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**SMALL FIRM INDUSTRIAL RELATIONS:  
EVIDENCE FROM THE AUSTRALIAN WORKPLACE  
INDUSTRIAL RELATIONS SURVEY**

*Rowena Barrett*

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*National Key Centre in Industrial Relations  
Monash University  
Level 8, 30 Collins Street  
Melbourne Vic 3000  
Tel (03) 9903 8700 Fax (03) 9903 8710*

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## SMALL FIRM INDUSTRIAL RELATIONS: EVIDENCE FROM THE AUSTRALIAN WORKPLACE INDUSTRIAL RELATIONS SURVEY

Rowena Barrett

*It is apparent that there are many interpretations of what is, or can be considered, a 'small' firm. The most common measurable criteria by which small firms are defined include: market share; annual turnover and/or sales; assets; and size of employment. However, research shows that definitions of small firms are not interchangeable. For example, an Australian study by Forsaith, Fuller, Pattison, Sutcliffe and Callachor (1995) uses data from the Australian Bureau of Statistics' 1991-2 Economic Activity Survey to show that measures of size, based on assets, employment and sales, are not readily interchangeable across the small firm sector. They conclude their study with the advice that qualitative definitions should be used wherever possible and, if quantitative measures are used, then they should be sector specific. This supports the view of Burrows and Curran (1989: 530) who state, "it is misleading to talk about a small firm sector where that means there exists some population of firms with a set of characteristics that separates them clearly from other firms in the economy". Qualitative criteria such as industrial subculture (Curran and Stanworth, 1979a; 1979b; 1981a; 1981b; Scott, Roberts, Holyrod and Sawbridge, 1990), ownership structures (Goffee and Scase, 1985) and dependency relationships with other firms (Rainnie, 1984; 1989) are some of those which have been used in studies of industrial relations in small firms.*

*However, generally, from an industrial relations perspective, small firms are defined in terms of their size of employment, although no consensus has been reached by researchers as to what size of employment represents the upper limit of firms considered to be 'small'. Despite the lack of consensus, there is still a widely held assumption that a firm's size of employment is a unifying property creating an identifiable and homogeneous 'sector' (Scott, 1986). The effect of assuming*

*homogeneity leads people to attribute inherent qualities to all small firms or to all those firms that share that particular size of employment. With respect to industrial relations, the assumption is made that industrial relations are harmonious and qualitatively better than those in large firms (Rainnie, 1989; Schumacher, 1973).*

*In this paper the nature of 'small' firm industrial relations is explored through analysis of data collected by the Australian Workplace Industrial Relations Survey. In addition to the 'size of employment' variable, other independent, qualitative variables such as whether the principal owner is present or absent, industry and whether the workplace is part of a larger organisation or the single workplace of an organisation are used in the analysis of industrial relations. This analysis is undertaken in order to overcome the common problem of findings being generalised to other industrial sectors where the definition of small firms, based on their size of employment alone, is inappropriate (Goss, 1991).*

*The purpose of this paper is, therefore, to break away from the view that there is something particularly determining about the firm's size of employment with respect to industrial relations. Certainly, size of employment is an important variable, but it is argued in this paper, that it is not the only one of importance. Research, which acknowledges the diversity that exists in an economy's 'small firm sector' enables more meaningful analysis of that 'sector' in particular and facilitates a 'better' understanding of industrial relations in general.*

## INTRODUCTION

In recent times Australian governments have started to become aware of the importance of small firms to improvements in state and national economies. This interest arises from the view that small business provide the key to employment growth, job generation and innovation - recent government reports including the Karpin Report (1995), support the need to develop a more 'enterprising culture' in Australia, while the federal Coalition government has promised to make further changes to various pieces of legislation in order to make it easier for small firms to do business by reducing the regulatory burden they face.

Despite the growing interest there is really very little systematic research about small firms. Further, it is possible to argue that policies aimed at the 'small firm sector' of the economy may miss their target because there are many ways in which a small firm can be defined and therefore their needs understood. For example, if the small firms sector is said to be central to any assessment of employment in this country then it is necessary to understand the nature of employment relations in small firms. However, small business are remarkably under researched in terms of management and industrial relations, and at best we have only a limited knowledge of what the nature of employment relations is like in small firms. Where such studies do exist small firms are usually defined in terms of their size of employment alone, and as a result certain characteristics have been ascribed to all small firms simply because they share the same size of employment. Curran (1990: 129) captures this problem neatly in the following quote:

Size is not a very interesting or important attribute of an economic unit sociologically when set alongside others such as economic sector, technology, locality, labour and product markets etc, which are theoretically more significant. Of course size plays some part in the functioning of the organisation but only in relation to other factors.

The purpose of this paper is to explore the ways in which small firms have been defined, particularly in relation to studying the industrial relations processes and characteristics of these firms. This will be undertaken in order to argue that although the size of employment is an important variable, it is not the only variable that determines a range of industrial relations processes and characteristics which exist within the firm. Data from the Australian Workplace Industrial Relations Survey (AWIRS) will be used to support this argument.

AWIRS is a large scale survey that was undertaken in 1995 by the federal department of Workplace Relations and Small Business in order to further understanding of workplace industrial relations. Four structured questionnaires make up the AWIRS: the main survey, which has a population of 2001 workplaces with 20 or more employees, representing a population of about 372000 workplaces; the panel survey, which is a sample of 703 workplaces (representing a population of about 26200 workplaces) that had been interviewed for AWIRS 1990 (Callus, Moorehead, Cully and Buchanan, 1991) and then re-interviewed for AWIRS 1995; an employee survey distributed to a random sample of employees at those workplaces in the main survey where the senior manager agreed employees could participate, of which 19155 useable responses were returned; and the small workplace survey, which was conducted by telephone with senior managers at 1075 workplaces with between 5 - 19 employees representing a population of around 81700 workplaces (Moorehead, Steele, Alexander, Stephen and Duffin, 1997: 15 - 19). Data from the main and small workplace survey will be used in this paper.

## **WHAT IS A SMALL FIRM?**

It is apparent that there are many interpretations of what is, or can be considered, a 'small' firm. Any number of permutations and combinations of a whole range of both qualitative and quantitative criteria are used to define a small business, including: ownership properties (self employed, partnership, subcontractors, constitutional corporations, sole traders, franchise, independent entity, small workplace or unit of

larger firm); industry and/or sector characteristics (goods producing vs. service providing, public vs. private sector); economic indicators (assets, market share, annual turnover or sales); and size of employment.

However, Forsaith, Fuller, Pattison, Sutcliffe and Callachor (1995) use data from the 1991-2 Economic Activity Survey by the ABS to show that measures of size, based on assets, employment and sales, are not readily interchangeable across the small firm sector. They conclude with the advice that qualitative definitions should be used wherever possible and, if quantitative measures are used, then they should be sector specific. This supports the statement made by Burrows and Curran (1989: 530), who write "it is misleading to talk about a small firm sector where that means there exists some population of firms with a set of characteristics that separates them clearly from other firms in the economy".

Using a mixture of qualitative and quantitative measures has been the guiding principle when governments have formulated 'official' definitions of small firms. In Britain the Bolton Committee of Inquiry (1971) adopted a definition with three parts: that firms have a relatively small share of their marketplace; that firms are managed by owners or part-owners in a personalised way, and not through the medium of a formalised management structure; and that firms are independent, in the sense of not being part of a large enterprise. In order to quantify this definition, different numerical indicators (employees - less than two hundred or turnover) were adopted for each of the nine sectors of economic activity covered by the Inquiry (Manufacturing; Construction; Mining and Quarrying; Retailing; Miscellaneous Services; Motor Trades; Wholesale trades; Road Transport; and Catering) (Curran and Stanworth, 1982).

Although a number of criticisms are made of these quantitative indicators the critical issue of having nine definitions was the acknowledgment that variations in combinations of employees, assets, and turnover occur between industries and, as a result, it was difficult, if not impossible, to find one universal numerical indicator to define small firms (Curran and Stanworth, 1982: 5).

A similar position was taken in Australia when the Report of the House of Representatives Standing Committee on Industry, Science and Technology into Small Business in Australia (January 1990), better known as the Beddall report, defined an Australian small firm. Again the acknowledgment was made that what is small in one industry may not necessarily be considered small in another industry. However, only two sectors were distinguished - manufacturing and non-manufacturing. The numerical indicators of less than one hundred and twenty employees respectively were proposed to serve as a functional addition to a qualitative classification based on the following managerial and ownership characteristics of small firms: independently owned and operated; closely controlled by owner and/or managers who also contributed most, if not all of the operating capital; and the principal decision-making functions rest with the owner and/or managers (Beddall, 1990: xiii).

## **THE SIZE OF EMPLOYMENT IN SMALL FIRMS AND INDUSTRIAL RELATIONS RESEARCH**

Many researchers experience difficulties trying to apply the definitions described in either the Bolton report (1971) or the Beddall report (1990). Generally it is only the quantitative part of the definition that is used, as is the case with the ABS data collected about small firms.<sup>1</sup> Most industrial relations researchers have taken the position that the size of employment is a good starting point for a definition. Those conducting research in the United Kingdom are fairly consistent with using two

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<sup>1</sup> The ABS analysis of small firms is based upon data collected from 'management units' that operate in manufacturing with less than one hundred employees or in non-manufacturing with less than twenty employees. This is a somewhat imprecise analysis of small firms as a 'management unit' is simply the highest level accounting unit within a business operating in a given industry for which detailed accounts are maintained (DIST, 1997: 3). A management unit controls its own productive activities but in doing so may have a number of establishments. Furthermore the management unit from which the data is collected may be part of a larger enterprise and, therefore in some cases the data collected may or may not coincide with the legal entity owning the firm. DIST (1997: 3) does however suggest that in nearly all cases the management unit does coincide with the legal entity owning the firm (ie: a company, partnership, trust, sole operator etc). The ABS also excludes Agriculture from their analysis. A small firm in Agriculture is based upon the Estimated Value of Agricultural Operations (EVOA) - if it is between \$22,500 and \$400,000 then the business is considered small (ABS, Cat. No. 1321.0, 1996).

hundred employees as the upper employment size limit, as are those in the United States with five hundred employees. However, those in Australia are not very consistent with the cut-off size that they use: one hundred employees, fifty; twenty; and even five have all been used at different times as the upper limit on the size of employment which distinguishes a small from a large firm. For example, Sappey (1985) defined a 'small business enterprise' as one which employed five or less persons while 'large' was one employing greater than thirty persons, while Barrett (1995), Buultjens (1994), Callus, Kitay and Sutcliffe (1992), and McGraw and Palmer (1990) relied on the ABS size classifications. The Australian Chamber of Commerce and Industry Survey (Isaac, 1993; Isaac et al, 1993), which investigated industrial relations and other organisational characteristics, categorised 'small business' as those members of the Australian Chamber of Commerce and Industry who employed less than fifty persons. Fifty was also the workplace size of employment used as the upper limit of 'small' in the analysis of data from the 1990 AWIRS (Callus et al, 1991), while in the 1995 AWIRS (Moorehead et al, 1997) workplaces with between five and nineteen employees were defined as small.

## **SIZE EFFECT AND INDUSTRIAL HARMONY**

When the firm's size of employment is used as a key independent variable in industrial relations research, the outcome can be that findings are generalised to other industrial sectors where a size-based definition of the firm is inappropriate (Goss, 1991: 31). Moreover, the conclusion can be drawn that all firms of that size (or under) exhibit the same industrial relations qualities or characteristics. This conclusion can be further supported by benchmarking small firm industrial relations against those in large firms. In large firms conflict (when it is seen in terms of industrial action and unionisation of employees) is more easily expressed and visible and this has led to the view that small firms are conflict-free.

Industrial harmony is said to typify industrial relations in small firms and the following quote from the Bolton Report is perhaps the greatest advertisement for the industrial harmony thesis or the 'small is beautiful' ideal.

In many respects the small firm provides a better environment for the employee than is possible in most large firms. Although physical working conditions may sometimes be inferior in small firms, most people prefer to work in a small group where communication presents fewer problems: the employee in a small firm can more easily see the relation between what he is doing and the objectives and performance of the firm as a whole. Where management is more direct and flexible, working rules can be varied to suit the individual. Each employee is also likely to have a more varied role with a chance to participate in several kinds of work...No doubt mainly as a result of this, the turnover of staff in small firms is very low and strikes and other kinds of industrial disputes are relatively infrequent. The fact that small firms offer lower earnings than large firms suggests that the convenience of location and generally the non-material satisfactions of working in them more than outweigh the financial sacrifice involved (Bolton, 1971: 21).

Studies prior to the Bolton Report obviously informed this view of industrial harmony as there was no research into industrial relations in small firms undertaken for the Bolton committee. Publications from the 1950s by the Acton Society Trust (1953; 1957) and Revans (1956; 1958) pointed to closer and warmer relations between employers and employees in small firms when compared with large firms. They also showed that morale was higher and absenteeism lower in small firms. But perhaps the most influential research that by Ingham (1970) where he argued that employees self select into work environments most sympathetic to their own attitudes to work. Employees in small firms had, in his terms, a 'non-economistic expressive orientation' to work. By this he meant that employees placed relatively little emphasis on economic rewards and greater emphasis on non-economic rewards such as interesting work and satisfying social relations with others, especially

supervisors. This could be contrasted with employees in large firms who had an 'economistic instrumental orientation' to work. Ingham's work was part of that being conducted under the banner of 'human relations' except, rather than the idea of small teams as a means of redressing worker's social needs, Ingham was arguing that small firms provide the environment to satisfy worker's needs.

The industrial harmony thesis can be supported when statistics that show low unionisation and a lack of industrial action in small firms are taken on their face value or when research neglects to consider the reasons why employees behave as they do.

#### **AWIRS AND SMALL FIRMS: SIZE OF EMPLOYMENT**

There is a range of data sets which do show that small firm employees are unlikely to be union members and similarly that industrial action is unlikely to occur in small firms. The ABS (Cat No. 6325.0, 1997) shows that union membership has been steadily dropping to the current rate of 31.1% of Australian workers with only 24% of private sector workers being members of a union. Earlier data from the ABS (Cat No. 6325.0.40.001, 1995) also shows that as the size of a location decreases so too does the proportion of employees who are union members.

This finding that small firms are less likely to be unionised has been consistently reinforced by other surveys. Most recently the 1995 AWIRS shows (in Table 1) that the majority of small workplaces do not have employees who are members of a trade union.<sup>2</sup>

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<sup>2</sup> Note that this data is based upon the size of the workplace, which may or may not coincide with the legal entity owning the firm (ie: a company, partnership, trust, sole operator etc).

**Table 1: Unionisation - AWIRS**

	Workplaces with no union members (%)	Workplaces with union members (%)
All 20+ employees	26	73
All 5+ employees	57	43
5 - 19 employees	71	29
20 - 49 employees	36	64
50 - 99 employees	22	78
100 - 199 employees	12	88
200 - 499 employees	7	93
500+ employees	2	98

Unweighted n = 3076 (1075 workplaces 5-19 employees; 2001 workplaces 20+ employees).  
Source: Moorehead et al, 1997. Table AA.10 p. 611.

**Table 2: Industrial Action - AWIRS**

	Workplaces with no industrial action in last 12 months (%)	Workplaces with industrial action in last 12 months (%)
All 20+ employees	78	22
All 5+ employees	92	8
5 - 19 employees	98	2
20 - 49 employees	82	18
50 - 99 employees	75	25
100 - 199 employees	77	23
200 - 499 employees	62	38
500+ employees	51	49

Unweighted n = 3076 (1075 workplaces 5-19 employees; 2001 workplaces 20+ employees).  
Source: Moorehead et al, 1997. Table AA.12, p. 613.

Industrial action has been decreasing over time in all sectors: the ABS (Cat. No. 6322.0, 1997) reveals that there were some 534 industrial disputes recorded in 1996 involving some 577,700 employees at a cost of 928,500 working days lost. Although this represents the lowest number of disputes since 1940 there was an increase over the previous 12 months of employees involved and working days lost. The evidence is, therefore, that organised industrial action is a fairly rare occurrence. Information from AWIRS supports this contention and also shows that industrial action is least likely to occur in the small workplaces (Table 2).<sup>3</sup>

<sup>3</sup> See footnote 2.

This information reveals that employees in small workplaces are less likely to join a trade union and engage in industrial action, which can be compared against the situation in large workplaces where employees are more likely to join a trade union and engage in industrial action. On face value these statistics can be interpreted as supporting the idea of industrial harmony in small firms as they appear to attest to the fact that industrial relations are less conflictual in small firms when compared with large firms. Or do they? Neither low unionisation nor the absence of industrial action can be taken as indicative of 'good' or 'harmonious' industrial relations (Callus et al, 1992). Levels of unionisation can be explained in terms of the growth of group consciousness among employees in similar work situations and the standardisation of terms and conditions of employment by management (Stanworth and Curran, 1989) rather than reflecting attitudes of employees to unionism in firms of different sizes. Similarly, strike action is often misinterpreted as a good measure of the level of industrial action, however, industrial action can take a range of overt and covert forms other than strike action (Deery, Plowman and Walsh, 1997).

It is therefore possible to argue that despite there being differences in the likelihood of unionisation and industrial action these statistics expose very little about small firm industrial relations. One needs to look further than an analysis based upon the size of employment alone to explain why this is the case.

## **QUALITATIVE VARIABLES AND INDUSTRIAL RELATIONS RESEARCH**

An acknowledgment is made by Moorehead et al (1997) that due to the difficulty of defining small firms the analysis of the AWIRS small workplace survey data is not restricted to employment size only. Moorehead et al (1997: 299) define a 'small business' as one which operates in the commercial private sector, has between 5 to 19 employees and is the only site in an organisation. In other words their analysis acknowledges that there is likely to emerge differences in industrial relations characteristics and processes based upon other characteristics of firms than the size

of employment alone. The workplace characteristics which are taken into consideration in their analysis of small business include: industry sector, union presence and presence or absence of the principal owner. As a result the diversity of the small firm sector is highlighted, and this represents a start to overcoming the usual generalisation of results to sectors where it is inappropriate to do so.

## **UNIONISATION**

The results in Table 3 shows that although the majority of 'small business' do not have employees who are members of a trade union, another critical issue is whether the principal owner is present at the workplace. Where the principal owner is absent employees in small business as well as employees in large workplaces are more likely to join a trade union. Similarly the case is that when employees work at a workplace which is the only workplace in the organisation they are less likely to join a trade union (note that the definition of a small business is single workplace in organisation). Further certain industry clusters are more likely to have employees who are members of a trade union. - clearly this information shows us that regardless of size employees who work in those more 'traditional' industry groups are more likely to join a trade union.

## **INDUSTRIAL ACTION**

Table 3 also draws upon the AWIRS data to display that only 1% of 'small businesses' had experienced industrial action<sup>4</sup> in the previous 12 months, which can be compared with 13% all private sector workplaces employing 20+ employees and 22% of all workplaces employing 20+ employees.

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<sup>4</sup> This question (Q84) on the small workplace survey defined 'industrial action' in terms of strikes or overtime bans.

**Table 3: Unionisation and Industrial - AWIRS**

	Union members (%)	Industrial action in last 12 months (%)
All 'small business'	17	1
5 - 10 employees	14	1
11 - 19 employees	24	1
Mining and Construction	44	2
Manufacturing	27	2
Infrastructure Services <sup>5</sup>	27	0
Personal Services <sup>6</sup>	8	1
Finance, Property and Business Services	9	0
Health, Education and Community Services	(22)	(2)
Principal owner present	14	1
Principal owner absent	41	0
All private sector 20+ employees	64	13
Mining and Construction	72	32
Manufacturing	72	23
Infrastructure Services	56	24
Personal Services	61	4
Finance, Property and Business Services	44	1
Health, Education and Community Services	87	14
Principal owner present	40	8
Principal owner absent	72	16
All 20+ employees	74	22
All 5+ employees	43	8
Part larger organisation	61	15
Single workplace organisation	23	2

Column 1: Unweighted n = 569 (All 'small business'); 1369 (All private sector 20+); 2001 (All 20+); 3076 (All 5+). Source: Moorehead et al, 1997. Rows 1-20: Table 13.18, p. 319. Rows 21-24: Table AA.10, p. 611.

Column 2: Unweighted n = 569 (All 'small business'); 1369 (All private sector 20+); 2000 (All 20+); 3075 (All 5+). Source: Moorehead et al, 1997. Rows 1-20 Table A13.12, p. 595. Rows 21-24 Table AA.13b, p. 615.

<sup>5</sup> Due to the sample size of the small workplace survey 'Infrastructure Services' is an industry grouping representing Electricity, gas and water services; Wholesale trade; Transport and Storage; and Communication services (Moorehead et al, 1997: footnote 6, 321).

<sup>6</sup> Again, because of the sample size 'Personal services' is an industry grouping representing Retail trade; Accommodation, Cafes and Restaurants; Cultural and recreational services; Personal and other services (Moorehead et al, 1997: footnote 6, 321).

Once again this reveals that industrial action is not a common occurrence in many workplaces, particularly when the workplace is the single workplace in the organisation and also once again when the principal owner is present at the workplace. The figures for industrial action by industry for the larger private workplaces exhibit the same sort of pattern as they do for unionisation, which should not be surprising given that for industrial action such as strikes (which is what these figures refer to) requires collective organisation.

### **AWARDS AND OVER-AWARDS**

The AWIRS found that 90% of all small businesses have at least one employee covered by an award, whereas award coverage increases to 96% of all private sector workplaces employing 20+ employees (Moorehead et al, 1997: 314). In the larger workplaces award coverage is more likely to be federal while in small business awards are more likely to be made in the state jurisdiction (DIR, 1996: 73; Moorehead et al, 1997: 520). Although Table 4 shows that the average number of awards per workplace increases with the size of the workplace it also shows that a higher average number of awards per workplace is associated with union presence, absence of the principle owner (particularly in small business) and where the workplace is the only workplace in the organisation (in the case of the larger workplaces).

However the information presented in Table 4 about the payment of over-awards more clearly supports the argument that certain industrial relations characteristics are not simply a function of the size of employment. For example Table 5 shows that the payment of over-awards is associated with the presence of the principal owner, union absence and single workplace organisation.

**Table 4: Average Number of Awards and Over-awards Paid**

	Mean No. Awards	Over-Awards Paid (%)
All 'small business'	1.5	69
5 - 10 employees	1.4	65
11 - 19 employees	1.8	76
Union present	1.8	68
Union absent	1.4	69
Principal owner present	1.4	70
Principal owner absent	1.7	54
All private sector 20+ employees	2.2	60
Union present	2.4	53
Union absent	1.9	73
Principal owner present	2.1	76
Principal owner absent	2.0	57
All 20+ employees	2.5	46
All 5+ employees	1.8	55
All 5 - 19 employees	1.5	60
Part larger organisation	2.1	44
Single workplace organisation	1.6	68

Rows 1 - 12, unweighted n = 500 (awards, small business); 363 (over-awards, small business); 1367 (awards, private sector); 829 (over-awards, private sector); Rows 13 - 17 unweighted n = 2940 (awards, over-awards).

Source: Moorehead et al, 1997. Rows 1-12 Table A13.7, p. 590. Rows 13-17 Table AA.6b p. 607.

What the information in Table 5 exhibits is that the determination of over-award payments is fairly consistent regardless of the size of employment. Over-awards are more likely to be unilaterally set by management than they are to be negotiated with groups of employees or their trade union representative. Where over-awards are negotiated they are more likely to be negotiated between the individual and management in small business than in the larger workplaces. Further individual negotiation was likely to take place in those small businesses where the owner was present (Moorehead et al, 1997: 317). In larger workplaces union presence diminished the likelihood of management unilaterally determining over-awards (Moorehead et al, 1997: 214).

**Table 5: How Over-Awards are Determined**

	All 'small business' (%)	All private sector 20+ employees (%)	All 20+ employees (%)
Each employee negotiates with management	37	31	30
Groups of employees negotiate with management	6	5	5
Union negotiates with management	0	7	8
Management sets over-award	56	57	57

Unweighted n = 365 (All 'small business'); 830 (All private sector 20+); 916 (All 20+).  
Source: Moorehead et al, 1997. Table 13.16, p. 317.

**Table 6: Written and Verbal Agreements**

	Written (%)	Verbal (%)	Either (%)
All 'small business'	10	19	27
5 - 10 employees	9	19	26
11 - 19 employees	13	21	30
Union present	16	21	35
Union absent	9	19	26
Principal owner present	9	20	27
Principal owner absent	18	15	30
All private sector 20+ employees	38	11	46
Union present	50	10	56
Union absent	18	12	27
Principal owner present	24	17	37
Principal owner absent	48	9	53
All 20+ employees	42	11	48
All 5+ employees	24	14	35
All 5 - 19 employees	15	15	29
Part larger organisation	35	9	41
Single workplace organisation	12	19	29

Unweighted n = 569 (All 'small business'); 1369 (All 20+ private sector); 3046 (All 5+ written); 3029 (All 5+ verbal); 3062 (All 5+ either).

Source: Moorehead et al, 1997. Rows 1-12 Table 13.10, p. 593. Rows 13-17 Table AA.7, p. 608.

Table 6 presents information about agreements and includes agreements which may be registered or unregistered as well as those which may be made with between management and a union or management and a group of employees at the workplace. Agreements are more likely to be written where the principal owner is absent from the workplace but verbal where s/he is present - this is case in both small business and in all larger private sector workplaces. Further, in those small and large private sector workplaces, which are the only workplaces in the organisation, verbal agreements are more likely to exist

### **CHALLENGING INDUSTRIAL HARMONY**

As was shown in the previous section, when data is analysed by moving beyond the qualitative variable of size of employment and takes into account qualitative variables such as whether the owner is present or absent, industry and whether the workplace is part of a larger organisation or the single workplace of an organisation, then it is possible to start discounting the simple argument of harmonious industrial relations in small firms. Studies which have taken this approach includes Curran and Stanworth's (1979a; 1979b; 1981a; 1981b) study of small manufacturing (printing and electronics) firms. Essentially their study revealed that first, the employment relationship involves choices by both employers and employees, not just employees as Ingham's self selection thesis would suggest. Secondly, there was not much evidence of employees developing stable work orientations over time (again as would be suggested by the self selection thesis), instead they found evidence of much job changing often done on an involuntary basis and in light of short term considerations. Third, all small firms are not alike - different industries have different cultures which affect the relationship between the employer and employees in firms in particular industries. Finally, relations are not in fact close and conflict-free, instead face-to-face relations and attitudes of the parties vary between industries. Their conclusion was that, basically, industrial relations in small firms are not so much conflict-free and harmonious, they only appear that way.

Other studies challenging the idea of industrial harmony include Newby's (1977) study of small agricultural firms, which revealed that an absence of industrial conflict was not a result of harmony brought on by the proximity of the parties in the employment relationship but rather a pragmatic acceptance of the rural class structure. Similarly, Stephenson Brotherton, Dalafield and Skinner (1983) showed that intergroup conflict in small firms was managed through interpersonal relationships, while Westrip (1982) showed that there is a greater tendency for small firm employees to be unfairly dismissed. Further, after studying small firms in the clothing trade, Rainnie (1984) argued that worker compliance may be accounted for by management's ability to resort to the use of autocratic strategies of control. To this end, Goss (1991a: 158) points out that where empirical evidence is cited to support the industrial harmony thesis, it is largely derived from the opinions and views of small firm owner or managers.

Goss (1988: 117), taking Newby's (1977) lead, makes the distinction between 'interaction with' and 'identification with' to argue that an absence of explicit conflict does not necessarily indicate a high level of identification between employer and employee, nor a state of industrial harmony. He suggests that the appearance of industrial harmony reflects the small firm owner-manager's ability to manipulate the wage relation and use the threat of job loss as a means of limiting the scope for worker resistance.

The conclusion Stanworth and Curran (1989) draw is that any study of social relations, or the interaction between employees and employer in small firms, must take into account a range of internal and external constraints on small firms rather than simply relying on the size of employment to explain the nature of interactions in the firm. Others such as Rainnie (1991) and Goss (1991) support this idea which has been driving the research into industrial relations in small firms over the last fifteen years. Rainnie (1991, 177) captures this idea when he writes: "to say that size per se is a characteristic that, alone, will determine the internal operation and external relations of that unit is bizarre".

On a number of occasions 'industrial subculture', which is taken to mean "*the technology and other meaning, definitions and institutionalised social practices peculiar to the industry*" (Curran and Stanworth, 1979b: 338) has been used (Curran and Stanworth, 1979a; 1979b; 1981a; 1981b; Goss 1988; 1991; McGraw and Palmer, 1990; Newby, Bell, Rose and Saunders, 1978) to explain the nature of industrial relations in small firms more successfully than size alone.

An example of its use would be in the study by Scott, Roberts, Holyrod and Sawbridge (1990). This study involved interviews with 400 owner-managers and 30 case studies in which employees were also interviewed. The purpose of their study was to investigate the day-to-day industrial relations practices in small firms, particularly the process of industrial relations in these firms. Much of what was found confirmed earlier research, but the most important aspect was that variance in employer-employee relations and workers' attitudes could be attributed to the effect of different industrial subcultures in the manufacturing and services industries. A distinction between manufacturing and services is useful but greater precision is needed in order to more fully explore the effect of industrial subculture. However, the benefit of research where small firms are defined in terms of their industry subculture is the explicit acknowledgment of diversity in the so called 'small firm sector'.

A typology of ownership structures in small firms was developed by Goffee and Scase (1985) based upon the relative mix of capital employed and labour utilised in order to cope with the variability in ownership structures amongst small firms. They argue that particular types of industrial relations are more likely to be associated with the different proprietorial roles which they label: self employed; small employers; owner-controller; and owner-directors. Their argument is not to suggest that there are unvarying forms of industrial relations associated with each type but that different types of industrial relations practices are more likely to emerge in the context of particular proprietorial roles.

The AWIRS data reveals that although the size of employment is an important variable in an analysis of industrial relations practices and outcomes so too is whether the principal owner is present and the industry in which the firm is located. These two variables show that it is not possible to conclude that there is one particular type of industrial relations that are generic to small firms. For example, in terms of unionisation and industrial action the analysis shows that certain industries are more likely to be organised and therefore experience industrial action. Further, analysing the AWIRS data by considering the presence of the principal owner serves to highlight industrial relations in the context of personal face to face relations in small firms. Similarly this is also highlighted in larger workplaces that are the only workplace in the organisation where the principal owner is present. In these firms employees are less likely to join a trade union, industrial action is less likely to occur, over-awards are more likely to be paid and agreements, where they are concluded, are more likely to be verbal than written.

In closing, this evidence from AWIRS is valuable in that it begins to break away from the view that there is something particularly determining about the size of employment with respect to industrial relations in small firms. Instead what can be seen is that there is a diversity of industrial relations in small firms as there are a range of influences on way in which industrial relations emerge in firms. Further analysis of AWIRS is, of course, required in order to more definitively argue this case, as well as consider how other quantitative variables such as the nature of competition, for example, impacts on industrial relations in small firms.

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