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Adjustment at the micro level

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During the past decade several changes have taken place at the macro level that necessitate adjustments in enterprise activities and structure. Slow economic growth, the instability of financial markets, increasingly intense competition, growing global interdependence, and rising expectations of consumers and workers have prompted managers to rethink and remould their strategies in order to adapt to these changes. At the micro level there are a number of factors that influence the degree to which an enterprise is able to adjust or that condition the adjustment process itself. In this article we examine four of the most important and their effects as we conceive them and as other observers perceive them, in particular those attending an informal round-table discussion held by the ILO on the subject in September 1988.[1] The four factors examined here are advanced technology, flexibility, ownership and control of enterprises, and work organisation and motivation – since it is these that appear primarily to condition adjustment at the micro level, and their effects are not only interrelated but in many cases mutually supportive.

Thus rapid advances in technology are compelling policy-makers and enterprise managers to search for optimal ways of capitalising on them while minimising social disruption. Of particular concern is the impact of advanced technology on employment, on occupational profiles, on working arrangements and attitudes, and on industrial relations. At the same time advanced technology has the potential to introduce much greater flexibility in the production of goods and services. At issue is whether this flexibility in production technology can, and should, be accompanied by flexibility in the deployment of human resources. Should enterprises be allowed more flexibility in adjusting employment levels and be freed from legislative restrictions when they attempt to increase occupational flexibility? To what extent should they be given a free hand to develop non-conventional working arrangements such as part-time work, fixed-term and temporary work, home work, or contracting out? Is there room for increasing flexibility in wages, for instance by tying workers' earnings more closely to enterprise and individual performance?

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Apart from technology and flexibility, in many countries the role of the State is changing and there is a growing trend towards reducing the extent of state controls governing enterprise activities, management and performance and, in some cases, towards converting some state or public enterprises into private enterprises. A parallel tendency is to mobilise and encourage private initiative. These moves can necessitate a revision of existing laws and regulations, but the limits to deregulation are still unclear and the strategic role of the State (including questions relating to protective legislation) is a subject of continuing debate.

Finally, as a result of rising worker expectations, there is growing pressure on the enterprise to develop new forms of work organisation that are both productive and motivating. This implies a revision of traditional hierarchical relationships and a better understanding of human behaviour in organisations undergoing change.

In defining enterprise strategies in these various areas there is a need to bear in mind the institutional framework since enterprises, workers and trade unions respond not only to regulations and legal constraints but also to a number of unwritten rules and objectives that condition conflicts and provide a basis for co-operation between the parties.

In what follows, these four factors are examined from two perspectives. First, the basic trends and problems in each case are analysed. Second, the analysis is carried further by highlighting the most salient points that emerged at the round-table discussion.

Advanced technology

The challenge of technology manifests itself in two major and interrelated ways: first, enterprise strategies in introducing advanced technology; second, the impact of such technology on the whole range of problems concerning human resources, including those relating to employment, to occupational profiles, to training, to working arrangements, to managerial styles and attitudes and to industrial relations. Each of these problems will be discussed briefly here.

Enterprise strategy

Much has been said about the choice between two basic strategies – acquiring a technology or developing it. In management jargon it is a typical "make or buy" decision. Many technologies can be bought or acquired through a variety of means ranging from licensing to joint ventures to purchasing contracts with or without restrictive clauses. In developed and developing countries alike acquisition of a technology poses a number of problems in relation to timing, to expected demand for and longevity of the technology, to reliability and maintenance, to the type of contract and negotiations. One much debated issue is what enterprises do with an

acquired technology. Is it used as is, or is it adapted if the acquisition agreement allows them to do so? Data on the Republic of Korea and Japan show that in 1979, for example, all the new technologies bought in the former were used without modification whereas between 1954 and 1964 Japan spent more on adapting and improving imported technology than it did on its purchase (during the same period 75 per cent of new products on the Japanese market were the result of an imported and adapted technology). However, a prerequisite for adaptation and improvement, as distinct from imitation, is an internalisation of the technology or, to put it another way, the building of a "technological culture". How can this be done in a country that does not figure high on the list of technological innovators?

At the enterprise level, too, developing one's own technology necessitates a technological culture and a restructuring of the organisation itself. There are also other problems: development costs are high and the use of advanced technology results in a higher volume of production and, as a result, a quicker saturation of the market. Accelerated product development and sometimes forced obsolescence reduce the life cycle of products. These factors combined mean higher risks, compelling the enterprise to adopt a strategy that can diminish them. To some extent the development of flexible manufacturing systems and expert systems can make good some of the shortcomings of traditional production technology built on the assumption of long runs of a few products. These new high-technology methods permit a quick and easier transfer from one product and process to another. However, they are still in an early phase of development, and problems relating to compatibility of the hardware, appropriate software and cost have yet to be ironed out. Faced with these problems, enterprises have tended to diversify their activities, to divide larger corporations into smaller ones run in a semi-autonomous manner and to shed subsidiaries that prove too much of a financial burden. In some cases enterprises have pooled costly research and development for some products (for example, Philips and Sony teamed up to develop the compact disc, though they competed in bringing out digital audio tape recorders).

Advanced technology has been introduced in many industries, big and small alike. The sharp fall in the price of computer-aided design and manufacturing equipment (CAD/CAM) has put it within the reach of even some small firms, especially in the garment-making, footwear, small-scale engineering and microelectronics industries, which are able, perhaps more easily than bigger enterprises, to adjust rapidly to changing market requirements. This powerful tool has meant that one or two workers may see a product, or a good part of it, through from start to finish, and can readily change certain parameters to accommodate customers' wishes, giving rise to what some call a "neo-craft" type of industry.

At the other extreme, there is a shift towards "globalisation" of production as transnational enterprises, while centralising control, occasionally shift production from one country to another, according to where they can obtain a comparative advantage.

These strategies have not been without problems. Many enterprises, such as Airbus Industrie in France, have had to resort to government subsidies for costly research and development, only to be accused of unfair competition by other enterprises competing with a similar product on the world market. Teaming up of corporations in the development or marketing of a technology may constitute an offence under anti-trust legislation in some countries, while shifting a technology from one country to another is sometimes opposed in the former on the ground that the transfer may lead to a loss of its competitive position and could even cause unemployment; in the recipient country, particularly if it is a developing one, advanced technology may displace gainfully employed workers and may also create concern over the strong leverage a single enterprise can exert on the national economy.

The human side of technology

Employment issues. The impact of technology on employment has been, and continues to be, a subject of debate. An often quoted figure is the loss of 82,000 jobs since 1970 in the British printing industry because of advanced technology. At first sight, many of the innovations seem to be highly labour-saving. This is indeed true of robotics, of automated machines and equipment; but it is not so in the case of improved communications. Furthermore, CAD/CAM systems introduce new possibilities that may expand demand, thus generating additional employment. Even office mechanisation and computerisation can generate a "work-amplifying" effect [2] through their positive impact on labour demand and job content. Another compensating effect has been produced as many jobs have become available in the computer industry itself. Thus the overall effect is not clear-cut, though in the short term, at least, the body of evidence points to more displaced workers, and in a stagnant market the labour-saving effect tends to be amplified.

There are also other employment aspects that need to be underlined. Introducing automated equipment in the garment industry (such as laser cutters) or in the canning industry displaces more women than men. Similarly, those who bear the brunt of advanced technology are usually older workers and first-time jobseekers. The dilemma facing enterprises is how to introduce a new technology without creating havoc on the labour market.

It is also a fact, which was borne out in the round-table discussion, that the gap is widening between workers who are able to meet the technological challenge and adapt their skills and attitudes to new requirements and those who for reasons of age, education or work attitudes experience serious difficulties in adjusting. The retraining and re-employment of workers in declining industries continue to pose an enormous challenge to public authorities and enterprise managers alike. In some cases, as in the Lorraine in France, enterprises that are undergoing drastic adjustment receive a government subsidy equal to as much as two years' wages of the workers

being made redundant or being relocated. During this two-year period they are expected to retrain the worker and identify at least two job openings for him. After that they are free to do away with the job. In the USSR retraining of workers for redeployment within the enterprise is the responsibility of the enterprise, which also pays the worker his full wage during the retraining period. If the redeployment is to another enterprise, the retraining is carried out by a specialised institute and the worker being retrained receives 80 per cent of his wage for up to six months. In yet another example, the State of California reimburses training centres and enterprises for the cost of training but only in respect of workers who remain employed 90 days after the end of the course.

Changing occupational profiles. Technology is affecting job profiles in two ways. First, some jobs are likely to be in high demand but others will gradually disappear and new types of skills will emerge in their place. Second, the degree of proficiency needed for certain occupations is also changing. The jobs likely to be in high demand include technicians with software abilities, electrical and electronic engineers, middle- and high-level managers possessing information systems skills, and advanced maintenance personnel, particularly in robotics, hydraulics, computer systems and electronics. For example, an EEC study published in 1984 estimates that technicians and engineers will constitute 40 per cent of the British workforce in 1995, compared with only 6 per cent in 1980, and that this massive increase will come at the expense of craftsmen and semi-skilled or unskilled workers whose share will decline from 41 per cent to 10 per cent during the same period. Moreover, as noted above, technology will create a demand for new types of skills. In a new BMW factory built a few years ago in the Federal Republic of Germany, for example, 25 per cent of all the skills were new types – called "hybrid skills" – for which no training manuals existed.

New technology also affects the degree of proficiency needed for various jobs. Some have predicted that we are heading for a polarisation of the workforce into a high technology élite and a group that is technologically illiterate. What will happen in the short run is unlikely to be that dramatic, however, for in many industries advanced technology will exist for a while side by side with traditional technology. Similarly, certain luxury goods may be immune, at least in the foreseeable future, to the introduction of advanced technology. Nevertheless, this trend will increasingly manifest itself. The problem is what to do with workers whose jobs have been reduced to monitoring information alongside those who actually perform the operation and must understand how it really functions, or be of help when it breaks down.

Education and training. To prepare society for advanced technology, education and training systems need to be reviewed to render them more flexible and responsive to changing demands. Advanced technology requires not only more literacy, but also more numeracy. Thus there are calls for schools to reinforce mathematics and science subjects. This, however, should

be done without sacrificing the other elements of a well-rounded curriculum. In training institutions there is a need to move away from narrow specialisations to conceptually richer and broader programmes and to modular types of courses. These create occupational flexibility and facilitate the transition from one occupation to another and render the upgrading of knowledge easier. The real question, however, is how to bridge the gap between what schools teach and what enterprises require. Recent research carried out in Sweden found that training institutions take on average five years to catch up with innovations and develop training programmes to deal with them. Some industrialised countries have adopted measures to reduce the time-lag between technology development and training. In the United States, Japan and the Republic of Korea, for example, science towns have sprung up where training curricula are developed alongside product and process research and development. Other measures include the delegation of decisions on curricula to branches of industry and individual provinces, thus avoiding heavy centralised control. These developments raise a basic issue for the enterprise. To what extent can it intervene in decisions concerning the reform of the education and training systems and what is the most effective way of doing so?

It is also becoming increasingly evident that the spread of technology will entail more training and skills upgrading within the enterprise. With rare exceptions, as in Singapore, the enterprise will have to organise its own training programmes for the new technology it has developed or acquired and, by the same token, assume a higher share of the cost of developing human resources.

Working arrangements and managerial attitudes. The development and application of new technology require team work. The innovations due to research and development are rarely the fruit of a single person's efforts. Predisposition to working in a team, as was noted in the round-table discussion, is just as vital for precipitating and for coping with change as learning and applying the technology itself. Many of the innovations in enterprise activities are the outcome of new forms of work organisation, quality circles, business clinics and campaign drives, all of which are a manifestation of team work. With this in mind, Japanese and some European educational institutions are increasingly emphasising team work skills in their programmes.

Other important factors in building a supportive structure for advanced technology are working arrangements and the involvement of workers in its introduction at the workplace. Owing to their neglect, the experience of some enterprises in developed countries with advanced equipment and with robotics has not been entirely positive, particularly in the early stages. A documented study shows that hostility towards advanced equipment resulted in a substantial shortfall in expected productivity gains in many enterprises in the United States. The question of work organisation will be discussed later on, but it remains a determining factor. Frequently the emphasis should be

less on putting more robots on a traditional assembly line than on reorganising work in such a way as to introduce greater variety in job performance and hence provide more opportunities for learning. Inasmuch as working arrangements can influence attitudes, the way technology is introduced and made acceptable to the workforce is just as important as the technology itself. Managers increasingly recognise that the participation of workers and their representatives in decisions about new technology can do much to facilitate its introduction, and that it is important to bear in mind their views and experience, collectively and individually, in arriving at or reviewing such decisions. In this process, several industrial relations problems can arise.

Industrial relations. Plans to introduce new or different technology in an enterprise give rise in many instances to fears or friction and pose numerous questions such as the opportuneness of such measures; the possibilities of consultation and negotiation on the relevant issues; and the impact of the technology on the relative bargaining power of the parties to industrial relations.

Worker involvement can take place at many different stages, beginning with the decision whether a change in technology is needed or possible. Indeed, whereas in the past managers might have considered that worker involvement, particularly through trade unions or other forms of worker representation, constituted an unacceptable infringement of their prerogatives, such involvement is now often actively sought, particularly in some Western countries where unions are increasingly pursuing economic and productivity objectives in co-operation with management, while retaining their traditional functions of defending their members' rights and interests. Thus, notwithstanding their misgivings and reservations about the consequences on employment levels, job content and traditional bargaining practices, in all of which matters they naturally demand a say, trade unions in these countries now generally accept the need for change in order to maintain competitiveness on national and international markets. That acceptance is reflected in many union pronouncements or joint or tripartite statements at the national, and even international, level. For example, in May 1984 the European Community's Standing Committee on Employment, which includes trade union representatives, unanimously approved a series of recommendations on the introduction of new technology calling, inter alia, for consultation with, and information for, workers.

Three factors are particularly relevant when it comes to the involvement of workers' representatives in the introduction of new technology at the workplace: the moment when involvement starts, the questions open to discussion or negotiation, and the extent of the involvement.

As regards timing, should management commence consultation or negotiation before making a final decision on the introduction of a new technology? This leads to the question whether the sequence and speed of introducing new technologies should likewise be discussed.

The next question is whether consultation or negotiation should cover the repercussions of new technology on the workforce: the consequences for employment levels, skills, job classification, training requirements, pay systems, health, safety and other working conditions, the distribution of the benefits resulting from its introduction and possible compensation for its adverse effects (displacement or termination of employment). As we have already noted, there seems to be a growing recognition by all parties that effective contacts between them on as many questions as possible will smooth the process of bringing new technologies into the workplace.

As regards the extent to which trade unions or other workers' representatives should be involved, the basic question is whether management should "merely" consult them or should actually engage in collective bargaining with them on the relevant issues. While tradition in many countries would have it that management's duty to bargain is confined to the consequences for workers of the introduction of new technology, there seems to be a discernible trend towards increased bargaining on many, if not all, aspects of the matter. Indeed, recent legislation in some European countries enlarges the scope of mandatory bargaining to include questions relating to the manner of introducing new technology at the workplace. Similarly, the development of systems of worker participation in enterprise decision-making (co-determination or otherwise) serves to bring wider aspects of technology introduction into the participation process.

Any consideration of the interaction of new technology and industrial relations must take into account the trend evident in many countries towards decentralisation of industrial relations, and of collective bargaining in particular. While certain general principles can be laid down at the national or the industry level, the introduction of new technology and its consequences are essentially matters that have to be dealt with at the enterprise level. Recognition of this, and of the fact that many other problems, especially those related to increased labour market flexibility, require treatment at the enterprise level, has undoubtedly contributed to decentralisation. However, as we shall see in greater detail later, efforts to deal with these matters within the enterprise or workplace have been hindered in some countries by their trade union and industrial relations structure. Particularly in central Europe (e.g. Austria and Switzerland), where there has been a tradition of trade union action concentrated at the industry and national levels, unions have sometimes found themselves faced with the problem whether to shift their focus to the enterprise level so as not to leave technology-related and other issues exclusively to managerial action or, where they exist, to representative, but not necessarily union, groupings such as works councils. The concomitant problem of relations between trade unions and works councils likewise has yet to be resolved. Works councils, it should be noted, are also increasingly being developed in socialist countries, bringing about a new relationship between management and labour there.

When discussing the question of worker involvement several participants in the round table noted that in some countries unions had been reluctant to face certain burning issues such as how to share power with management on the shop-floor, how the new jobs should be classified, wage structures revised and retraining organised to produce the new skills needed.

Flexibility

Advanced technology has increased flexibility in the production of goods and services. Information systems permit an easier and quicker evaluation of alternative courses of action. Flexible manufacturing systems allow enterprises to switch from one product and process to another fairly rapidly. Armed with these new tools of flexible production, many enterprise managers are calling for a matching flexibility in the deployment of human resources, in working practices and in wages. At the same time the goal of flexibility has also been pursued in its own right, irrespective of the state of technological development within the enterprise.

In connection with human resources, however, the term flexibility can be used in different ways according to the context, each giving rise to a different set of problems. It can be used to mean, by turns, the ability to reduce or increase employment or wage levels with ease; the ability to increase mobility; the ability to make more elastic use of skills; the ability to introduce non-conventional working arrangements. Because it lends itself to so many different interpretations, human resources flexibility has given rise to considerable controversy and attempts to promote it have met with resistance.

Enterprise managers see flexibility in deploying human resources as a way to protect themselves against an increasingly competitive market, not only nationally but globally. Thus greater flexibility in the workforce or working arrangements will help to reduce direct labour costs. On the other hand, uncontrolled labour market flexibility can adversely affect acquired rights and labour standards, and accordingly the labour movement has regarded the flexibility issue with prudence at best, and sometimes with outright hostility. Such opposition was prevalent in the early stages of the debate because of simplistic notions of what flexibility was all about – when it was interpreted as the employer's right to change levels of employment and wages at will, sweeping away the regulatory framework as if an atomistic buying and selling of units of labour could achieve high efficiency. In reality, labour market institutions serve many purposes and a variety of conventions and institutions are needed to regulate working time, to keep in check possible exploitation, to avoid continual renegotiation and to facilitate the sharing of long-term benefits. Thus the flexibility debate is not simply about eliminating rigidities, but about the creation of new relationships, new types of labour contracts, new forms of work and remuneration and new

institutions to regulate these changing relations. These various forms of flexibility and the various issues they raise for the enterprise are highlighted below.

Adjusting the level of employment

The ability of enterprises to adjust the size of their workforce (sometimes called numerical flexibility) has become a major preoccupation of employers and economic planners at a time of rapid economic and technological change. Restrictions on quantitative labour force adjustments sometimes arise from legislated (or bargained) job security measures and lead to higher labour costs (as well as to employer reluctance to recruit new workers). The apparent greater flexibility in the United States (with few or no restrictions on economic layoffs) and Japan (with job security extending only to a fraction of core workers) is often cited as a reason for the greater success claimed for these countries, by comparison with many in Europe, in taking adjustment measures and in simultaneously maintaining higher employment levels. It should also be noted that greater flexibility in employment practices is also being introduced in the USSR, China and some Eastern European countries.

For employers, productivity and enterprise viability lie at the heart of the debate. This concern has been due largely to the stiff competition that began during the recession and is continuing, in the industrialised countries, during the present period of recovery. While the importance of job security as a motivation is recognised, it is not a precondition for, nor sometimes even conducive to, higher productivity. There was a general feeling at the round table that the days when governments (or collective bargaining) in certain industrialised countries brought employment protection to levels that had seriously jeopardised the productivity of industry were a thing of the past. As mentioned earlier, in those countries it is being increasingly accepted by management and workers alike that job security depends on enterprise performance as a whole, and management is now less inclined to regard it as a subject for negotiation. The experience of FIAT in Italy is an illustration of this. The large-scale layoffs made in the early 1980s, associated with major technological innovation and reorganisation, have resulted in a marked upturn – not only in productivity, but also in job satisfaction and subsequently, to some extent, in employment creation, since the company has been able to re-engage over 25 per cent of the displaced workers within the past few years.

In developing countries, however, as was noted at the round table, the issue of numerical flexibility, exacerbated by fast demographic growth, must be seen in relation to political stability. Human resources flexibility makes sense as a concept in a tight labour market. However, in periods of recession it becomes difficult to apply (although it may be precisely then that greater flexibility is needed).

Workforce reductions by employers are subject to three kinds of restrictions. The first is the very large degree of job security enjoyed by workers in certain countries or in certain sectors or occupations where enterprises can resort to termination only in the event of misconduct or similar reasons and not because of their economic circumstances. While this is not usually the case in the private sector of industrialised market economies, such rigidities are not uncommon in a number of socialist and developing countries, and to a certain extent in the public sector, or at least the civil service, of countries at all stages of development. The second, and more common, type of restriction is the cost of termination, in the form of statutory severance payments, which for many employers constitutes an excessive increase in labour costs, and therefore makes them think twice before proceeding to needed workforce reductions. Finally, in a number of countries, even where terminations for economic reasons are not restricted as such, and where severance payments are not a problem, the procedures of termination are considered to be too rigid and, more importantly, too slow. An example often cited is the need to obtain prior administrative authorisation for terminations. Employers argue that they must be able to act rapidly in making workforce adjustments.

In many countries pressures to modify the rules and procedures governing job security have been resisted by workers and their organisations. They argue that such modifications could turn back social progress generally and that any substantial weakening of job security would have an adverse impact on worker morale and motivation in the enterprise, and hence on productivity. It is clear that dismissal entails considerable social costs which need to be taken into account. The main question here in fact is what degree of employment protection is compatible with the need for enterprises to adjust effectively to changing conditions.

Numerical flexibility poses the dilemma of what to do with displaced workers. During the round-table discussion the view was expressed that in the developing countries, rather than put such workers in make-work public sector jobs or let them swell the ranks of the unemployed, it would be more beneficial, both economically and politically, to devise schemes under which they could be employed on public or private ventures for building infrastructure. Finding alternative jobs for displaced workers is clearly crucial to the success of the restructuring process.

Non-conventional working arrangements

Related to the rigidity or flexibility governing quantitative workforce adjustments, but in many ways more complex, is the use by employers of non-conventional types of employment. Instead of regular, protected, full-time employment, we find a growth in "atypical" forms of work, some of them precarious and unprotected. Taken in conjunction with quantitative workforce adjustments, these forms of work are seen by many trade unions

as further evidence of deterioration in both job security and conditions of employment, as a threat to their ability to organise, and a dilution of their bargaining power. Several types of non-conventional work are increasingly found, particularly in the labour markets of industrialised countries, some of them new, others the continuation or resurgence of old practices:

Part-time work. There has been a steady growth in part-time work, much of it female, in recent years. It tends to be relatively low-skill work, and to be less well protected than full-time work.

Temporary work. Various forms of work with a fairly short time horizon can be identified: fixed-term, interim, casual and other short-term jobs. Apart from the insecurity such forms of work imply, and their adverse effects on the organisation and bargaining power of labour, they may result in lower levels of work overall because of periods of unemployment between jobs.

Disguised wage work. Various types of subcontracting, and the use of commission agents and homeworkers, are effectively forms of wage labour without the social advantages of being classified as such. There is even anecdotal evidence of employees being encouraged to quit their enterprise and to continue their former work on a subcontracted basis.

Low-productivity forms of self-employment. These are growing in some countries, where they reflect urgent needs for income in the face of high and persistent unemployment.

Compared with the more traditional employment relationship, such working arrangements are frequently precarious, offer little protection to the workers and undermine labour standards. Furthermore, they have contributed to the levelling off, and in many cases the decline, of union membership, and the effectiveness of trade unions in defending the interests of those in atypical jobs is a matter of concern.

Nevertheless, the implications for the individuals concerned of involvement in this type of work are very varied. There is clearly a proportion of the workforce that does not aim for the "standard" job, and it can be expected to expand with rising incomes and increasingly diverse demands for leisure. There is no doubt that some people voluntarily opt for part-time work; and the same voluntary choice is true for homeworkers and some self-employed contract workers. A growing number of people have also shown an interest in teleworking, a form of homeworking using personal computers and networking which can be combined with domestic responsibilities or leisure interests. In several countries there has also been a debate on a new form of job sharing in which a couple may both do paid work, say, for six hours a day, and hence are able to achieve a more satisfactory domestic division of labour. But these various forms of work do not really portray the current pattern of jobs on offer in the labour markets in most industrialised countries. Indeed, most of the non-conventional forms of work tend to be associated with low pay, high levels of unemployment, limited or no career ladders, and increased labour market insecurity.

A combination of conventional and non-conventional types of jobs constitutes what is often called the "flexible enterprise" – i.e. one that combines a permanent, regular skilled workforce with an insecure stratum of secondary workers, taken on and let go according to short-term production needs. This sort of flexibility depends on the ability of enterprises to impose such a job structure – which may be facilitated by a lack of solidarity between the regular and fringe workers. Accordingly, its application is rather restricted in manufacturing and the like, but more widespread in such activities as construction and retail fast foods.

Economic conditions permitting, the development of a stable and committed workforce is a more desirable long-term aim for most enterprises than the use of secondary workers. If recourse to the latter is growing in importance in industrialised countries, it is partly because of intensified competition between workers for the few jobs available. But it is also because enterprise survival in an increasingly competitive environment depends on cutting wage costs, at a time when competitors are doing so through the use of precarious and vulnerable forms of labour. The classical response to this situation is to regulate the labour market effectively, setting standards such that competitive behaviour is directed elsewhere.

Occupational flexibility

Adjustment and the introduction of new technology place a premium on new skills or on skills that can be continuously upgraded. The introduction of new forms of work organisation in some enterprises has also created a need for multi-skilling.

Of particular interest, however, has been the large-scale introduction of computers and information systems in virtually all aspects of the production of goods and services. At first it was thought that an army of programmers, systems analysts and other information specialists would be needed to man the equipment in every enterprise where hardware was introduced. This, however, did not happen. On the contrary, computer knowledge and familiarity with the necessary software have become an adjunct to original occupational skills, be they management or vocational skills. Thus enterprises experience the need to do two things: first, to expand occupational boundaries, for example by adding computer knowledge, or by training workers for new occupations that require a knowledge of more than one skill, e.g. electro-mechanics; and second, to upgrade acquired skills continuously so as to keep up with advanced technology. Occupational flexibility has therefore meant supplying a person with the type of training needed to make him more versatile and enable him to handle more than one occupation, and at the same time update his knowledge continuously so that he can function effectively in a range of related occupations with little retraining and little additional effort.

This trend was seen by some participants in the round table as inevitable as society evolves towards greater choice for the individual. Those trade

unions which view multi-skilling with suspicion may be expressing views that are not shared by many of the workers they represent. In some companies, such as FIAT, the process of reorganising and restructuring productive activities aimed, inter alia, at increasing the creative component of individual jobs. This was accompanied by the installation of sophisticated monitoring systems that allowed a feedback on the way the process was working. A crucial part of the process was the retraining of manual workers so that they could acquire polyvalent skills. This enabled them to exert greater control over the production process, and the possibility is now being considered of giving them an increasing role in maintaining quality standards.

Occupational flexibility can be imparted through systematic and corrective education and training, and by using suitable methodology such as modular programmes. In many cases this form of flexibility has been welcomed by workers who see in it an opportunity to learn another skill and so provide themselves with additional protection against changing skill requirements on the labour market. In other cases, however, the implementation of occupational flexibility schemes has been hampered by job classification systems that tend to restrict workers to narrowly defined tasks and make for rigidity. This has been recognised in some enterprises where unions have eased their insistence on adhering to tightly defined and numerous job classifications in return for other benefits such as higher wages or increased job security. In some of the newer plants in the American automobile industry, for example, the number of job categories has, in agreement with the union, been halved by combining tasks. Technological change has certainly enhanced the tendency towards fewer and broader job classifications, and there is now wide acceptance that greater occupational flexibility and job enlargement are essential if enterprises are to remain viable and competitive.

Labour costs, wage flexibility and new pay systems

The viability of enterprises on competitive national and international markets is obviously affected by direct labour costs at the enterprise level and the policy on wages and indirect costs at the macro level. In Western Europe wages appear to be relatively inflexible, so that enterprises faced with economic difficulties have to curtail their activities or resort to non-conventional working arrangements, whereas in the United States adjustment has taken place largely through real wage moderation or reductions and in the socialist countries of Eastern Europe mainly by increasing government subsidies. The greater wage flexibility in the United States is attributed to limited union coverage, desynchronised bargaining, limited wage indexation and long-term wage agreements, and was further facilitated in the 1980s by the increase in "concession bargaining", two-tiered wage structures and pay systems linked to the enterprise's profitability or productivity. Some observers believe that these wage determination practices

were a major factor behind the creation of nearly 26 million jobs in the United States between 1973 and 1986; over the same period, Western Europe experienced virtually no job growth, but substantial productivity growth. Nevertheless, job growth in the United States has been concentrated largely in low-wage, unskilled activities, commonly in services, and has been associated with increasing inequality; and it has been accomplished at the cost of increased job insecurity. The "rigidity" of the European labour market is also easy to exaggerate.

Besides wages, indirect labour costs constitute a large proportion of total labour costs. Defined broadly, indirect costs include employer contributions to statutory social security and private pension and insurance schemes, payroll taxes, pay for time not worked, payments in kind, training levies and various welfare services provided by the employer. In many industrialised market economy countries the share of non-wage labour costs frequently amounts to over 40 per cent of the total and it has been rising steadily for many years. Of particular concern are statutory employer contributions to social security because of their amount and the fact that they are calculated as a payroll tax. In addition, certain forms of indirect remuneration tend to make labour costs a fixed expenditure for each worker, rather than variable according to hours worked. This tends to raise the marginal cost of hiring an additional worker and to lead employers to react slowly to opportunities for increasing output or to do so by expanding overtime work rather than by creating new jobs.

In the USSR and the other socialist countries in Eastern Europe, there has been a growing trend to link wages to group performance. The system of work in brigades is perhaps the best-known example. The brigade is a collective that enters into a contract with the enterprise management to deliver a finished product for a specified sum which it distributes among its members, each according to his or her contribution. Brigade members include both time-rate and piece-rate workers as well as salaried employees. The brigade receives a premium if it surpasses the target and suffers a reduction if the target is not met. Premiums are paid both for results and for savings in labour costs and raw materials. Similarly, other wage system reforms have been made in these countries in order to provide stronger incentives for better individual worker performance and for greater regional, occupational and inter-industry mobility. These changes have been facilitated by the enhanced autonomy granted to enterprises on wage matters.

In addition, an idea that is gaining support nowadays in a number of countries, including some socialist ones, is that the workforce can be more effectively guaranteed security of employment and encouraged to work hard if remuneration packages are more closely tied to some measure of company or enterprise performance, such as output, productivity or profitability. Thus in socialist countries the principle of self-financing of wages has gained ground while in industrialised market economies various forms of productivity-gain-sharing, profit-sharing, stock-ownership or saving schemes

have been promoted, often through government policies. Although the main goals of most of the schemes are greater wage flexibility and improved worker motivation, they are also sometimes viewed as a means of ensuring a wider distribution of wealth, improving employer-employee relations and promoting greater savings and investment. However, the actual economic and industrial relations implications of financial participation schemes remain a subject of considerable debate. To begin with, there is considerable doubt about the extent to which the workforce may be willing to accept greater income insecurity. Second, employment growth may be retarded rather than promoted if workers with jobs in profit-sharing firms effectively oppose new recruitment in order to maximise their incomes. Third, real labour costs may accelerate in the short run if employers concede ordinary pay rises on top of profit-sharing payments to secure union agreement to longer-term changes in the payment system. Fourth, if wages generally move in line with profits, the stability of product markets may be undermined owing to wider fluctuations in consumer purchasing power. In this case the peaks and troughs of the economic cycle would intensify and the increased uncertainty might have adverse effects on investment and employment. Finally, an adjustment of wages in line with profits may imply a lowering of the latter which, in the longer term, can prove an obstacle to the channelling of differential profits into investment.

Whereas financial participation and collective payment-by-results schemes have expanded, there has been a steady movement away from traditional forms of payment by results, where earnings are linked in an incremental manner to measures of individual output. Contributing considerably to this trend are changes in technology and production arrangements that have made it more difficult to measure individual output and more essential to encourage co-operative, flexible, innovative and reliable behaviour at work. With rising capital investments in technology, employers seek effective, rational utilisation of machinery, stabilisation of output and predictability of overall performance, rather than the maximisation of individual effort. This has resulted in a shift towards time payment systems (sometimes combined with some form of merit rating) based partly at least on non-output related measures of performance (such as machine utilisation, savings in raw material and energy, or attendance) or on group or enterprise indicators of performance. There has also been increased interest in differentiating basic pay according to the performance of individual workers. In France, for example, significant efforts have been made by employers to overcome the excessive uniformity of wages through the "individualisation" of pay increases according to performance. This system is increasingly applied to supervisors and technicians and also, though to a lesser degree, to semi-skilled and unskilled workers. In the Federal Republic of Germany performance appraisal, often combined with some form of bonus pay or differentiated pay increases, has frequently been used to reward flexible and dynamic behaviour of workers.

In the interest of greater work assignment flexibility, there is also an increasing emphasis on pay practices that reward individuals for assuming a variety of duties and responsibilities. In addition to changes in bonus and performance appraisal/merit rating systems, this has been brought about through modifications in job evaluation schemes. For example, the relative importance attached in these schemes to factors such as mental stress and responsibility – especially for work organisation, quality standards and care of machinery and premises – has been increased.

Ownership, control and decentralisation

The need for adjustment has opened anew the debate on ownership and control of enterprises and policy-makers have begun to reassess the relations between the State and enterprises in the public or private sector, including government disengagement, privatisation, new forms of participation and state regulation of enterprise activities.

Ownership and control

Over the past decade or so there has been a shift in the dominant philosophy concerning the role of the State in the economy. This has occurred in countries at widely differing levels of economic development and with very different political systems. During much of the post-war period, and with few exceptions, the State was widely seen as the engine of economic growth, sometimes as the sole controlling agent of economic decisions, sometimes as the leading actor, but always with a major interventionist role. There were many reasons for this. Some derived from the prevailing economic environment which made it difficult for enterprises to take long-term strategic decisions; some related to the patterns of inequality and exploitation that arose from the unregulated interplay of economic forces; some concerned the importance of social goals which the marketplace often failed to value appropriately. The result was an emphasis on macro-economic planning, the vesting of key investment decisions in the State, the building up of a public sector which directly controlled certain critical types of production, a propensity to intervene in or tightly regulate many market processes, and a centralisation of much decision-making at the macro level.

In recent years this process appears to have gone into reverse. There is less enthusiasm for macro-economic planning. In many countries the State is withdrawing from various areas of activity, either by divesting itself of a good number of public enterprises or by calling on the private sector to take on a greater share in the achievement of social goals. Decision-making is increasingly expected to be decentralised, and the State is seen to be widely abandoning the role of principal economic actor. This tendency shows up not

only in the privatisation of state production, but also in the deregulation of private activity.

This shift of emphasis has many causes, a crucial one being the continuing series of crises in the world economic system. On the whole, economic planners have responded unsuccessfully to the shocks from which that system has been suffering over the past 15 years. The dependence of national plans on an uncontrolled international economic environment has undermined the ability of state planners to perform well, particularly in countries whose economies were open to the interplay of global economic factors. This world-wide interdependence has reduced the degree of freedom of national planners and also affected state economic activity directly: state enterprises find it much more difficult, for political reasons, to reduce their workforces in the face of economic recession than private enterprises, and even more so to force an upward revision of pricing when one is warranted, particularly those that are in a monopolistic position, since in many cases they are the key instrument of the State in price stabilisation policies. The public sector has therefore found itself accumulating larger and larger financial losses as economic growth slowed, and some unprofitable enterprises have been taken over by the State to avoid their closure. At the same time, and partly as a result, the image of public sector activity has shifted from a positive view of control of the commanding heights of the economy to that of an undynamic financial burden, a constraint on economic growth.

Alongside the change in the external environment, there has been a shift of focus from ends to means in the operation of public sector enterprises. Attention has increasingly focused on the cumbersome decision-making procedures in the public sector; on unrealistic hiring rules, internal hierarchy and promotion systems that bear little relation to productivity or competence; on a general lack of dynamism and innovation; on the fuzziness in the specification of social objectives which makes it difficult to identify the best yardstick of efficiency or accountability. There is also a widespread view that in many developing countries, especially in Africa, the public sector has overextended itself by going into areas of economic activity beyond those it can manage effectively; frequently it has become the major employer, accounting in some countries for 20 per cent or more of total employment and in some for more than half of formal employment. The prevailing ethos has become more and more to "roll back the State".

And yet one can detect a sense of uneasiness about this shift of fashion. For many of the reasons that earlier led to a reliance on the State remain valid today. In developing countries long-term strategic planning which can realistically be undertaken only by the State is essential if small, resource-poor economies are to find and hold niches in increasingly competitive world markets. Social objectives continue to call for structural change in the control of productive resources, in access to and creation of jobs, and in making goods and services accessible to the population at a reasonable price. There

is thus no reason why a retreat of the State from the economy should lead to improved resource allocation for society as a whole. And many of the disadvantages of public sector enterprises can also be found in large, bureaucratised private sector enterprises. One is faced, then, with conflicting objectives and situations: on the one hand, many of the objectives of state intervention remain valid; on the other, the performance of the State has often been poor. Does this mean that the choice is between good objectives but poor performance, and good performance in the attainment of poorer objectives?

One of the most pronounced forms of state withdrawal is manifested in the recent trends towards privatisation which, apart from the reasons discussed earlier, is also seen as a means of raising revenue and a way to promote popular capitalism through a wider distribution of share ownership. Privatisation moves in the United States have taken the form of contracting out traditional public services, whereas in Western Europe and some developing countries privatisation has meant the denationalisation of public sector enterprises. A World Bank study of 28 least developed countries carried out in 1986 shows that of 3,975 public enterprises 35 went bankrupt, 102 were closed, 85 were sold (fully or partially), and 45 were leased or their management contracted out during the period 1980-86. Another unpublished study carried out by the International Monetary Fund in 1987 notes that in Africa 35 per cent of the public enterprises in 16 countries were targeted for privatisation. In Latin America 16 per cent of public enterprises in 12 countries, and in Asia 3 per cent in nine countries were earmarked for privatisation. The difficulties facing the least developed countries are the absence of capital markets, the rarity of potential local buyers and the resistance to privatisation on the part of major interest groups. Furthermore, when privatisation takes place in response to a budgetary crisis, as has happened in some countries of West Africa, the labour market consequences appear to be severe. If public sector employment dries up overnight, or if privatised enterprises engage in large-scale dismissals, labour market patterns may be severely disrupted and the results may include high levels of unemployment, inappropriate patterns of skills and abilities, distorted job expectations and lopsided wage structures.

Experience with privatisation in industrialised countries shows that when large public enterprises are in a monopolistic situation the transfer of ownership does not in itself guarantee greater efficiency. The existence of competition or of effective regulation where competition is limited affects economic performance much more than privatisation *per se*. In the United Kingdom, for example, it was not anticipated in planning the privatisation of the telecommunications and gas enterprises that their monopolistic power was simply going to shift from public to private hands. Subsequently, regulatory bodies were established to monitor these privatised enterprises, which appeared to be a step in the right direction but would have been unwarranted if they had been in a competitive situation. Some commentators

have therefore advocated reducing monopolistic power prior to privatisation, say by breaking large enterprises into smaller ones by product line or geographical location. Another important problem to be tackled is the way an enterprise management and work habits can be transformed from a public sector mentality to a private sector environment. To promote creativity, exploit business opportunities, take investment decisions in a rational manner, mobilise and motivate the workforce and revise policies and procedures – all require preparation, proper planning and training of managers to enable them to cope with the new situation.

In privatisation moves, a pragmatic and flexible approach should be pursued in developed and developing countries alike. For example, some participants in the round table mentioned that outright privatisation of the health service and its institutions might be economically and politically undesirable since there is no evidence that private health services improve life expectancy or other aspects of health to a greater extent than public health services. Some parts of the public health sector, such as the catering service, could nevertheless be privatised, often with increased effectiveness.

Some socialist countries are implementing programmes that have a number of objectives in common with privatisation moves in market economies. These programmes involve divesting some of the state assets, and are oriented towards increasing the enterprise's autonomy as well as freedom of choice for the individual, the co-operative and the work collective.[3] Like privatisation programmes, they aim at breaking inefficient state monopolies, strengthening pluralism in the provision of goods and services and hence increasing freedom of choice for the consumer. Two distinct trends can be identified here. The first is the rapid expansion of the non-state private initiative sector through the new co-operative movement. Second, the nature of state enterprises is changing and the goal is to make them financially independent. To raise investment capital, firms can issue a certain proportion of shares for sale to their employees. Under the new economic reforms, the State in the USSR will not be responsible for an enterprise's debts, and the enterprise has been given more latitude to manage its own affairs.

In developing countries privatisation needs to be carefully planned. As several participants in the round table remarked, some state enterprises yield a very high return on investment, particularly those in the oil sector. Why should the State divest itself of such a wise investment? In other cases the losses are so high that potential buyers are hard to find. It may therefore be necessary to set up a programme for rehabilitating public enterprises as a first step. Another problem faced by these countries is the absence of a well-developed capital market capable of effectively channelling savings for that purpose. The lack of qualified managers needed to run the newly privatised companies constitutes a further obstacle. A fear was also expressed about inflationary pressures that privatisation may generate. If subsidies are reduced or eliminated and freedom is allowed in price fixing, the burden of

adjustment may fall on the poor. Market corrective measures are unlikely to be effective in developing countries in the short run since competition is usually anything but near-to-perfect. Price hikes, it is also suspected, once made, may be difficult to roll back later on. In freeing prices, therefore, it is essential to keep consumption pressures within limits and to ensure that income differences between the public and private sectors and among population groups are not exacerbated with a corresponding rise in social tension.

The round-table discussion reinforced the impression that privatisation moves may face stiff resistance from various sources. Certain interest groups may oppose privatisation (or "socialisation") programmes from fear of losing their power position or privileges. Unions may be concerned about the security of employment or their own position in the enterprise. Hence there is a need to prepare the ground for privatisation.

In addition to privatisation, there are growing moves in many countries to foster private initiative, self-employment and small enterprise development, and in some socialist countries to develop new forms of co-operatives and encourage individual labour activities. These moves have been made with various goals in mind, including the promotion of employment at relatively lower cost, geographical decentralisation of economic activities and a more equitable distribution of income. Furthermore, small enterprises, more than large ones, seem to be a breeding ground for potential entrepreneurs, hence their promotion may provide a platform for expanding economic activities. What is needed at present is a synergy not only between public and private enterprises, but also between large and small enterprises.

Deregulation and new patterns of collective bargaining

Calls for disengagement of the State from economic activities have sometimes been accompanied by calls for a revision of the regulatory framework where it is seen as stifling good economic performance in either the public or private sector. In economic settings where state control has been excessive, some such deregulation can only be beneficial. However, the sort of deregulation that results in cancelling out social gains has given rise to considerable debate. Clearly many enterprise managers feel that they can improve their economic performance if they are relieved of the burden of laws and regulations that restrict their freedom in hiring or firing, that impose levies on them (e.g. for training purposes) or the obligation to provide subsidised housing and transportation to their workers, that penalise them if they allow hazardous working conditions to exist, pollute the environment or engage in restrictive trade practices.

As the round-table discussion of this issue showed, one needs to distinguish between regulations directed at economic control, such as those to establish price controls or rigid state supervision, and regulations dealing

with social matters, such as safety and health or conditions of work. There was a strong feeling that social gains, particularly those achieved through the standard-setting activities of the ILO, should not become undone in the name of economic expediency.

It was also noted, however, that governments, particularly in developing countries, face conflicting obligations when trying to deregulate the economy. This may happen when they are called upon to maintain wage levels at a time when the massive influx of new entrants into the labour market is pressing them down. Similarly, while a government may strongly believe that deregulation will boost economic growth, it is often politically impossible to eliminate subsidies and price controls without risking political instability.

The pattern of industrial relations has also been affected, especially in industrialised countries, by recent trends. A number of regulatory measures had been introduced in enterprises in the past as a result of hard-won benefits under collective bargaining agreements, often conducted at the national, multi-industry or industry level. Recently, however, and particularly in Europe, the emphasis seems to be shifting from multi-industry and industry-wide to enterprise-level bargaining. The trend towards decentralisation is largely explained by the fact that certain adjustment problems, such as the size of the workforce, the introduction of new technology and the ensuing changes in work organisation, can only be resolved adequately at the level of the enterprise. Moreover, many employers are convinced that only enterprise-level bargaining can offer the flexibility needed in organising production and in making wages more responsive to economic realities. If this trend continues it is likely to result in fundamental changes in the system of industrial relations in these countries. Multi-industry and industry-wide bargaining was the price that the social partners were willing to pay in order to avoid the risk of anarchy in industrial relations and to achieve social and economic stability over a fairly long period of time.

A continued decline of multi-industry negotiations and the flourishing of enterprise-level bargaining might also have significant consequences for employers' and workers' organisations. In particular, negotiations would escape the influence of central or sectoral organisations, thereby eroding their influence. Are European employers and workers prepared to accept such radical changes? If so, will they compensate for the loss of influence in collective bargaining on the part of these organisations by, for instance, entrusting to them the provision of more individualised services for members in such areas as management consultancy, training or workers' education?

Also noteworthy is the introduction of a variety of more or less informal arrangements for co-operation between management and labour with a view to improving the organisation of work and to increasing productivity, particularly when introducing new technologies. These arrangements may take the form of participatory personnel policies or standing consultative committees. Efforts have been made in certain instances to prevent the

involvement of trade unions in these arrangements, frequently by restricting participation in works councils or similar bodies. But even these bodies are sometimes circumvented, with management seeking to conduct direct relations with workers on matters that previously may have been dealt with collectively. Here there is a discernible trend for certain issues to be shifted from the domain of collective relations to that of individual relations or from "industrial relations", which are essentially bilateral, to a form of "human resources management", which is basically unilateral.

A noticeable trend in socialist European countries, as mentioned earlier, is to increase the bargaining power of the enterprise and of local (and central) trade unions by making them more independent of central government control.

New forms of work organisation and motivation

Work organisation

Changes in work organisation have been one of the main imperatives of the adjustment process. The new forms of work organisation that have evolved are characterised in the main by two basic features that distinguish them from the traditional forms. The first is that in designing and modifying work processes, consideration is given not only to the technical requirements of the job, but also, and simultaneously, to the social needs of those who are performing it. The second feature is participation by the workers in designing their own work. An outside consultant, a practising manager or a "change agent" can act as a catalyst, but it is the work group itself that decides on organisational design and arrangements.

Over the past 20 years the development of new forms of work organisation has gained momentum in response to various factors: the effects of technology in forcing job redesign, calls for added work flexibility and improved productivity and, above all, a belated recognition of the importance of building a highly motivated team at the workplace. In a much larger social context, the expansion of education, the rise in the standard of living, higher aspirations, and the movement towards a more liberal way of life all need to find their reflection in the workplace; for it is hard to see how one can draw a line between the private man and the working man or between the social environment and the working environment. Accordingly, the goal of designing more productive, responsible and satisfying work has been widened in recent years to encompass other factors that can contribute to a better "quality of working life". These include better working conditions, flexible working time, and various other measures intended to increase satisfaction at work.

Not all the experiments with new forms of work organisation have met with unqualified success. Rethinking the technical aspects of work flow and

organisation is not too complicated. Changing people's attitudes and securing involvement are more difficult, and require a conviction on the part of management that autocratic styles or traditional managerial prerogatives need to give way to more open participative styles. Other prerequisites for success include the training of members of the team so as to increase their occupational flexibility and a review of the personnel policy and wage systems so as to allow a greater degree of participation and responsibility. But above all the development of new forms of work organisation must be seen as an ongoing process and not as an isolated experiment, so that those involved can continue to review their working arrangements and mutually support other teams in the same enterprise.

Instead of team work at the shop-floor level, some enterprises have opted for a high degree of automation with a human face. In FIAT, for example, automation was combined with a system designed to give the workers greater responsibility, make them think more about what they are doing, and allow them to acquire multiple skills in the process. This idea has been pursued still further in Japan where in some processes individual workers have been given the power to halt the production line entirely if they notice a manufacturing defect. Further developments in new forms of work organisation are likely to be in the direction of still greater degrees of individual responsibility, together with a corresponding expansion in individual skills.

Admittedly, progress has not proceeded at the same pace in all countries; it has been faster in industrialised societies, where adjustment at the enterprise level is also leading to a new type of work culture based on social as well as technical needs.

Several other organisational arrangements have been introduced in enterprises to foster efficiency and promote team work. In many cases these become superimposed on the formal organisational structure: examples are task forces, project planning teams, and quality circles. In other instances the relationship between the various components of the organisation has been designed in such a way as to allow for increased flexibility of operation, as in the case of so-called matrix organisations.

More recently, however, the massive introduction of information technology has begun to have a profound impact on work organisation, particularly in offices, and is forcing its own form of adjustment on enterprises in at least three major ways: first, a rethinking of the organisational structure; second, a revision of methods of work and of authority relationships; and third, more transparency in the decision-making process itself.

Thus the ease of transmitting information, the need for a quick response to changes in national and international markets, and the ready availability of software that can help to rationalise operations have all had the effect of scaling down highly structured organisations and replacing them with a more flexible internal structure, decentralised authority and greater autonomy for

the different components of an enterprise. From the standpoint of organisational structure, several trends have emerged, including a shift to flatter organisations. A recent study showed that in the United States half of the 1,000 largest corporations have eliminated at least one layer of management over the past ten years. General Motors and Chrysler eliminated three and Ford five layers. Enterprises are also realigning relations between management and workers by fostering direct dialogue, enlarging top management somewhat, expanding the role of workers, and slimming down middle management.

Along with organisational changes, new operational methods are also emerging. Many large firms are encouraging networking, a system where many persons interact daily with the help of terminals and a central computer, thus minimising the need for paper work and sometimes secretarial help. Similarly, hierarchical authority relationships are diluted since people contact as many other persons as they can reach on their terminals in order to solve a given problem without necessarily having to check with a supervisor before proceeding with each step. A few firms are using this added flexibility in their operations to encourage "intrapreneurship" among their employees. Intrapreneurship is the practice of encouraging persons within the enterprise to develop new products or services by providing them with more freedom of action and with incentives. Some companies like Teleflex in the United States, an engineering and manufacturing concern employing 3,600 persons, have created a "new venture fund" to help any employee with a potentially profitable idea to obtain funding outside normal company budgetary channels in order to pursue it. In the past five years 46 major new venture programmes were funded at between $1,000 and $200,000 each, resulting in 15 new product lines, two new processes, three new plants and numerous patents.

Networking and the expanded use of computer terminals at the workplace have introduced more transparency in decision-making and in the underlying reasons for making a given decision. This transparency, coupled with the dilution of traditional authority, has meant that a new breed of managers has to be found and trained, not only in the use of information systems, but also in a more participative style of management. Sometimes managers have had to be eased out because they were unable to adapt to the adjustments taking place in enterprise activities.

Motivation at the workplace

If the human element is the most valuable asset of an organisation, then it stands to reason that a major preoccupation of many managers is how to develop a highly motivated workforce, particularly in times of change. In Maslow's hierarchy of needs, the basic need that is often threatened in periods of adjustment is that of security of employment. Numerical flexibility, deregulation, and non-conventional working arrangements have

all led to diminished job security. While cynics claim that this is usually the greatest motivation of all, it is clear that most employers do not agree. Numerous enterprises have developed or are designing schemes to prepare for or alleviate the impact of redundancy, e.g. through retraining, subcontracting arrangements, or redeployment to other subsidiaries. Other frequently used motivations are job enlargement and job enrichment which aim primarily at introducing variety in the job, offering opportunities for additional learning and enabling the worker to use his skills more fully. Hence those who remain gainfully employed in the restructuring process stand to gain from sharing the fruits of higher productivity, and are likely to find increased satisfaction from better designed and more responsible jobs that allow them to learn additional skills and make fuller use of their ability and creativity.

Needless to say, any incentive that is used too often ceases to motivate after a while. Proclaiming a worker to be "the most productive" may provide an incentive for all to compete, but not if the same technique is used for ten years. Similarly, awarding fixed bonuses every year (the so-called 13th month) ceases to be a source of motivation after a while.

Motivation at the workplace is also related to social motivation. Thus higher wages and incentive rewards mean little when few goods or services are available, or in a climate of political upheaval or uncertainty about the future. Adjustment means change, and change creates uncertainty, and sometimes apprehension. To the extent that the process of change can induce some of the motivating factors mentioned above and can be introduced in a way that commands involvement, the resulting human attitude will be supportive of the adjustment process.

Conclusion

Changes in the socio-economic environment, brought about by factors such as slow economic growth, indebtedness and growing global interdependence, have gathered momentum over the past decade. These macro-level forces have engendered micro-level responses as enterprises have been subjected to increasing pressure to adjust to the new conditions. Among the processes involved in such adjustment, we have reviewed four that appeared to us to be of major importance: the introduction of advanced technology, increased flexibility in the production of goods and services, the changing role of the State vis-à-vis the enterprise and internal work restructuring.

The picture that emerges from this review is one of enterprises that are intensifying the search for greater operational flexibility. This is occurring as a result of growing competition, but also in order to hedge against uncertainties in the marketplace due to innovation and shifting consumer preferences. In many sectors advanced technology provides the enterprise with the tools necessary for flexibility in the production process itself, and

enterprise managers are focusing attention on corresponding flexibility in human resources deployment. This has given rise to a growth of non-conventional working arrangements, ranging from part-time work to labour subcontracting, as well as to efforts to remove rigidities from wage systems, e.g. by tying wages more closely to individual and group productivity. Enterprises are also seeking greater freedom in the hiring and dismissal of workers. Moves by the State towards loosening controls over enterprise decisions are simultaneously taking place in a number of countries. These moves raise fundamental questions regarding labour standards and acquired rights and are therefore viewed with grave concern by trade unions. The creation of non-conventional jobs is often seen as a consequence of high unemployment, itself due in part to the acquisition of advanced technology without sufficient regard to its side-effects on the labour market. Because of the diversity and complexity of the problems involved, there has been a growing trend towards decentralised collective bargaining, but by the same token there is clearly a need for carefully thought out regulatory systems that can reconcile the need for adjustment with the concern for social objectives.

Within the enterprise itself another form of adjustment is taking place. Advanced technology and a wider application of information systems are creating new skills and new degrees of proficiency, while necessitating greater occupational flexibility. This is being achieved through a revision of narrow job classifications and by broadening the scope of training towards multi-skilling and away from narrow specialisation. Similarly, traditional hierarchical relationships within enterprises are giving way to team work and to new forms of work arrangements. The involvement of workers in this process of adjustment is crucial in order to secure their acceptance of and commitment to the multiple changes being introduced, and to avoid any adverse impacts on job security. For workers who have been relegated to the margin or displaced by the adjustment process itself, efforts at retraining and reintegration have so far yielded modest results; greater success might be achieved through a consensual approach within a better adapted institutional framework.

Notes

[1] Participating in the round table were F. Blanchard, then Director-General of the ILO (Chairman); A. Aganbegyan, Chairman of the Commission on Productive Forces and Natural Resources of the USSR Academy of Sciences; U. Agnelli, Vice-President of the FIAT Group; A. Ebeid, Minister of Cabinet Affairs and Minister of State for Administrative Development, Egypt; A. Gladstone, Director, Industrial Relations and Labour Administration Department, ILO; G. Kanawaty, Director, Training Department, ILO; V. Morozov, Assistant Director-General, ILO; J. Prokopenko, Management Development Branch, Training Department, ILO; G. Rodgers, International Institute for Labour Studies, ILO; E. Savas, Department of

Management, Baruch College, The City University of New York, and President, Privatisation Research Institute, New York; V. Scherbakov, Head of the Management Section, USSR Council of Ministers; W. van Ginneken, Labour Information and Statistics Department, ILO.

[2] cf. S. Watanabe: "Labour-saving versus work-amplifying effects of micro-electronics", in *International Labour Review*, 1986/3.

[3] In the USSR, owing to the structure of Soviet society, the term "socialisation" has been considered more appropriate than "privatisation".

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