The Employment Relationship in Organisations in Less Developed Countries

By Harry Taylor

ABSTRACT

This paper examines the notion of the employment relationship in a multi-disciplinary review drawing on sociology, psychology, economics and HRM perspectives. It attempts to synthesise from these various perspectives a general model on the employment relationship. Following this there is a general review of the 'transferability' debate, i.e. the extent to which western management theory is transferable to other societies and cultures in order to contemplate the differences between employment relationships in developed and developing countries.

Note: The two figures are absent in the online version of this paper. They are only available in the hard copy version which can be obtained from:

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I INTRODUCTION

What is the employment relationship? How does it differ in different organisational and societal settings? What can social science knowledge contribute to our understanding of the employment relationship? Why are these questions important and interesting?

I will attempt to provide an answer to the last question first here in the introduction, whilst the remainder of this paper is devoted to exploring the other questions.

These questions are important to me on a personal level because:

• as a former HR practitioner and current teacher of personnel/HR management one cannot help observing the theoretical and prescriptive status of much of personnel management writing. With some notable exceptions (Watson, 1977; Legge, 1978; Torrington and McKay, 1986; Sisson, 1989), much of the literature is concerned with the 'how to' aspects of personnel work with little or no concern for how, more broadly, the management of people in organisations is related to wider social issues. I am curious to know why there is this neglect and what the main linkages are between managing people in organisations and the broader social setting.

• Much of the personnel management literature is written with an implicit assumption that the setting is relatively unimportant, and thus its generalisations about personnel policy and practice in private sector organisations in industrialised countries hold good around the world in most kinds of organisations (for a good example see Armstrong, 1992). My practical experience tells me that this isn't true and hence I am curious to know the ways and the extent to which these generalisations can be adapted, if at all, to different settings, in particular to public sector organisations in developing countries.

• More broadly, personnel management takes place against the backdrop of a wider discourse which might be termed the 'hegemony of western management thought' which emphasises formal rationality, managerial authority, and market relationships for the supply and purchase of labour. I am curious to know how far this approach is suitable for other types of society, how it might be adapted, or if not capable of adaptation, what might replace it, and the implications of the answers to these questions for employment relationships and personnel policy and practice in these societies.
Unfortunately, these curiosities don't fit neat subject boundaries. Many disciplines, 'paradigms', and 'perspectives' could be called in aid, including Personnel/HRM, management, economics, psychology, organisation theory, industrial sociology, strategic management, public administration, and 'development' studies. It will not be possible to offer a comprehensive review of each of these disciplines' contribution to the above questions in the space available but the key ideas in a number of fields will be examined. In particular three perspectives, those of industrial sociology, psychology and economics will be examined to see what light they shed on the nature of the employment relationship. The emergent field of Human Resource Management will then be briefly examined as reflecting some of forces impinging on the employment relationship as developed in the three main disciplines above. This review will be the subject of Section II. Section III then considers the portability of the notion of the employment relationship to less developed countries by examining the elements of the wider debate on the transferability of western management principles and the search for 'indigenous' management. This inevitably requires a consideration of the 'culture' debate.

II THE NOTION OF THE 'EMPLOYMENT RELATIONSHIP'

One of the key features of industrial society is that work activity is organised on the basis of an exchange relationship between the employer and employee. In contrast to forms of organising work activity in 'primitive' societies which locate work activity within a whole range of social and community obligations the nature of the exchange relationship in industrial societies is, in its essentials, restricted to the market mechanism of the purchase and supply of labour. This form of work activity is now so ubiquitous in advanced industrial societies that it became part of the taken-for-granted assumptions of modernism. This central feature has now, however, been recognised as an important concept in helping us to understand and relate to each other concepts of management and organisations. The notion of the 'employment relationship' has many sources but they can be considered under three broad disciplines (which are neither integrated within themselves or with each other). The first is from an industrial sociology perspective where the reference to the employment relationship is direct and explicit. Within this discipline there are two approaches of relevance. The first of these emphasises the control aspects of the employment relationship through a social structure seen from a radical perspective. The view of the employment relationship is one of exploitation of workers by managers and owners of the
means of production. The second approach may be described as a 'multiple constituencies' approach which like the radical perspective sees contradictions in the employment relationship but at a number of different levels. It also places greater emphasis on the notions of agency and strategic choice. The psychological approach considers that the employment relationship is a psychological contract at the individual level and emphasis is placed on notions of multiple needs, individual perceptions and the implicit nature of the contract. The view from the Economics perspective is to see the employment relationship as being motivated by 'rational economising' i.e. the parties pursue self interest. The insights are gained not from traditional price theory, however, but from Agency Theory and Transaction Cost Economics.

II.1 THE EMPLOYMENT RELATIONSHIP IN INDUSTRIAL SOCIOLOGY

Two preliminary remarks need to be made about industrial sociology. First, industrial sociology draws much more of its inspiration from sociology than it does from industry. Sociologists in developing their interests in work and organisations are not burdened by the 'practical affairs of management' and thus are free to seek underlying truths regardless of whether such knowledge serves management's (or any other group's) interests or not. Second there is a clear recognition (one could almost say it's a defining feature of the discipline) that management practices don't operate in a vacuum but are bound up in an iterative relationship with wider social processes.

Within industrial sociology there are a number of different perspectives and a complete integration of these perspectives is unlikely either now or in the future. Nevertheless, the notion of the employment relationship as the central focus of study is a move towards a degree of integration. In a recent text on industrial sociology Brown comments:-

"I shall argue . . . that a focus on the employment relationship and on organisations, of all sorts, within which people are employed would provide a much more coherent and theoretically defensible definition of this field of study within sociology (than the ad hoc approach developed to date)" (Brown, 1992, p.33).

Watson (1986) who has probably done more than any other writer in trying to explicate the notion is clear about its integrating potential:-

"The concept of the employment relationship is an invaluable one which can enable us to bring together many of the ideas about the 'human' aspects of the organisation and management of work . . . It has major theoretical value insofar as it can help us integrate such things as organisational structures,
cultures, motivation, leadership styles, 'job design', recruitment, rewards and so on. And it is valuable in the practical sphere in that it provides a starting point for organisational thinking about such things as 'employment', 'personnel', 'manpower', and 'industrial relations' policies" (Watson, 1986, p.133).

Nevertheless, it is possible to claim that there are two versions of the 'employment relationship' within industrial sociology - one is drawn from the 'critical' sociological perspective in particular the labour process theorists, and secondly a version based on a more 'pluralist' approach.

The labour process theorists trace their antecedents right back to Marx who saw the employment relationship as being essentially exploitative under capitalism where the 'labour process' operates throughout industrial capitalist society to expropriate from the worker the surplus value of his labour into the hands of the capitalist:-

"The labour process, when it is the process by which the capitalist consumes labour-power, exhibits two characteristic phenomena. First the worker works under the control of the capitalist to whom his labour belongs . . . secondly, the product is the property of the capitalist and not that of the worker" (Marx, 1976, pp.291-2).

Without attempting to review Marx in detail this gives rise to the idea that the employment relationship is an inherently antagonistic one which will always be potentially so, despite managers' attempts to eliminate or alleviate it, under capitalism. The logic of capitalism, Marx argued, was that the capitalist needed constantly to enlarge his capital, reduce costs, and increase the rate at which they extracted surplus value, or else risk going out of business. Hence, practices such as increased division of labour, 'speed-up' of production lines, mechanisation and lay-off are an inherent part of capitalism; at the same time, these practices give rise to a response from employees, who may overtly or covertly resist the worsening of their conditions of employment. However, Marx's task was concerned more with the development of characteristics of the social and economic system of capitalism as a whole rather than with the operation of specific organisations and their employment relations. It was left to Braverman (1974) to restate Marx's views on the labour process but more importantly to spell out in more detail the organisational and employment consequences of the fact that what the capitalist buys is not an agreed amount of labour, but the power to labour over an agreed period of time. This gives rise to the problem of control which is the problem of management. Braverman's view of the results of the labour process (now regarded as too simplistic) was the de-skilling of the workforce. Braverman saw Scientific Management as propounded by F.W. Taylor (1911) as the
archetypal manifestation of this attempt to solve the managerial problem. The crucial characteristics of Scientific Management for Braverman were:

"The dissociation of the labour process from the skills of the workers ..., the separation of conception from execution ... the use of this monopoly of knowledge (of the capitalist) to control each step of the labour process and its mode of execution" (Braverman, 1974, pp.118-20).

Because of the lack of alternative sources of employment the vision of the employment relationship being put forward here is one of relentless degradation and alienation. Later contributors to the labour process debate adopted a more sophisticated approach to Braverman's (which was roundly criticised for neglecting the role of worker resistance as a factor determining the nature of the labour processes) which highlights the contradiction and unintended consequences (ie. management doesn't have it all its own way) of the process. These later writers noted that the extent of the control of the labour process varied both over time and in different employment situations. Indeed in some cases, argued Littler (1982), the process of capital accumulation might be better achieved through other methods than intensifying control of the labour process:

"... appropriation of surplus value may occur not only in the labour process, but through other mechanisms, namely in the sphere of circulation through pricing policy and via state taxation" (Littler, 1982, pp.28-9).

Even where the labour process is the chosen mechanism, there is according to Hyman:

"No one best way of managing these contradictions, only different routes to partial failure" (Hyman, 1987, p.30).

As well as variability in management's pressures and desire to extract surplus value, there is also variability of worker resistance:

"... some changes are resisted more than others, some groups resist more than others, some groups achieve a 'negotiated order', whilst some groups become a privileged elite" (Littler, 1982, p.28).

A number of writers have attempted to outline possible variations in employer control strategies as a corrective to Braverman's uni-dimensional view. Friedman (1977) suggested two types of strategy which managers use to exercise control, each resulting in quite a different type of employment relationship. These were the Direct Control and the Responsible Autonomy strategies. Direct Control as the name suggests implies a closely supervised coercive low-trust employment relationship, whereas some employers adopt a Responsible Autonomy high-trust
strategy to give employees more freedom and thus encourage flexibility in situations where this is seen to be necessary for the success of the enterprise. It may appear paradoxical that a Responsible Autonomy strategy is a control strategy but nevertheless Friedman argued that:

"The loosening of top managers' direct control over workers' activity in order to reduce worker resistance may increase management control over productive activity as a whole" (Friedman, 1977, p. 84).

Friedman's ideas have been coupled with those of Doeringer and Piore (1971) who expounded ideas of capitalism developing a dual labour market - a central core of permanent workers who provided the high level skills and flexibility and were rewarded with security of tenure, 'progressive' employment policies and for whom a Responsible Autonomy approach was desirable; and there was also a peripheral' group of workers who were to form a 'reserve army' of labour to be employed in insecure jobs with poor pay and conditions for whom a Direct Control strategy was necessary. Edwards (1979) outlined three main means of employer control. The first is analogous to Friedman's Direct Control where the control is direct, arbitrary and personal. What is of interest, however, is that the other two types of control are much less visible than Direct Control and thus more difficult to oppose. 'Technical' control was typified by the assembly line and:

"... involves designing machinery and planning the flow of work to minimize the problem of transforming labour power into labour as well as to maximize the purely physically based possibilities of achieving efficiencies" (Edwards, 1979, p. 112).

'Bureaucratic control' consists of the structure of the organisation, its division of labour, work rules, promotion procedures, discipline, wage scales, etc. As such it establishes the impersonal force of 'company policy' as the basis for control.

The picture of the employment relationship which emerges from this 'critical' sociological perspective can be summarised as follows:

- the relationship is inherently antagonistic and adversarial (ie. it is a major location of class struggle)
- it is based on a market relationship of purchase and supply of labour
- one of its central features is the notion of control; the employer tries to impose control, the worker attempts to resist it
- there is a wide variation in employer strategies and thus employment relationships; this arises because of differences in contextual factors for the organisation and also because of
differences in the nature of the workforce and its ability to influence the conditions of their employment.

The second version of the 'employment relationship' as expounded by Watson (1986) whilst it accepts most of the features outlined in the 'critical' perspective above is firstly more of a 'pluralistic' approach and secondly is a more detailed attempt to explain the influence of contextual factors. Watson acknowledges that employees are 'problematic' for an organisation but this does not arise only from the political economy of society as outlined in the critical perspective but also from the level of human nature - where individuals seek freedom to question yet also seek predictability and stability; and from the level of social interaction where employers bring group affiliations from outside into the workplace and form more such coalitions once they arise. This leads to competing interests, and conflict. The Labour Process theorists, argues Watson, have given too much attention to contradiction in the employment relationship due to the political economy of society (ie. capitalism) and not enough to these other two sources of contradiction which would arise anyway regardless of the overall system.

Watson's pluralistic orientation can be seen in his definition of employment strategy:-

"... those general directions followed by organisations in the way they handle the problems created for their performance and long term survival by the range of employee constituencies and other constituencies concerned with employees"

(Watson, 1986, p.135).

He identifies other 'constituencies' such as financial, market and technological as also having an important influence. In other words, the managers and shareholders are only two of a range of 'constituencies' that have to be minimally satisfied for long term organisational survival. Employees are not only used by the organisation but also use it themselves in pursuit of their own interests. In this scenario, then, a range of interests (or constituencies) are balanced off against each other - although Watson does recognise that management will for most of the time be the 'dominant coalition'.

Watson's model of the factors which influence the type of employment strategy, and hence the nature of the employment relationship, is based around managerial perception:-

"... the basic factor influencing the type of employment strategy followed by any given organisation is the extent to which the management of the organisation
perceives the various employee constituencies to be problematic in terms of long term organisational survival” (Watson, 1986, p.135).

Unlike some of the earlier Labour Process theorists Watson does not fall into the trap of determinism. He sees room for 'strategic choice' and human 'agency' within fairly broad limits. Strategies are based on perception and choice rather than rigidly determined by the 'needs of the system'. Thus perception and choice mediate between the various contextual factors and the employment strategies adopted as shown in Fig. 1 below:-

Figure 1 Factors Influencing Choice of Employment Strategy
The picture of the employment relationship which emerges from this pluralistic perspective can be summarised as follows:-

- there is contradiction in the employment relationship but it has a number of sources
- there is mutual inter-dependence between employers and employees; neither side completely dominates the other
- in employment relationships arise from differences and contextual factors / workforce characteristics and because of perceptions and strategic choices of the dominant management coalition.

II.2 THE EMPLOYMENT RELATIONSHIP IN PSYCHOLOGY

The predominant view of the employment relationship in Psychology is that of the psychological contract. In common with the sociological approach there is a recognition of the exchange nature of the employment relationship but the relationship is seen as operating at the individual level. The wider social structure is considered, if at all, as a background factor. This is clearly seen in Schein's definition of the psychological contract:-

"... an unwritten set of expectations operating at all times between every member of an organisation and the various managers and others in that organisation" (Schein 1988 p.22).

Such a set of expectations by both sides need not be made explicit but exist through a mixture of formal aspects and informal understandings. The contract covers not only tangible rewards and contributions but also the less tangible aspects of the relationship such as loyalty and commitment by the employee and job satisfaction and meaningful work from the employer.

The psychological contract is a dynamic ongoing relationship which is subject to constant redefinition and negotiation to reflect changing employee needs, personal development, and perceptions on the one hand, and changing employer requirements in response to changes in goals, the socio-economic environment, technology, internal re-alignments etc. on the other hand. Hence we see the employee using the organisation to achieve his/her personal goals and the organisation using the employee in order to meet its operational and long term goals.

There is an expectation that the two sides will move towards some degree of balance if the relationship is to continue with the requisite minimal degree of co-operation i.e. that the tangible
and intangible rewards and contributions of both sides will be roughly equivalent. This introduces also the notion of 'fit' between the expectations of the employee and the employer as being the major determinant of a successful employment relationship.

Of course not all contracts will be the same. They will vary between types of jobs, the nature of the organisation and its goals and the environment. Rousseau (1990) in her recent research distinguished two types of psychological contract which were first articulated in the economics, and to a lesser extent sociological, literature. 'Transactional' contracts are extrinsic, measureable, close-ended, narrow in scope, and static. 'Relational' contracts on the other hand are intrinsic, subjective, implicitly understood, open ended, pervasive in scope, and dynamic. Employment relationships will not correspond entirely to one or the other of these of ideal types but will vary on a continuum between them. 'Transactional' contracts correspond to the 'direct control' type of employment strategy mentioned earlier whereas 'Relational' contracts may correspond to the 'responsible autonomy' strategy. Rousseau's research showed that there was a high degree of consistency of expectations amongst 'new hires'. Those looking for a long term future with one organisation perceived their employers to be offering a relational type contract whilst those seeking an organisation to act as a stepping stone for future career development elsewhere perceived their employers as offering a transactional type contract. Note that the view of the contract being put forward here is not a reciprocal one but depends only on the employee's perceptions of his/her own obligations and expectations, and his/her perception of the employer's willingness to fulfil those obligations regardless of whether or not the employer actually does actually fulfil those perceived obligations i.e.:-

"Mutuality is not a requisite condition" (Rousseau 1990 p.391)

Greater sophistication can also be brought to the notion of a psychological contract if it is conceived not as a singularity but as a multiple phenomenon. In his review of organisational commitment Reichers (1985) suggests that individuals do not have just one commitment to the organisation but rather have multiple commitments to the constituencies that make up the organisation. This presents a more dynamic and conflictual approach to the employment relationship and has echoes of the pluralistic or 'multiple constituencies' approach outlined above. As compared to the 'global' view of commitment and the employment relationship this presents a problematic to the individual in that he/she has to balance off certain contributions
and rewards offered and demanded by the various 'constituencies'. Reichers develops a Multiple Organisational Commitments Model which identifies the internal and external constituencies involved. Similarly it is clear that the employee does not have one employment relationship but a series of relationships at work - some close and direct like, for example, the preferred style of supervision, others more distant and indirect such as alignment with organisation values. Mumford (1972) in her study of job satisfaction of computer specialists suggests not one contract but five interlinked contracts influencing the employment relationship and posits the view that job satisfaction is more likely to occur when there is a degree of 'fit' between the organisation's and individual's expectations in all of these areas but also suggests the possibility of trade off between the contracts. The five contracts are the knowledge, psychological, efficiency, ethical/social value, and task/structure contracts. Although the second of these is referred to as the psychological contract in fact all of these can be seen as psychological in that they represent a totality of expectations ranging from intrinsic to extrinsic needs.

Mumford's second contract could be more usefully be relabelled as a motivational contract. In contrast to Reichers, Mumford sees the employment relationship as depending crucially on the interaction of employees and employers and not just on employee perceptions. According to Mumford there need to be two types of 'fit' for a satisfactory employment relationship. Fit One is between individual needs, expectations, and aspirations in work and the individual's work experience (Job satisfaction.) Fit Two is between the organisational needs (translated into job requirements) and the ability and motivation of employees to meet these needs (Effective relationships.) Certain environmental factors such as the product market, technology, administrative structure and organisational culture give the model its dynamic force.

To summarise, the psychological perspective on the employment relationship emphasises the following:

- an individual relationship where individual and organisation attempt to balance off tangible and intangible rewards and contributions.
- much of the employment relationship is implicit
- the employment relationship is constantly redefined and re-negotiated (not always visibly or consciously it may involve small variations in effort level)
the individual and the organisation attempt to achieve a 'fit' between their respective needs and demands.

- the relationship varies considerably for different individuals, organisations, and external circumstances.

- the employment relationship should be viewed as a multiple phenomenon rather than a single entity.

II.3 THE EMPLOYMENT RELATIONSHIP IN ECONOMICS

Whereas both the sociological and psychological approaches involve a fairly complex view of behaviour economists usually attempt to simplify behaviour to its core element of rational self interest. Critics would argue that they oversimplify human behaviour. Economists would argue that an underlying and constant desire of both individuals and groups is to pursue their 'selfish' interests by economising on their resources including their own time and effort. Whilst not denying the existence of other possible motives in action there is a belief that self interest is a primary and possibly overriding motivation. Traditionally price theory has been the mechanism giving intellectual rigour to this view. Price theory has held to the view that organisational form doesn't affect the economic process. However this view has been challenged by the development of an Economics of the Firm which attempts to show that the firm and the market can be seen as alternative forms of division of labour, methods of co-ordinating production or modes of economic organisation. This dissatisfaction with traditional price theory results partly from its own deficiencies but also from the development of alternative approaches which offer more credible explanations. Two in particular will be examined to see what light they can throw on the 'economising' aspects of the employment relationship - Agency Theory and Transaction Cost Economics.

II.3.1 Agency Theory

According to Eisenhardt (1989) agency theory:-

"... is directed at the ubiquitous agency relation-ship in which one party (the principal) delegates work to another (the agent) who performs that work. Agency Theory attempts to describe this relationship using the metaphor of contract" (Eisenhardt 1989 p.58).
In particular there are two 'agency' problems. One is the problem that arises when the goals of principal and agent conflict and it is difficult or expensive for the principal to ascertain what the agent is really doing. The second is when the two parties have a different view on risk. (Typically in the employment relationship the employee is assumed to be more risk averse than the employer because he/she has less alternative uses for skill than the employer has alternative uses for his capital.) Under agency theory the search is made for the optimal contract, behavioural or outcome based i.e. in terms of the employment contract should the employer seek to measure only behaviour and assume the risk of not achieving the end result or should the risk be shared with the employee by implementing an outcome based contract eg. performance related pay. In its simplest form agency theory would predict that the following factors encourage behavioural contracts:-
- high task programmability
- high risk aversion by the agent(employee)
- high outcome uncertainty
- high ability to measure behaviour through information systems

In contrast the following factors would encourage outcome contracts :-
- high risk aversion by the principal (employer)
- high degree of goal conflict
- high ability to measure outcome

II.3.2 Transaction Cost Economics

Agency Theory and Transaction Cost Economics (TCE) share some similar behavioural assumptions about the parties to the exchange relationship but the focus of TCE is on the question of whether it is more efficient to organise such exchanges through the market mechanism or through an internally managed relationship ruled by a 'governance' structure. Transaction costs are the "costs of running the economic system." (Arrow.1969.p.48) Alternatively they can be seen to be the economic counterpart of friction in systems governed by physics. These include 'ex ante' costs of drafting, negotiating, and safeguarding an agreement, and the 'ex post' costs of setting up and running governance structures. The main behavioural assumptions are those of 'bounded rationality' (whereby people set out to be rational but because of imperfect information and perceptual skills only achieve it to a limited degree),and
opportunism (whereby people will shirk i.e. reduce effort levels if they believe the increase in utility is greater than any loss of income.) In deciding whether to organise transactions through the market or the firm the relative transaction costs are the crucial variable. According to Williamson the guiding principle is:

"Organise economic activity to economise on bounded rationality whilst simultaneously safeguarding the transactions in question against the hazard of opportunism" (Williamsom 1988 p.68).

The variables which influence the transaction costs are:

- the frequency of transactions
- the level of uncertainty
- the degree of asset specificity

Generally the higher the level of these factors the more likely it will be that the exchange relationship will be taken out of the market and into the firm under a governance structure. Essentially the employment relationship, although it does have reference to a market mechanism, is a governance structure. For example for both employer and employee skill is asset specific- for the employee skills acquired in one firm are less useful to another firm and thus will not command the same wage, and for the employer replacing existing workers with unskilled workers from the labour market will involve costs of training and socialisation. Hence it is in the interest of both parties to maintain the relationship within the firm. This is not to say that this will always be the case - if the internal transaction costs increase, say, through sticky labour negotiations or increased costs of monitoring output or behaviour then it may encourage the employer to 'subcontract' the work to a market mechanism.

Taken together agency theory and transaction cost economics imply the following about the employment relationship :

- the relationship is heavily influenced by the desire of the participants to act rationally and economise.
- employers and employees are opportunistic and don't share the same interests (the 'contested terrain' argument)
- a range of factors will influence whether the employment contract is transactional or relational, and whether the transaction is organised via the market or internally within the
firm. These are asset specificity, uncertainty of outcome and behaviour, the frequency of transactions, risk aversion, task programmability, and the duration of the relationship.

II.4 HUMAN RESOURCE MANAGEMENT

Space does not permit a full review of the burgeoning literature on HRM. I will consider here only two of the main models of HRM which have something to say about employment relationships - the 'matching' model of the Michigan and New York Schools and the multiple stakeholders' theory of the Harvard School. Before that, however, it will be useful to commence with an outline of the ways in which HRM differs from traditional personnel management:-

− employees are seen as human resources which, like other factors of production, need to be used efficiently. This presupposes an integrated approach towards managing employees in line with business strategy
− since employees are a key resource, there should be an active policy of obtaining commitment rather than mere compliance
− managing employees is the responsibility of all managers, not just personnel specialists
− there is a preference for direct communication with, and involvement of, employees on an individual basis rather than through collective channels.

The two models outlined below represent differences in emphasis regarding these characteristics, but it is now clear that following a lengthy debate (Guest, 1987; Storey, 1989; Torrington and Hall, 1991) HRM does represent a distinct shift away from traditional notions of personnel management as reactive, non-strategic and low status.

The 'matching model' of HRM initiated by Fombrun et al (1984) emphasised the 'resource' aspect of HRM. This emphasises the efficient utilisation of human resources to meet organisational objectives.

In the words of Boxall:-

"the matching model of strategic HRM merely asserts that organisational effectiveness depends on a 'tight fit' between HR strategy and business strategy. The latter is seen as the independent variable" (Boxall, 1992).
HRM is cast in the role of reacting to a pre-conceived strategy and a highly determined external set of contingent imperatives. In other words, the human resources are selected, appraised, rewarded and developed only to produce performance which produces a set of 'needed role behaviours' (Schuler and Jackson, 1987). Rarely, if at all, is there a recognition of the interests and characteristics of the employees. The employment relationship being alluded to here is one of a fairly straightforward exploitative nature (though not necessarily always requiring a Direct Control strategy) where employees are treated as an expendable resource that is passively shaped by the 'needs of the business'. In terms of our previous three perspectives this 'hard version' of HRM can be seen to correspond to the radical sociological approach in that the employer is taking advantage of labour market factors to increase effort intensity and control; it relates to the individualism of the psychological contract; and it corresponds most closely to the transactional contracting in the economics perspective.

The 'Harvard model' of HRM was first articulated by Beer et al (1984) and whereas the 'matching model' might be called the 'hard' variant of HRM, this model might be termed the 'soft' variant. It emphasises the 'human' aspect of HRM and is essentially a pluralist framework similar to that of Watson (1986) developed in the Section II.1. HRM Policy Choices and Outcomes are influenced by a range of stakeholder interests and situational factors. Effective HRM is about balancing off these various interests (of which employee groups are a key component), whilst responding also to the changes in situational factors by making appropriate policy decisions in the areas of Human Resource Flow, Reward Systems, Work Systems and Employee Influence. Under this model of HRM:-

"The employment relationship is seen as a blending of business and societal expectations. Although business strategy has a major role to play, a number of other factors such as socio-cultural considerations - including patterns of unionisation, labour market regulation, workforce characteristics, and community values are included in the equation" (Sparrow and Hiltrop, forthcoming p.20).
Figure 2  A general model of the Employment Relationship
Again referring to our previous three perspectives this 'soft' version of HRM can be seen as representing the multiple constituencies strand of industrial sociology; the multiple needs approach of the psychological contract; and the relational contracting element of the economics perspective.

II.4 A MODEL OF THE EMPLOYMENT RELATIONSHIP

The foregoing review of a number of perspectives on the employment relationship reveals that it is a multi-dimensional and multi-disciplinary concept. No one academic discipline can be said to have the definitive model of the employment relationship. Behaviour is a complex reality and in terms of the employment relationship can be seen to be influenced by social structures and constraints, complex individual motivational calculations and role negotiation, and a desire to use one's personal resources efficiently. Given this complexity any overall model of the employment relationship is bound to be a somewhat abstract oversimplification. Nevertheless Fig 2. below represents an attempt to outline such a model.

This model is rudimentary in the extreme but will serve as a starting point for the analysis of differing employment relationships in different settings. However before going on to attempt to apply this to particular situations consideration needs to be given to the general question of the transferability of Western management concepts to the area of study - Less Developed Countries.

III THE TRANSFERABILITY OF WESTERN CONCEPTS OF EMPLOYMENT AND MANAGEMENT TO LESS DEVELOPED COUNTRIES

Very little has been written about the notion of the employment relationship as applied to Less Developed Countries (LDCs). In contrast there is a huge and growing literature on the application of management theories and techniques generally to LDCs and considerable controversy over whether western management thought is applicable in the very different circumstances in LDCs. This section of the Review will briefly examine the major elements of
the 'transferability' debate before going on to look at the implications of this debate for employment relationships in LDCs.

First of all, let us consider those who believe that western management theories are applicable in LDCs ie the 'universalists'. During the first half of the 20th century writers tended to ignore the environment and argued for a universalistic 'one best way' of managing organisations in all circumstances (Taylor 1911; Fayol 1949; Weber 1947). Later generations challenged these views on human relations grounds but still implied that there was another 'best way' of managing (eg Mayo 1945; McGregor 1960). These approaches have been rejected as too simplistic even for application within the western world let alone to LDCs by academics (but not necessarily by practitioners!). The contingency approach has been developed as a reaction to these earlier theories as an attempt to bring into play the requirement for the organisation to adapt to its environment. Contingency theory with its concern to show the requirement for organisations to adapt to differing circumstances is seen as being a suitable explanatory framework for all types of organisation and environment, including LDCs and this contingency theory can be seen as a more sophisticated version of universalism. The basic premise of contingency theory is that the survival of the organisation depends on its adaptation to environmental demands in an appropriate way so as to achieve a 'fit' between organisational characteristics and contextual and other environmental variables (Lawrence and Lorsch, 1967).

Whilst there has been some disagreement in the West about what the key determining contexts are - is it technology? (Woodward 1966), size? (Child 1972) or industry? (Spender 1980), there has been an even larger controversy about the role of culture. This is especially relevant to LDCs. Hickson et al (1974) are the main proponents of a 'culture-free' thesis:

"...there are imperatives, or 'causal' relationships, from the resources of customers, of employees, of materials and finance etc... and of operating technology, to its structure which take effect whatever the surrounding social differences. Whether the culture is Asian or European or North American, a large organisation with many employees improves efficiency by specialising their activities, but also by increasing controlling and coordinating specialities" (Hickson et al 1974: 63-4).

From within a contingency perspective other writers do include culture as an important element of context although some of the 'imperatives' mentioned above are given at least equal prominence (Blunt and Jones 1992; Nath 1988).

The strength of contingency theory lies in its ability to incorporate the implications of the setting to the management of organisations. This is particularly attractive to those in LDCs because the
settings are so different. Notwithstanding this, however, there has been a fairly recent trend to go back towards the more simplistic notion of universality possibly as a reaction to problems with contingency theory (eg disputes about what the important contextual variables are and the level and direction of their impact). Part of the reason also for this retreat to simple universalism may be the Structural Adjustment policies imposed by donor agencies and financial institutions which have required the adoption of Western-type solutions to organisational problems as a condition for receiving aid. A few examples will illustrate the trend. Kiggundu (1990) in suggesting how LDC organisations might manage structural adjustment elaborates a highly mechanical managerial model:

"Any organisation can be conceptualised as being made up of two task sub-systems; the critical operating tasks and the strategic management tasks" (Kiggundu 1990:46).

He then goes on to specify in detail what the 'COTs' and 'SMATs' for all organisations are coupled with ‘routine integrating mechanisms' (RIMs) and 'complex integrating mechanisms' (CIMs).

Blunt (1990) also takes a step back from contingency theory by suggesting that there are a number of underlying (and universal) imperatives of effective organisation. His approach doesn't totally abandon the notion of adaptation but suggests the universal importance of articulating a mission, arranging functions logically, the need for coordination and control, clear accountability and role relationships, effective leadership and planning and communication. Within these 'imperatives' however local culture also plays a part:

"...the economic success of Japan and the East Asian dragons can therefore be seen as examples of organisational divergence occurring within an overarching framework of organisational imperatives. Confucian traditions infuse the skeletal framework of organisational imperatives with values and behaviours which are consistent with organisational effectiveness" (Blunt 1990:308).

Richter (1989) is more unequivocal in calling for a 'back to basics' approach for LDC organisations. He cautions against skipping over a sound basic approach to development in favour of more complex 'people-centred' models of development. The main requirement he contends, is the development of 'well wrought' basic organisational structures. He articulates 3 universal functions of management - conceptual, technical and people management and
suggests that in LDCs too much emphasis is given to the latter rather than the first two. Rather than adapting to local conditions:

"...the truth is that local values and procedures are often the main obstacles to success. There are many Africans and others in the Third World who are saying as much. In fact the people themselves often want what we have; it is that simple. But it is we, torn between our wish to intervene and our desire to respect local customs, who disparage an essentially rationalistic process" (Richter 1989:392).

Those who oppose this universalistic approach and its application to LDCs usually start from a point of describing the essential differences and assumptions between management in the West and in LDCs. These usually centre around essential cultural differences. Jaeger (1990) in drawing on Hofstede's (1980) work on cultural differences identifies LDC cultures as being characterised by high collectivism, high power distance, femininity, low uncertainty avoidance, and associative thinking. These are the opposite of the features of cultures in developed countries against which management theories operate. Moreover certain values typical of LDCs militate against the acceptance of Western managerial norms. Examples of these elements are:

- a fatalistic approach to life. Hence goal setting, planning and budgeting are not valued and if carried out are hesitant and vague;
- a past time orientation. Hence planning is an extension of the past, decisions are based on precedent. Low premium on initiative;
- a 'being' orientation. Hence decisions based on emotions and feelings;
- autocratic authority relationships. Hence low risk taking, status not performance crucial in setting rewards.

These values brought into the work situation from the wider culture thus ensure, it is argued, that adherence to Western management concepts is at best merely lip service and at worst counter-productive.

This critique (and many other similar ones) has led some academics and practitioners to seek out the Holy Grail of 'indigenous management'. Marsden (1991) is one of the leading exponents of this approach. It must be said however that much of the literature on indigenous management is long on rhetoric but somewhat short on substance. For example Marsden defines indigenous management as:
"...the elaboration of local strategies by local people for the control and use of their own resources in the struggle for self-reliant development" (Marsden 1991:23).

In part the indigenous management approach is based on the newer approach to development which emphasises small-scale participative projects based on an holistic approach rather than functional specialisation. 'Indigenous knowledge systems' are the antithesis of formal rationality with credence given to versatility rather than specialisation, integration of work activity with family, social and religious norms rather than separation of work from 'life outside', and the importance of 'vernacular' knowledge over scientific method. Attempts to develop indigenous perspectives are in their infancy and do not yet pose sufficient of a challenge to Western theories. Jaeger and Kanungo (eds 1990) have drawn together a number of writers to develop indigenous management approaches on such topics as worker alienation (Kanungo p.193; Srinivas p.209), performance management (Mendonca and Kanungo p.223), leadership styles (Sinha p.252) and managing in tribal cultures (Mahapatra p.264).

In his discussion of bureaucracy in Third World management, Brown (1989) offers a refreshing redefinition of the bureaucratic phenomenon distinguishing it from the usual Western rationalist approach which thus qualifies it as an indigenous approach. He claims that there is an over-emphasis on the Weberian ideal-type of bureaucracy and questions of whether Third World bureaucracies conform to it or not. Attention should be focused on the actual dynamics of bureaucracy itself. From a study of Liberia he argues that bureaucracy and politics are inextricably linked (conventional bureaucratic theory asserts that bureaucracy is intended to limit the intrusion of politics). The political dimensions of bureaucracy in the Third World consist of firstly, an incorporation function ie absorbing those who might otherwise pose a threat to stability; secondly, establishing solidarity by defining a strong external boundary between the administrative cadres and citizens; thirdly, to provide a career structure based on personal qualities and kin relationships. Whilst this misuse would be seen as 'pathological' in Weberian terms, Brown's argument is that in this particular context such bureaucracies do function in a socially effective way and hence are 'rational' in their own terms. In fact, he argues, both the rational Weberian model and the Third World 'mutation' have an underlying political rationale but:

"What differs in the two cases is the manner in which this sectional orientation achieves its legitimacy. In incorporative (Third World) systems... partisan
solidarities are reflected in a particularly transparent way. Policy oriented systems (Weberian rational) on the other hand legitimise their political rationale through extra-social means i.e. the 'needs of the system' rather than its personnel - a situation which leaves the overall subservience of the political system to the satisfaction of partisan group interests relatively obscure” (Brown 1989:378).

The 'universalistic' and 'indigenous' approaches represent two polar extremes in the 'transferability' debate. What is now emerging I believe is a resolution of this issue by a middle approach which incorporates universal organisational imperatives with indigenous characteristics arising from specific culture and history. Typical of this approach is Vengroff et al's (1991) study of African public sector managers. Their work confirmed the earlier work of Child (1981) which argued that although there are clear similarities between Western and African management at the macro level (ie structural level) there are significant differences on the micro (behavioural) level. It is at the behavioural level, of course, that culture is most influential. Hence organisations in LDCs are often found to have a rational bureaucratic 'shell' within which the cultural norms mentioned earlier operate. The result has been described as 'bureaucratic feudalism' (Munishi p.153). It remains to be seen whether this hybrid approach will develop further or whether the transferability debate will rage on. In some ways, perhaps surprisingly, management thinking in the West is perhaps starting to resemble some of the cultural values of LDCs. For example OD emphasises humanistic values and an 'holistic' approach and notions of corporate strategy are coming to recognise the importance of intuitive process (eg Mintzberg's 1976) notion of 'crafted strategy').

In this brief review of the 'transferability' debate the notion of the employment relationship was not explicitly raised. However, in reviewing this literature I believe there are a number of implications for the concept of employment relationships in LDCs. The debate, in my view, confirms that the employment relationships in LDCs will be subject to similar and perhaps exacerbated contradictory tendencies as are experienced in developed countries. In particular:

- employment relationships in the 'modern' sector of LDCs will resemble those in developed countries in terms of the exchange relationship and purchase of labour in a market mechanism. At the same time the vast majority of the working population of these countries continue to work under more traditional arrangements and thus the values and cultural norms of that larger traditional sector are carried over into formal employment relationships;
weaknesses in management in LDCs make the employment relationship less oriented towards clear standards of performance. Task requirements are ill-defined and the expectation is that employment will continue regardless of performance. At the same time structural adjustment policies are putting pressure on public sector organisations to improve efficiency before they are capable of delivering it except by large-scale retrenchments of staff. This generates uncertainty and insecurity;

the gap between espoused personnel policies (usually based on Western norms of 'best practice') and actual employment practices is large. Hence the employment relationship displays a distinct 'dualism' - the formal contact on the one hand and the informal, culture infused, job behaviour on the other.
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