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Striking a balance? Means, ends and ambiguities

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STRIKING A BALANCE? MEANS, ENDS AND AMBIGUITIES
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John Budd has written a challenging and imaginative book. It offers at one and the same time a critique of dominant policy assumptions and a guide for the future of the study of industrial relations. His analytical framework, the triangulation between efficiency, equity and voice, is a remarkably powerful yet parsimonious instrument for the understanding of moral principles, the dynamics of economic governance, alternative trade union strategies and identities, and the diversity of national systems of employment regulation There is no wealth but life, wrote John Ruskin, and in some respects Budd echoes Ruskin in asserting the humane values that transcend narrow economic rationality. My main critique, which I will develop below, is that his pursuit of even-handedness – a 'balance' between the three elements of this triangle – prevents him from following through some of the radical implications of his arguments.

I have a personal interest in triangles. I can scarcely claim to be their inventor, but I found them a helpful device in analysing the 'geometry' of changing trade union identities, and Budd kindly acknowledges my usage. I conceived this as a means of identifying a field of tension between competing principles which offered little prospect of a stable equilibrium. Yet his plea for balance is essentially a search for such an equilibrium.

Let me start with what is perhaps a subsidiary concern. Disentangling ends from means is notoriously difficult. Neither individuals, nor societies, operate on the basis of a clear hierarchy leading from first principles to subordinate goals and recipes. Institutions and practices initially chosen for instrumental reasons can become valued as ends in themselves. Budd tends to treat efficiency, equity and voice as moral equivalents, certainly in their guise as 'objectives of the employment relationship'. This is surprising: to my mind, efficiency is quintessentially a means: the way to achieve desired results at least cost. Indeed Budd at one point (p. 8) states that 'efficiency and equity are instrumental standards... while voice is an intrinsic standard'. This also surprises me. *Liberté*, *égalité*, *fraternité* were the rallying cries of the French revolution and remain (with the appropriate elimination of gender bias) the inspiration for many of us today. Hence is equity (a close relative of *égalité*) really just an 'instrumental standard'? Conversely, voice is often perceived as a means rather than an end; what is widely valued is not voice in itself but *effective* influence on outcomes. 'I hear what you say' is a familiar and chilling phrase: you can state your case but I will ignore it. Voice is an effective means to achieve one's aims, or it is a charade. This is an essential reference point when we consider the increasingly popular repertoire of management-dominated schemes for employees to voice, powerlessly, their opinions.

In other ways, efficiency is a peculiarly slippery concept. Budd notes (p. 5) that 'adding to the rhetorical power of efficiency is the close association of efficiency with property rights,' going on to remark that 'property rights are also considered a fundamental basis of liberty'. This is a set of linkages which Budd hesitates to challenge. Yet why should efficiency, property and liberty be conflated? The consequence, notwithstanding his best intentions, is to assign efficiency with high moral virtue; the practical and intellectual problems of industrial relations appear as 'freedom versus justice', a confrontation between rival goods.

'Efficiency is the common economic standard of effective use of scarce resources' (pp. 7, 15). Put slightly differently, efficiency increases as the ratio of inputs to outputs diminishes. Yet what *counts* as an input or an output; or, a related question, *who* counts? For an employer, labour is one factor of production and what is paid in wages and associated labour costs is an input, what the employee produces is an output. An employer's calculus is thus that efficiency is raised if wages are reduced, working hours and work intensity increased, expenditure on health and safety and other conditions of work minimised, opportunities for collective employee pressure eliminated – *unless* it can be shown that the quantity and/or quality of production suffers more than proportionately. For an employee, conversely, energy expended, leisure forgone and risks to life and limb are inputs; wages or salaries and other benefits (including psychological and social ones) are outputs. Applying the normal canons of economy rationality, it is more efficient from the employee's point of view to work less and earn more – at least up to the point where continuity of employment is at risk. And within these parameters, the weighting of inputs and outputs – which cannot be reduced to simple monetary equivalents – involves a high degree of subjective judgment. One might say, for example, that European workers tend to think it more efficient to work and earn less that is customary in the USA.

Of course many analysts, not least academic writers on HRM, insist that the 'high road' of employment relations allows at least partial reconciliation of the two metrics of efficiency. For certain sectors of the economy this may perhaps be a plausible argument. But as a general thesis, the evidence is scarcely persuasive. In other words, across much of the world of work, the employer's concept of efficiency is in conflict with that of the employee. For this very reason, it is impossible to speak of 'the objectives of [the employment] relationship' (p. 13) as if these were common to both parties.

Why should the employer's definition of efficiency be morally privileged? Here, the moral status of property rights kicks in. Property rights and labour rights are both human rights, Budd insists (p. 33); and human rights in turn are universal (p. 37). One obvious rejoinder is that labour is intrinsically human, property is not. Budd derives the principle of the rights of property from the writings of John Locke (pp. 35, 73). This is correct, but only up to a point; as Budd notes (p. 39), Locke's writings had a more radical and subversive edge. *Nota bene* the key passage of his *Second Treatise of Government*:

> Though the earth, and all inferior creatures, be common to all men, yet every man has a *property* in his own *person:* this no body has any right to but himself. The *labour* of his body, and the *work* of his hands, we may say, are properly his. Whatsoever then he removes out of the state that nature hath provided, and left it in, he hath mixed his *labour* with, and joined to it something that is his own, and thereby makes it his *property.* It being by him removed from the common state nature hath placed it in, it hath by this *labour* something annexed to it, that excludes the common right of other men: for this *labour* being the unquestionable property of the labourer, no man but he can have a right to what that is once joined to, at least where there is enough, and as good, left in common for others.

Locke's thesis is clear (though later in the *Treatise* he wriggled to evade its implications): the rights of property are *derivative* of the rights of labour. Land and other natural resources, he asserted, were available in abundance; by labouring on them, a person became entitled to the produce which would suffice for his (or her) personal needs; and enough land and 'fruits of the earth' would still remain for all others to satisfy their own personal needs equally well.

Locke's 'state of nature' was not the economist's world of scarce resources. His property-owner was the self-employed farmer or artisan. The relationship between subordinate employment and the ownership of capital did not figure in his political economy. We can draw from Locke a theory of the 'human rights' of the capitalist corporation only if we perceive no difference of principle between owning a back garden and owning half a country, or between a bicycle repair shop and a Microsoft or General Motors. It is a strange ethics which treats these as equivalents. As Commons insisted in his *Legal Foundations of Capitalism* (which Budd indeed cites, p. 40), they are qualitatively distinct, involving a transformation from 'holding for self' to 'withholding from others'.

Here it is necessary to turn to the principle of liberty, which ‘is closely associated with free markets’ (p. 73). Budd points out criticisms of libertarian arguments for property rights, insisting that ‘it is not clear why freedom from harm to private property always overrides other freedoms such as freedom from hunger’ (p. 74). Yet he does not then develop the implications of the diversity of conceptions of liberty: that the principle of liberty could well support the rights of labour against those of private property. Here it would be useful to refer back to Budd’s discussion of the legal realist school, which treats property ‘as a bundle of state-created rights’ (p. 40). We may add that the state defines, and also delimits, not only the rights but also the responsibilities of property. If a tile falls from the roof of my house and kills or injures a passer-by, as property-owner I am personally liable; if I have not taken out insurance I could be bankrupted as a result. When individuals first pooled their assets to create companies, they were personally and severally liable for its debts or defaults, and as a result some indeed did suffer bankruptcy. Then the notion of ‘limited liability’ was invented: investors in a company could accrue unlimited profits from its activities but risked at worst the loss of their investment – an asymmetry which few ‘libertarians’ find objectionable.

And just as the status of property is socially and politically created, so – as Karl Polyani demonstrated in his *Great Transformation*, and as the more recent ‘varieties of capitalism’ literature has elaborated – is that of markets. The idea of a free market is an oxymoron. What is a market? In its simplest and most concrete meaning, it is a physical place where goods are bought and sold (or in some cases, bartered). Every Saturday morning I visit my local market to buy fruit and vegetables, cheese, fish and flowers. I talk to the traders and to fellow-customers, sometimes negotiate a little over prices. Other meanings of the concept are more abstract: when we speak of ‘the market for coffee’, specific producers, sellers and purchasers disappear from view. If we refer to ‘the introduction of the market’ (for example in Eastern Europe after 1990), the level of abstraction is intensified. Yet in all cases we are talking of the social organisation of exchange – and of the identification of those goods and services which are socially legitimated as exchangeable commodities. Whether or not there is a ‘free market’ in children, or sex, or body organs, or education, cannot be deduced from an abstract conception of liberty. Nor can the balance of rights and responsibilities of the buyers and sellers of those commodities which *are* socially and legally sanctioned. The existence of contracts, as Durkheim taught us, rests on social norms which are non-contractual. Economic activity is universally regulated within and through society.

Here one might add that even the economist’s narrow conception of efficiency may clash with the idea of freedom of property. Consider a rarely quoted passage from Montesquieu, often regarded as an apostle of libertarianism. In *De l’esprit des lois* he wrote (my translation):

> Commercial freedom is not a licence for entrepreneurs to do whatever they please; that on the contrary would be slavery. What constrains the entrepreneur does not thereby constrain the economy. It is in free countries that the entrepreneur faces innumerable prohibitions; and nowhere does he encounter fewer laws than in enslaved countries.

Unfettered freedom of the rich and economically powerful, Montesquieu insisted, was a recipe for tyranny over the rest of society. There is, in other words, no necessary symmetry between collective prosperity and individual enrichment; Adam Smith’s invisible hand is a fiction. Or as Wolfgang Streeck more recently put it, ‘capitalism is too important to be left to capitalists’.

To conclude: unless we radically redefine our notions of efficiency, and liberate them from anachronistic principles of the ‘human rights’ of large agglomerations of capital, the conflict with labour’s claims to equity and voice are irresoluble. Rather than seeking an unattainable ‘balance’, we have to choose where we stand.