



Employment relations in micro and small enterprises - literature review

Country profile: USA

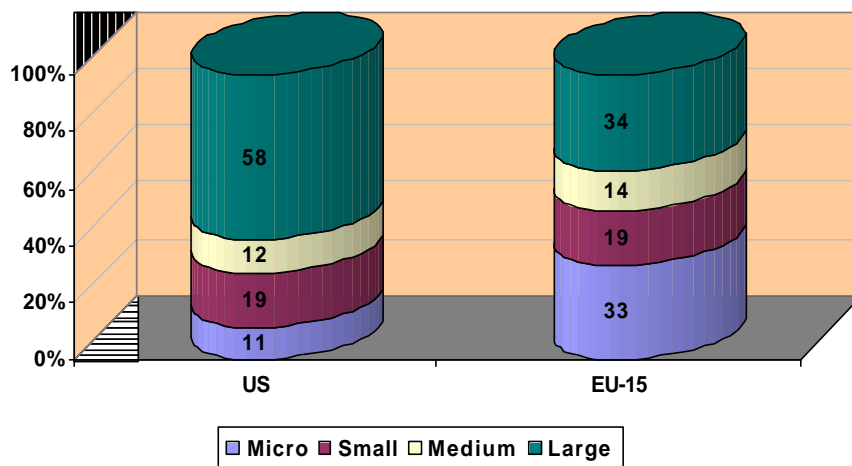
Micro and small enterprises in the US economy
Employment relations in the USA: a legal perspective
Employment relations in US small enterprises
Collective representation
Collective bargaining
Working and employment conditions
Conflicts
Size and sector considerations
Bibliography

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Micro and small enterprises in the US economy

According to available data for 1996 (see Graph 2), micro and small enterprises (this is, enterprises with 1 to 49 employees) account for around 30% of the total US employment, where this share is lower than the EU average (52%). In this sense, available data suggests that, from a mere quantitative point of view, micro and small enterprises play a less relevant role in the US economy vis-à-vis the European ones.

Graph 1: *Employment shares by size class in non-primary private enterprise, EU-15 and USA, 1996*



Source: *Sixth Report of the European Observatory for SMEs*

Interestingly enough, and from a dynamic perspective, the evolution of employment in Europe-19 and the USA shows important differences by enterprise size during the time period 1990-1996. Thus, and to start with, the development of employment has been most favourable in the USA. Additionally, the size-class pattern of employment development has been much less consistent in the USA vis-à-vis the European experience, where a negative correlation between enterprise size and employment growth can be appreciated. By way of contrast, and in the USA, no clear relation between enterprise size and employment growth has occurred during 1990/1993, whereas in the time period 1993/1996 a positive relation can be appreciated between enterprise size and employment creation. In this sense, and contrarily to the European experience, US employment growth was by far greatest in LSEs.

Table 1: Employment growth by size-class, Europe-19, 1990 -1996

	1990/1993		1993/1996	
	Europe-19	USA	Europe-19	USA
	average annual change in %			
SMEs:				
micro	-0.8	0.6	0.0	1.3
small	-1.4	-0.4	-0.1	1.9
medium-sized	-2.0	-0.1	-0.2	2.2
total	-1.2	0.0	0.0	1.8
LSEs	-2.0	0.9	-0.2	3.1
Total	-1.5	0.5	-0.1	2.5

Source: *Sixth Report of the European Observatory for SMEs*

From a qualitative point of view, micro and small enterprises (MSEs) are currently viewed in the USA as a key role player in the new American economy. Thus, and according also to an US official opinion¹, US MSEs make two indispensable contributions to the American economy:

First, they are an integral part of the renewal process that pervades and defines market economies. New and small firms play a crucial role in experimentation and innovation that leads to technological change and productivity growth. In short, small firms are about change and competition because they change market structure.

Second, small firms are the essential mechanism by which millions enter the economic and social mainstream of American society. Small businesses enables millions, including women, minorities, and immigrants, to access the so-called 'American Dream', based on expectations on economic growth, equal opportunities and upward mobility.

Thus, one of the main indicators of current US dynamic economy is the continued high level of creation of new and small firms in all sectors of the economy by all segments of society.

Meanwhile, and looking into the future, the US Small Business Administration² suggests that SMEs in general and MSEs in particular are expected to play a dominant role in the future US economy in a number of ways:

Small businesses will continue to be the engine of job generation. Thus, new job generation will continue to be the result of 'churning' -that is, small firm birth and death rates will continue to be high, with gains expressed in net new births.

¹ See, for instance, U.S. Small Business Administration, 1998b.

² U.S. Small Business Administration, 2000.

Technology and population changes will have a major impact on how small businesses operate. Thus, the ageing of the US population means that companies will need to adjust to the changing makeup of their labour forces. Growing connectivity among all parts of an increasingly global economy will have also long-term effects.

Traditionally, small businesses have contributed more than their share to innovation and technological advances. More important, they have often played a unique role not only in developing technologies, but also in developing and exploiting unrealised market opportunities for those technologies and laying the ground for new industries. This role is expected to continue in the future.

To end with this section, the US Small Business Administration argues that the future contribution of small firms to the US economy may be summarised in terms of efficiency and dynamics ³ :

- On the one hand, the essence of the efficiency argument is that there are certain things small firms do better than large firms. Through the division of labour between small and large firms, the efficiency of the economy is increased. This is especially important in production and innovation.
- On the other hand, the argument with respect to dynamics is that small firms are needed to provide the entrepreneurship and variety required for macroeconomic growth and stability. Thus, small firms provide the lion's share of entrepreneurship in the economy, and a high rate of new firm entry is associated with dynamics. This is because highly structured organisations are inefficient when dealing with changes in the environment. New small firms, therefore, are needed for the production of variety in the economy and the elimination of stagnation.

Employment relations in the USA: a legal perspective⁴

Main legislative framework and federal bodies regulating US employment relationships

The United States has three basic laws governing basic employment relationships: the National Labour Relations Act (Wagner Act), the Labour Management Relations Act (Taft-Hartley Act), and the Labour-Management Reporting and Disclosure Act (the Landrum-Griffin Act). Federal government authorities throughout the country enforce these laws.

The National Labour Relations Board (NLRB) is the main enforcement agency for laws covering labour-management relations. The Department of Labour (DOL) enforces other important aspects of labour relations law -- mainly requirements for internal union democracy and financial accountability -- with the same national scope. Both the NLRB and the DOL maintain regional offices in cities throughout the United States as points of access for workers, unions and employers.

³ U.S. Small Business Administration, 1998b

⁴ This information has been obtained from two reports:

- NAALC, 2000a
- NAALC, 2000b

Most private sector employees in the United States come under the federal labour law jurisdiction of the NLRB and the DOL. Under the Commerce Clause of the Constitution, these agencies have jurisdiction over private sector businesses in the United States engaged in “interstate commerce”. State labour relations laws cover smaller firms. In most areas of labour-management relations the role of the states is limited, since federal labour law generally pre-empts state law. The individual states have almost no jurisdiction over matters of organising, bargaining and striking in the United States.

Table 2: *Summary of main characteristics of US employment relationships*

United States	
Constitutional Foundations	Constitution is silent on labour rights and standards First Amendment protects freedom of assembly, free speech, and the right to petition the government for redress of grievances; Courts have applied this to some labour activity
Labour Law Jurisdiction	National system of labour laws: Wagner Act, Taft-Hartley Act and Landrum-Griffin Act apply throughout the national territory Single national administrative labour board (NLRB) for enforcement; 33 regional offices throughout the country
Protection of Right to Organise	Federal Wagner Act defines anti-union discrimination as unfair labour practice Key protection is ULP charge made by employees or union before NLRB
Union registration and certification	Certification normally requires a majority vote in a secret ballot election; elections held within weeks of filing Aggressive campaigns occur in period between petition and vote Secret ballot vote conducted by NLRB officials
Union security (Dues payments by represented employees)	The majority of states leaves union security for agreement between labour and management 21 states have "right-to-work" laws, prohibiting labour-management agreement for dues deduction by non-union members
Duty to Bargain	Affirmative duty to bargain with a certified union; a refusal to bargain is an ULP
Mediation, Conciliation and Arbitration	Government mediation/ conciliation is voluntary Compulsory arbitration of contract terms does not occur in the private sector
Mandatory Extension of Contract Coverage	No extension of CAs to cover other firms or workers The outcome of bargaining is primarily left to market forces Some "pattern bargaining" occurs in certain sectors
No-Strike Rules	Strikes are not legally prohibited during CA In practice, most parties incorporate a no-strike clause in their CA Arbitration is generally practised as a quid pro quo for a no-strike clause
Strike Votes	A union strike vote is not required by law (issue left to union constitution) In practice, most unions conduct a vote to strike or to authorise a strike; vote conducted under union by-laws
Striker Replacement	"Economic strikers" may be permanently replaced Workers who strike over ULPs may not be permanently replaced Temporary replacements are allowed

“CA”: collective agreement

“NLRB”: National Labour Relations Board (USA.)

“ULP”: unfair labour practice

Source: NAALC, 2000⁴

Status of the individual worker's job security in the US labour law system

The United States maintains the "at-will" employment principle, which assumes a voluntary contractual relationship that can be terminated at the will of either party. In its classical formulation, the at-will rule allows employers to dismiss a worker for "a good reason, a bad reason, or no reason at all," with no requirement for advance notice or severance pay.

The at-will doctrine still prevails as the basic employment relationship for most private sector workers in the United States. Collective bargaining agreements providing a "just cause" standard for discharge cover just 12 per cent of workers in the private sector. These workers have recourse to arbitration on a claim of unjustified discharge. However, in addition to collective bargaining agreements, the at-will rule is constrained by statutes that prohibit discrimination in employment, and by certain exceptions to the at-will rule established by court decisions in individual cases. Many labour analysts predict continuing erosion of the at-will doctrine as new legislation is adopted and new court decisions are announced.

Among the 50 US states, only Montana, a rural state with little industrial employment, has adopted a statute creating a just cause standard for discharge covering all private sector workers.

Freedom of association and protection of the right to organise

Protection of the right to organise

In the 1935 Wagner Act, the United States created the statutory concept of the Unfair Labour Practice. Such "ULPs", as they are called among US labour lawyers, include discrimination because of "concerted activity," including union activity.

US workers or unions may file unfair labour practice charges with the NLRB seeking reinstatement and back pay. A trial on the charge may be held before an Administrative Law Judge, whose decision is appealable to the NLRB.

NLRB decisions in the United States are routinely subject to judicial review by the federal courts. The entire legal process can go on for months or years, and such delays have often been criticised for eroding the right to organise. Despite a general doctrine of deference to the NLRB's expertise, courts often reconsider the merits of an unfair labour practice case and overrule the Board's decisions.

Union registration and certification

In the United States, union certification normally requires a majority vote in a secret-ballot election conducted by the NLRB. A period of several weeks usually passes between petitioning for an election and the holding of the election. Aggressive campaigning by the union and the employer to persuade workers to vote "yes" or "no" on union representation normally marks this period. Decisions of the NLRB on alleged unfair labour practices in such election campaigns are often subject to lengthy court appeals and reversals.

In exceptional cases involving an employer's massive unfair labour practices that make a fair election impossible, the NLRB may certify a union's representative status without holding an election, or without regard to the results of an election tainted by the employer's unfair labour practices. This is called a Gissel bargaining order, after the name of the Supreme Court case that established the principle. A Gissel order, too, is often challenged in the courts, creating a delay of several years before bargaining begins.

The United States does not require registration as a precondition to a union's legal functioning. Workers can form a union and make a collective bargaining agreement with an employer without any government action, if the employer is willing to deal with the union. In practice, however, workers usually turn to the government certification process administered by the NLRB. Also, unions normally incorporate themselves to conduct their business affairs, and they must file financial reports with the Department of Labour on income and expenditures.

Union security

In a majority of states, union security is a matter of contract between labour and management. Depending on their relationship, unions and employers can negotiate an obligatory dues payment arrangement, or any modifications of such a scheme. A mandatory dues payment arrangement usually prevails in these states, resulting in dues deductions from all represented employees.

Under a special exception written into US labour relations law, twenty-one states have passed "right to work" laws prohibiting unions and companies from agreeing to obligatory dues payments from all represented workers. In all states, non-members bound by a union security clause may object to union spending unrelated to representation and obtain a partial rebate of dues payments.

The right to bargain collectively

Duty to bargain

The United States also compels good faith bargaining under its labour laws. The 1935 Wagner Act created an employer unfair labour practice of refusal-to-bargain, and the 1947 Taft-Hartley Act created an equivalent unfair labour practice in case of a union refusal to bargain in good faith.

In the United States, the good faith requirement guards against "surface bargaining" - going through the motions without trying to reach an agreement-. Surface bargaining is treated as an unfair labour practice of refusal-to-bargain (although proving it is a challenge for litigators). The good faith bargaining requirement also prohibits an employer from direct dealing with employees, from unilateral changes in terms and conditions of employment, or other violations of the duty to bargain.

Mediation, conciliation and arbitration

Government mediation and conciliation in the United States is voluntary. It takes place only if both parties agree to call in a mediator from the Federal Mediation and Conciliation Service, who plays a "go-between" role to help the parties find an acceptable settlement. Compulsory arbitration of a new collective agreement does not normally occur by force of law in US labour relations private sector law. US labour law generally leaves the outcome of bargaining to the relative strength of the parties in a play of market forces (but affected by the striker-replacement doctrine). While the Federal Arbitration Act, by its own terms, is not applicable to employment contracts, federal courts are increasingly applying the law in labour disputes. Thirty-five states have adopted the Uniform Arbitration Act as state law. Thus, the arbitration agreement and decision of the arbiter may be enforceable under state and federal law.

Mandatory extension of contract coverage

United States labour law does not contemplate the extension of contract terms to parties outside the bargaining relationship. In practice, wages and benefits negotiated by major unions and firms in some industries may shape a "pattern" that others follow. But if they do, it is a matter of choice or custom; law does not compel it.

Such “pattern bargaining” was a hallmark of US collective bargaining in the decades following World War II, but competitive pressures have led to widespread deviations from a “pattern” in several industries.

The right to strike

No-strike rules

In the United States, a no-strike clause and arbitration of contract disputes are subjects of bargaining between the parties. No law prohibits or restricts mid-contract strikes by American unions, or requires arbitration of labour disputes. In practice, most unions and employers make this ‘quid pro quo’ arrangement. The union agrees to a no-strike clause, and the employer agrees to submit disputes to binding arbitration. Unions can be liable for financial damages for strikes in violation of a no-strike clause.

The foregoing discussion relates to workers’ strikes in connection with their own terms and conditions of employment. US law prohibits “secondary boycotts:” work stoppages by employees of suppliers or customers (called “secondary” employers) of the “primary” employer whose workers are involved in a “primary” strike. It is unlawful under US law both for the “primary” union to request such a stoppage, and for the “secondary” union to engage in a stoppage at the behest of the primary union. Moreover, inducing the customers of a secondary employer to boycott (in the usual sense) that business because it deals with the primary employer is also an unlawful secondary boycott. In addition to unfair labour practice charges, unions can be subjected to lawsuits for financial damages for secondary boycott activity.

Strike votes

US law makes no requirement for a strike vote of any kind -- to authorise a strike, to launch a strike, a “last-offer” vote, or to end a strike. These matters are left to the union’s own constitution and by-laws. Most unions require a membership vote to authorise a strike and to accept a contract, but this is a matter of the union’s internal rules, not a legal requirement.

Striker replacement

In the United States, employers are permitted to permanently replace workers who strike over wages, hours and working conditions (“economic strikers”), or workers who strike for union recognition without seeking a NLRB election.

The permanent replacement doctrine in US labour law is not explicitly stated in the labour statutes. It is based on a 1938 Supreme Court decision that has remained the law governing US workers’ right to strike. Attempts to pass an amendment to reverse the doctrine have failed passage in Congress.

Under this doctrine, striking workers who are permanently replaced maintain their employee status. They remain on a recall-to-work list and must be offered their former or similar jobs, as they become open. Technically, this complies with the non-discrimination requirement of the law -- which workers cannot be discriminated against for exercising the right to strike.

Most US trade unionists criticise this protection as a fiction, arguing that the replaced worker is de facto a terminated worker who has in fact suffered discrimination for exercising the right to strike. Employers counter that the striker replacement doctrine reflects a proper balance of power in the bargaining relationship. The point is sharply debated among scholars and in Congress.

Employers in the United States may not permanently replace workers who strike over an employer's unfair labour practices ("ULP strikers"). ULP strikers may be temporarily replaced, but they must be reinstated when they decide to end their strike and return to work.

In practice, most American unions file unfair labour practice charges when they begin a strike. Usually the charges allege refusal to bargain in good faith. The union hopes to prevail on the unfair labour practice charge in order to protect strikers against permanent replacement. The practical problem in this strategy is that a final decision by the NLRB or by the courts on the unfair labour practice case may take years, so the union and its members cannot be certain that their action is protected.

Prohibited Employer actions (Unfair Labour Practices in USA)

- Interfering with, restraining, or coercing employees engaged in concerted activity, including union activity
- Dominating, interfering with the formation or administration of, or contributing financial support to a labour organisation
- Discriminating in regard to hire or tenure of employment or any term or condition of employment to encourage or discourage membership in any labour organisation
- Retaliating against workers for giving testimony or otherwise availing themselves of the Act's protection
- Refusing to bargain with a certified collective bargaining representative of employees

Laws and regulations from an enterprise size perspective

Federal and State laws and regulations covering compensation and other labour practices do often not apply to small businesses, or are modified for small businesses⁵.

One example of modified laws for small business pertains to employer-provided retirement benefits, which are governed by Federal law, the Employee Retirement Security Act of 1974, and subsequent amendments. This law requires employers who provide retirement benefits to follow certain procedures to ensure that funds intended for employee retirement income are in fact available to employees upon retirement. The law includes a pension insurance fund, rules against discrimination in pension plan participation and benefit amounts, rules for keeping plan participants notified about plan provisions and financing. These rules, most notably the rules on disclosure to the federal Government, are modified for small establishments. The rationale behind this modification is to reduce the administrative burden of operating a pension plan.

Another example is given by the Family and Medical Leave Act of 1993. This Act mandates employers to make unpaid time off available to employees for personal illness; the birth, adoption or illness of a child; or the illness of a relative. However, the Law specifically excludes employers with less than 50 employees. Of course, it is not always easy to identify these employers. Just as the definition of an establishment and a firm can be difficult to apply, so too is the application of the 50-employee limit for coverage under the Family and Medical Leave Act. For example, the law states that employers who have '50 or more employees for each

⁵ This information has been obtained from Wiatrowski, October 1994.

working day during each of 20 or more calendar work-weeks in the current or preceding calendar year' are covered. In counting such employees, those who have worked fewer than 1,250 hours in the previous 12 months are not considered. In addition, the 50-employee limit does not apply to a single physical location, but to the establishment and all other worksites within 75 miles operated by the same employer. As these complicated regulations suggest, determining what is a small business and to which laws a business is subject is sometimes a difficult task.

Looking ahead: The recommendations of the Commission on the Future of Worker-management Relations

The Commission on the Future of Worker-Management Relations (commonly called the Dunlop Commission) was appointed by Secretary of Commerce Ronald H. Brown and Secretary of Labor Robert B. Reich in 1993 to address three questions:

- What (if any) new methods or institutions should be encouraged, or required, to enhance work-place productivity through labour-management co-operation and employee participation?
- What (if any) changes should be made in the present legal framework and practices of collective bargaining to enhance co-operative behaviour, improve productivity, and reduce conflict and delay?
- What (if anything) should be done to increase the extent to which workplace problems are directly resolved by the parties themselves, rather than through recourse to state and federal courts and governmental bodies?

The Commission's main conclusions are presented in a final report published in 1994. This report⁶ contains 15 key conclusions and recommendations intended to modernise American labour and employment law and administration of the future. These recommendations include the following ones:

- New methods or institutions to enhance workplace productivity
 1. Clarifying the National Labor Relations Act (NLRA) and its interpretation by the National Labor Relations Board (NLRB) to make sure non-union employee participation programs are not found to be unlawful simply because they involve discussion of "terms and conditions" of work or compensation as long as such discussion is incidental to the broad purposes of these programs. At the same time, the Commission reaffirms the basic principle that these programs are not a substitute for independent unions. The law should continue to make it illegal to set up or operate company-dominated forms of employee representation.
 2. Updating the definitions of supervisor and manager to insure that only those with full supervisory or managerial authority and responsibility are excluded from coverage of the law. We further recommend that no individual or group of individuals should be excluded from coverage under the statute because of participation in joint problem-solving teams, self-managing work groups, or internal self-governance or dispute resolution processes.
 3. Reaffirming and extending protections of individuals against discrimination for participating in employee involvement processes and for joining or drawing on the services of an outside labour or professional organisation.

⁶ US Department of Labor, 1994.

- Changes in Collective Bargaining to Enhance Co-operation and Reduce Conflict and Delay.
 1. Providing for prompt elections after the NLRB determines that sufficient employees have expressed a desire to be represented by a union. Such elections should generally be held within two weeks. To accomplish this objective we propose that challenges to bargaining units and other legal disputes be resolved after the elections are held.
 2. Requiring by statute that the NLRB obtains prompt injunctions to remedy discriminatory actions against employees that occur during an organising campaign or negotiations for a first contract.
 3. Assisting employers and newly certified unions in achieving first contracts through an upgraded dispute resolution system which provides for mediation and empowers a tripartite advisory board to use a variety of options to resolve disputes ranging from self-help (strike or lockout) to binding arbitration for relatively few disputes.
 4. Encouraging railroad and airline labour and management representatives to implement their stated willingness to seek their own solutions for improving the performance of collective bargaining in their industries.

- Increase the extent to which the parties resolve workplace problems.
 1. Encouraging regulatory agencies to expand the use of negotiated rule making, mediation, and alternative dispute resolution (ADR) procedures for resolving cases that would otherwise require formal adjudication by the agency and/or the courts.
 2. Encouraging experimentation and use of private dispute resolution systems that meet high quality standards for fairness, provided these are not imposed unilaterally by employers as a condition of employment.
 3. Encouraging individual regulatory agencies (e.g., OSHA, Wage and Hour Division, EEOC, etc.) to develop guidelines for internal responsibility systems in which parties at the workplace are allowed to apply regulations to their circumstances.
 4. Developing safety and health programs in each workplace that provide for employee participation. Those workplaces that demonstrate such a program is in place with a record of high safety and health performance would receive preferential status in OSHA's inspection and enforcement activities.
 5. Adopting a single definition of employer for all workplace laws based on the economic realities of the employment relationship. Furthermore, we encourage the NLRB to use its rule-making authority to develop an appropriate doctrine governing joint employers in settings where the use of contract arrangements might otherwise serve as a subterfuge for avoiding collective bargaining or evading other responsibilities under labour law.
 6. Adopting a single definition of employee for all workplace laws based on the economic realities of the employment relationship. The law should confer independent contractor status only on those for whom it is appropriate - entrepreneurs who bear the risk of loss, serve multiple clients, hold themselves out to the public as an independent business, and so forth. The law should not provide incentives for misclassification of employees as independent contractors, which costs federal and state treasuries large sums in uncollected social security, unemployment, personal income, and other taxes.
 7. Creating a National Forum on the Workplace involving leaders of business, labour, women's, and civil rights groups to continue discussing workplace issues and public policies. In addition, we recommend establishment of a national Labour- Management Committee to discuss issues of special concern to the future of collective bargaining and worker-management relations. We encourage development of similar forums in communities, states, and industries to further promote grass roots experimentation and learning.

8. Improving the database for policy analysis of workplace developments, evaluation of labour-management experiments in the private sector, and for assessment of the economic condition of contingent workers. This requires amalgamation of existing data sets within the NLRB and Department of Labour, and among these and other agencies as well as co-ordination of research on workplace topics for the National Forum and other interested parties.

Employment relations in US small enterprises

To start with, and referring specifically to small enterprises, the US literature recognises the existence of a wide array of different situations regarding working environment and employment relations from one small firm to the other. A different set of factors such as sector, age of enterprise, business culture of the enterprise, geographical location, etc⁷ may explain these differences.

Notwithstanding this general statement, employment relations in the US small enterprises are characterised by a number of traits⁸:

- First, small firms are known for their informal communication and flexibility as well as for their need to become more structured in their approach to human resources as they grow.
- Second, managers of small business managers/owners express the desire to implement more formal human resource management procedures without losing the benefits of the more flexible, informal cultures that characterise smaller firms.
- Third, because of the close involvement of the owner/manager, smaller firms do more likely struggle with a trade-off between an individualised, personal approach allowing maximum flexibility in people management and a more bureaucratic, formal approach.

In this sense, employment relations amongst US smaller enterprises benefit from a number of issues such as informal communication, direct supervision, more broadly-defined jobs, the ability to capitalise on strengths of individual employees⁹ to meet customer needs, and the critical importance of individual employees to the organisation's success. Additionally, open communication is ranked first in importance¹⁰ by US small manufacturing firms in comparison to other key human resource management practices.

This positive side of the story is not however, complete. Thus, and according to some US authors¹¹, employment relations in US small firms are also characterised by a number of negative points:

1. Large employers offer much higher wages than small employers, even when differences in employees' education and experience and the nature of industry are taken into account. Thus, it is possible to suggest

⁷ Comish R, 1994.

⁸ Mentioned in Kaman et al, 2000

⁹ Briscoe & Soukup, HRM in small companies. Proceedings, Association of Management Conference in Orlando, 1990, quoted in Kaman et al, 2000.

¹⁰ Deshpande, SP & Golhar, DY, HRM practices in large and small manufacturing firms: A comparative study. Journal of Small Business Management, 32(2), 49-56, 1994, quoted in Nye, 1997.

¹¹ Brown C et al, 1990.

that two workers who are the same in terms of sex, race, education experience, industry, union status and occupation, the worker in the large firm will on average earn 10 to 13 percent more than the worker in the small firm. This difference cannot be explained by differences in working conditions or by union avoidance strategies, and represents the premium enjoyed by those who work in large firms and locations.

2. Large employers also offer better benefits. The lower of fringe benefits offered by small firms is due at least to higher per-employee costs of some fringes.
3. The reasons large employers offer higher compensation is not because they offer inferior working conditions. In fact, when working conditions are taken into account, large employers still pay more than their smaller counterparts. In addition, various indicators of employees' satisfaction with the work environment do not indicate that conditions are more favourable in small firms.
4. The jobs generated by large employers provide greater, not less, security than those generated by small employers. Layoff rates, which reflect all kinds of layoffs, are much lower in large businesses than in comparable small ones.

As a summary, these authors conclude that the kind of jobs generated vary significantly by employer size. Thus, workers in large firms earn higher wages, and this fact cannot be explained completely by differences in labour quality, industry, working conditions, or union status. Workers in large firms also enjoy better benefits and greater job security than their counterparts in small firms. When these factors are added together, it appears that workers in large firms do have a superior employment package. The higher quit rates and greater desire for unionisation in small firms provide additional evidence on the quality of jobs offered by large employers.

In addition to this, US smaller enterprises are also criticised for their lack of use of 'best practices' lack of sophistication, and lack of attention to the documented relationships existing between human resource management practices and organisational outcomes in larger firms¹².

Existing empirical research carried out by Kaman et al in 2000 shows that, in the United States, human resource management systems evolve as a business grows in a number of fields. Thus, their research, conducted amongst a sample of 319 effectively responding small service firms (less than 100 employees) provides the following results:

Four practices that formalise management expectations are significantly correlated with firm size, indicating that larger US tertiary firms are more likely to have a handbook, formal performance evaluation systems, written guidelines for task performance, and a formal orientation process (see Table 3).

¹² Huselid, MA, The impact of human resource management practices on turnover, productivity, and corporate financial performance. *Academy of Management Journal*, 38, 635-672, 1995, quoted in Kaman et al, 2000.

Table 3: *Practices that formalise management expectations*

Practices	Smallest enterprises (1-15 employees)	Medium enterprises (16-48 employees)	Largest enterprises (49-100 employees)
Making written job descriptions available to employees for each job	3.5	3.4	4.0
Following a step-by-step formal procedure to orient new employees into the company	3.4	3.9	4.2
Using formal performance evaluations/appraisals at least once a year for each employee	3.5	4.8	5.0
Using progressive discipline procedures	3.5	3.6	4.0
Using a formal selection process (tests or structural interviews or point system) to make hiring decision	3.4	3.4	3.2
Providing a handbook or other written guidelines on company expectations for appropriate workplace behaviours	3.0	4.6	5.3
Providing standard written policies, procedures, and guidelines for how tasks are to be performed	2.8	3.4	3.9

Mean results on a 6-point scale. Enterprises were requested to answer to the extent (from 0 to 6) that human resource practices were practised in small service firms

Source: *Kaman et al, 2000*

By way of contrast, practices enabling employees to take more responsibility are in place in all firms in this study, regardless of size category. In fact, the smallest firms, on average, are quite strong in implementing these practices. All three sizes of firms are strongest on realistically describing the job to prospective employees. In relation to the other responsibility practices, these firms are weakest on making training classes or seminars available to employees. Interestingly, the larger small firms in this sample do not report being as thorough as the smallest and medium firms in keeping all employees informed of company progress with periodic meetings or other communications, providing flexibility in scheduling for work hours to accommodate employee needs, or providing opportunities for employee suggestions and feedback (see Table 4). Additionally, US small firms use employee responsibility practices to a greater degree and with greater uniformity than they use the employer expectation practices.

Table 4: *Practices enabling employees to take more responsibility*

Practices	Smallest enterprises (1-15 employees)	Medium enterprises (16-48 employees)	Largest enterprises (49-100 employees)
Realistically describing the job to prospective employees	5.0	4.9	4.9
Making training classes or seminars available to employees	4.0	4.1	4.0
Keeping all employees informed of company progress with periodic meetings or other communications	4.4	4.5	4.2
Providing rewards or incentives for good performance	4.2	4.2	4.1
Providing flexibility in scheduling for work hours to accommodate employee needs	4.7	4.7	4.1
Providing opportunities for employee suggestions and feedback	4.5	4.1	4.0

Mean results on a 6-point scale. Enterprises were requested to answer to the extent (from 0 to 6) that human resource practices were practised in small service firms

Source: *Kaman et al, 2000*

Three main reasons¹³ can be suggested to explain this enterprise size effect:

- First, it becomes more difficult to treat employees fairly and consistently if employers continue to rely on informal or ad hoc systems. Thus, in very small firms, owner/manager expectations of employees can be communicated one-on-one and renegotiated frequently. As a small firm grows, this informal practice is more difficult to maintain with consistency.
- Second, current employment laws require formal systems and written documentation to support decisions made about job applicants and employees once firms have reached a specified size.
- Finally, human resource practices enable the enterprise to grow beyond one person's (the owner) span of control while ensuring consistency in decision-making.

Interestingly also, evidence suggests a positive relationship between effective human resource management practices and performance in the US small firms. Thus, two main studies can be mentioned in this respect:

¹³ Reasons provided by:

- Stewart, A, *Team entrepreneurship*. Newbury Park, CA: Sage Publications, 1989.
- Baron, JA & Kreps, DM, *Strategic Human Resources: Frameworks for General Managers*. New York: John Wiley & Sons, Inc, 1999.

All these studies are mentioned in Kaman et al, 2000

- The first study¹⁴ predict the five year survival rate of initial public offering firms by the value placed on human resources and the extent to which organisation-based rewards are used;
- Meanwhile, the second study¹⁵ finds that above-average performers amongst small manufacturing firms are distinguished by concern for employee welfare, job satisfaction, performance, and clear personnel policies;

Collective representation

As it was previously discussed, the National Labor Relations Act, the Labor-Management Relations Act and subsequent labour law establish the right of employees to elect representation and to bargain collectively. The protections provided in these laws are available to nearly all workers, not just members of labour unions who now make up about 15 percent of the labour force, down from a post-World War II high of about 25 percent (see Table 5).

Table 5: *Union membership selected years, 1930-96*

Year	Union members (thousands)	Percent of labour force
1930	3,401	6.8
1935	3,584	6.7
1940	8,717	15.5
1945	14,322	21.9
1950	14,267	22.3
1955	16,802	24.7
1960	17,049	23.6
1965	17,299	22.4
1970	21,248	24.7
1975	22,361	23.6
1980	22,377	20.5
1985	16,996	18.0
1990	16,740	16.1
1995	16,360	14.9
1996	16,269	14.5

Source: *Wiatrowski WJ, Winter 1994*

In the USA, it is worth underlining the existence of the American Federation of Labor-Congress of Industrial Organizations (AFL-CIO), set up in 1955 from the merging of two previously existing Federations. The AFL-CIO is not involved with negotiating collective bargaining agreements, but rather with the mediation before policy making bodies in order to defend its associated members' interests. The AFL-CIO does not specifically represent the interests of US micro and small enterprises.

¹⁴ Welbourne, TM & Andrews, AO, Predicting the performance of initial public offerings: Should human resource management be in the equation? *Academy of Management Journal*, 39, 891-919, 1996, quoted in Kaman et al, 2000

¹⁵ Kotey, B & Meredith, GG, Relationships among owner/manager personal values, business strategies, and enterprise performance. *Journal of Small Business Management*, 35(2), 37-64, 1997, quoted in Kaman et al, 2000.

Unfortunately enough, very little information is available on unionisation rates amongst US small enterprises in general and very small ones in particular¹⁶. In this sense, the scarce existing information on this point suggests the following:

- Those employees working for large employers are more likely to be unionised than those working for small ones (see Table 6), but among nonunion workers those working for small employers are more likely to want to be unionised (see Table 7).

Table 6: *Percentage of employees at different-sized companies and establishments who are unionised, 1983*

Number of employees	Percent unionised
Enterprise	
1-24	4
25-99	14
100-499	19
500+	30
Establishment	
1-24	7
25-99	20
100-499	29
500+	32

Source: Bureau of Labor Statistics, may 1983 Current Population Survey, taken from Brown C et al, 1990

Table 7: *Union sentiment and activity among private-sector nonunion workers, 1984 (percentages)*

Measure	Number of employees in enterprise			Number of employees in establishment			
	1-99	100-499	500+	1-49	50-99	100-499	500+
1. Would vote 'Union'	30	38	24	30	43	28	19
2. Prefer job to be 'Union'	21	32	17	23	35	20	13

Source: Harris survey for the AFL-CIO, 1984, taken from Brown C et al, 1990

This discrepancy may reflect the fact that unions gain more from organising larger units. Evidence on the probability of having an election (higher in larger units) (see Table 8) and on win rates (higher in smaller units) (see Table 9) is consistent with this view.

¹⁶ The most important empirical evidence is provided by Freeman, RB & Rogers, J, Worker Representation and Participation Survey. Report on the Findings. A survey conducted by Princeton Survey Research Associates, 1994. Unfortunately enough, this extensive research, carried out through a national telephone survey of 2408 workers did only include private sector establishments of 25 or more employees. Another important piece of information is provided in Brown C et al, 1990.

Table 8: Annual probability of a union election at different-sized establishments, 1974-1976

Number of employees in establishment	Annual election probability
1-49	0.02
50-99	0.05
100-499	0.08
500-999	0.07
1000+	0.06

Source: US Labor Department and National Labor Relations Board, taken from Brown C et al, 1990

Table 9: Union wins per 100 representation elections, by establishment size, 1970-1986

Number of employees in establishment	1970-1974	1975-1981	1982-1986
1-49	57	52	50
50-99	46	43	41
100-499	42	34	36
500+	38	28	32

Source: NLRB Annual reports, 1970-1986, taken from Brown C et al, 1990

However, other available empiricak evidence suggests that union win rates are very similar for large and small firms¹⁷ where, in 1995, unions achieved their highest win rate (53.5 percent) in elections involving bargaining units of 50 or fewer employees¹⁸.

Additionally, an American author¹⁹ suggests that benefit incidence varies widely between union and non-union workers in small establishments²⁰. Thus, Table 10 provides info on the percentage of full-time workers who receive certain benefits, based on union representation in small establishments.

Table 10: Percentage of full time small business workers who receive certain benefits, 1992

Benefits	Unionised workers	Non-Unionised workers
Medical care	94	68
Dental care	58	31
Life Insurance	87	62
Retirement benefits	87	41

Source: Wiatrowski, October 1994.

¹⁷ Result found by Deshpande and Flanagan Deshpande, S. P. & Flanagan, DJ, Union representation elections in large and small manufacturing firms: An empirical investigation, Journal of Small Business Management, 33(1), 56-65, 1995, and quoted in Nye DL, 1997

¹⁸ Result found by Lehr, Middlebrooks, Price & Proctor, Union Election Numbers Down, in Employment Law Bulletin, 4(2),2, 1996, and quoted in Nye DL, 1997

¹⁹ Wiatrowski, October 1994.

²⁰ Less than 100 employees.

As far as the existence of employers' associations is concerned, the US employers have not created specific institutions for the defence of their interest and collective bargaining issues, following the European experience. In any case, it is worth mentioning the existence of the Chamber of Commerce of United States, set up by the US local Chambers of Commerce. This Institution is highly appreciated by the US employers as a pseudo representative institution²¹.

Collective bargaining

To start with, it is important to have in mind that in the US case study, the most usual scope for collective bargaining is the enterprise itself (complemented by particular agreements at establishment level), where the valid negotiators are the employer and the employers' representative. Meanwhile, collective bargaining agreements at sector level are practically non-existent, and in this case this sector agreement has to be accepted within each enterprise by the employer and the employees' representative.

The main characteristics that define the American collective bargaining system are defined by the following elements²²:

- Collective bargaining agreements cover about 15% of the US labour force, but are more prevalent in larger establishments. In 1988, 19.4% of employees were covered by a collective bargaining agreement, compared with a 5.2% of employees in small establishments²³. This means that within 95% of the US smallest enterprises, working and employment conditions are negotiated on an individual basis between the employer and the employee.
- Most of the collective bargaining agreements have a time length longer than one year long, where most of them have also self-extension clauses provided that these agreements are not denounced by any of the working parties.
- Trade unions play an active role in the collective bargaining agreements, since they are the responsible of its application and the exclusive official negotiators with the employer. Any difference in the interpretation or application of the collective bargaining agreement are generally solved through arbitration procedures (see point on conflict for a further discussion on this issue).
- The mission assigned to the US trade unions by the American Employment Relation System is limited to negotiating and ensuring that the agreements are fulfilled.

One factor influencing differences in wage and compensation levels by enterprise size is the presence of a collective bargaining agreement. Thus, it is well established that workers covered by a collective bargaining agreement, on average, receive higher wages and are more likely to receive certain benefits than workers not covered by such an agreement. For instance, and according to the BLS Employment Cost Index, employers

²¹ Toña Güenaga A, Información sobre la Empresa a los Trabajadores, Tesis Doctoral de la Universidad de Deusto, 1995

²² Toña Güenaga A, Información sobre la Empresa a los Trabajadores, Tesis Doctoral de la Universidad de Deusto, 1995

²³ Data taken from Wiatrowski, October 1994.

spent \$21.86 per hour worked for the wages and benefits of union workers in 1993, compared with \$15.76 for non-union workers. Since a greater proportion of employees in large enterprises are covered by collective bargaining agreements, this result in higher wages and compensation levels amongst large enterprises' employees²⁴.

Working and employment conditions

The existing research on working and employment conditions amongst US small business can be characterised as extensive and complete. Generally speaking, this information shows that the existing working and employment conditions within the US small enterprises can be labelled as worse than within large ones. Several examples illustrate this general statement²⁴:

There are important differences by enterprise size in terms of hours worked and full-time/part-time status, which by turn reflects the seasonal nature of some small businesses. Thus, there is a greater proportion of employees in large establishments working full-year/full-time than in small establishments, and a greater proportion of employees in small establishments working other combinations of time (see Table 11 and Table 12).

Table 11: *Duration of working time, by establishment size*

	Small establishments	Large establishments
Full-year/full-time	61.4	75.1
Full-year/part-time	10.7	6.5
Part-year/full-time	17.0	11.8
Part-year/part-time	10.9	6.6

Source: *Wiatrowski, October 1994, data obtained from Bureau of Labour Statistics, Department of Labour*

Table 12: *Part-time employment by employment size of firm, 1994-1996 (percentage of employees)*

Size of enterprise	1994	1995	1996
Total	20.0	19.4	19.1
Under 10	31.8	31.3	31.7
10-24	24.5	23.7	23.6
25-99	17.3	16.4	15.7
100-499	14.2	13.2	12.3
500-999	15.1	15.5	15.7
1000+	18.2	17.7	17.7

Source: *US Small Business Administration, 1997, from data provided by the US Department of Commerce, Bureau of the Census, March Current Population Surveys.*

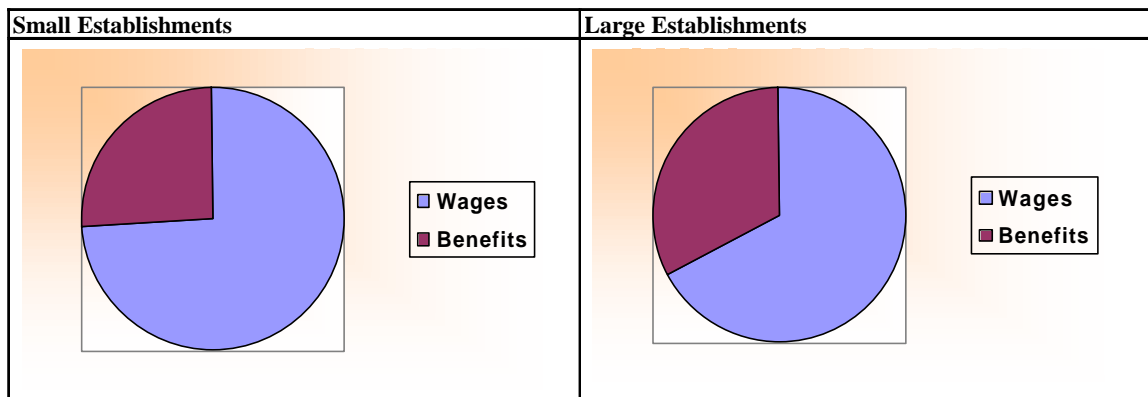
²⁴ Data taken from Wiatrowski, October 1994.

²⁵ The information included in this section has been obtained from the following sources:

- US Small Business Administration, 1997
- Wiatrowski, October 1994
- US Department of Labor, April 1999
- Miller MA, M
- Black et al, 1993.

Data on wages and employer-provided benefits show important differences both in the level of compensation provided and the composition of that compensation between small and large establishments. Thus, large establishments spend a greater proportion of their compensation dollar on benefits than do small establishments (see Graph 2). Meanwhile, costs per hour worked in large establishments (\$12.88 for wages and \$5.64 for benefits) were higher than the costs in small businesses (\$10.75 for wages and \$3.81 for benefits). However, recent research also shows that the US small-enterprise sector is not the low-wage sector of the US economy, but provides minimum wage jobs in proportion to its total employment share²⁶.

Graph 2: *Distribution of total compensation costs by size of establishment, private sector, 1993*



Source: *Wiatrowski, October 1994, data obtained from Bureau of Labour Statistics, Department of Labour*

Linked to the previous point, large establishments provide benefits on a larger extent than small establishments do. Thus, Table 13 provides information on the percentage of full-time employees who participate in benefit plans by size of establishment, where the existing differences by establishment size are shown. Additionally, Table 15 shows that the average number of paid vacation days available after certain years of service is greater in large establishments than in small establishments, where the difference tends to get larger as years of service increase. This data is referred to full-time employees who receive paid vacations.

²⁶ Berger MC et al, 1999.

Table 13: *Percent of employees participating in selected employee benefit programs, by enterprise size, 1996*

Employee benefit program	Full-time employees in	
	<i>Small independent establishments, 1996</i>	<i>Medium and large establishments, 1995</i>
Paid time off		
Holidays	80	89
Vacations	86	96
Personal leave	14	22
Funeral leave	47	80
Jury duty leave	55	85
Military leave	13	44
Sick leave	48	58
Family leave	2	2
Insurance		
Short-term disability	27	53
Long-term disability	18	42
Medical care	62	77
Dental care	27	57
Life	57	87
Retirement		
All retirement	42	80
Defined benefit plans	11	52
Defined contribution plans	35	55
Savings and thrift	19	41
Deferred profit sharing	12	13
Employee stock ownership	0.4	5
Money purchase pension	4	7
Tax deferred earnings arrangements		
With employer contributions	20	45
Without employer contributions	4	9

Source: *US Department of Labor, April 1999.*

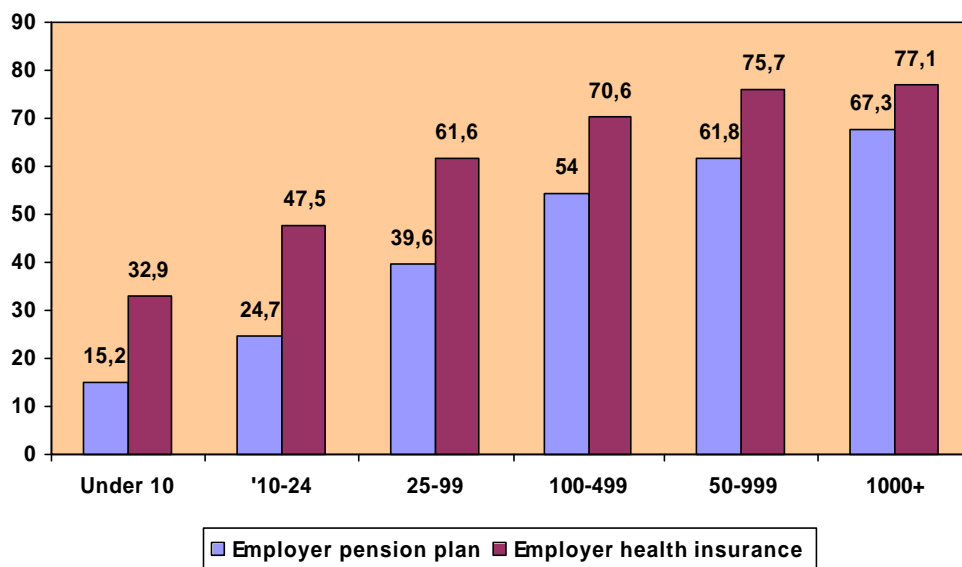
Table 14: *Average number of paid vacation days for full-time employees who receive paid vacations, by establishment size*

	Small establishments, 1992	Large establishments, 1991
After 1 year	7.6	9.3
After 5 years	11.5	13.4
After 10 years	13.5	16.5
After 15 years	14.5	18.7
After 20 years	15.1	20.4
After 25 years	15.3	21.5

Source: *Wiatrowski, October 1994, data obtained from Bureau of Labour Statistics, Department of Labour.*

The previous results can be complemented when looking into the percentages of employees that are included in employer pension plans and employer health insurance, by enterprise size. Thus, and taking into account only the full-time employees, data show that employees of smaller enterprises are generally less likely either to be included in employer pension plan benefits or to belong to an employer's health plan than employees of larger enterprises (see Graph 3).

Graph 3: Full-time employees included in employer pension plans or employer health insurance, by enterprise size, 1996



Source: US Small Business Administration, 1997, from data provided by the US Department of Commerce, Bureau of the Census.

Employee training amongst smaller enterprises shows remarkable differences in comparison to larger enterprises²⁷. Thus, Small enterprises appear to provide general workplace training, whereas large ones specialise in providing firm-specific training. Additionally, formal training varies with firm size (see Table 15). Meanwhile, total hours of training increase also with enterprise size, although informal training seems to be more present in smaller enterprises in comparison to larger ones.

²⁷ Black et al, 1993 & Wiatrowski, winter 1994.

Table 15: *Percent of private sector establishments providing formal training, 1993*

Characteristics	Total	Fewer than 50 workers	50-249 workers	250 workers or more
Provide training	70.9	68.9	97.9	99.3
Orientation	31.8	28.5	74.9	92.5
Safety and Health	32.4	29.5	70.2	88.3
Apprenticeship	18.9	17.5	35.6	51.1
Basic skills	2.2	1.7	7.2	19.3
Workplace skills	36.1	33.0	77.3	89.6
Job skills	48.6	45.8	85.8	95.9
Other	4.1	3.6	10.5	17.1
<p>Orientation training provides information on personnel and workplace practices and overall company policies.</p> <p>Safety and health training provides information on safety procedures and regulations and health warnings and hazards.</p> <p>Apprenticeship training is a structured process by which individuals become skilled workers through a combination of classroom instruction and on-the-job training.</p> <p>Basic skills training provides instruction in reading, writing, arithmetic, and English language skills.</p> <p>Workplace skills training gives information on policies and practices that affect employee relations or the work environment.</p> <p>Job skills training upgrades employee skills and qualifies workers for a job.</p>				

NOTE: Sum of individual items may be greater than the total because employers may offer more than one type of training.
Source: *Wiatrowski, Winter 1997.*

In any case, it is important to have in mind that the composition of labour force in small versus large establishments has some effect on differences in working and employment conditions. Thus:

Employment in small establishments is not uniformly distributed amongst sectors. Thus, certain sectors such as construction, retail trade or personal services have a large proportion of their employment in small establishments. Since some of these sectors are more depending on the business cycle, this may have a direct impact on job duration and tenure.

The occupational mix of small and large establishments differs, and it is parallel to the differences by industry (i.e., small establishments tend to employ a larger proportion of precision production and service workers, due to the presence of small businesses in construction and service sectors.

Older and younger workers are more likely to be in micro and small establishments, in comparison to large establishments with a higher presence of people between 25-44 years old (see Table 16).

Table 16: Age distribution of full-time employees by employment size of enterprise, 1996 (percentage of employees)

Size of enterprise	Under 25	25-34	35-44	45-54	55-64	65+
Total	12.2	29.2	29.1	19.6	8.6	1.2
Under 10	14.9	28.6	27.8	18.2	8.4	2.2
10-24	14.7	31.1	27.8	17.5	7.3	1.5
25-99	13.3	31.1	28.1	17.8	8.5	1.2
100-499	10.7	29.5	30.4	19.6	8.8	1.1
500-999	10.4	27.6	29.5	22.5	8.8	1.1
1000+	10.8	28.3	29.9	21.1	9.0	0.9

Source: US Small Business Administration, 1997, from data provided by the US Department of Commerce, Bureau of the Census, March Current Population Surveys.

Employees in small enterprises generally have lower human capital than those in large enterprises. Thus, a greater proportion of employees in small establishments have completed less than high school or have a high school degree where, in contrast, and amongst large establishments, a greater proportion of employees have completed University education (see Table 17).

Table 17: Employee education level by employment size of firm, 1996

Size of enterprise	Less than High School	High School Degree	Some College	Bachelor's Degree	Master's Degree	Doctorate
Total	15.7	34.4	28.5	15.8	4.0	1.7
Under 10	21.8	36.6	26.7	11.0	2.5	1.5
10-24	21.2	35.0	26.9	12.9	2.6	1.4
25-99	18.8	34.3	27.5	14.3	3.5	1.5
100-499	14.5	36.2	27.9	15.9	4.2	1.4
500-999	12.3	32.7	30.2	18.1	4.8	1.9
1000+	11.4	33.0	30.1	18.8	4.9	1.9

Source: US Small Business Administration, 1997, from data provided by the US Department of Commerce, Bureau of the Census, March Current Population Surveys.

Even amongst contingent workers²⁸ empirical evidence by enterprise size shows important differences in the employment characteristics²⁹. Thus, large firms are more likely to hire contingent workers than small firms, although small firms are significant users of these workers as they account for the employment of over 40

²⁸ Contingent workers are workers who do not have an explicit or implicit contract for long-term employment. Depending upon the precise definition used, they make up anywhere from two to five percent of the labour force in the U.S economy. The importance of contingent workers is the flexibility they provide firms in managing their work force in response to changing business conditions and skill needs.

²⁹ See Popkin and Company, 1999.

percent of contingent workers. Additionally, US small enterprises employ a very small proportion of the well-educated contingent workers, mostly employed by large firms. Additionally, and compared to large firms, small firms make greater use of contingent workers in blue-collar occupations such as precision production, craft and repair, operators, fabricators and labourers. Also, the employment of contingent workers in small firms is concentrated in the goods industry whereas large firms tend to hire contingent workers for use in the services industry.

Conflicts

There is very little empirical evidence on conflict situations and resolutions of these conflicts within the US micro and small enterprises. Unfortunately enough,³⁰ it has only been possible to find one main study dealing with this issue from an enterprise size perspective .

According to this study, dissatisfied US employees are increasingly turning to the courts and government agencies such as the Equal Employment Opportunity Commission (EEOC) in record numbers during the last years, due always to conflicts with their employers. Just to give some data, while the number of federal civil suits increased 125 percent between 1970 and 1989, employment discrimination suits increased 2,166 percent in 1991. No data are provided on this issue by enterprise size.

According to this study, this employment litigation explosion has sparked new interest in alternative dispute resolution procedures, less onerous to the US employers. Examples of these procedures include:

- An ombudsman, who is usually a trained employee or consultant available for confidential discussion early in the dispute resolution process.
- Neutral fact-finding, in which an independent third party investigates the facts surrounding a grievance and presents those facts to the decision-makers.
- Panel review, in which other employees who may be hear an employee's grievance peers of the grievant, members of management, or some combination thereof.
- Mediation, in which a trained individual from inside or outside the organisation recommends, but cannot mandate a solution to the dispute.
- Arbitration, under which a neutral third party hears the dispute and makes an award that is usually final and binding on both parties.

In fact, and according to the authors of the study, arbitration is getting particular attention amongst both employers and employees, basically due to cost reasons. In fact, and referring exclusively to this option, the following data by enterprise size is provided:

A 1994 survey by the Society for Human Resources Management (SHRM) found that arbitration was available to non-union workers at 7 percent of firms with fewer than 50 employees;³¹ 13 percent in those with 50-99 employees; and, 21.1 percent in those with 100-499 employees .

³⁰ See Nye, 1997

³¹ BNA, Inc., Nonunion grievance procedures. *Personnel Management*, No. 864: 203, 614-615, 1995, quoted in Nye, 1997.

The Princeton survey³² revealed that 60 percent of responding non-union employees who did not have the arbitration option would like to have it. In firms with 100-499 employees, 53 and 61 percent of respondents preferred arbitration to going to court, depending on whether management picked the arbitrator from a government-approved list or whether management and an employee committee jointly selected the arbitrator. In firms with 25-99 workers, the proportions of employees preferring arbitration over lawsuits were 50 and 54 percent, respectively.

Size and sector considerations

Unfortunately enough, there is very little empirical evidence dealing with the impact of size/sector considerations on the employment relations issue. Notwithstanding this, the existing evidence on the topic³³ suggests that in very small firms, owner/manager expectations of employees can be communicated one-on-one and renegotiated frequently. However, and as a small firm grows, this informal practice is more difficult to maintain with consistency.

Unfortunately enough, the US literature does not provide a clear understanding of the extent to which specific human resource management (HRM) practices are used by smaller firms. Some research has focused on the involvement of firm owners in HRM as well as the establishment of a separate HRM function and the increase in formalisation of HRM policies and procedures as firms increase in size³⁴.

Smaller firms are described as experiencing the benefits of informal communication, direct supervision, more broadly-defined jobs, the ability to capitalise on strengths of individual employees to meet customer needs, and the critical importance of individual employees to the organisation's success³⁵.

Meanwhile, the smaller enterprises are also criticised for their lack of use of 'best practices', lack of sophistication, and lack of attention to the documented relationships that have been demonstrated between HRM practices and organisational outcomes in larger firms³⁶.

At the same time, there is evidence that US small firms vary widely in their practice of human resources management³⁷ and that size of firm is not necessarily the best predictor of human resource management

³² Freeman, RB & Rogers, J, Worker Representation and Participation Survey. Report on the Findings. A survey conducted by Princeton Survey Research Associates, 1994.

³³ Kaman et al, 2000

³⁴ Baron, JA & Kreps, DM, Strategic human resources: Frameworks for general managers. New York: John Wiley & Sons, Inc, 1999, quoted in Kaman et al, 2000.

³⁵ Briscoe & Soukup, HRM in small companies. Proceedings, Association of Management Conference in Orlando, 1989, quoted in Kaman et al, 2000.

³⁶ Huselid, MA, The impact of human resource management practices on turnover, productivity, and corporate financial performance, *Academy of Management Journal*, 38, 635-672, 1995, quoted in Kaman, 2000.

³⁷ Baron, JA & Kreps, DM, Strategic human resources: Frameworks for general managers. New York: John Wiley & Sons, Inc, 1999, quoted in Kaman et al, 2000.

practice or its outcomes³⁸. Thus, other characteristics have to be taken into account such as sectoral influence, labour characteristics or market constraints.

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³⁸ Jackson, SE et al, Organisational characteristics as predictors of personnel policies. *Personnel Psychology*, 42(4), 727-786, 1989, quoted in Kaman et al, 2000.

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