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MANAGEMENT OF EMPLOYEE’S VOICE IN THE CONTEXT OF CHANGING ECONOMIC MARKET RELATIONS: A CASE OF KAZAKHSTAN

Abstract

This paper addresses the key aspects of project management of organizational performance in the context of changing economic market relations and seeks for an alternative approach to fill the representation gap. Employee’s voice is chosen as the case of organizational performance, as it is important in many ways. In this context, key question is whether partnership mechanism could help labor union revival and increase mutual gains outcomes. In order to address the issues, first of all, the paper reviews the concept of employee’s voice, the features of direct communication, and representative participation, including consultation and partnership. Next, it explores the recent evolution of industrial relations in Kazakhstan and explains why the representation gap is important. Then it looks into the real business case study of the National Railway Company Kazakhstan to understand the features of partnership. The conclusion suggests that there is a need for a mix of direct communication and representative participation to fill the representation gap effectively, and partnership could be an effective mechanism to establish the cooperative industrial relations.

Keywords

management, labor unions, employment, employee, collective agreement, Kazakhstan

JEL Classification

M10, L10, L50

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INTRODUCTION

Kazakhstan has a population of 17.670.000 people. Most of economically active population works in the industry and service sector. The labor unions with around 3.1 million members remain a strong force in industrial relations of Kazakhstan (NSA, 2019). Since 1990s, the dominant model of a labor union has considerably been strengthening in the private sector as well, while the coverage of collective agreement is increasing in the public sector. According to Annual National Statistic reports, a quarter of all employees are labor union members in Kazakhstan in 2016. Labor union membership in the private sector increased from 8% in 1995 to 41% in 2016. In the public sector, labor union’s density also increased from 35% to 60% during the same period. Collective agreement coverage has continuously risen. In 2016, just 36% of private sector employees were covered by collective bargaining, a growth of 7.8% since 1996, whereas 24% of employees in the public sector remain covered by collective bargaining in 2016 (NSA, 2019). However, labor unions cannot claim “to be the single channel of communication and representation for employees as three quarters of the working population are not union members and
have no access to union representation at work” (Aurand, Gorchels, & Bishop, 2005; ACAS, 2012). Additional difficulties for labor unions arose with the expansion of the influence of multinational companies, whose enterprises employ a significant part of the working population of Kazakhstan. As a rule, the structure of multinational companies is a vertically integrated holding, where the active implementation of international corporate governance standards results in strict centralization and standardization of all business processes (Dreher, 2014). This means that important decisions are made at the level of the management company and the owners. Today, not only the level of salary depends on the owners, but also the composition of the social package, and almost everything related to labor relations. Meanwhile, labor legislation does not provide for social partnerships with the owner. Under the Labor Code, unions must negotiate with the administration of their enterprise, whose powers are limited. The centralization of labor management is manifested in the fact that holding companies strive to unify collective agreements for all their enterprises, regardless of the specifics of a particular enterprise or region. Therefore, there is a huge representation gap, which is continuously increasing and hard to fill. Apart from that, “there is clear evidence that employees want some form of voice to deal with various problems at work and want more cooperative engagement with management” (ACAS, 2012). Moreover, employee involvement is closely related to a positive outcome in terms of organization productivity (Dundon, Wilkinson, Marchington, & Ackers, 2004). There has been growing attention to the alternative approach to fill the representation gap for employee’s voice.

This paper addresses key aspect of project management of organizational performance in the context of changing economic market relations and seeks for the alternative approach to fill the representation gap. Employee’s voice is chosen as the case of organizational performance, as it is important in many ways. Key question is whether a partnership mechanism could help labor union revival and increase mutual gains outcomes. In order to address the issues, first part of the paper reviews the concept of employee’s voice, the feature of direct communication and representative participation, including consultation and partnership. The second part of the paper explores the recent evolution of industrial relations in Kazakhstan and explains why the representation gap is important. Then it looks into the real business case study to understand the feature of partnership.

1. LITERATURE REVIEW

Employee’s voice attracts both managers seeking greater business efficiency and employees seeking higher employee rights (Dundon et al., 2004). Historically, employee voice meant collective bargaining as joint or collective regulation. The collective regulation can lay a foundation for a partnership, leading to positive benefits for business (Aurand et al., 2005; Bacon & Samuel, 2009). There is a wide range of mechanisms for employee’s voice, and they can be classified into two mainstreams: direct involvement and communication and representative participation (Arthur, 1994; Kwon, Farndale, & Park, 2016).

Direct involvement and communication refer to any technique that managers draw upon employee ideas and opinions. It is a mechanism, which is operated directly between managers and employees on a face-to-face basis rather than through employee representatives (Jacobsen & Skillman, 2008). There is one important feature in the direct involvement and communication methods. First, the direct channel is closely involved in management-initiated schemes such as regular team briefing and workforce meeting. “Such meetings are usually led by senior management or line managers and the topic discussed in the meetings are related to matters of immediate concerns such as work organization, production issues, and employment matters with future plans and financial performance” (Heneman & Sandver, 1983; ACAS, 2012). This feature implies that direct involvement and communication are strongly related to managers’ intention to enhance the organization performance rather than employees’ rights of expressing their voice. One of the strengths in the direct involvement and communication is that “employees may receive timely information directly from managers rather than their representatives” (ACAS, 2012).

Another strong mechanism of employee’s voice is representative participation through the two
main processes of collective bargaining and joint consultation (Purcell & Hall, 2012). Despite the downward trend of membership, collective bargaining initiated by trade unions is still the most powerful method of regulating the employment relationships in the workplace (Rees, Alfes, & Gatenby, 2013). For example, two out of three workers in the European Union are covered by collective agreements, and more than 60% of employees covered by a recognized institution of employee representation (EC, 2014). As discussed above, however, there has also been a growing representation gap since 1995s (Ackers & Payne, 1998). This shift underlines the need for an alternative approach to fill the gap of employee’s voice (Marchington, 1998; Marchington, Wilkinson, Ackers, & Dundon, 2001).

Joint consultation can be defined as “a right to be informed of planned measures in advance and to have an opportunity to express an opinion prior to implementation” (Budd & Zagelmeyer, 2010). Both joint consultation and collective bargaining are operated based on legal framework to guarantee collective voice. However, they are fundamentally different in many ways. First, “collective bargaining is a process of rule-making leading to joint regulation in terms of pay and other working conditions” (ACAS, 2012), whereas “consultation committee addresses issues not covered by collective bargaining, such as planned business and HR changes as well as issues raised by employees” (Morrison & Milliken, 2000; ACAS, 2012). Secondly, collective bargaining necessarily requires a political process of negotiation, which distinguishes it from consultation (Rees et al., 2013). Lastly, collective bargaining leads to collective agreements regulating the employment relationship between management and labor (Wood & De Menezes, 2011). Most employers favor the employment involvement, but object to legal enforcement of joint consultation in fear of limiting their prerogative (Purcel & Hall, 2012). Management is always in a dominant position in setting the agenda. Moreover, employers have the advantage of the legal framework with preexisting agreement (Parkes & Razavi, 2004). Although consultation does not address working conditions, it gives better access to senior managers (Armstrong, 2001). It also deals with different areas not covered by collective bargaining, including not only management plans and proposals but also sensitive issues such as large-scale redundancies, business transfers, health and safety, which are legal requirements for consultation (Bryson, Charlwood, & Forth, 2006; An, Becker, & Cheng, 2017). Non-union employee representatives may face difficulty in developing a collective voice and accessing external advice. This is why some trade unions take part in hybrid staff councils with a mix of non-union employees and union representatives.

2. RESEARCH METHODOLOGY

For the analysis of organization management in the context of changing economic market relations at national and company level, this paper applies the policy analysis, which can be regard-

Figure 1. The role of labor union in communication with employees
ed as a scientific activity and can be divided into two primary fields: the analysis of already existing policy and the analysis of new policies. The analysis of already existing policies is a descriptive and analytical process that attempts to explain what policies are and how they have developed. On the other hand, the analysis of new policies is a prescriptive process that aims to formulate the proposals and policies that are targeted at tackling various problems that are faced by society. For example, the government can formulate a policy on how to best improve the employers’ social rights based on information derived from an analysis of the already existing welfare policies of that country and other countries. In policy analysis, the identification of alternative policies can be used in tackling the specified problem. For example, if the government was seeking to establish a policy that could help tackle the problem of unemployment in a country, it would be wise for that government first to identify alternative policies that may be related to that problem, i.e., the employment and retirement policies for that society. Next stage should involve the evaluation of the identified policies to see which of the identified policy is best suited; this is followed by the selection of the preferred policy and finally, the implementation of the preferred policy.

3. RESULTS AND DISCUSSION

3.1. Kazakhstan’s partnership model

Partnerships involve the joint activities of managers and subordinates, based on the fulfillment of pre-agreed obligations, the independence of the workers in their implementation, the competitiveness of mutual offers, the non-interference of management in the fulfillment of professional duties and the lives of employees. In Soviet times, paternalistic relations at enterprises were only addition to state paternalism (Beissenova, Nurbekova, Zhanazarova, Dzyurenich, & Turebayeva, 2013). The latter was much more tangible and in demand, and most importantly, systemically reproducible. Paternalism at the state level was most pronounced in the social sphere (education, healthcare, housing and public services) and, to some extent, contributed to the formation of social dependency of the population. However, for most workers, such relationships made it possible to satisfy the limited needs of a life-supporting nature in exchange for certain labor activity. Paternalism in relations between workers and superiors in Soviet enterprises was characterized by mutual dependence. Management depended on workers to approximately the same extent as they did on it. This was explained by the shortage of labor, the high level of staff turnover, and the strong positions of workers in all public organizations and especially the Communist Party. In response to excessive pressure and unfair, in the worker’s opinion, instructions from the authorities, it was possible to apply various tactics: blackmail by dismissal (especially from the most skilled and knowledgeable interspecific workers), appealing to the labor dispute committee, party committee, etc.

In Kazakhstan, the economically active population was 9.13 mln people (about 49% of the total population), of which 52% worked for service, 25% for industry and remaining, 23% were involved in agricultural sector, the official unemployment rate is less than 5% over the last 10 years. The idea of partnership has gained great popularity. The number of partnership agreements has steadily increased. Partnership agreements covered almost 5-7% of all employees in Kazakhstan in 2018. Private sector signed relatively few partnership agreements with the coverage of nearly 4% of employees by 2018, representing the less likeliness to fill the gap of employee’s voice (Beissenova et al., 2013). In general, an analysis of the development of social partnership in Kazakhstan shows that collective agreements and tariff agreements, the quality of these documents, and, most importantly, their implementation, remain at a low level. This is evidenced by signs of a crisis in the country, including low living standards, low incomes, rising unemployment, bankruptcy of enterprises (Karatayev, Hall, Kalyuzhnova, & Clarke, 2016).

There are several reasons that the execution of the partnership scheme remains at a low level. First, the focus of the social and economic transformation of the post-Soviet space by most governments, including Kazakhstan, was stated as a socially-oriented state. We will not discuss...
here how successfully the doctrine of a secular state has been implemented. It should be noted only that the weight of the commitments made to society was greater than the available economic resources. However, the attractiveness of the image of the secular state, the welfare state, continues to determine the framework of the legislative process, the activities of many state, social structures, and the expectations of ordinary citizens. The structural processes of labor market formation are directly related to such policies, which, according to international experience, can be implemented only if social dialogue and social stability are established.

The second reason was the identity of the social and political situation, including the weakness of civil society institutions, public associations, and organized interest groups. Only sustainable social structures can be negotiated. Such structures should meet four basic requirements of being sufficiently resilient, willing to engage in dialogue and compromise (loyal), having a high degree of legitimacy in the eyes of ordinary members, and therefore having the ability to control them (for example, to prevent natural acts or, in the case of associations of producers, to force these obligations). Therefore, after the collapse of the USSR, the Government of Kazakhstan, having declared a course towards the construction of a secular state, was forced to form partners in negotiations in a hurry (Beissenova et al., 2013). The simplest idea was to implement the idea of social partnership, which led to a dialogue between the state, employers and trade unions. The obvious partnership model was immediately questioned by many analysts, as traditional Soviet trade unions lacked the necessary level of cohesion and legitimacy. Powerful strikes, the creation of new trade unions (e.g., Independent Coal Miners Union and others), and the division in some regional and sectoral associations have shown not only the disintegration of the trade union movement but also the low level of legitimacy of its traditional structures. Employers’ associations did not exist, and those created after the collapse of the Union ministries, after privatization and equity, were aimed only at lobbying for narrow interests and could not control the activities of their members.

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage of employed people with labor union agreement</th>
<th>Density of employed organizations (in %)</th>
<th>Percentage of employees with labor union agreement in the public sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Akmola region</td>
<td>43.4</td>
<td>30.1</td>
<td>39.1</td>
</tr>
<tr>
<td>Aktoobe region</td>
<td>68.7</td>
<td>65.7</td>
<td>42.2</td>
</tr>
<tr>
<td>Almaty region</td>
<td>71.4</td>
<td>84.7</td>
<td>71.3</td>
</tr>
<tr>
<td>Atyrau region</td>
<td>68.9</td>
<td>72.6</td>
<td>47.7</td>
</tr>
<tr>
<td>East Kazakhstan</td>
<td>76.0</td>
<td>81.0</td>
<td>49.0</td>
</tr>
<tr>
<td>Jambul region</td>
<td>64.3</td>
<td>55.1</td>
<td>40.0</td>
</tr>
<tr>
<td>Karaganda region</td>
<td>65.8</td>
<td>70.5</td>
<td>56.1</td>
</tr>
<tr>
<td>Kostanay region</td>
<td>50.3</td>
<td>33.4</td>
<td>35.0</td>
</tr>
<tr>
<td>Kyzylorda region</td>
<td>67.1</td>
<td>83.9</td>
<td>44.7</td>
</tr>
<tr>
<td>Mangystau region</td>
<td>75.0</td>
<td>74.0</td>
<td>39.3</td>
</tr>
<tr>
<td>North Kazakhstan</td>
<td>56.3</td>
<td>51.4</td>
<td>44.5</td>
</tr>
<tr>
<td>Pavlodar region</td>
<td>41.1</td>
<td>48.1</td>
<td>53.6</td>
</tr>
<tr>
<td>Turkistan region</td>
<td>36.9</td>
<td>52.1</td>
<td>41.2</td>
</tr>
<tr>
<td>West Kazakhstan</td>
<td>79.7</td>
<td>65.0</td>
<td>38.8</td>
</tr>
</tbody>
</table>

The features of the Kazakhstani model of social partnership define such characteristics as imperfections of the legal basis during the transition period of the country to a market economy; privatization of state property; lack of development of the layer of owners, entrepreneurs as a subject of social partnership, absence or underdevelopment at different levels of regulation of social and labor relations; social insecurity of the majority of the population; the strongest social stratification of society; the underdevelopment of the middle class and civil society; high degree of paternalistic sentiment and tendencies; high degree of regional characteristics in the practice of social partnership formation and development. The latter reflects the considerable specificity of the entry of different regions of Kazakhstan into the market economy and manifests itself in the unprecedented pluralism of the level, forms, types of contracts and agreements concluded in the system of social and labor relations for most countries.
The formation of the Kazakhstani version of social partnership was influenced by contradictions between the previous model of labor relations and the one implied as the result of shock therapy, which was taken as the basis of market reforms by the Government of Kazakhstan after the collapse of the USSR in the early 1990s (Kulsariyeva & Nassimova, 2014). The reason for the failure of shock therapy, which has become only a source of significant deterioration of the quality of life of the population, lies in the limitation of the Anglo-Saxon economic model justifying it, which implies minimal state intervention in the economy. Indeed, excessive government intervention on macro- and meso-levels reduces the flexibility of the economic system. But in the process of its reduction, it is necessary to achieve a certain golden middle ground between the powers of the state and social institutions. Moreover, social partnership requires cooperative and well-structured parties that are credible and well organized, and therefore capable of making commitments and ensuring their implementation. This implies that employers’ and workers’ organizations should be sufficiently representative that their positions are not weakened by the presence of multiple rival organizations, that both partners have the technical capacity to discuss the issues under discussion competently. A relative balance of power among partners is needed to address disputes fairly.

The Soviet practice of labor relations also influenced the process of formation of social partnership. It was characterized by the denial of the classical concept of labor relations, incompatible with the dominant ideology. In the model justified by this concept, labor relations imply the conflicts, negotiations and cooperation between employees, employers, and industrial bodies, and strikes are allowed (Kulsariyeva & Nassimova, 2014). The centralized planned economy of the Soviet Union denied the very possibility of such forms and actions because it was based on the ideology of harmony between all actors in labor relations. In reality, business life was characterized by a considerable degree of bureaucracy and hierarchy, with neither trade unions nor employers free to make decisions that were dictated from the center. The paternalist model determined the special place of trade unions and the hierarchy of organizations that spoke on behalf of society and its members.

As the only public interest (all employed, i.e., essentially all adults) recognized by the authorities, trade unions were represented through their leaders at all levels of government and administration. In turn, representatives of party-state structures were part of the trade union leadership of all levels. The integration of power and trade union structures has had many different manifestations in everyday life and public decision-making, up to and including the issuance of the most important legal acts by party and trade union bodies and public authorities.

Nowadays, social partnership is legally formalized by the Labor Code of Kazakhstan, which creates a legal basis for ensuring a balance between the interests of all parties to labor relations. However, with certain achievements in the formation and development of social relations of a new type, the social partnership emerging in Kazakhstan differs significantly from the Western European model. The tripartite agreements contain many general uncertain provisions that are hardly verifiable, while many specific paragraphs are not being implemented. And, first of all, as practice shows, does not fulfill the obligations assumed under the General Agreement of the Government of Kazakhstan, which tends to ignore the views and demands of social partners because within the framework of a liberal, priority technocratic approach, its responsibility is not envisaged.

Most collective agreements at the regional and enterprise levels do not regulate or guarantee minimum wages and employment. Decision-making in enterprises is often closed and workers cannot influence them in any way. Social partnership at the level of enterprises and associations is implemented through a mechanism of collective and contractual regulation of social and labor relations. The Collective Labor Dispute Settlement Service, one of the most important means of pre-trial conflict resolution, is being developed. For example, in Kazakhstan, after the establishment of the Collective Labor Dispute Settlement Service, the number of disputes decreased sharply (149 and 21, respectively, in 1997 and 2018). Although, it must be recognized that statistics do not reflect the real level of social tension in the region, especially in the areas of wages, utilities, children’s benefits, and employment. The effectiveness of social part-
nerships is also diminished by the lack of mediation and the underdevelopment of the labor dispute resolution system.

The specificity of modern labor relations lies in the fact that they are regulated by a large number of legal acts, many of which correspond to socialist and transitional economy. Thus, as of 2001, Kazakhstan labor legislation at the federal level alone included more than 10 thousand normative and legal acts. This also explains that many regions of Kazakhstan adopted the law “On social partnership” long before the adoption of several normative acts at the state level. Thus, in Almaty region, the Law “On social partnership” was adopted in 1998, in the same year, the first bilateral agreement between the government and the labor union was signed. Such bilateral agreements are adopted at the level of cities and districts. In 2003, 205 agreements were concluded in Almaty region, including 13 sectoral agreements at the regional level, 150 sectoral agreements and 41 other agreements at the state level. The largest number of agreements were concluded in education (46), the lowest in utilities (3) and industry (4). The main place in the development of regulation of social and labor relations belongs to collective agreements, the number of which in 2010, in comparison with 1993, grew more than 2 times and covers 51% employed in different branches in Almaty region.

The main constraints on collective bargaining in large and medium-sized enterprises are their precarious financial and economic situation, small number or absence of trade union organizations, lack of knowledge of trade union leaders and agreement with the administration of the enterprise. In small enterprises, the absence of trade union organizations is common; lack of organization of the employees themselves and ignorance of their rights; imperfections in the tax system. As for budgetary organizations (education, health, science, arts, etc.), collective agreements are concluded in most cases, but due to lack of funds, they are not implemented or controlled.

3.2. The case study of partnership

This is the case study of National Railway Company Kazakhstan, reflecting the typical features of partnership in the private-public sector. National Railway Company experienced a merger of all regional NRC organizations with 14 labor unions in 1995. This inevitably required a series of organizational changes and contract renewals. In the late 1990s, the trade unions applied a partnership scheme. However, the sustainability of the agreement was threatened by the restructuring of NRC organization. Conflicts took place when management attempted the outsourcing of service without prior consultation with the unions, representing a breach of Trust protocol. This means that mutual trust was broken, and followed by the suspension of the partnership agreement by the unions.

However, both sides recognized the need to get a partnership recovered. The representatives of unions and management attended the workshop and endorsed the renewal of partnership agreement with an action plan. The key goal of the workshop was to establish a common understanding amongst participants and to fully discuss and recognize the need for the sustainability of partnership agreement. The partnership approach is recovered, and a series of joint project boards were set up to address the agenda for change. Now information about agenda for change is shared openly with all employees. Staff away-day events were held to inform and engage the staff about the nature and ideas of agreement. The partnership proved to be robust when the National Railway Company was faced with the financial position in 2004. The partnership approach through open dialogue helped overcome the crisis.

The case study of NRC suggests several significant implications. First, a partnership requires strong trust and willingness of management and labor, particularly senior managers and union representatives, otherwise, it could be easily broken up. Second, information sharing and training are indispensable through a workshop in order to share the values of partnership and involve the staff in the program. Third, when both sides are in a deadlock situation, the third party intervention could play a decisively important role. Lastly, the case study demonstrates a positive sign of gaining mutual gains and establishing the cooperative employment relations in the workplace.
Employee’s voice is important. As trade unions have declined, there is a need for a new approach to filling the representation gap. Consultative committees provide an opportunity to express the collective voice about important issues not covered by collective bargaining regularly. However, the consultation mechanism has some limitation to fill the representation gap. Employers have an advantage of the legal framework. Management is always in a dominant position in agenda setting, the procedures and frequency of consultation, however, there is still no sign of the trade union revival. There is little evidence that partnership has contributed to union revival. Furthermore, there are mixed views on mutual gains outcomes. There is little evidence of partnership leading to increased employee’s voice or mutual gains. The steady increase in the numbers and coverage of partnership agreements suggests that partnership based on mutual trust and cooperation is about much more than just outcomes. The case study of the National Railway...
Company Kazakhstan also suggests that the partnership is a favorable mechanism to establish cooperative relations. There is no doubt that partnership rules are more effective in the strategic development of market management. Nowadays, however, their learning is difficult for both workers and managers. The main obstacles to establishing a partnership in the labor relations with the management of workers oriented towards such relations as institutional restraints rooted in the Soviet past and reproduced on a new basis due to the inadequacy of the market in the institutional environment of the enterprise.

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