



# UNFURLING THE NATURE OF RELATIONSHIP BETWEEN GLOBAL COMPETITIVENESS AND EMPLOYMENT RELATIONS SYSTEM: A STUDY ON SELECTED COUNTRIES

**Dr. Partha Sarkar**

*Assistant Professor*

*Department of Business Administration (Human Resource)*

*The University of Burdwan, India*

*Cell no: +919434198025*

*E-mail: [parthasarkar.bu@gmail.com](mailto:parthasarkar.bu@gmail.com)*

# Organisation of the paper

- **PROLOGUE**
- **CONTEXTUALISING THE RESEARCH PERSPECTIVE**
- **ANALYSIS AND INTERPRETATION OF RESULTS**
- **CONCLUSION**



# PROLOGUE

- A specific linkage needs to be identified in the context of employment relations system and the socio-economic-politico environment of a country.
- Employment relations system can be considered as a sub-system of the larger socio-economic-politico ecosystem of a country.
- Comparative perspective of this ecosystem with the similar ecosystem of other countries and the domain gets expanded into a cross-country perspective.
- Cross-country level study concerned with an analysis of the nature of relationship between global competitiveness and employment relations system.
- The study has been carried out on the basis of data relating to the G-20 countries.

# CONTEXTUALISING THE RESEARCH PERSPECTIVE

- Employee-supportive employment relations system may reduce the competitiveness of a country (Forteza and Rama, 2002; Busse and Hefeke, 2009).
- Attenuation of employee-supportive employment relations system for facilitating competitiveness (Burki and Perry, 1997).
- Convergence and divergence in employment relations in different countries have been documented in extant literature (Wever, 1995; Collins, 2001).
- Challenge posed by competitiveness on employment relations and trade unionism (Eaton, 2000; Hepple, 2005).
- Lansbury, Kitay & Wailes (2003) have highlighted the three streams of literature.

# *Research questions*

- Can global competitiveness be related to the important facets of employment relations system?
- If so, in what nature this relationship can be conceived?
- Can the latent dimensions of global competitiveness and employment relations be identified and related to each other?
- Can we map the positions of the identified countries on the basis of the dimensions of global competitiveness employment relations system?
- In this regard can we make a distinction between developed and developing countries?

# Aspects of Global Competitiveness

Sl no	Aspect	Description	Data source
1	Global Competitiveness Index	Global Competitiveness Index values	The Global Competitiveness Report 2014–2015,
2	GDP per capita	Gross Domestic Product divided by midyear population	World Economic Forum
3	Basic requirements	The basic requirements sub-index value of global competitiveness index has been considered and it includes Institutions, infrastructure, macroeconomic environment and health and primary education.	
4	Efficiency enhancers	The efficiency enhancer sub-index value in global competitiveness index has been considered and it includes higher education and training, Goods market efficiency, Labor market efficiency, financial market development, technological readiness and market size.	
5	Innovation and sophistication factors	The innovation and sophistication factors sub index value of the global competitiveness index has been considered and it includes Business sophistication Innovation	
6	Regulatory environment	The regulatory environment score in global innovation index has been considered and it considers acuity on the ability of the government to formulate and implement legal provisions	The Global Innovation Index 2014, Cornell University, INSEAD, and the World Intellectual Property Organization (WIPO).
7	Business environment	The global innovation index provides on business environment of a country and largely involves issues related to ease of doing business.	
8	Market sophistication	The Market sophistication score in global innovation index has been considered and it has comprises aspects centered around market conditions and the total level of transactions.	

# Aspects of Employment Relations

Sl no	Aspect	Description	Data source
1	Redundancy support for employees	Legal provision vis-à-vis dismissal due to redundancy; third-party notification for worker dismissal; third-party approval for dismissal of 1/9 worker(s); retraining or reassignment obligation before redundancy; prevalence of priority rules for redundancies/reemployment.	Data from the Doing Business 2014 database
2	Right to organise and bargain	Right of association in market sector; right of association in government; right of collective bargaining in market sector; right of collective bargaining in government sector; right to strike in market sector; right to strike in government sector..	Data obtained from Institutional Characteristics of Trade Unions, Wage Setting, State Intervention and Social Pacts (ICTWSS)
3	Government intervention in bargaining	Government intervention in wage bargaining is available from ICTWSS database on a scale of 1-5.	produced by Jelle Visser at the Amsterdam Institute for Advanced Labour Studies, University of Amsterdam, Version 4.0, April 2013.
4	The predominant level(s) of bargaining takes place	Information on government intervention in wage bargaining is available from ICTWSS database on a scale of 1-5. The information covers centralised level, intermediate level, industry level and company level.	
5	Extension of collective agreements by public law to non-organised firms	Extension of collective agreements by public law to non-organised firms is available from ICTWSS database on a scale of 0-3 ranging from usual extension to no legal provisions for extension	
6	Union Density	Union density rate, net union membership as a proportion of wage and salary earners in employment bargaining is available from ICTWSS database.	
7.	Collective bargaining coverage	Information on employees covered by collective (wage) bargaining agreements as a proportion of all wage and salary earners in employment with the right to bargaining, calculated as percentage, (adjusted) is available from ICTWSS database.	
8	Employer-Employee Cooperation	The Global Competitiveness Report provide information on Cooperation in labor-employer relations in a country, based on Executive Opinion Survey	The Global Competitiveness Report 2014–2015, World Economic Forum

# *Methodological Considerations*

- Correlation analysis has been employed in order to analyse the interrelation between global competitiveness and employment relations system.
- Latent dimensions of global competitiveness and employment relations system have been segregated using dimension reduction technique.
- Results of principal component analysis and the subsequent computation of factor scores.
- Relationship between the different dimensions has been statistically established using a scatter plot.
- Positions of the selected countries mapped on a two-dimensional matrix involving the global competitiveness dimension and employment relations system dimension.



# ANALYSIS AND INTERPRETATION OF RESULTS



# Analysis and interpretation of interrelationships

**Table I: Relationship Matrix: Global competitiveness index and the aspects of employment relations system**

		Cooperation in employee-employer relations	Redundancy support for employees
Global Competitiveness Index	Pearson Correlation	0.617	-0.478
	Sig. (2-tailed)	.011	.061

Need to expand the discussion further by analysing how the different aspects of global competitiveness can be related to the different aspects of employment relations system.

**Table II: Correlation Matrix: Relationship between the different aspects of global competitiveness and employment relations system**

	Per Capita GDP	Intellectual property protection Institutions	Macroeconomic environment	Higher education and training	Goods market efficiency	Labor market efficiency	Financial market development	Technological readiness	Market size	Business sophistication	Efficiency of legal framework in setting disputes	Ethical behavior of firms	Regulatory environment	Market sophistication	
Right to organise and bargain		.477 (.062)		-.587 (.017)				.470 (.066)					.637 (.008)	.475 (.063)	
Government intervention in wage bargaining	-.439 (.089)		-.439 (.089)	.599 (.014)	-.473 (.064)	-.558 (.025)		-.485 (.057)		-.568 (.022)			-.489 (.054)	-.513 (.042)	
Bargaining Levels						-.544 (.029)									
Mandatory extension of collective agreements						-.552 (.027)			-.501 (.048)						
Union Density													.514 (.042)		
Employer-Employee Cooperation			.539 (.031)			.511 (.043)	.632 (.009)		.452 (.079)	.563 (.023)	.471 (.066)	.527 (.036)			
Redundancy Support for Employees	-.506 (.046)	-.477 (.062)	-.541 (.030)		-.644 (.007)	-.496 (.051)	-.558 (.025)	-.575 (.020)	-.577 (.019)		-.454 (.078)	-.527 (.036)	-.490 (.054)	-.579 (.019)	-.637 (.008)

# Analysis and interpretation of dimensions

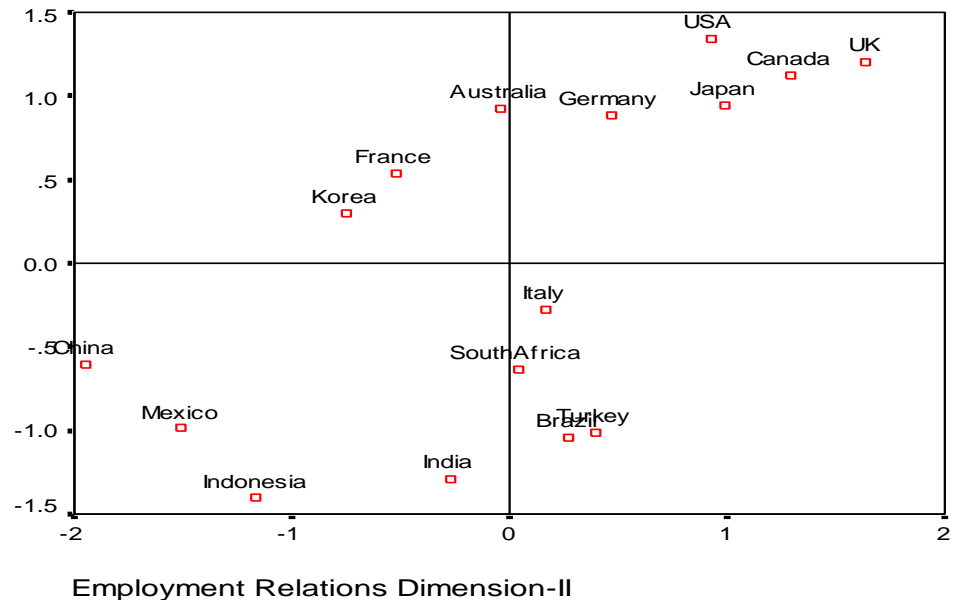
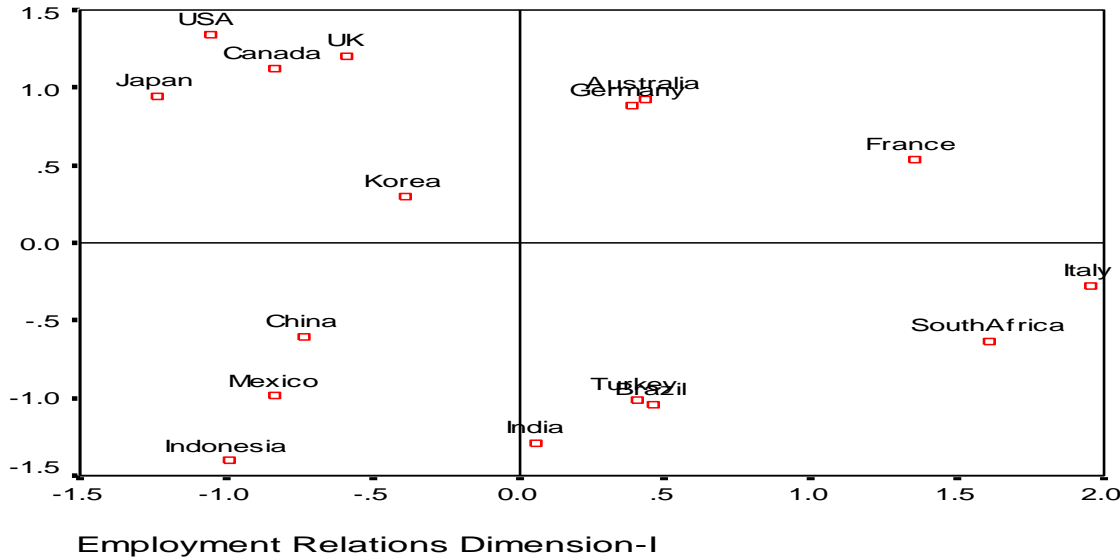
		Employment Relations Dimensions	Global Competitiveness Dimensions
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.6	.757
Bartlett's Test of Sphericity	Sig.	.002	.000

<b>ER Dimension 1</b>	<b>ER Dimension 2</b>
Bargaining Levels	Right to organise and bargain aspect
Mandatory extension of collective agreements	Government intervention in wage bargaining
Union Coverage	Union Density
Employer-Employee Cooperation	Redundancy Support

# Mapping the positions of countries

- Since there are two dimensions of employment relations as extracted from the principal component analysis, two positional maps have been used.
- The first map locates the position of countries on the basis of the global competitiveness dimension and employment relations dimension-I
- Second map considers employment relations dimension-II.
- Pattern of relationship between global competitiveness and employment relations system are different in the two figures.

# Mapping the positions of countries



# Mapping the positions of countries

- G-20 countries are differentially located on the two maps.
- Figures I & II also segregate G20 countries into four categories High GC-High ER, High GC-Low ER, Low GC-High ER and Low GC-Low ER.
- Need to determine which particular aspect of employment relations has been considered.
- Germany's position remains largely unaltered in both figures which signify high values in both the dimensions of employment relations and global competitiveness.
- Positions of Brazil and Turkey remain more or less same in both the figures.
- Few countries have higher scores on both dimensions. This in other way highlights that few developed countries have established a balance between the two aspects.

# CONCLUSION

- Relationship between global competitiveness and employment relations should not be construed from a simplistic perspective.
- A general negative linkage between global competitiveness and employment relations system.
- Loosening of employment relation systems of countries and an observed shift from a centralised employment relations system to a company-level employment relations system.
- Employment relations system should be envisaged in such a way that it is at par with the requirements of the competitiveness paradigm and protects the interest of employees.