technological change and job redesign, organizational restructuring, and work force adjustments, including layoffs. In Western European enterprises, moreover, works councils co-exist with labor unions and codetermination, and all of these arrangements are mandated by law rather than being voluntary in nature[28].

With the sole exception of union-management relations, the U.S., unlike Western European nations, has never seen fit to legislate employee participation in decision-making in the enterprise, and we believe that it is unlikely to do so in the foreseeable future. The reason for this belief lies in the enduring set of core values that characterize the U.S. society, namely, individualism, private property rights, mobility of capital and labor, a free labor market featuring employment-at-will, fear of big government and centralized power, and a two-party political system in which "labor" is not formally one of the parties. These characteristics continue to contrast strongly with those of most Western European nations, even if global competition has leavened or modified some of them. Put differently, there is little evidence of a strong demand among U.S. employees for participation in decision-making in the form of works councils, even as this particular form of participation is being advocated by some academics and policy-makers[29]. Additionally, it is likely that employers will strongly oppose nascent attempts to introduce works councils into U.S. enterprises.

Codetermination, too, is likely to be opposed by employers, managers and executives of U.S. enterprises (including enterprises that operate with codetermination in some of their foreign operations). However, analytically, codetermination presents some important and different considerations from those regarding works councils. In particular, there has been an active debate in the U.S. over the past quarter-century or so about the stewardship capability and composition of boards of directors. Some analysts contend that a company's board is dominated by its own executives and is thus unable to carry out its putative stewardship responsibilities. More generally, others contend that a company's board of directors is dominated by and composed largely of "insiders" who have important stakes in the particular company, such as executives of firms that provide the company with capital, financing and credit. Once again, critics charge that boards of directors composed of insiders are unable properly to carry out their stewardship responsibilities[30]. Those who hold this view often mount proposals for the "democratization" of boards of directors via legislation that would require a majority or all board members to be outside or public directors. So far, these proposals have made no significant legislative headway in the U.S., although modest increases in the representation of women and minorities on boards of direction have recently occurred[31].

When it comes to the role of employees on company boards of directors, actual examples of such arrangements in U.S. enterprises are few and far between. Surely the best known example was that of Douglas Fraser, former President of the United Automobile Workers Union (UAW), who served on the Board of Directors of the Chrysler Corporation during the 1979-1983 period. Fraser's ascension to the Chrysler Board came about as a condition imposed by the U.S. Congress as part of the "price" for its 1979 agreement to provide Chrysler with $1.6 billion in loan guarantees in order to rescue the company from bankruptcy. Fraser served on the Chrysler board until his retirement, in 1983, from the Presidency of the UAW. Although Fraser's successor as UAW President, Owen Beiber, subsequently served on the Chrysler board for seven years, he was summarily dismissed from the board (that is, given his "pink slip") in 1990--and with no advance notice.

While too much should not be made of the Chrysler experiment with an employee representative on its Board of Directors, this example remains one of the few cases in which a union representative or employee has actually served on a U.S. company's board, and it is clear that this example did not set off even a modest trend, let alone a new wave, of employee representation on boards of directors of U.S. companies. In fact, and during the recent era in which most U.S. businesses claim to have become market or customer-driven, few business enterprises have gone so far as too have customers represented on their boards of directors. Thus, the idea that employees merit a place on company boards of directors in the U.S. has clearly not been translated into practice, and we do not see this idea coming to fruition any time soon[32].

Ironically, if these predictions about the unlikelihood of U.S. businesses adopting Western European-style works councils and codetermination prove to be correct, the absence of such institutionalized employee representation arrangements may serve to strengthen employer initiatives at employee nonfinancial and financial participation in the enterprise. This is because, with works councils or codetermination, employee representatives would be likely to challenge such participation initiatives, regarding them as competitors to more formal and "truer" systems of employee representation and participation in the enterprise. In so doing, employee representatives under works council or codetermination arrangements would be acting similarly to those unions and union officials who, as noted above, have charged that employer-initiated employee nonfinancial and financial participation programs violate U.S. labor law.

Employee voice can also be exercised through grievance procedures, which are common in unionized U.S. workplaces, and through grievance-like complaint and appeal systems, which have grown rapidly in nonunionized U.S. workplaces in recent years[33]. While such procedures are widely thought to bring a measure of procedural justice or equity to the workplace, recent studies strongly suggest that management exercises reprisals against employees for filing grievances[34]. These reprisals take such forms as lower performance appraisals, lower promotion rates and higher involuntary turnovers rates for grievance filers compared to nonfilers performing the same work in the same organizations[35]. Moreover, surveys of employees find that the principal reason given for not filing grievances is "fear of reprisal.[36]"

An important implication of these findings for employer-initiated programs of employee financial and nonfinancial participation in the enterprise is that employees will become more dissatisfied with and less likely to prefer them as they "learn" that internal dissent is not tolerated. Stated differently, to the extent that reprisals are meted out to employees who use formal organizational systems of dispute resolution, employees will become more risk averse when it comes to supporting and involving themselves in management-initiated financial and nonfinancial participation programs.

Challenges to Employment-At-Will. During the last decade and one-half, or so, many employees in the U.S. have brought legal challenges against their employers contesting hiring decisions, terminations, demotions and various other personnel actions. Earlier on the vast bulk of these legal challenges were brought by women and African-Americans, who typically claimed that they had been discriminated against in hiring (employment), compensation, promotion, and layoffs relative to men and white employees, respectively. As we noted in Chapter 17, women and minorities are two of the "protected" groups under (Title VII of) the 1964 Civil Rights Act, as amended.

More recently, Asian-American and Latino employees have become more active in mounting challenges to employers' personnel actions and in claiming employment discrimination. Further, the incidence of court suits alleging employment discrimination on the basis of religion under the Civil Rights Act risen recently. However, at present the most active "protected" group in terms of their filing claims of employment discrimination is that of "older" workers, who are defined in the 1967 Age Discrimination Act as those age 40 and above[37].

From a demographic perspective, the fact that the U.S. is an "aging" society is clearly relevant to the new wave of age discrimination claims. To gain perspective on this demographic shift, consider that in 1960, when John F. Kennedy was elected President of the U.S., the average age of the U.S. population was 25. By 1993, during the first year of the Presidency of Bill Clinton, this average age had risen to 33.5, and is predicted to reach 36 or so by the end of the 20th century[38]. Stated differently, the "protected" group under age discrimination legislation is growing and will grow larger yet in the U.S. in the next several years, so that one can reasonably expect that the absolute and relative incidence of employment discrimination suits brought by older workers will increase further.

Additionally, the passing of the idea and traditional practice of a "career with the company" means that many older, experienced employees have been "reduced in force" or otherwise terminated by their employers. Not only are these employees highly experienced, many of them are in white-collar, professional and managerial specialties and, thus, may have both the mental capacity and financial resources necessary to bring and sustain legal challenges against their [former] employers. Therefore, not only may we reasonably expect increases in the incidence of age discrimination in employment suits in the U.S. in the years ahead, relatively more of these suits than previously may proceed to court trials and be the subject of judicial decisions.

A new group that has become the subject of legal protections against employment discrimination is the "disabled," with the specific provisions of this protection contained in the 1993 American With Disabilities Act. While there will be an early adjustment period to this law, as employers, employees, lawyers and others in the criminal justice system become more familiar with its provisions, protections and prohibitions, there is little doubt that legal claims of discrimination against the disabled will rise in the next several years.

Too this point, we have considered only those labor force groups that are explicitly protected from employment discrimination under one or another legislative statue. But in the last decade and one-half, numerous challenges against employers have been brought by employees claiming that certain employment and personnel practices and actions constitute bad faith/unfair dealings, breaches of contract, and violations of public policy. In short, employees not specifically protected under a specific employment discrimination law are nevertheless increasingly prone to charge "wrongful termination" and thus to challenge the prevailing concept and practice of employment-at-will in U.S. labor markets[39].

Under this relatively new concept of wrongful termination, court judges must decide whether or not to hear a particular case, whether or not a case warrants a trial by judge or a trial by jury, and of course the outcome of the case. In states such as California, New Jersey, New York and Pennsylvania, judges have been especially willing to entertain wrongful termination cases and to decide the outcomes of such cases. Some of the more notable of these cases involve so-called whistleblowing in which, for example, an aerospace engineer who alleges that his company has systematically overcharged the Department of Defense for certain parts and material, or that the company knowingly supplied defective products to the Federal Government, is discharged by his employer and subsequently files a wrongful termination suit alleging violation of public policy. Some judges have indeed found such an action and related actions to constitute violations of public policy, and have ordered the plaintiff-employee to be reinstated, compensated for the violation, or both[40].

In other notable cases, employees who have been terminated or reduced in force after 20 or more years of employment with their firms have claimed that company personnel manuals as well as their own personnel histories, such as of excellent performance appraisals, annual pay increases, and frequent promotions, constitute "implicit employment contracts" with their employers which can only be broken or terminated with the consent of both parties. A sufficient number of these cases have been tried and a sufficient proportion have been decided in favor of employees to constitute important exceptions to, if not an overall trend away from, employment-at-will in U.S. labor markets[41]. The forecasting question of relevance in this regard is, "Will employment-at-will continue to be the dominant characteristic of U.S. labor markets or, instead, will it erode further in the years ahead?"

This is of course a complex question and thus a difficult one to answer, particularly if we recognize that the idea of a free labor market which underlies the notion of employment-at-will is a relatively recent phenomenon by historical standards. Throughout most of recorded history, labor markets and employment relationships have been anything but "free." Consider, for example, the practices of indentured servitude and slavery, or laws of the type that prevailed in England until the early 20th century which declared it illegal for a worker to quit his job[42]! Stated differently, the idea that an employer is free to hire labor and cannot require labor to remain in his employ, and the related idea that an employee is free to take a job and quit a job, are of relatively recent origin. Moreover, these ideas reflect values which have been at the heart of historical battles against repressive central authorities, whether in the form of the church or the state, and for market capitalism[43]. The phrase "free men and free markets" captures the core value in this regard, so that a movement away from employment-at-will represents more than a mere challenge to prevailing employment practices; it represents a challenge to a fundamental ideal or value of market capitalism. From this historical perspective, the prospects for a fundamental shift away from employment-at-will in U.S. labor markets seem meager[44].

Alternatively, economies and societies evolve and change in many complex ways, and hardly any observer, analyst or expert predicted the current wave of wrongful termination suits and decisions. With firms, including profitable high-performing firms, continuing to downsize their work forces, with more jobs being subject to the viscidities of global competition, with new human resources regulations (such as the 1993 Americans With Disabilities Act) aimed at protecting certain groups of workers but implying that workers in general require protection from the labor market, and perhaps especially with the growing acceptability of the idea that employee-principals should hire lawyer-agents to represent them in employment matters, a prediction that the doctrine of employment-at-will wane further in the U.S. in the years ahead cannot be casually dismissed. Rather than attempt to provide "the" answer to this question, we encourage the reader to ponder and decide for himself whether or not we are on the verge of a marked shift away from employment-at-will as the dominant characteristic of U.S. labor markets, and also to consider what such a shift might mean for labor mobility, job performance, company productivity and U.S. economic performance.

How do legal challenges to employers brought under antidiscrimination-in-employment legislation and wrongful termination doctrines bear upon the aforementioned initiatives at employee financial and nonfinancial participation in the enterprise? On balance, we believe that they are likely to restrict such initiatives or cause them to erode. Consider that, on the one hand, the idea of heightened employee participation in the enterprise implies that such enterprises have strong cultures and strong values which are shared by relatively stable groups of managers and employees[45]. But also consider that, on the other hand, practices of work force downsizing, fringe benefit reductions, and shrinking core and expanding peripheral work force segments imply competing, nonshared values among relatively unstable groups of managers and employees. Stated more succinctly, employee involvement/participation initiatives appear to rest on (or reflect) a core value of cooperation among managers and employees, whereas work force downsizing and related labor cost containment initiatives appear to rest on (or reflect) a core value of conflict among managers and employees[46]. To the extent that work force downsizing and other labor cost containment practices of firms continue or enlarge, and to the extent that some such practices add to the volume of employment discrimination and wrongful termination challenges mounted by current and former employees, the sustainability of existing let alone the growth of new employee nonfinancial and financial participation initiatives in U.S. business enterprises is seriously open to question.

Global Labor Markets. The phrase "global economy" is typically used to refer to product markets and, in particular, to the growing competition for customers among firms in various countries. But globalization can also be thought of in terms of labor markets, too. From one perspective, a firm that shifts jobs away from its home country to another country to take advantage of lower labor costs in the host country can be said to be cognizant of global labor markets in the sense of knowing how wage rates and labor costs differ among countries. A more fundamental perspective on this issue, however, has to do with the recruitment of employees from one or another country to work in the home country of the company.

For example, new enterprises in Eastern European countries that have recently moved to develop market economies must recruit managerial and professional talent from outside their domestic borders, given that these countries have not invested sufficiently in the development of human capital to staff market-type enterprises solely with their own citizens. With continued movements in Western European toward an integrated European

Community, businesses in one or another Western European nation are increasingly recruiting technical and professional talent from other Western European nations[47].

As to the U.S., the realization that managerial and professional personnel from Western Europe, Asia and other parts of the globe are as capable as (and possibly more capable than) managers and professionals from the U.S. has awakened recognition of and spurred new initiatives to recruit personnel from global labor markets. Apple Computer is an example of a firm that, in the late 1980s, recruited managerial talent from Germany, Holland and France to work at the company's headquarters in Cupertino, California. Today, a German executive is the Chief Executive Officer (CEO) of Apple Computer, having succeeded John Scully in that position in 1993, and French and Dutch executives are heavily represented in the senior management ranks of the company[48]. Similarly, SGS Thomson, the Paris-based electronic component manufacturer, has recruited senior management and professional personnel from Italy, the U.S. and Canada.

A few examples, of course, do not make a general case, but as we look ahead to the remainder of this century and beyond, we expect to see considerably more globalization of labor markets than exists at present. Firms will be more likely than before to recruit and hire critical human resources from beyond their domestic borders, and both experienced and (especially) new labor force participants will be more likely to search for and accept employment opportunities beyond the domestic borders of their home countries.

But with such global integration of labor markets will also come competing and sometimes conflicting ideas, values, norms and preferences about employment and human resource management policies and practices. German executives and workers, for example, are used to relatively high pay, substantial time off from work, formal apprenticeship training for access into skilled and technical positions, codetermination and works councils. Japanese executives and workers hold dear such values as consensus decision making, respect for authority, fealty to the company, and strict promotion from within. Executives and workers in the Scandinavian countries have experienced the traditions of a major role for central government in social welfare, high marginal tax rates, active employers associations and high rates of employee unionism. French and Italian managers and workers operate in industrial relations systems featuring relatively low labor mobility and restrictions on employee discharge[49]. And, U.S. managers and employees operate in labor markets with a strong tradition of employment-at-will, but also in a society which has recently assigned to the firm responsibilities for testing employees' honesty, drug dependency, propensity to smoke.

What this recitation of country differences in values, norms, public policies and employment practices suggests to us is that the development of global labor markets will not be without conflict. Indeed, and from the perspective of U.S.-style company initiatives at employee nonfinancial and financial participation in the enterprise, such initiatives are likely to be challenged and possibly overturned by managerial and employee work forces that are increasingly "global" in makeup. Similarly, the recently dominant and heavily U.S.-based notions that firms need to be reengineered or transformed to reduce hierarchy and centralized decision-making and to increase team-based decision-making and self-management are also likely to be fundamentally questioned by managers and employees who are recruited from abroad and who bring to the employment relationship different, often very different, notions about this relationship[50].

Conclusion

In sum, the employment relationship and the management of human resources in the U.S. and elsewhere in the world are undergoing some fundamental changes of the type discussed throughout this book. Whenever fundamental changes of this type occur, there are forces at work which stimulate further changes but also countervailing forces which seek to reign in and even reverse the changes.

From the most macro of perspectives, the fundamental challenge to economies and societies everywhere is to create sufficient employment opportunities so that the bulk of their populations have useful, purposeful lives and so that societies can attain political stability and even some economic prosperity. For many decades, the vertically structured or hierarchical firm with narrow job specialties provided the engine of economic growth and employment. More recently, both the structure of firms and the structure of jobs have come in for fundamental reexamination and, in some cases, major change. Central to these changes have been notions of decentralization, teams, and self-management. Whether or not further changes in these directions will set in and thus constitute major trends as the 20th century comes to a close remains to be seen, of course. In this closing chapter, we have sought to cast a critical eye on some of the forces and developments which will certainly challenge and perhaps reverse fledgling attempts at organizational decentralization, team-based production and service generation, and self-management. We have done this not because we are opposed to such changes, we are not, but because new concepts and practices of human resource management which are implied by these changes may, as with some of those of the past, be merely passing fads or, alternatively, may endure and become central to the industrial relations and human resource management systems of enterprises and nations. Thus, we purposely close this book with a larger perspective on human resource management in the hope that the reader will share and appreciate how this larger perspective illuminates the choices of human resource strategy, policy and practice available to nations, firms and individuals.

EXHIBIT 1

PREDICTED GROWTH OF REAL DOMESTIC PRODUCT (GDP) IN SELECTED COUNTRIES, 1994-95

Country	Annual Percentage Change in Real GDP 1994	1995
United States	3.1	2.7
Japan	0.5	2.3
Germany	0.8	2.2
France	1.1	2.7
Italy	1.7	2.3
United Kingdom	2.9	2.9
Canada	3.7	4.1
Austria	1.0	2.3
Belgium	0.9	2.0
Denmark	2.5	2.8
Finland	-0.3	2.4
Greece	0.9	2.1
Iceland	-2.0	1.1
Ireland	3.1	3.2
Luxembourg	1.5	2.3
Netherlands	0.6	2.2
Norway	3.2	3.8
Portugal	2.0	3.1
Spain	0.8	2.6
Sweden	1.5	2.2
Switzerland	0.8	2.0
Turkey	5.0	4.7
Australia	3.1	3.4
New Zealand	3.3	3.1
Total OECD Countries	2.1	2.7

Source: Organization for Economic Cooperation and Development (OECD), Economic Outlook (Paris, France: OECD, December 1993), p. 126.

EXHIBIT 2

SELECTED COMPONENTS OF THE NATIONAL ECONOMIC FORECAST
FOR THE U.S., 1995-2003

Component	1995	1997	Year 1999	2001	2003
Real GDP Change	3.6%	3.0%	2.4%	2.3%	2.3%
Inflation (CPI) Change	2.3%	3.1%	4.1%	3.9%	3.7%
Wage Compensation Change	3.3%	3.6%	5.3%	5.2%	5.0%
Productivity Change	1.6%	1.7%	1.5%	1.6%	1.6%
Interest Rate (Prime Rate Less Inflation)	2.9%	3.0%	3.0%	3.8%	4.1%
Unemployment Rate	5.7%	5.2%	5.1%	5.1%	5.2%
Corporate Profits (Before Taxes) Change	9.7%	6.7%	10.6%	6.4%	5.5%

Source: The John E. Anderson Graduate School of Management, The UCLA Business Forecast for the Nation and California (Los Angeles: UCLA Business Forecasting Project, Anderson Graduate School of Management, December 1993), pp. B-3, B-5, B-15.
Change

EXHIBIT 3

SELECTED COMPONENTS OF THE CALIFORNIA
ECONOMIC FORECAST, 1995-2003

Component	1995	1997	Year 1999	2001	2003
Gross State Product Change	2.9%	6.0%	8.0%	7.8%	7.9%
Inflation (CPI) Change	2.3%	3.2%	4.2%	3.8%	3.7%
Personal Income Change	6.3%	5.6%	5.8%	6.0%	5.8%
Taxable Sales Change	6.0%	4.6%	7.6%	8.0%	8.4%
Median Home Price Change	-2.4%	2.4%	4.9%	4.1%	2.9%
Employment Change	1.6%	2.1%	2.4%	2.5%	2.9%
Unemployment Rate	9.3%	7.2%	5.8%	5.5%	5.6%

Source: The John B. Anderson Graduate School of Management, The UCLA Business Forecast for the Nation and California (Los Angeles: UCLA Business Forecast Project, Anderson Graduate School of Management, December 1993), pp. California B-3 and B-7.

EXHIBIT 4

SELECTED INDICATORS OF AN EXPERT PANEL'S FORECAST OF NATIONAL ECONOMIC ACTIVITY IN THE U.S., 1994

Indicator	Median	Range
Rate of Increase in Private Industry Wages and Salaries	3.3%	2.5 to 4.0%
Rate of Increase in Labor Cost Per Unit of Output in Manufacturing	1.0%	-1.0 to +1.6%
Rate of Consumer Price Inflation	3.5%	2.0 to 4.0%
Unemployment Rate		
-First Quarter	6.5%	6.4 to 7.0%
-Second Quarter	6.3%	6.3 to 6.8%
-Third Quarter	6.3%	6.2 to 6.7%
-Fourth Quarter	6.4%	6.0 to 6.9%

Source: Institute of Industrial Relations, University of California at Los Angeles, UCLA Human Resources Forecast, 1994 (Los Angeles: Institute of Industrial Relations, University of California at Los Angeles, 1993), p. 9.

EXHIBIT 5

SELECTED INDICATORS OF AN EXPERT PANEL'S FORECAST OF ECONOMIC ACTIVITY IN CALIFORNIA, 1994

Component	Median	Range
Total Private Compensation Change	3.0%	
Private Sector Wages and Salaries Change	3.0%	
Anticipated Hiring Change		
California -First Quarter	1.0%	
Northern California -First Quarter	2.0%	
Southern California -First Quarter	-1.0%	
Greater Los Angeles -First Quarter	-3.0%	
Unemployment Rate		
-First Quarter	9.6%	9.0 to 10.0%
-Second Quarter	9.5%	9.0 to 10.0%
-Third Quarter	9.3%	8.0 to 10.0%
-Fourth Quarter	9.1%	8.0 to 10.2%

Source: Rosalind M. Schwartz and Daniel J.B. Mitchell, UCLA California Human Resources Forecast, 1994 (Los Angeles: Institute of Industrial Relations, Human Resources Round Table, University of California at Los Angeles, 1994), pp. 3-8.

EXHIBIT 6

A MODEL OF HUMAN RESOURCE TRANSFORMATION

Human Resource Component	Current Human Resource Functional Specialist	Future Business Partner
Nature of Human Resource Programs and Function	-Responsive -Operational -Internal	-Proactive -Strategic -Societal
Creation of Human Resource Strategy and Policy	-Human Resource Department has Full Responsibility	-Human Resource Department and Line Management Share Responsibility
Organization of the Human Resource Function	-Employee Advocate -Functional Structure -Reporting to Staff	-Business Partner Flexible Structure Reporting to Line
Profile of Human Resource Professionals	-Career in Human Resources -Specialist -Limited Financial Skills -Current Focus -Monolingual -National Perspective	-Rotation -Generalist -Functional Expertise -Focus on Future -Multilingual -Global Perspective

Source: Towers Perrin, Priorities for Competitive Advantage (New York: Towers Perrin, 1991), p. 6.

EXHIBIT 7

COUNTRY DIFFERENCES IN IMPORTANCE OF ENVIRONMENTAL FACTORS INFLUENCING HUMAN RESOURCE MANAGEMENT

Environmental Factor	Rated Relatively High in Importance in...	Rated Relatively Low in Importance in...
Increased National/ Internal Competition	Mexico, Brazil	Japan, U.S.
Focus on Quality/ Customer Satisfaction	Latin America, Australia	Japan, Korea
Changing Employee Values	Korea, Japan, Germany	Latin America, Italy
Globalization of the Economy	Latin America, Italy	Japan, U.S.
Fewer Entrants to the Workforce	Japan	Latin America, Korea, Australia
Changing Workforce Demographics	Japan, U.S.	Latin America, Korea, Australia

Source: Towers Perrin, Priorities for Competitive Advantage (New York: Towers Perrin, 1991), p. 13.

FOOTNOTES

1. For a recent attempt to lay out a human resource management research agenda, see David Lewin, Olivia S. Mitchell and Peter D. Sherer, eds., Research Frontiers in Industrial Relations and Human Resources (Madison, WI: Industrial Relations Research Association, 1992).

2. Organization for Economic Cooperation and Development (OECD), Economic Outlook (Paris, France: OECD, December 1993), p. 126. The nominal rates of growth (that is, growth rates unadjusted for inflation) of Gross Domestic Product (GDP) in these countries forecasted by the OECD for 1994 and 1995 are 6.8 and 7.2, respectively (p. 127). Note that the OECD also predicted nominal GDP growth rates in 1994 of between 6.0 and 7.0 percent in Korea, Taiwan, Hong Kong, Singapore, Argentina and Chile; between 3.0 and 4.0 percent in Mexico; and between 2.0 and 2.3 percent in Brazil. See OECD, Economic Outlook (Paris, France: OECD, June 1993), pp. 127 and 130.

3. See The John E. Anderson Graduate School of Management, The UCLA Business Forecast for the Nation and California (Los Angeles: UCLA Business Forecasting Project, Anderson Graduate School of Management, December 1993).

4. Institute of Industrial Relations, University of California at Los Angeles, UCLA Human Resources Forecast, 1994 (Los Angeles: Institute of Industrial Relations, University of California at Los Angeles, 1993), pp. 6-23.

5. Rosalind M. Schwartz and Daniel J.B. Mitchell, UCLA California Human Resources Forecast, 1994 (Los Angeles: Institute of Industrial Relations Human Resources Round Table, University of California at Los Angeles, 1994), pp. 8-23.

6. Bureau of National Affairs, Daily Labor Report, No. 347 (Washington, D.C.: BNA, November 7, 1993), pp. B-1 to B-3.

7. Towers Perrin, Priorities for Competitive Advantage (New York: Towers Perrin, 1991). Among the 2,961 respondents to this survey, 63 percent were human resource executives, 18 percent were line executives and managers, nine percent were academic specialists in human resource management, eight percent were consultants specializing in human resource management, and two percent were in other categories (p. 3). Another approach to human resource forecasting involves the creation of a simulation, or "scenario," in which a fictitious company faces several alternative choices of human resource strategy, policy and practice, and a sample of "expert" respondents is surveyed to identify their particular choices in this regard. See, for

example, Lee Dyer and Donna Blancero, "Workplace 2000: A Delphi Study," Working Paper #92-10 (Ithaca, NY: Center for Human Advanced Human Resource Studies, New York State School of Industrial and Labor Relations, Cornell University, 1992). On scenario planning for the broader purpose of formulating a strategy for a business, see Peter Schwartz, The Art of the Long View: Planning for the Future in an Uncertain World (New York: Doubleday Currency, 1991).

8. Country differences in the relative importance of specific human resource management goals for business enterprises were also reported in Towers Perrin, op. cit., p. 18.

9. This section draws liberally from the analyses presented in David Lewin, "Internal Challenges to the American Human Resource Management Function," and Daniel J.B. Mitchell, "External Pressures on the American Human Resource Function," in Daniel J.B. Mitchell and David Lewin, eds., International Perspectives and Challenges in Human Resource Management, Monograph #58 (Los Angeles: Institute of Industrial Relations, University of California at Los Angeles, 1994), pp. 1-32 and 33-79, respectively.

10. Eugene F. Fama, Foundations of Finance (New York: Basic Books, 1976).

11. Edward E. Lawler, III, High-Involvement Management (San Francisco: Josey-Bass, 1986); John Simmons and William Mares, Working Together: Employee Participation in Action (New York: New York University Press, 1985); Walter J. Gershenfeld, "Employee Participation in Firm Decisions," in Morris M. Kleiner, Richard N. Block, Myron Roomkin and Sidney W. Salsburg, eds., Human Resources and the Performance of the Firm (Madison, WI: Industrial Relations Research Association, 1987), pp. 123-158.

12. Jim C. Nunnally, Psychometric Theory, 2nd. ed. (New York: McGraw-Hill, 1978), Chapter 2.

13. Nunnally, loc. cit., pp. 45-54.

14. Lewin, loc. cit. Ironically, until recently management attempted to reserve to itself broad decision-making responsibility in the employment relationship and in the management of human resources, and to keep employee voice in this relationship confined to a narrow set of issues. This was most clearly manifested in unionized settings, as shown in Neil W. Chamberlain and James W. Kuhn, Collective Bargaining (New York: McGraw-Hill, 1965), and Neil W. Chamberlain, The Union Challenge to Management Control (New York: Harper, 1948). For a sense of how much management thinking has changed in this regard, see Eileen Appelbaum and Rosemary Batt, The New American Workplace: Transforming Work Systems in the United States (Ithaca, NY: ILR

Press, Cornell University, 1994).

15. Lewin, loc. cit. Note that such employee opposition to management policies and practices may manifest itself as restriction of output or "working to rule." For classic treatments of this phenomenon, see Stanley B. Mathewson, Restriction of Output Among Unorganized Workers ((New York: Viking, 1931; Donald Roy, "Quota Restriction and Goldbricking in a Machine Shop," American Journal of Sociology, vol. 57 (April 1952), pp. 427-442;, and Arthur Kornhauser, Robert Dubin and Arthur M. Ross, eds., Industrial Conflict (New York: McGraw-Hill, 1954). For a more recent treatment, see David Lewin, "Conflict Resolution and Management in Contemporary Work Organizations: Theoretical Perspectives and Empirical Evidence," in Samuel A. Bacharach, Ronald L. Seeber and David J. Walsh, eds., Research in the Sociology of Organizations, Vol. 12 (Greenwich, CT: JAI Press, 1994), in press.

16. Kevin J. Murphy, "Corporate Performance and Managerial Remuneration: An Empirical Analysis," Journal of Accounting and Economics, vol. 7 (April 1985), pp. 11-42; Jone L. Pearce, William Stevenson and James Ferry, "Managerial Compensation Based on Organizational Performance: A Time-Series Analysis of the Effects of Merit Pay," Academy of Management Journal, vol. 28 (June 1985), pp. 261-78; Sherwin Rosen, "Prizes and Incentives in Elimination Tournaments," American Economic Review, vol. 76 (September 1986), pp. 701-715; Barry Gerhart and George T. Milkovich, "Organizational Differences in Managerial Compensation and Financial Performance," Academy of Management Journal, vol. 33 (December 1990), pp. 663-691.

17. Michael C. Jensen and Kevin J. Murphy, "CEO Incentives: It's Much How Much You Pay, But How," Harvard Business Review, vol. 67 (May-June 1990), pp. 138-153; Gerhart and Milkovich, loc. cit.; Jonathan S. Leonard, "Executive Pay and Firm Performance," Industrial and Labor Relations Review, vol. 43, Special Issue (February 1990), pp. 13-29; Lawrence M. Kahn and Peter D. Sherer," Contingent Pay and Managerial Performance," Industrial and Labor Relations Review, vol. 43, Special Issue (February 1990), pp. 107-120; Jose Gomez-Mejia, Henri Tosi and Todd Hinkin, "Managerial Control, Performance and Executive Compensation, Academy of Management Journal, vol. 30 (January 1987), pp. 53-70; John M. Abowd, "Does Performance-Based Managerial Compensation affect Corporate Performance?," Industrial and Labor Relations Review, vol. 43, Special Issue, (February 1990), pp. 52-73.

18. Lewin, "Internal Challenges to the American Human Resource Management Function," op. cit. Note that, from the perspective of economics, the underlying question posed by management initiatives at broadened employee nonfinancial participation in the enterprise is, "Will employees be effective agents in enforcing (self-managing) new labor contracts with the firm?" For

theoretical and empirical work on this question, see Hal R. Varian, "Monitoring Agents with Other Agents," Journal of Institutional and Theoretical Economics, vol. 146 (March 1990), pp. 153-174; Lorne H. Carmichael, "Self-Enforcing Contracts, Shirking and Life Cycle Incentives," Journal of Economic Perspectives, vol. 3 (Fall 1989), pp. 65-83; Bengt Holmstrom, "Moral Hazard in Teams, Bell Journal of Economics, vol. 13 (Autumn 1982), pp. 324-40; Paul R. Milgrom, "Employment Contracts, Influence Activities and Efficient Organization Design," Journal of Political Economy, vol. 96 (February 1988), pp. 42-60; Stephen A. Ross, "The Economic Theory of Agency: The Principal's Problem," American Economic Review, vol. 63 (May 1973), pp. 134-139; Edward P. Lazear, "Compensation, Productivity and the New Economics of Personnel," in David Lewin, Olivia S. Mitchell and Peter D. Sherer, eds., Research Frontiers in Industrial Relations and Human Resources (Madison, WI: Industrial Relations Research Association, 1992), pp. 341-380.

19. Lawler, op. cit; Deborah Ancona and David Caldwell, "Management Issues in New Product Teams in High Technology Companies," in David B. Lipsky and David Lewin, eds., Advances in Industrial and Labor Relations, Vol. 3 (Greenwich, CT: JAI Press, 1987), pp. 123-156; Lawler, loc. cit.; Simmons and Mares, loc. cit.; David I. Levine and Laura D'Andrea Tyson, "Participation, Productivity and the Firm;s Environment," in Alan S. Blinder, ed., Paying for Productivity: A Look at the Evidence (Washington, D.C.: Brookings, 1990), pp. 183-237; Casey Ichniowski, "Human Resource Practices and productive Labor-Management Relations," in David Lewin, Olivia S. Mitchell and Peter D. Sherer, Research Frontiers in Industrial Relations and Human Resources (Madison, WI: Industrial Relations Research Association, 1992), pp. 239-271.

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1992), pp. 124-138; Donna Sockell, "The Legality of Employee-Participation Programs in Unionized Firms," Industrial and Labor Relations Review, vol. 37 (July 1984), pp. 541-556; Bureau of Labor-Management Relations and Cooperative Programs, U.S. Department of Labor, U.S. Labor Law and the Future of Labor-Management Cooperation, BLMR #134 (Washington, D.C.: G.P.O., June 1989).

23. See E.I. dupont de Nemours and Company, NLRB Case No. 4-CA-16801, December 1989, for the NLRB Administrative Law Judge's preliminary ruling in this case. A full ruling has yet to be issued by the full Board at the time of this writing.

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25. David Lewin, "Internal Challenges to the American Human Resource Management Function," op. cit.; Peter D. Sherer and Kyungmook Lee, "Cores, Peripheries, and More and Less: An Examination of Labor Relationships in Firms," Proceedings of the Forty-Fourth Annual Meeting, Industrial Relations Research Association (Madison, WI: Industrial Relations Research Association, 1992), pp. 317-324.

26. David Lewin and Daniel J.B. Mitchell, "Systems of Employee Voice: Theoretical and Empirical Perspectives," California Management Review, vol. 34 (Spring 1992), pp. 95-111.

27. See Bureau of National Affairs, "Clinton Administration Embracing Labor-Management Cooperation," Daily Labor Report, No. 143 (Washington, D.C.: BNA, July 28, 1993), pp. C-1 to C-4. The Clinton Administration, the Secretary of Labor, and the Commission on the Future of Worker-Management Relations has also advocated other forms of labor-management cooperation, contending that they lead to "high performance" workplaces and business enterprises. See Bureau of National Affairs, "High-Performance Workplace Meeting Gets Generally Favorable Reviews," Daily Labor Report, No. 150 (Washington, D.C.: BNA, August 6, 1993, pp. C-1 to C-3, and Bureau of National Affairs, "Report on High Performance Work Practices and Firm Performance Issued by Labor Department, July 26, 1993," Daily Labor Report, No. 143 (Washington, D.C.: July 29, 1993), pp. F-1 to F-12. For a dissenting view, see Bureau of National Affairs, "Workplace Cooperation Commission Viewed With Reservations by Some Management Attorneys," Daily Labor Report, No. 57 (Washington,

D.C.: BNA, March 26, 1993), pp. C-1 to C-2.

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30. Stanley C. Vance, Corporate Leadership: Boards, Directors and Strategy (New York: McGraw-Hill, 1983); Lester B. Korn and Richard M. Ferry, Board of Directors Thirteenth Annual Study (New York: Korn/Ferry International, 1986); John Kols, "Corporate Board Structures, Social Reporting and Social Performance," in Lee Preston, ed., Research in Corporate Social Performance and Policy, Vol. 7 (Greenwich, CT: JAI Press, 1985), pp. 165-189.

31. Michael L. Lovdal, Raymond A. Bauer and Nancy H. Treverton, "Public Responsibility Committee of the Board," Harvard Business Review, vol. 55 (May-June, 1977), pp. 234-267; The Business Roundtable, The Role and Composition of the Board of Directors of the Large Publicly Owned Corporations (New York: Business Roundtable, 1977).

32. See, however, Stephen Smith, "On the Economic Rationale for Codetermination Law," Journal of Economic Behavior and Organization, vol. 16 (December 1991), pp. 26-81; Weiler, loc. cit.

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