

Employee participation and company performance



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Employee participation and company performance

A review of the literature

Juliette Summers and Jeff Hyman



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1 Introduction

The new economy

The past 20 years have seen vast and possibly unprecedented change in all the major economies. These changes have been well documented and embrace the widespread adoption of information technologies, deregulation of both product and labour markets, decline of heavy manufacturing and ascendancy of service industries and growing global competition for the provision of goods and services. Continuous change in product and service markets combined with tightening quality demands require employers to seek more efficient and flexible means of production. They seek the often contradictory elements of employee commitment and disposability, often disguised by terms such as 'employability' and 'new employment contract'.

Partly in response to these economic demands and partly as a consequence of other societal shifts, there have been corresponding changes in the composition and activities of the workforce. Most obvious has been the decline in trade union membership, activity and influence (Cully *et al.* 1999, pp. 85–96). A further shift is that the labour force is becoming increasingly qualified as older non-qualified staff give way to growing ranks of university and college-educated newcomers to the labour market (Wolf, 2002). Also apparent is the rise in the proportion of women in the paid labour market (Wolf, 2002, pp. 24–5) and, associated with this, growing emphasis on part-time and flexible forms of labour (Wolf, 2002, pp. 33, 143). A more diverse, potentially less secure, workforce also raises questions of equality of treatment and rights at work, with the danger that minority or vulnerable groups will lack the resources to

participate effectively in workplace affairs, thereby reinforcing their peripheral status. While these have been global trends, it is in the UK that these shifts have been especially marked.

Many recent publications reflect and confirm these changes. Representative books include Scarborough (1996) and Newell *et al.* (2002), both of which deal with the challenges to organisations of managing knowledge work or expertise, and the Open University Reader on *Managing Knowledge* (Little *et al.*, 2002). Stewart (1997) is quoted at the opening of this book:

Intellectual capital – not natural resources, machinery, or even financial capital – has become the one indispensable asset of corporations.
(Little *et al.*, 2002, p. 1)

For employers of scarce and highly-qualified labour, commitment, rather than control, has ostensibly become the key objective of people management (see Walton, 1985).

Under these changing conditions, it is not surprising that concern by employers, policy makers and employees themselves in safeguarding and promoting their interests has been reflected in different approaches to employee participation. Governments must balance the needs of a competitive economy with welfare of their citizens. Employers seek productive efficiency and recognise that the means to this is increasingly locked in the heads of the people they employ. Well-qualified employees seek elusive objectives of job satisfaction, stability and life-enhancing employment while a more pressing priority for less advantaged and more vulnerable employees may simply be to gain secure employment and reasonable treatment from

their employers. The rise of global institutions presents other problems for workers as corporate decisions become more distant from the staff that they employ: a decision made to close a plant in one country may have been made many thousands of miles away with little opportunity for indigenous employees to combat or even question decisions that dramatically affect their lives. Detachment from the company may also represent a problem for growing numbers of homeworkers and for those whose jobs demand high levels of mobility (Doyle and Nathan, 2001; Felstead *et al.*, 2003).

Employee participation can therefore be seen as an umbrella title under which can be found a wide range of practices, potentially serving different interests. Any exploration of 'employee participation' has therefore to encompass terms as wide-ranging as industrial democracy, co-operatives, employee share schemes, employee involvement, human resource management (HRM) and high-commitment work practices, collective bargaining, employee empowerment, team working and partnership to capture the full picture of participation in the UK (definitions of these terms can be found in the glossary in Appendix 3 of this report). There are obvious problems associated with having so many different interpretations, not least that these terms are frequently used interchangeably and have different meanings for different disciplines and authors. In consequence, outcomes associated with different interpretations of participation also vary and advantage accruing to one social partner may not necessarily be perceived or welcomed as universally advantageous by other partners with interest in the employment relationship. In

other words, participation can be seen as 'contested terrain'.

Financial and work-related participation

Operationally, the term 'employee participation' can be divided into two primary categories: *financial* and *work-related* participation.

Financial participation

Financial participation schemes take two main dimensions and both are important from a policy perspective. The first approach involves distribution of shares to employees, based on the assumption that share ownership induces positive attitudinal and behavioural responses. In Britain, share-based schemes can be classified into two principal approaches, one where employees are offered shareholdings as part of remuneration and a second where employees have an option to buy shares in their own company. The first of the distributive schemes was introduced in 1978 as the so-called approved deferred share trust (ADST) programme in which companies distribute shares according to a stipulated formula to all full-time employees who satisfy eligibility criteria. The option approach, first introduced in 1980, allows employees to buy shares in their companies at favourable rates through an Inland Revenue approved savings institution, such as a building society. Both approaches have subsequently been improved financially and participation has been extended to part-time employees. A derivative option approach was the much derided (though heavily patronised) and now terminated 'discretionary' (or 'executive') share option scheme, which was available only to specified (usually senior)

personnel by invitation. This scheme was introduced in 1984 and replaced in 1996 with the more broadly based company share option plans. In 1989, the first employee share ownership plans (ESOPs) were given statutory approval to go alongside ESOPs founded on a combination of earlier legislation and common law precedents (see Pendleton *et al.*, 1995a, 1998; Pendleton, 2001). These schemes can offer much higher share proportions to employees than the original Inland Revenue approved all-employee schemes and perhaps, for that reason, have failed to gain much popularity with employers. Details of these main approaches can be found in the glossary in Appendix 3.

A second dimension of financial participation concerns flexibility of pay, where an element of remuneration varies with profitability or other appropriate performance measures. A recent example was cash-based profit-related pay (PRP), in which income tax relief was offered to schemes that met Inland Revenue requirements. Some 14,500 schemes were active at their peak in 1997, with tax relief calculated at £1.5 billion (IDS, 1998). The escalation in the loss of income tax prompted the Government to phase out tax relief on PRP, concluding in January 2000 with no further relief.

Work-related participation

Work-related participation comes in a number of forms: individual or collective, and direct (i.e. face-to-face) or indirect (i.e. via a representative) participation. These can be grouped into *two* main types of work-related participation: traditional collective participation, which aims for a more equitable distribution of power throughout the organisation, and 'new' forms of

participation, which are more direct and individualised and have tended to grow out of management strategies, such as HRM, aimed to secure employee commitment to organisational objectives through sophisticated communication procedures and individualised reward and developmental initiatives such as performance appraisal linked to performance-related pay.

Possibly the most clear-cut example of traditional collective participation is the co-operative, where participation includes both ownership and control elements (Pencavel, 2001). However, relatively few employees work in co-operatives and the bulk of the literature on employee participation deals with the more conventionally organised and owned firms that have introduced participation measures. Of these firms, the ones that provide for employee share ownership (ESOP) most closely approximates the co-operative, with its emphasis on employee ownership. However, unlike the co-operative, the ESOP form does not guarantee equitable collective participation, such as one-person-one-vote or majority employee ownership (Pendleton, 2001). ESOPs in the UK have varied from 100 per cent employee ownership to insignificant levels of worker ownership or involvement (Pendleton *et al.*, 1995a). Unlike most other forms of collective participation, co-operatives, because of the small size of the majority of co-operatives (an average of under ten workers) tend to use direct forms of collective participation. In addition, for reasons of economies of scale in terms of numbers of workers and also from a policy perspective, indirect collective participation is the principal collective participation form. Collective bargaining, for instance, still covers 45 per cent of enterprises in

the UK (Cully *et al.*, 1999), though the proportion of employees covered by negotiated agreements has been in continuous decline since the early 1980s (Heery *et al.*, 2003). Collective bargaining permits employee participation in negotiations via elected representatives or full-time officials, usually as part of a trade union network. Other forms of indirect collective participation can include social partnership agreements with trade unions, works councils, co-determination agreements and joint consultation committees.

Second, there are the 'new' forms of participation, which are predominantly direct, such as briefings groups, and individual in nature, e.g. attitude surveys or suggestion schemes. Most of these forms are conflated into the term employee involvement, or employee empowerment, and most of them can be included under HRM strategies or approaches. These forms of direct participation have become more important to managers seeking to gain voluntary commitment from employees to organisational goals (Walton, 1985) at times of heightened competitive pressures and work insecurity. As we indicated in Chapter 1, an associated impulse propelling managers towards a commitment-based regime derives from the growth of so-called knowledge sectors of the economy in which the means of production are 'locked in the head' of valued employees (Castells, 2000). Hence, considerable academic and managerial attention has been addressed in recent years to the identification and value of 'high-commitment work practices' (see, for example, Huselid, 1995), especially in new knowledge-based sectors of the economy (Frenkel *et al.*, 1999).

Levels of participation

In addition to the *forms* of work-related participation outlined above, employee participation in conventionally owned and organised firms can be *task-related* (i.e. at the work station) or *strategic* (i.e. at board or corporate level), and participation at either of these levels can be communicative, consultative or negotiative (for a full discussion on forms and processes of participation see Heller *et al.*, 1998).

Background to growing interest in participation and its effects

The growing emphasis on all forms of flexibility in industry in response to competitive pressures, subsequent changes in work organisation and the current political climate is reflected in the emerging models of participation. These models tend to reflect (and promote) both the individualisation of the employment relationship, and the new partnerships being encouraged between employees, unions and employers.

Market liberalisation

Over the past 20 years, the employment relations climate in the UK has altered significantly. The Conservative Governments' (1979–97) philosophy of 'market liberalisation' provided the political agenda behind substantial deregulation of the labour market along with the privatisation of many state-controlled industries. A DTI report, *Burdens on Business* (DTI, 1985), argued that the burdens imposed by central and local government regulations had seriously curtailed business growth and

expansion, particularly for small firms. The White Paper *Lifting the Burden* (DTI, 1985) facilitated deregulation in some 80 areas identified in *Burdens on Business*. Nevertheless, a year later, another White Paper, *Building Businesses ... Not Barriers* (Department of Employment, 1986), argued that 'the more people can concentrate their energies on running their businesses efficiently, the better for jobs' and recommended another 81 proposals for deregulation. Those regulations that were left were placed under continuous scrutiny by special Deregulation Units, which had been established in individual government departments to assist the Enterprise and Deregulation Unit, a central task force for deregulation located in the then Department of Employment. A substantial component of this political agenda included the encouragement of employee share ownership in order to lubricate the sell-off of publicly owned companies and utilities to the private sector. In addition, participation in the form of flexible pay, especially performance and profit-related pay schemes, were encouraged as a means to loosen wage rigidity and to encourage flexibility in the labour market.

Workplace relations

As a result of market liberalisation policies, major changes have taken place in the form and degree of workplace relations. Trade unions have seen significant reductions in their influence and membership, and there can be little doubt that, since the 1980s, we have witnessed a fundamental transformation of labour relations in the UK. The coverage of union representation and collective agreements has shrunk, but, initially, shop-floor trade unionism appeared to

hold up in the private sector, at least in major manufacturing plants. Signs of the erosion of collective bargaining increased towards the end of the 1980s, when a significant contraction in the coverage of collective agreements, a narrowing of the scope of bargaining and a decline in the depth of union involvement were reported. Some dramatic examples of institutional deconstruction were in the public sector, where unions were marginalised and in some cases completely excluded (Winterton and Winterton, 1993). Consequently, collective bargaining in its traditional form has been significantly weakened: for example, union recognition fell from 66 per cent in 1984 to 47 per cent in 1998, and workplaces with no union members increased from just 27 per cent in 1984 to 47 per cent in 1998 (Cully *et al.*, 1999). Union membership has also been in constant decline since 1980, only reversing slightly in 1999–2000, but not sufficiently to influence membership density (i.e. the proportion of the unionised workforce), which has been in continuous decline for a quarter of a century. By 2001, union density covered just over one in four of the working population (Waddington, 2003, p. 220).

However, it is significant that data from the *Workplace Employee Relations Survey 1998* (WERS98) also suggests that the future for organisational performance may lie with the unions. WERS98 reports a positive association between high performance and a strong, recognised union, and also between partnership organisations and high productivity growth (Cully *et al.*, 1999). Set against this background, recent inclusion of the trade unions in government consultation exercises is a significant step. In the UK *Employment Action Plan* (EAP) for 1998 (DfEE, 1998), the most

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significant examples of the use of social partnership in the formation of policy were: the EAP itself; the *Fairness at Work* White Paper (DTI, 1998); the National Minimum Wage (Low Pay Commission); and the Working Time Directive. In all examples, the TUC and the CBI were included at the consultation stages and all have subsequently been formally enacted.

'New' participation

Mirroring the decline in traditional sectors of the economy where collective bargaining flourished, the proportion of companies using 'new' forms of employee participation has been growing in the UK (Cully *et al.*, 1999). With government tax incentive support, employers have continued to be encouraged to adopt employee share allocation systems. Encouragement of financial participation has been accompanied by the spread of 'new management' philosophies and strategies. According to WERS98, well over half of workplaces with over 25 employees have five or more of a possible 16 'new' management and

participation practices (Table 1). However, for smaller firms, only 28 per cent exhibit these tendencies (Table 2). The spread of new management practices is demonstrated by the WERS98 survey, where 'only 2 per cent of managers reported none of these practices or schemes in place whatsoever' (Cully *et al.*, 1999, p. 11). However, employee respondents were less enthusiastic than their managers about these measures.

Accompanying these changes has been a scramble among the parties involved in the employment relationship (employer, employee and state) to claim the meaning and form of 'participation'. When it comes to the restructuring of work organisation, the TUC and CBI share the view that workplace partnerships are a positive move in the promotion of new forms of work organisation, though uncertainties remain as to what partnership might actually mean to both parties. They do agree, though, that this new form will 'be characterised by high performance, high skill levels and high trust between workers and their

Table 1 Use of 'new' management practices and employee participation schemes

New management practice	% of workplaces over 25 workers
Most employees work in formally designated teams	65
Operates a system of team briefing for groups of employees	61
Staff attitude survey conducted in the last five years	45
Problem-solving groups (e.g. quality circles)	42
Regular meetings of entire workforce	37
Profit-sharing scheme operated for non-managerial employees	30
Workplace-level joint consultative committee	28
Most supervisors trained in employee relations skills	27
Employee share ownership scheme for non-managerial employees	15
Individual performance-related pay for non-managerial employees	11

Source: Cully *et al.* (1999)

employers' (DfEE, 1998, p. 31), including 'flexibility in working time' (DfEE, 1998, p. 32), thus ensuring 'flexibility with security'.

The social partners also called on the Government to promote and disseminate best-practice models, including the further development of effective relationships between

the social partners, an action that has been reflected in the establishment of the DTI Partnership Fund, which disburses grants up to the value of £50,000 to assist organisations to develop partnership arrangements. To date (July 2003) some 160 projects have been approved, supported by £5 million of funding.

Table 2 Small-firm employee involvement and employee relations

New management practice	% of workplaces between 10 and 25 workers
No 'new' management practices or employee involvement schemes	8
Five or more of these practices or schemes	28
Joint consultative committee at workplace	17
Union presence	22
Union recognition	12
Worker representative at workplace	10
Employees with high or very high job satisfaction	61
High productivity	33

Source: Cully *et al.* (1999)

2 Claims made for employee participation

There are numerous different rationales for introducing employee participation, often competing. Poutsma (2001) identified four dominant approaches embracing humanistic, power-sharing, organisational efficiency and redistribution of results rationales. These can be subsumed under three main operational rationales, namely economic, social and governmental. Each rationale derives from different conceptual bases, such that predicted outcomes of participative initiatives can vary accordingly. Each position will be considered in turn.

Economic rationale

The literature provides ample evidence of the successful use of participation to improve overall company performance. However, it is the means by which participation influences company performance that provides the crucial explanatory factors. The association has been made, based on some evidence, that participation alters employee attitudes to work and to management, increasing employee association with management values and consequently improving employee motivation to work towards achieving these goals. There is also some evidence that management attitudes towards employees may also be favourably influenced by participative regimes under which managers and supervisors adopt more 'facilitative' approaches towards their subordinates (Marchington, 2000).

Conversely, in what will be seen as a dominant theme, other studies have indicated little impact from participative regimes, whether

financial or work-related, while others suggest that any productivity enhancements may be attributable to pressures from other economic and organisational factors such as organisational downsizing.

Financial participation

An economic rationale is most closely associated with financial participation. Financial participation measures promise to exert fundamentally positive effects at the workplace through removing, or at least blurring, boundaries between employer and employee by offering the latter 'a stake in the firm' (Creigh *et al.*, 1981). Shareholder status is believed to positively influence the behaviour of individual employees towards the organisation (Bradley and Nejad, 1989), while loosening collectivist ties. Employee share ownership and a stake in company profitability produce a feeling of ownership (Pendleton, 2001) and this can lead to positive employee orientations and high levels of commitment. While financial participation can provide a route to results-based remuneration for employees, it has been noted by Heller *et al.* (1998, p. 20) that 'employee owned companies are often undemocratic, since employees have few control rights' under these systems of participation.

A considerable amount of statistical research has been undertaken to examine links between share schemes with company performance (see, for example, Logue and Yates 2001). A recent North American study by Sesil *et al.* (2002) is especially relevant, as it examined the role of share schemes in a set of 'new economy' knowledge-based companies, i.e. those

companies predicted to become dominant in the UK economy. The second area of relevance is based on the assumption that knowledge workers will be in a favourable position to influence company performance (Newell *et al.*, 2002; Sesil *et al.*, 2002, p. 274). Comparing share scheme companies with their non-share counterparts, the authors found greater added value per employee, but not greater new-knowledge generation (Sesil *et al.*, 2002, p. 289). They also offered a number of caveats to their study: the mechanisms for the higher added value were not known; also, while added value was higher, it was not known whether the share scheme was the causal factor. The authors also make a valid general point: 'the "arrow of causality" issue plagues research of this type and there are no easy ways to address the issue' (Sesil *et al.*, 2002, p. 290). Third, there were data and measurement shortcomings in that the researchers could not be certain that the schemes were broad based, i.e. distributed to a majority of staff.

A number of American studies have been conducted by share scheme evangelists, keen to demonstrate associations between shares and performance. Thus Logue and Yates (2001), who dedicate their book to employee owners 'who are building a better way of doing business every day', aim to identify the 'best' employee ownership practices to ensure optimum levels of economic performance. Examining a sample of 270 mainly small companies, positive links between share schemes and company performance were found. There were doubts, however: material was gathered from senior managers who were instrumental in the establishment of the scheme. More worrying, perhaps, was that other intervening variables

(such as threats of shutdown or takeover) appeared to influence the associations.

A further worry with these generally 'rosy' images of share schemes is that very few studies have examined their impact in adverse conditions. In the USA, for example, rather than shares enriching employees for their retirement, the Enron collapse has effectively impoverished them. Also the collapse of United Airlines, a prominent employee-owned company, has prompted serious questions as to whether the levels of employee shareholding *contributed* to the company's collapse (www.ownershipassociates.com/united_questions.shtml). Less dramatically, in the UK some company share values have declined substantially in the past few months. London Bridge Software, a 'knowledge' company, employs 200 people and offered share options to employees. Share values peaked at £10 in August 2000 but, by November 2002, had subsided to a value of 35p, provoking a company executive to comment in *The Guardian* newspaper that: 'their options are underwater at the moment ... It is something we are looking at – how do we keep these people incentivised?'

Work-related participation

From another perspective, decision-making participation may enhance employee–employer co-operation through team working, communication and other 'supportive human resource policies' (Levine, 1995; Blasi *et al.*, 1996). It is frequently assumed in the management literature that the informational effects of participative forms of work organisation lead not only to more worker participation in organisational decision making, but also, as a consequence, to greater job satisfaction, higher

employee motivation and a harmonious labour relations climate (Thornley, 1981; Bradley and Gelb, 1983; Cressey and Williams, 1990).

Another argument in favour of management's enforced move towards increased employee participation, and the assumed changes it brings about in employee behaviour, is the growing emphasis placed on customer service, which calls on committed employees rather than coerced labour to provide. According to Ramsay *et al.* (1998, p. 3), service 'requires employee internalisation of a management-designed culture of commitment if it is not to be based on exhausting and expensive supervision' (see also Jones and Svejnar, 1982; Defourney *et al.*, 1985; Cohen and Quarrey, 1986; Estrin *et al.*, 1987; Jones, 1987; Tyson and Levine, 1990; Bonin *et al.*, 1993; Cotton, 1993; Bryson and Millward, 1997).

Improved company performance

Consequent benefits for the employer spring from the assumption that workers will want to work harder and more efficiently as a result of greater organisational commitment, which in turn stimulates greater worker flexibility and quality of output. The employer also benefits from the opportunity to harness workers' knowledge and experience. Workers will know the most efficient way of organising their work, resulting in optimum productivity (Cooke, 1994), and management will benefit from the addition of 'valuable information about work tasks' (Bryson and Millward, 1997, p. 29) and the ability to access worker talents in decision making (Jones, 1987). Under company-inspired financial participation schemes, organisational performance may benefit without the scheme

posing any obvious threat to management.

The sum of these changes is seen to be an improvement in employee productivity and flexibility, and thus in company performance. The claim by Fernie and Metcalf (1995) that union presence adversely affects productivity represents one common view of 'new' participative measures as a means to increase productivity; however, this view is challenged by many observers. One example of 'new' participation is Japanese-style management, which is often presented as an *alternative to adversarial collective bargaining*. This management style is typified by low levels of unionisation, low levels of apparent conflict and relatively high levels of work participation in local (i.e. work-station or task-level) decision making. This form of employee involvement is purported to lead to increased levels of functional flexibility (Cressey and Williams, 1990).

Participation reduces company costs

There is evidence that both financial and work-related participation can deter or delay quits from the company and lower absenteeism rates. Wilson and Peel (1990) found that share schemes reduce labour turnover. A decrease in labour turnover will reduce recruitment and training costs for the organisation (Kessler and Purcell, 1992). Cost savings may result from reductions in absenteeism rates. Furthermore, a more harmonious labour relations climate is also claimed to reduce costs to the company of industrial disagreements and to permit the faster acceptance and implementation of organisational change.

Based on these expectations, management can be seen to have a primarily economic rationale for the introduction of participation into the workplace. Nevertheless, there are still a wide range of participation measures for management to choose from, collective or individual, direct or indirect.

Social rationale

Participation and quality of working life

Not all management-led initiatives have direct economic gains as their sole or primary focus, for it is clear that managers and employers can introduce participation in order to also improve working conditions (Osterman, 1994), while the rare few are willing to hand ownership and (perhaps) control of their firms to the workforce, as with, for example, the Scott Bader Commonwealth and Tullis Russell paper mills. However, for participation schemes with a social rationale to succeed, attitude changes among all management, as well as workers, are crucial.

Participation improves equality

Unlike most management rationales for introducing participation, socially focused efforts centre also on the democratic and equal opportunities (between workers and between workers and management) basis for participation, as in, for example, co-operatives.

Role of the unions

The social rationale is also strong in participation initiatives that have relied on union support, e.g. management/employee buyouts. These forms of participation are often the result of bargained outcomes between the

main interest groups, management and trade union and therefore combine social with economic rationales. Employee buyouts in the UK in their most recent form have been established as ESOPs, the majority of which in the last ten to 15 years have been the result of the privatisation of the bus industry (Pendleton, 2001). However, this form of social participation has proved to be relatively unstable and short-lived, with the majority of the bus ESOPs returning to conventional ownership (Pendleton, 2001; Summers, 2004). This demonstrates a long-standing problem facing some worker-led participation schemes, that they are inclined to 'degenerate' into conventionally organised firms (Pencavel, 2001). This hypothesis maintains that a democratic, participative firm will invariably fail to survive in this form and will degenerate into a conventionally organised and controlled enterprise in order to remain economically viable (Jensen and Meckling, 1979). Where employee ownership schemes are designed as job-save efforts (see Pendleton *et al.*, 1995a), economic necessities often overtake the social, either resulting in firm closure (such as the Benn Co-ops, and Fakenham Enterprises) or sale to a new owner.

Union involvement in 'new' forms of participation, without ownership, tends to fall into the category of *social partnership* arrangements. Both the TUC and the CBI support partnership moves (DfEE, 1998) because they encompass both economic and the social rationales. For this reason, government participation policy is also focused on promoting social partnership programmes, such as Partnerships at Work, as we saw above.

Governmental rationale

Wider effects

Government interventions in participation encompass both the economic and social rationales and are designed to have nation-wide effects that *benefit the wider community*. The government rationale behind the introduction of participation policies is therefore to *improve national economic efficiency* while also enhancing *the work experience*. Because participation is believed to offer benefits from both social and economic perspectives, it is not surprising that both the Conservative and Labour Governments have supported the growth of employee participation, though from rather different perspectives.

UK policy

Recent policy moves in the UK, such as the Employment Relations Act 1999, the *UK Employment Action Plan* (DfEE, 1998), the Competitiveness White Paper and the Chancellor's *Pre-Budget Statement* (HM Treasury, 1998a) have variously addressed issues of employee participation. However, these initiatives follow notably different ideological paths to previous participation-oriented policy proposals. The first significant appearance of policy was the 1977 *Bullock Report* (Bullock, 1977), shortly followed by the then Labour Government's 1978 White Paper on Industrial Democracy. Both papers emphasised representative forms of employee participation; the Report, supported by the majority of members of the Bullock Committee, suggested the introduction of worker directors and emphasised the 'essential role of trade union

organisations in the process of industrial democracy'. However, the CBI and TUC failed to agree over the contents of the report (Cressey *et al.*, 1981, p. 2) and, a year later, a third Industrial Democracy White Paper glossed over the role of collective bargaining but stressed the role of employee involvement in 'the development of corporate strategy'. With the arrival of a Conservative Government in 1979, participation policies took a markedly different turn. Participation became focused on individual efforts linked to organisational flexibility, especially through individual shareholding, which was helped along by the raft of privatisations during the 1980s. The Government's negative attitude towards trade unions also meant that traditional collective routes to participation were weakened and management-led efforts were encouraged, especially those directed at communication and task-level decision making, for example, through team work. With the return of a Labour Government in 1997, a more diverse participation policy has re-emerged, though in noticeably restrained and voluntaristic forms. While individual shareholding (or 'stakeholding') remains an important policy element, the Government's rhetoric of 'flexibility with security' has led it to adopt a 'third way' philosophy. This has meant both continuity and change, with policies supporting both direct, individual participation and also representative forms of participation through the promotion of a new relationship between employers and trade unions – 'social partnerships' (Guest and Peccei, 2001).

European Union policy

On a wider scale than UK legislative attempts, the EU has established a long-standing interest in employee participation. As in Britain, many initiatives foundered on differences between employer and union bodies complicated at the European level by conflicting member state perspectives (Gill and Krieger, 2000). In 1975, the EU published a Green Paper on *Employee Participation in Company Structure* (COM [75] 150), which emphasised that 'decisions taken by or in the enterprise can have a substantial effect on [workers'] economic circumstances'. More recently, in 1994, it passed a Directive, resulting from the *Social Chapter* of the Maastricht Treaty,

on 'The Establishment of European Committees or Procedures in Community-scale Undertakings and Community-scale Groups of Undertakings for the Purposes of Informing and Consulting Employees', i.e. European works councils (EWCs). Of particular importance for recent policy debates was the UK stance on the *Social Chapter*, acceptance of which obliged many firms in the UK to consult and communicate systematically with their workforce (Kersley and Martin, 1997). The TUC estimated that, with the UK opt-in, nearly 150 multinational companies operating in the UK needed to introduce consultation through the introduction of EWCs.

3 Outcomes of participation

This chapter considers the effects of participation schemes, not all of which achieve the outcomes desired by their originators. The evidence for contradictory effects is examined, followed by an examination of the complex processes involved in translating employee participation into improved company performance. The impact that different types of participation have on these processes is then investigated, focusing on participation schemes with different degrees of employee influence and on whether participation is individualised or collective.

Contradictory evidence

The literature supplies an impressive body of work that has found no association, or a negative association, between participation and company performance (Kelly and Kelly, 1991; Ben-Ner and Jones, 1995; Vaughan-Whitehead, 1995). Even some of the literature endorsing participation as a means to improved performance offers qualified support. For example, Estrin *et al.* (1987) found that the productivity effects of participation varied between industrial sectors. While they found that participation had an overall positive effect, the effect was not significant for the footwear industry and only slight for the clothing sector. This variation in outcome also seems to depend somewhat on the type of participation investigated. For example, Defourney *et al.* (1985) found that the productivity enhancement results of co-operation were strongest in converted firms and less so in organisations founded as co-operatives. This may suggest that the relative increase in employee influence and participation is an important explanatory factor.

However, Doucouliagos (1995), who also found different outcomes for different forms of participation, found that labour-managed firms demonstrated a (small) rise in productivity, whereas participation had no discernible effect on productivity in 'participatory capitalist firms'. This could suggest that the absolute degree of employee influence and participation explains some of the successes of participation schemes. Furthermore, Jones' (1987) findings, that enforced co-determination had a negative effect on productivity, provides another possible explanatory route, that coerced participation may not be effective.

There are also doubts about the impact of employee share schemes. Ramsay's (1977) seminal work on cycles of participation contended that management interest and action in employee share schemes are stimulated under strong economic conditions and, by extension, strong labour markets and union potential to mobilise. Once the threat to management authority passes, management interest in participation declines accordingly. Marchington, however, expressed doubts about the cycles thesis, pointing out that the 1980s saw a big increase in participative initiatives at a time when unions were under serious political and economic pressure. He and his colleagues have suggested an alternative explanation for management action, namely waves of participation, suggesting that any participation initiative has a life cycle in terms of influence, starting small, surging to an optimum effect, before subsiding and being overlapped by subsequent initiatives (Ackers *et al.*, 1992; Marchington *et al.*, 1993).

Data examined over a considerable time period, between WERS90 and WERS98, also

suggest some contradictory results for participation and company performance claims. Addison and Belfield's (2001) comparative analysis of the two datasets found that, while employee involvement increases were positively associated with productivity levels for the 1990 dataset, this was not replicated in the 1998 survey results. On the other hand, the negative effect of unionism on productivity observed by Fernie and Metcalf (1995, cited in Addison and Belfield, 2001) is to some extent reversed in the 1998 dataset where the 'coefficient estimate for the union variable is both positive and statistically significant in the productivity change equation' but most favourable for the 'weakest form of union presence' (Addison and Belfield, 2001, p. 349). Furthermore, the 1998 survey did not support the findings from WERS90 (McNabb and Whitfield, 1998, p. 184, cited in Addison and Belfield, 2001) that the use of downward communication through management structures was associated with improved financial performance.

Yet, there is some consistency between the surveys, for example the positive association between reduced quit rates and union recognition is replicated across the datasets,¹ as is the association for reduced quit rates and problem-solving groups. Also, WERS98 supports the 1990 survey results, which found a positive effect on productivity levels and changes in productivity for briefing groups. However, Addison and Belfield's primary conclusion from their analysis of the determinants of organisational performance across the two surveys is that 'the principal regularity in estimates based on the WERS98 and WERS90 surveys is their lack of consistency' (Addison and Belfield, 2001, p. 356). A significant

explanation for this suggested by Addison and Belfield is that organisations that had adopted employee involvement in time for the 1990 survey may have been operating in different economic conditions to 1998 and so the results of employee involvement for 1990 may not have been achievable to those adopting these schemes later that decade, since 'the incidence of worker representation schemes is not much changed, yet their impact on firm performance appears to have been' (Addison and Belfield, 2001, p. 358). This lends support to the notion that other factors, beyond simple or single schemes, are at play – in this instance, the external environment (be it social, economic or political changes).

But the question remains, why should the type of participation introduced affect performance differently? This body of contradictory evidence is not surprising given the often considerable lack of attention paid to the mechanisms by which employee participation influences performance and the assumptions made about causality, linking participation to attitude change, then to changes in behaviour and, finally, to improved performance. These processes are all too frequently shrouded in questionable assumptions about the nature of the workplace and the causal effects of participation programmes. Of particular concern are assumptions made about change in employee attitudes, especially that participation induces greater employee association with management values and that this will also improve employment relations within the workplace. If this assumption proves fragile, it sheds doubt on the assumed positive links between participation and performance. A further

assumption, which is rarely contested, is the generalisability of participation schemes between different workplaces, industrial sectors and sizes of enterprise. Finally, of concern for the social outcomes of participation is the assumption that participation affects all employees identically, regardless of gender, age, race and contract status.

A more detailed consideration of potential methodological problems to be confronted when researching participation and performance can be found in Appendix 1.

Explanatory processes for different outcomes

External environment

One explanation for these uncertainties is that participation schemes are not isolated from the effects of the external environment. For firms faced with economic pressures, the sidelining of participatory measures can be part of cost-cutting exercises. Ramsay (1977) poses an explanation for apparent 'cycles' in participatory efforts, by hypothesising that participation is a management response to increased worker resistance to management control. Participation is therefore introduced as a means to regain management legitimacy and, once worker resistance is headed off, management can quietly lose interest in the participation programmes. Without a strong environment of worker resistance, an insecure environment accompanied by restructuring measures and the possibility or threat of job losses will be likely to induce employee compliance with participation programmes, and not the attitude changes necessary for employee commitment to the organisation. Such

contradictory restructuring measures may obscure or even negate any positive outcomes associated with participation (Brown *et al.*, 1993; White *et al.* 2003, p. 188).

Attitude and behaviour change

A crucial assumption in the management literature is that participation can affect changes in employee attitudes and behaviour, thus improving company performance. There are a number of contended areas along this causal path; the association between participation and attitude change; the association between attitude change and changes in employee behaviour; and the association between attitude change and company performance. While Bryson and Millward (1997, p. 64) have found that there is 'little evidence' that participation can alter attitudes and behaviour, other studies provide more qualified results. Keef (1998, p. 73) found that share ownership 'did not result in the expected improvement in attitudes', however it has been contended that the positive motivational effects attributed to share ownership will only be triggered by 'significant' shareholdings (Hyman, J., 2000). Pendleton *et al.* (1998) agree that, when the level of ownership is sufficient to produce 'feelings of ownership', higher levels of commitment and satisfaction are observable. It is perhaps not surprising therefore that research indicates that, contrary to management hopes, employees may regard their shares as a gratuity or bonus offered to them by their employers (Bell and Hanson, 1987; Baddon *et al.*, 1989), and not as sufficient to create feelings of ownership. Other studies have found that attitude and behavioural changes are not uniform and differ between forms of participation used and between

different employees. Batt and Appelbaum (1995) found that performance enhancement was most associated with self-managed teams. Ben-Ner and Jones (1995) discovered that financial or control rewards affected different employees; some workers exhibited a more instrumental approach to participation and therefore responded better to financial rewards, others responded more positively when they were offered extra control over their jobs, or a say in company decisions.

Of all the assumptions made in the literature, the least questioned is the link between attitude change and behaviour change (Pendleton *et al.*, 1998). Pendleton *et al.* point out that positive attitudes towards employee ownership do not necessarily equate with more positive attitudes to work. Guest *et al.* (1993) have also criticised the frequent use of this dubious assumption in the literature. If the validity of this process is questioned, it then casts doubt on the link between participation, attitudes and performance. If participation may fail to produce attitude changes in employees it may also fail to induce behavioural changes associated with reducing company costs, e.g. reductions in absenteeism and labour turnover. Adam's (1991) study is a further example of the ambiguities of the association between attitude and behaviour. The introduction of participation in the form of quality circles was found to have no significant impact on employee attitudes towards quality, but still managed to affect behavioural changes, resulting in improved productivity.

Individualism and collectivism

Under the combined influence of government policy and organisational shifts to a people-

management policy that emphasises individual contribution and rewards, there has been an untested assumption of a movement from collectivist orientations and values among employees to a more individualistic orientation. In other words, it is assumed that employee attitudes have been influenced by both external and internal climates and hence are more receptive to unitarist approaches. Employer reflections of this shift have been demonstrated by a raft of 'individually focused HRM practices ... focused primarily on managing the contribution and commitment of individuals' (Roche, 2001, p. 184). By implication, if employees shift from collectivist attitudes and their association with mutual protection of group (or class) interests, the unitarist cultures and policies being adopted or promoted by many organisations are less likely to be resisted and, indeed, may be welcomed.

Nevertheless, there is still argument as to the extent of decline in employee collectivism with its roots in union organisation and representation, notwithstanding observable declines in union membership and activity over recent years. The decline in union membership has flattened out, and in some sectors, membership is increasing. Some commentators point out that resistance to management initiatives is still being expressed and that decline in union membership does not equate automatically with a shift away from collectivist values and attitudes to ones of passive accommodation to unitarist management policies (see, for example, Bradley *et al.*, 2000 for a summary).

Participation and harmony at work

Just as the literature casts doubt on the association between participation and attitude

change, another associated and questionable assumption is that participation will in turn induce a more harmonious labour relations climate. While participation may be used to build on and improve existing employment relations to the benefit of both parties, e.g. perhaps with social partnership programmes, there is some evidence that certain types of participation schemes, and the way participation is implemented, can produce or increase worker dissatisfaction with the organisation. In fact, evidence suggests that there is no necessary causal connection between participation and changes to employment relations climates. There is a neglected body of literature, straddling the labour relations and co-operatives fields, which claims that participation can increase levels of conflict in firms (Tynan, 1980c; Gamson and Levine, 1984; Mellor *et al.*, 1988; Forsyth, 1990), instead of reducing it as the proponents of Japanese-style labour relations or HRM claim. If this is in fact the case then the causal assumptions found in much of the literature – that participation induces a more harmonious labour relations climate and thus leads to attitude changes among the workforce resulting in a more motivated and ultimately more productive and creative workforce – are called into serious doubt. Another contention that questions the causal link between harmony and performance is presented by Fernie and Metcalf (1995). They conclude that harmonious industrial relations do not necessarily lead to improved company economic performance and demonstrate that studies have shown that participation can improve performance without engendering a harmonious industrial relations climate (Fernie and Metcalf, 1995, p. 405). This is in line with

Forsyth's (1990) contention that conflict is a necessary process in building group cohesion, which cannot occur 'until intergroup hostility has surfaced, been confronted and resolved' (Forsyth, 1990, p. 385). The untested assumption in much of the literature is that group cohesion is an integral factor of effective team working, through the establishment of group norms and peer pressures that prevent free riders.

Worker participation, teams and performance

Teams, while not necessarily offering a high level of employee participation in organisational decision making, are an important consideration given the often uncritically assumed link between team working and attitudinal change in favour of management/organisational goals.

Team working, for instance, is suggested to have a positive impact on employees (Peters and Waterman, 1982), especially in improved relations (Cressey and Williams, 1990), aiding conflict handling (Garavan and Morley, 1992), changing employee attitudes and behaviours (Levine, 1995), and in building trust and improving communications (Blasi *et al.*, 1996; Oakland, 1996 cited in Knights and McCabe, 2000), all of which are critical elements along the participation-perception-performance causal path. Work-related control is therefore alleged to alter employee attitudes through increased involvement in organisational decision making and, through this means, to align employee values with organisational goals (Summers, 2004). Once employee values and motivations are in concert with management and organisational objectives, it is assumed that employees will then work 'harder and better' than before, thus resulting in improved organisational performance.

Team working achieves this attitudinal change through what is known as 'normative' or 'concertive' (Barker, 1993) control, which operates between team members. Work undertaken by Findlay *et al.* (2000) and by Thompson and Wallace (1996) has distinguished between three dimensions of team work: the technical, governance and normative dimensions, where the normative dimension refers to the 'socialization of team members and changes in attitudes and behaviours' (Findlay *et al.*, 2000, p. 1550). This process of attitude control and alignment is also assumed to reduce the need for managerial supervision of teams, thus reducing the direct staffing costs of the organisation. Another means by which team working is assumed to influence organisational performance is via increased employee discretion and empowerment in decision making (Lawler, 1986, cited in Ramsay *et al.*, 2000), accessing employee bodies of knowledge.

However, research has questioned the pursuit and value of normative control (Sinclair, 1992; Barker, 1993; Sewell, 1998; Findlay *et al.*, 2000; Knights and McCabe, 2000). So, for example, tensions arising from team-working situations are reported by Knights and McCabe, who state that:

The various powers exercised by a teamworking discourse do not necessarily assume a coherence, co-ordination and consistency one with another. The resulting ambiguities, discrepancies and tensions may readily be exploited by employees.

(Knights and McCabe, 2000, p. 1487)

Moreover, the normative control conditions under which team members operate, while

perhaps securing performance improvements, have been shown to have less positive effects on worker well-being and autonomy (Barker, 1993; Summers, 2004). Authors such as Sinclair (1992) have therefore warned against the 'tyranny' of the dominant team ideology.

Further, work undertaken from a labour process perspective, while agreeing that team working can influence employee behaviours at work and thus result in changes to performance, questions whether these behavioural changes are presaged on attitudinal changes or on increased levels of insecurity and fear within the workplace (Ramsay *et al.*, 2000, Harley, 2001).

Ramsay *et al.*'s (2000) work using WERS98 examined the labour process argument that 'high-involvement' work systems (see below), including team working, produced performance improvements through 'work intensification, offloading of task controls, and increased job strain' (Ramsay *et al.*, 2000, p. 501). However, while their analysis found support for some relationship between high-performance work systems and workplace performance, this operated via neither the participation-perception-performance nor the participation-behaviour-performance models. This suggests that perhaps other variables are at work, which this analysis of WERS98 failed to identify. In addition, Ramsay *et al.* (2000, p. 522) hypothesise that 'managements may simply be incompetent ... at implementing and maintaining innovative approaches', thus explaining the lack of causal mechanisms found. Harley's (2001) work, also using WERS98, which examined team working and employee decision-making changes, also found no statistical association, thus also questioning the

assumed link between increases in employee discretion at work producing changes in worker attitudes in favour of the organisation.

While the evidence provided by the literature is supportive of the possibility of a positive relationship between team working and organisational performance improvements, it casts doubts both on the desirability of normative integration and on the causal paths assumed by both advocates and critics of team working. These are important considerations given the growth in the use of team working in the UK, and the suggestions of harmonisation and unitarisation of team members' values, especially where 'for management, teamworking represents a potential means of delivering a wide range of benefits' (Bacon and Blyton, 2000, p. 1426).

High-involvement and high-commitment work practices

Walton's (1985) recognition that, in the modern economy, employers need to rethink their relations with employees beyond simply exerting control has been reflected in the widespread adoption of empowerment and team-working programmes. Empowerment initiatives have generally been held to exert questionable impact on employee motivation or company performance, largely because they offer little 'power' to employees; security of employment (a critical element of Walton's formulation) has been largely absent; and training was neither offered to 'empowered' employees nor to their supervisory staff, many of whom felt threatened by perceived undermining of their authority and risk to their positions posed by 'delaying' and

restructuring (see, for example, Cunningham *et al.*, 1996).

More recent developments have been based on the research of Huselid (1995) who has attempted to identify a substantive link between bundles of progressive HR practices and company performance. Huselid identified a number of 'high-performance work practices or systems' (HPWP or HPWS) embracing 'employee skills and organisational structures' and motivational expressions. The former, sometimes presented as high-commitment work practices (HCWP) or high-involvement work practices (HIWP), included a number of participative elements such as quality of working life programmes, employee attitude surveys, profit sharing, etc. The initial study involved distribution to some 3,500 companies in the USA of a questionnaire, from which Huselid also gathered company performance data. Huczynski and Buchanan (2001, p.686) summarised the main findings as follows.

- Organisations with HPWP had higher levels of productivity and financial performance.
- Organisations with HPWP in the employee skills and organisational structure category had lower employee turnover.
- A significant proportion of the positive effect of HPWP on financial performance is attributable to lower turnover or higher productivity.
- HPWP contributes \$18,500 in shareholder and almost \$4,000 per employee in additional profits.

Nevertheless, these authors note a number of methodological shortcomings in this study:

- difficult to establish causality through snapshot survey method
- technical problems in subjecting survey data to sophisticated statistical analysis
- findings based on commercial enterprises only
- organisational performance defined in terms of financial indicators – measures do not extend to individual and social well-being
- definition of HPWP omits other approaches and techniques.

Like Huselid, Pfeffer (1998) draws similar conclusions on the value of progressive people management policies, claiming that ‘profits through people’ are largely attributable to a small grouping of people-management policies, including a number of participative elements such as self-managed team working.

In a ten-year longitudinal study of HPWP in over 100 UK manufacturing companies, Patterson *et al.* (1997) also found positive links between company culture and HR practices promoting employee welfare and organisational performance. They found that overall job satisfaction and organisational commitment were positively linked to high company productivity. Again, Huczynski and Buchanan (2001) identify methodological shortcomings; in this case the study was narrowly based on small- and medium-sized enterprises (SMEs) (up to 1,000 employees) in the manufacturing sector only.

Surprisingly perhaps in management texts, commitment is unquestionably assumed as a predicted employee response, represented by some performance measure, to bundles of progressive employment practices that include techniques such as team working, training provision or employee share schemes. Notwithstanding this indeterminacy, the management literature has been dominated by its attempts to identify those people-management practices that in combination may serve to enhance some measure of performance through a ‘commitment’ whose meaning is seldom defined or even questioned. Interestingly, according to Legge (2001, p. 30), one of the most authoritative of researchers into HCWP, David Guest, avoids the issue by conflating motivation with commitment. Motivation, with its long association with satisfying observable needs, may be expected to be more amenable to management-inspired initiatives. However, few other human resource management studies attempt a close examination of the concept. Cully *et al.* (1999, p. 284) refer to high-commitment practices as innovative work practices, ‘a term which has no “settled meaning”’.

One aim of the management investigator has been to identify which practices and which combinations of practices might be associated with positive performance outcomes. Apart from making no effort to ascribe any meaning to commitment, attempts to link HCWP with performance outcomes have been beset with difficulties. The number and type of individual practices can vary widely: as Legge (2001) points out, 15 practices are identified in the WERS study (Cully *et al.*, 1999, p. 285), while

other studies are more restrictive in their identification and inclusion of commitment-related practices: moreover, few practices are *common* to the different studies. Other shortcomings are identified: measurement of practice effects differ; there is uncertainty about whether individual practices such as performance-related pay are associated with positive or negative effects; and the effectiveness or competence with which the practice is exercised is seldom assessed (Legge, 2001, pp. 25–6). Ramsay *et al.*'s analysis of WERS also offered poor levels of managerial competence as a potential explanatory factor for the authors' reservations about the effects of the HPWS model (Ramsay *et al.*, 2000, p. 522). Further, performance can be examined in diverse ways and affected by the ever-present complication of influence by intervening variables.

From an empirical perspective also, there are considerable doubts about the extent and depth, either of the coverage of purported commitment-inducing cultures and practices or the depth of employee response to these practices. Non-union workplaces in particular have been conspicuous by their lack of coverage. In a recent review, Kessler and Purcell (2003, p. 331) conclude that 'non-union forms are unlikely to pursue such a high-commitment or developmental approach for the bulk of their workforce'. Both the 1992 and 1998 workplace surveys (Workplace Industrial Relations Survey [WIRS] and WERS), arrived at similar conclusions for the *majority* of workplaces: 'the diffusion of high-commitment management practices was not especially widespread' (Cully *et al.*, 1999, p. 295). These findings receive further endorsement from recent Economic and

Social Research Council (ESRC) studies. One study of 835 organisations concludes that 'most managers pay only lip service to the idea that most people are their most important assets' (reported in Taylor, 2002, p. 24). Taylor also reports that a study by Guest and his colleagues found only minute proportions of purported high-commitment practices were being adopted by most employers (Taylor, 2002, p. 25). Training and development, also seen as a contributor to 'securing employee motivation and commitment towards organizational goals' (Heyes, 1996, p. 351), are frequently neglected by companies 'whose principal focus is on cost-centred competitive strategies' (Keep and Rainbird, 2003).

The extent to which 'employee voice' is being articulated has been questioned, despite its positive association with employee orientations. The Change in Employer Practices survey, commissioned by the ESRC, found that, while more appraisal, surveillance and control over individual employees was apparent, 'other evidence ... in the survey indicates only modest advance in the extension of worker voice' (Taylor, 2002). These 'advances' tended to be informational and communicative rather than negotiative or even consultative, leading Taylor to conclude pessimistically that establishments 'have a long way to go before they can enable their employees to enjoy access to any meaningful participation in the workplace of even the most limited kind'.

Other studies also raise doubts. Ramsay *et al.*'s (2000) analysis of the 1998 WERS study questions the validity of the 'widely-held assumption that positive performance outcomes from HPWS flow via positive employee outcomes'. They indeed go further, cautioning

against 'theorizations of work organization that give primacy to employee orientations to work as an exploratory variable for organizational performance and which are so common in mainstream managerial literature' (Ramsay *et al.*, 2000, p. 521). From national surveys conducted in 1992 and 2000, White *et al.* (2003, pp. 191–2) conclude that 'our evidence clearly shows that employees do not always benefit from high-performance work practices', especially in relationship to work–life balance. A major study by Guest *et al.* (2003) showed little evidence of links between HR practices and productivity or performance change.

Thus, while there are some signs that HPWP can be linked to positive performance indicators, the evidence is not conclusive, and the dynamics of relations between the variables and relationship to context are little understood at present. Moreover, it must be remembered that strategic adoption of these practices is not yet widespread in the UK, being largely found in larger workplaces with personnel specialists and integrated employee development plans (Cully *et al.*, 1999, pp. 80–2). Furthermore, companies may have policies that, because of operational or other reasons, are not necessarily practised by line managers, especially where senior management support is not forthcoming (Guest, 1989; Brewster *et al.*, 1981).

Degree of employee influence

Low-degree influence

The literature clearly indicates that the introduction of some forms of participation can have little positive effect on company performance. Part of the explanation for this is the level of participation offered to employees –

whether it is consultation or decision-making rights – and the level this is operated at, board or work station. Low degrees of participation with little employee autonomy have been identified as reasons for disappointing participation results. This has been observed in some firms where, after an initial 'honeymoon' period, the workforce has expressed more dissatisfaction with the firm than before the introduction of participation, because of the raised and unmet expectations of employee influence (Kruse and Blasi, 1995). The scope of participation schemes may be so limited as to simply irritate the workforce, thus failing to meet their expectations. A workforce may also feel resentful about the amount of time, effort and increased responsibility involved in a participation scheme (Bryson and Millward, 1997; McNabb and Whitfield, 1998), especially if they see little return from management. One possible explanation for these discrepancies can be gleaned from views from the shop floor, which suggest that participation schemes have had little effect on communications between employees and management. Patterson *et al.*'s (1997) study found that employees felt that, while management placed emphasis on quality goods and services, little emphasis was placed on participation and communication. This may go some way towards explaining Adam's (1991) findings on the limited impact of quality circles. Ackroyd and Procter (1998) support this alternative view of the UK situation with their contention that in fact very little has actually changed in employee relations. They find that employee relations have not moved towards 'softer' measures, such as communications and employee motivation, but in fact have moved towards 'harder' measures. This hypothesis is

supported by the WERS98 findings; employees were less likely to report improvements in communications with management than their managers were.

These shortcomings suggest that the role of the trade unions remains significant, although this contention has to be measured against a (possible) shift in worker identification away from unions. Krieger and O'Kelly (1998) also found that the presence of a trade union was important. It meant that higher degrees of employee influence were associated with individualised, direct participation, and that this situation produced significant cost-cutting results. Where participation is only in one direction, from the top down (e.g. through briefing meetings), workers may feel that their views are not being considered or given any weight, therefore, while they feel indifferent about the increased communication from the top, this may be accompanied by increased hostility towards management. Marchington *et al.* (1989) found a number of instances where team briefing, often heralded as a cornerstone to workplace communication, was ineffective. Where one-way communication is from the bottom up, for example through suggestion schemes, workers may then feel that management is using their suggestions with no rewards seen by employees. Overall disillusionment within the workforce could therefore rebound on management plans. In other circumstances, where schemes have been introduced without prior worker consideration, resentment may be the overriding attitudinal change, not contentment.

Sisson and Frohlich's (1998) results support the thesis that low-degree influence is unlikely to produce glowing results. In their recent

analysis of the Employee direct Participation in Organisation Change (EPOC) survey they found that, where employees were expected to act more autonomously and take on responsibility without any increases in employee influence, then participation had no significant impact. They also found that the effects of participation on increases in output were strongest where employee participation involved a high degree of influence. Of particular interest is their conclusion that team work has a significant effect only when associated with high degrees of employee influence. On the other hand, to reduce absenteeism, low levels of influence were found to be the most effective means. This has implications for company choice of participation scheme – depending on whether the primary motive is to reduce costs or to improve output. However, Sisson and Frohlich (1998) concluded that consultative forms of participation 'are more likely to be associated with positive employment trends' than more delegative forms of participation.

High-degree influence

Where participation in conventionally owned and organised firms occurs at strategic decision-making levels, and is more than merely consultative, many of the problems associated with low-degree influence forms of participation are bypassed. However, other problems may appear in these circumstances. Hartley (1992, p. 302) maintains that employee owners (i.e. high-degree influence participation) will be unwilling to 'make hard decisions' or to discipline colleagues, and furthermore that factionalism will develop. Hartley (1992) continues that employees may be unwilling to take orders from managers, because employee

views formally hold equivalent weight in the decision-making process. Further, where there is a significant element of employee ownership, a manager may feel constrained from exercising authority or from requesting an employee-owner to perform certain tasks.

Ben-Ner and Jones (1995) suggest that decision-making rights without financial rewards for workers could mean that employees do not take care when taking decisions, which could therefore adversely affect company performance. Jones (1987) and Defourney *et al.* (1985) agree that worker involvement in decision making could result in poorer decisions, because workers are assumed to be less skilled or competent in this task (or they face potential conflicts of interest, for example as board members on pension fund trusts). There is also the contention that, where employees have decision-making rights, their decisions will be income-maximising and not profit-oriented (Bartlett, 1994), though Bonin *et al.* (1993) consider this view over-simplistic. Ben-Ner and Jones (1995) also contend that, where workers have control rights but no financial return rights, they will seek to improve working conditions. This, Ben-Ner and Jones assume, will adversely affect company efficiency. However, this could also be seen as a means to increase worker loyalty to the company, thereby improving worker performance and reducing labour turnover. Furthermore, employee involvement in decision making may increase the amount of time decision making takes, thus disadvantaging firms in highly competitive markets. Jones (1987) takes a different tack and warns that, with enforced strategic-level participation – for example, legislation for co-determination –

managers may reduce their input and effort in decision making, resulting in poorer company performance. However, Jones goes on to add that worker involvement in and acceptance of decisions can reduce implementation problems, therefore lowering costs and improving adaptability.

Individualised participation

The contention that participation may amplify conflict also depends on the type of communication process used, whether it is individual-unitarist or collective-pluralist. Where participation is introduced to promote employee acceptance of management's values, and in doing so attempts to bypass traditional collective grievance expression mechanisms, such as trade unions, the productive and organised expression of dissatisfaction and conflict can be weakened or removed. Keenoy (1992, p. 107) points out that, even where every effort has been made to engender a harmonious working climate, 'adversarial attitudes and relations can often carry over from previous work socialisation'. Therefore adversarial relations, established suspicions and mistrust can remain intact, while the resolution of problems may be hindered by a lack of appropriate structures. Alternatively, where management has introduced participation, even where no overt hostility was previously expressed, the very introduction of the scheme may encourage employees to question management decisions over their working lives that otherwise would have been accepted without overt conflict. The possibilities of raising grievances within meetings may also result in more personally directed disagreements, as grievances can now be

directed at a person rather than an impersonal organisation. Plus, the 'new' participation measures often seek to formalise the informal communications channels within a firm and to attach workers' informal channels to management. But there is no evidence that formalising informal relations works (Bryson and Millward, 1997) and it can be costly.

Individualisation of relations can, furthermore, result 'in the feeling that communication would now be impossible' with the 'loss of a common cause' (Thelen, 1970, p. 5). Thelen's study of a Chicago community housing group found that, as the group fragmented and members became more individualistic, they became 'more and more determined by self-concern' (Thelen, 1970, p. 7), ceased to work as a coherent group and had less commitment to the group. Because there were no channels 'for constructive action to relieve frustration' (Thelen, 1970, p. 7), the isolation of many members was expressed in the rise in gossip, rumours, dishonesty and corruption. Therefore, a participation programme that aims to promote the individual nature of the employment relationship, perhaps with the intention to displace collective relations, may find itself faced with a dissatisfied and unco-operative workforce, resulting in a lack of team working and an environment of increased suspicion. Claims are also made for negative effects of individual financial participation schemes, such as all-employee share schemes. Managers may feel less incentive to supervise if they feel that they are not receiving the full remunerative benefits of this activity (Alchian and Demsetz, 1972; Blasi *et al.*, 1996, p. 63). Unless employees co-operate, there may be an individual tendency to shirk, as all employees receive an equal

proportion of gain irrespective of individual contribution. Even in an enterprise as dynamic as Microsoft (30 per cent annual revenue increases and rapidly declining costs), negative effects can be identified. Greg Maffei, Chief Financial Officer for the company, acknowledges that a fall in the share price would make it much harder to recruit the 'bright young graduates' it needs, as share options have formed a significant proportion of the benefits package. Moreover, 'we have a huge problem ... we have overpaid lots of people because stock options don't differentiate between the really good and the less good employee' (quoted in *Guardian Online*, 1998).

Collective participation

Even when considering the most formally collective form of participative work organisation, the co-operative firm, inharmonious employee relations have been reported. Paton (1978) reminds us that collective direct participation, in contrast to the collective representative participation practised by trade unions, can approximate adversarial relations in its outcomes. In situations where workers are allowed to 'raise any question in meetings' the outcome is 'closer to the practice of collective bargaining' in that relations then become confrontational. However, rather than establishing a collective solidarity, 'employees' concerns are promoted in a fragmented and negative way' with the result that 'it may appear to employees that they are listened to, lectured and then ignored' (Paton, 1978, p. 28). Where collective participation is understood as an open acceptance of both employee and management values, e.g. as possibly in a social partnership approach, then organised

expression of dissatisfaction is available, as is the power to do something about it.

Some authors have associated conflict within co-operative firms with their demise (Emerson, 1982; Rhoades, 1984; Pencavel, 2001), which raises questions about whether collective participation in its extreme forms may lead to the dissolution of the firm. Taking the basic assumptions in a different direction are the proponents of 'degeneration theory'. This suggests causality in the opposite direction, with the most efficient firms being the least participative. Part of the grounds for this debate lie in the various reasons why participation schemes and employee ownership are established. For some firms, employee ownership is the last option in the face of plant closure. In these situations, the firm may be terminally unprofitable and employee ownership inconsequential to its ultimate closure.

Union recognition and company performance

No one disputes that a wide range of intervening variables can influence company performance. The role of trade unions is especially contentious, as public policy can be based on the underlying assumptions regarding their influence (MacInnes, 1987). Neo-classical economic theory posits a negative relationship between unions and economic performance, based on unions' monopoly capacity to distort labour market relations and to universally improve terms and conditions for their members (Nolan and O'Donnell, 2003, pp. 490–2). Critics of this approach argue that unions act as intermediary institutions, which, by providing a channel for employee grievances and collective participation, serve as positive contributors to organisational performance (Freeman and

Medoff, 1984).

Empirical evidence for the effects of unions on company performance is mixed. While analysis of WERS90 (Ferne and Metcalf, 1995) indicated a largely negative relationship between unionism and organisational economic performance, results from the equivalent 1998 survey (Cully *et al.*, 1999) indicate a positive relationship between union presence and recognition and high productivity growth. Nevertheless, there is some variation; for example, the presence of joint consultative committees had a negative effect on productivity while union recognition itself had a positive impact (however, both variables are negatively associated with absenteeism rates) (Addison and Belfield, 2001). The same data also report a negative association between union recognition and low pay, and between low-paying organisations and low productivity growth (TUC, 1999a; see also McNabb and Whitfield, 2000; Rubery and Edwards, 2003). Table 3 indicates associations between bargaining coverage and productivity across a number of European countries.

However, since the 1998 Workplace Employee Relations Survey, legislative changes have been enacted resulting in increased recognition rights for trade unions, and this impact on organisations and their performance will in future need to be studied, since the growing positive impact of unionism on organisational performance reported in WERS98 may have been the result of either reduced *or* augmented union power and influence in the workplace. If either hypothesis holds, then the Employment Relations Act 1999 will have important implications for the relationship between unionism and performance.

Employee participation and company performance

Table 3 Bargaining coverage and workplace productivity compared

	1996 workplace productivity (GDP per hour worked)	Bargaining coverage 1994 (or nearest year) (%)
Belgium	129	90
France	123	95
Netherlands	119	81
Italy	119	82
Germany	109	92
UK	100	47

Source: TUC (1999a)

In addition, the differences exhibited by the two surveys may be accounted for by different economic environments, by representative participation schemes having long-term effects or growing effects on organisational performance, by changes to worker attitudes and expectations, skills or educational levels, or by the initial costs of representative participation negating any positive performance outcomes on overall profit levels.

The principles of partnership agreements

The current UK Government has lent its support strongly to the notion of partnership in the workplace. Not only is partnership a significant (if voluntary) part of the approach to the Employment Relations Act 1999, its practice is also supported by DTI research:

All the case study firms featured in the study asserted that the adoption of partnership based work practices has helped them to achieve enhanced business performance.
(Knell, 1999)

Support is also expressed by the TUC, which has published (TUC, 1999b, 2001, 2002; also see www.tuc.org.uk/pi/partnership.htm) and

publicised its 'six principles of partnership', which are (in the order presented by the TUC):

- a shared commitment to the success of the organisation
- a commitment by the employer to employment security in return for which the union agrees to a higher level of functional flexibility in the workplace
- a renewed focus on the quality of working life, giving workers access to opportunities to improve their skills, focusing attention on improving job content and enriching the quality of work
- openness and a willingness to share information; so, for example, employers will share with unions and workers their thoughts about the future when they are at the 'glint in the eye' stage
- adding value – unions, workers and employers must see that partnership is delivering measurable improvements
- a recognition by both the union and employer that they each have different and legitimate interests.

Government and unions aside, the key UK pressure group supporting partnership at work is the Involvement and Participation Association (IPA). This association has also outlined four principles of partnership (IPA, 1997, p. 4, cited in Guest and Peccei, 2001), which overlap with those of the TUC:

- security and flexibility
- sharing financial success
- developing good communication and consultation
- representative and employee voice.

Nevertheless, within the academic literature, there are distinct cleavages of views on partnership arrangements. This is perhaps not surprising as there is 'no agreed definition or conceptualization of partnership in either the academic or the policy literature' (Guest and Peccei 2001, p. 208). So, in analysing the effects of partnership, there may be a definitional problem over the issues and processes and related outcomes under examination. However, in terms of union-management partnership agreements, two broad camps may be identified.

First, there are proponents of partnership who view it as 'a means of union renewal and of extending employee participation' (Roche and Geary, 2002) through joint decision making, premised on strong, independent unions. This view sees partnership as engendering mutual benefits for both parties, via a causal path of employee attitude change, resulting in improved organisational performance. The mechanism for achieving this is through

improvements to the psychological contract (Guest and Peccei, 2001), which will 'have both a direct and indirect impact on productivity, quality and innovation, which in turn will affect sales and financial results' (Guest and Peccei, 2001, p. 216; see also Delaney and Huselid, 1996). But this attitude change is premised on a better quality of working life for workers, giving them more influence in decision making. Consequently, it has been assumed that supervisory requirements will be reduced since employee commitment and loyalty to the company will increase with partnership, thus directly cutting staffing costs (Cutcher-Gershenfield and Verma, 1994, cited in Guest and Peccei, 2001).

The second approach is typified by the critics or opponents of partnership who see this as a means for management to extend their influence over organisational matters and decision making through the incorporation and moderation of unions (Taylor and Ramsay, 1998). Persistent doubts have also been voiced by Streeck (1992, 1994, 1995, cited in Roche and Geary, 2002), who contends that, since these new forms of management-employee partnership are voluntary, they are 'inherently unstable and unlikely to prosper in the long term ... [due to] a deep asymmetry of power between management and organised labour' (Roche and Geary, 2002, p. 662), and where management's support for partnership is premised on it serving business needs. This approach is reminiscent of Ramsay's (1977) 'cycles of control' thesis, and has significant implications for organisational performance linked to partnership agreements.

Empirical evidence

Strongly positive endorsement of the partnership approach comes from the TUC itself. Its analysis of the WERS98 results suggests that partnership organisations make fewer employees redundant, rarely declare compulsory redundancies, have average rates of pay around £50 a week higher than non-partnership organisations and have shorter working hours (TUC Partnership Institute web page, accessed 2003, www.tuc.org.uk/theme/index.cfm?theme=partnership). However, these purported effects do not account for the direction of causality, since the organisations may have offered these benefits before partnership was established, or may have offered them irrespective of partnership. Therefore, do partnership firms provide employee benefits and welfare as a result of partnership? Alternatively, does the existence of benefits indicate the presence of a strong trade union, which can deal on an equal power footing within a partnership agreement and therefore produce the productivity gains through higher levels of trust premised on a more equal distribution of power?

In addition to the TUC's WERS analysis, empirical evidence from Roche and Geary's (2002) study of partnership at the Irish Airports Authority (Aer Rianta) also suggests a positive outcome for both parties, supporting the mutual gains thesis. The Principles of Constructive Participation by which the agreement operated at Aer Rianta contained explicit directions that unions and management would 'do all possible to improve company performance and living standards for employees' (cited in Roche and Geary, 2002, p. 668). The main benefit for the organisation from this new agreement was that

'workers were believed to have become more willing to contribute voluntarily to the success of the company in ways that had been absent in the past' (Roche and Geary, 2002, p. 673), indicating at least a causal link between the advent of partnership and employee attitude changes. This partially supports the claims for improvements to the psychological contract, but Roche and Geary's work contains no explicit reference to organisational performance improvements (this may have been assumed through employee attitude changes). However, there was also significant opposition to the new ways of decision making, from both worker directors and middle management. Yet, for the employees, a 'better quality of working life' (Roche and Geary: 2002, p. 673) was seen as a principal outcome. A key element of the partnership agreement within this organisation was the protection of established collective bargaining procedures and spheres of influence, overlaid by the new partnership structures and procedures. These newer partnership arrangements consisted of both established and new forms of collective representation in decision making and individualised participation – including employee share ownership. In this respect, it was a combination of collective and individualised participation (both a pluralist and unitarist approach) that achieved the outcomes of partnership for the organisation and its employees. Nevertheless, the partnership arrangements were put in place as a direct response to an increasingly competitive environment, including competition from Ryanair, the abolition of duty-free sales in 1999, the threat of privatisation and a near full-employment labour market. Thus, Streeck (1992, 1994, 1995, cited in Roche and

Geary, 2002) and Ramsay's (1977) doubts concerning the durability and longevity of these participation arrangements may well be relevant in these cases.

Guest and Peccei's (2001) work is also somewhat qualified in its support for partnership. This research also found support for the combination of direct and representative forms of participation (alongside forms of flexible working) in achieving attitude and behaviour changes in favour of the organisation. This attitude change was also associated with improved labour retention and absence levels, and with improvements to organisational performance, sales and profits. In principle, the authors conclude that, while they found evidence of mutual benefits, these were however skewed in favour of management in most of their sample – and this was particularly sharp in those organisations that 'reported only low progress towards partnership' (Guest and Peccei, 2001, p. 220). In this respect, organisational performance outcomes held precedence over employee welfare outcomes and so, while performance was enhanced, at what cost to employees? And for how long? Yet, where 'high-trust' relations existed within organisations, both employee welfare and organisation performance outcomes were observed, which led Guest and Peccei to conclude that:

It is only when employees are engaged, in terms of attitudes and behaviour, that performance gains are apparent, implying that too great a distortion in the balance of advantage would fail to lead to positive performance outcomes.
(Guest and Peccei, 2001, p. 232)

Other potential sources of conflict

A further major and contentious assumption concerning attitude changes is that disharmony at work adversely affects performance only when it occurs between management and workers. However, a significant oversight is the degree and level of conflict between managers. For instance, the lack of success in producing attitude and behavioural changes in middle management is often overlooked, as is the resulting obstacle that middle management can pose to participation programmes (Fenton-O'Creevy and Nicholson, 1994; Cunningham *et al.*, 1996; Hyman and Cunningham, 1998). Conflict between employees and between employee groups is also often overlooked. Part of the reason for this unquestioned assumption is that employees are by and large treated as a homogeneous group with similar interests, responses and behaviours (see McNabb and Whitfield, 1998; Ramsay *et al.*, 1998). Based on the misconception that employees are a homogeneous group, a common oversight is to assume that employees will respond to participation initiatives in the same way, but, as Tynan and Thomas (1981, p. 10) state 'class, power and skills ... to a great extent determine the response of workers to the workplace'. Oliver (1990) has also pointed out that employees can have different motivations; some may respond to the social or control rewards of participation, while others may respond more to financial rewards. Pencavel (2001) has contended, for example, that worker co-ops can attract financially risk-tolerant participants while more risk-sensitive employees are attracted to more traditional working environments. As a result of employee

differences, various forms of participation are likely to affect individual employees differently.

Further, scarce attention has been given to the problems encountered by teams or groups working together, particularly the problems that participation schemes can introduce for team working. Jackson *et al.* (2000) identify employee problems in team working in terms of employee strain and reduced well-being. Also, where a team has been informally established and efficient, a participation scheme may alter the team composition or its internal dynamics by dictating team membership and roles within it (Ramsay *et al.*, 1998). Therefore 'employee empowerment' measures can potentially reduce employee autonomy and efficiency and increase discontent, thereby decreasing workers' propensity to co-operate with management and their projects.

The combination effect

Financial and work-related participation

McNabb and Whitfield (1998, p. 171) found that employee involvement schemes could have a negative effect on company economic performance 'when introduced in isolation' from financial participation measures. They go on to add that the benefits claimed for financial participation alone are, however, often 'reflecting the effects of other participation factors' (McNabb and Whitfield, 1998, p. 172). The combination effect of participation measures is replicated in a number of other recent studies (Tyson and Levine, 1990; Ichniowski *et al.*, 1994; Kochan and Osterman, 1994; Fitzroy and Kraft, 1995; Logue and Yates, 2001). Combinations of financial and work-related participation have been noted. Indeed, Pendleton (2001) goes further:

The suggestion that participation in decision-making is an essential accompaniment if share ownership is to bring about attitudinal change has been supported in study after study.

(Pendleton, 2001, p. 158)

Bryson and Millward's (1997) study of employee involvement in small firms found that a combination of profit sharing and direct employee involvement produced the greatest improvements in company performance. Ben-Ner and Jones (1995), on the other hand, provide conflicting evidence of the productivity effects of combination schemes, indicating that a precise and tailored programme is probably required. However, much of the research on employee participation has focused on just one form of participation, namely financial or work-related participation, and the results presented above must therefore question the findings of much of this literature. Furthermore, without acknowledging employee heterogeneity, the literature can provide only 'sweeping generalisations, unalloyed conclusions, and vacuously stirring prescriptions' (Ramsay *et al.* 1998, p. 2) about the effects of participation.

Representative and direct participation

Evidence presented above strongly suggests that combinations of representative and direct forms of participation have the greatest success in securing positive attitude and behavioural changes in employees. Guest and Peccei (2001) concluded that to apply some forms of partnership in isolation would not have a positive attitudinal effect. They found that representative participation alone had no significant effect on attitudes and thus on performance, and suggested that this could be because 'representative participation on its own

will fail to overcome low levels of trust' (Guest and Peccei, 2001, p. 232). This indicates that a principal element of the combination effect is the engendering of high trust relations between the parties. From a slightly different angle, the TUC (1999a) also endorses trust as 'an integral element of the [partnership] process' (TUC, 2001, p. 5) and supports a combination effect, where a 'high level of trade union involvement must be matched by an equally high degree of individual employee involvement' (TUC, 2001, p. 6). However, it maintains that a purely unitarist approach to partnership is unlikely to be effective and that the inclusion of representative participation using a trade union 'is essential in delivering commitment and motivation' (TUC, 1999a, p. 17). In spite of this, results from WERS98 (Addison and Belfield, 2001), while supporting the association between union presence and performance improvements, indicate that this association is strongest where union presence is found in its weakest forms.

Nevertheless, this emphasis on trust does not indicate solely either a pluralist or a unitarist perspective. From a pluralist perspective, where conflicts of interest between the parties are assumed, 'trust' could be being misread for *relative equality* of power relations between the parties. As Roche and Geary (2002, p. 661) state, from this perspective 'the success of partnership arrangements is critically dependent on the presence of strong independent unions'. However, where union strength and influence are dependent on external economic conditions, this equality of power relations, or trust, could exist for only as long as the external economic environment remains unchanged, and the nature of modern capitalism is such that change is inherent.

Generalisability of participation effects

A further mediating factor in the application and effects of participation is the size of the workplace. Relatively little is known about participation in the SME sector beyond what has been published on co-operatives. Many of the more recent surveys and studies fail to differentiate between large and small organisations. However, Bryson and Millward (1997, p. 8) discovered that participation is 'less prevalent in small firms ... than in larger firms'. A major survey that has looked into the state of participation in small and large firms is the Workplace Employee Relations Survey (WERS). The results for WERS98 show that, while only 8 per cent of small firms had not introduced any new management or employee involvement measures, less than 30 per cent are using five or more of these schemes (see Table 2 in Chapter 1 of this report) compared with well over half of the larger firms. These findings have particular resonance given the Government's continuing emphasis on expanding and encouraging the small firms sector (DfEE, 1998) and on promoting share ownership in small enterprises through programmes such as the Enterprise Management Initiative.

Beyond arguments about enterprise size are concerns about the industrial sector within which participatory firms are located. Questions remain concerning whether successful participation schemes are transferable between industry types. Lucas (1996) found that, in the hotel and catering sectors, participation was extremely low and much poorer than in other sectors. In addition, participatory measures in this sector were unlikely to induce better performance (Lucas, 1995). The hotel and

catering sector, like other low-skill sectors, e.g. clothing, has a relatively high staff turnover. Management rationales for introducing participation schemes in such a sector can be questioned because participation cannot be used as a panacea for an industry's problems. In the absence of a sustained policy to alter the underlying structural conditions and clearer understanding of the high labour turnover in these sectors, participation schemes are unlikely to have significant positive impacts.

Different national conditions

Numerous studies have been conducted in the USA into the effects of ownership, particularly ownership via the ESOP system. The experience of the UK ESOP movement, with a top estimate of 100 approved schemes (Pendleton *et al.*, 1995a), is in marked contrast to the USA, where upwards of 10,000 schemes are estimated to be in operation, covering more than ten million employees (Allen *et al.* 1991; Hyman and Mason, 1995, pp. 109–12; Logue and Yates, 2001). However, inadequate understanding of the different environments and processes involved has led to the reification of the American ESOP system. The pitfalls of emulating the USA are found in many studies of US ESOPs, which have demonstrated that there is little effective participation in these firms (D'Art, 1992) and little evidence for 'strong and statistically significant effects of employee ownership on performance' (Blasi *et al.*, 1996, p. 63). This is because American ESOPs serve a different purpose to UK ESOPs. The most notable USA purpose for ESOPs is to make provision for employee retirement plans rather than as a means to involve employees in organisational decision making (Hanford and

Grasso, 1991; Stevens, 1991/92; Logue and Yates, 2001, p. 28).

Different national cultures also account for different participation results when schemes are transplanted. Profit-sharing plans in Japan are often held up as crucial factors of Japanese economic success (Freeman and Weitzman, 1988). However, doubts persist about the validity of these assumptions: in Japan both profit-sharing and employee-share schemes are embedded within a complex and possibly unique ideological network, which emphasises mutual obligations by both employee and employer. From the employer, a stake in the company and its performance is linked with concepts of lifetime employment, individual development and formal consultation; from the employee, dedication, hard work and company loyalty are anticipated. It would be difficult to specifically identify motivational effects attributable to any one strand of these ideologically informed practices. For this reason, perhaps, it is difficult to arrive at definitive conclusions over the motivational impact of these schemes in Japan. The success of participation measures has also been related to workplace cultures (Gallie and White, 1993; Geary, 1993). Workplace cultures can either counteract participation measures (Chelte *et al.*, 1989) or support them; for example, Ramsay *et al.* (1998) found that management style and personality were important determinants of participation success. Commitment to and administration of participation schemes (Cooke, 1992) are crucial elements and can differ between enterprise, between workplaces within an enterprise and between departments within a workplace.

Participation and workplace equality

Another misleading assumption on which much current policy is based is that participation will necessarily improve working conditions, especially equality in the workplace (between employees and between employees and management), at the same time as improving company economic performance. Much of current government policy on participation matters is based on this assumption, i.e. by offering 'flexibility with security'.

Social disadvantage

Unlike financial participation, in schemes where participation involves social exchanges between employees and between employees and management, socially derived abilities such as persuasive powers, ability to communicate, education, and the ability to commit relatively more time to participation are important sources of influence. In addition, this system of decision making does not necessarily allow employee competence and confidence to grow and, as a premium is put on oratory, social skills and command of information, 'managers almost always "win the argument"' (Paton, 1978, p. 28). As such, the impact of social advantage and disadvantage may be magnified in participatory firms. Within work groups social disadvantages can alone, or in combination, conspire to exclude certain individuals or groups from effective participation. Women, for example, may feel intimidated by a male manager and unable to speak out or express an alternative opinion, especially in front of other colleagues. Furthermore, caring responsibilities may mean that certain employees have relatively less time to commit to preparing for and taking part in

meetings. If gender disadvantages are compounded by educational differences then the individual is put at an even greater disadvantage. This is illustrated in Tynan's 1980 study of a printing co-operative, where a female machine operator claimed that her feelings about her lack of education and working-class background made her unable to participate in discussions. This feeling was mirrored by other workers in the meetings, as the better education and middle-class background of the co-operative founders 'reinforced the workers' feelings of inadequacy and did so publicly' (Tynan, 1980a, p. 21). Tynan (1980c, p. 33) also found in another co-operative, Sunderlandia, that hostility and class attitudes 'pervaded the firm'.

These early findings on exclusion are mirrored in Wichman's (1994) research on participation and employee status in the airline industry. She found that positive feelings about participation and ownership programmes varied by occupation, with lower-level employees 'either uninvolved or cynical about the programme' (Wichman, 1994, p. 829). The study proposes that 'higher-level employees have the interest and skills necessary to expand their areas of control' (Wichman, 1994, p. 830), and concludes that employee ownership may produce increased inequality in the workplace. Miller and Prichard's (1992) study supports this proposition, finding that employee propensity to participate was higher in younger, better educated and more ambitious employees. Drago and Wooden (1991) also found that desire and ability to participate are influenced by promotion opportunities, job tenure, job security and labour market conditions. With all-

employee share schemes, manual employees are most likely to sell their shares and to do so quickly (Baddon *et al.*, 1989, pp. 206–15). Baddon *et al.* point out that, at the time of flotation, BT employees owned 4.6 per cent of shares, but, by 1989, employee shareholding at BT had diminished to a minuscule 1 per cent of issued equity.

The wider social context

Social advantage and disadvantage are also linked to social groups outwith the workplace. Tynan and Thomas (1981, p. 8) claim that the 'power of an individual within the organisation is linked to the wide social context in which he operates'. The inclusion of an understanding of the different relations between individuals and between employee groups, and the limits and extents of these relationships, would allow an analysis to go 'beyond the factory gates' and extend into the realm of family and community relations. This would allow the examination of participation effects on the wider social network, for example, the pub, club or living room. Few studies, however, have explored the effects of the wider social context on participation. One that has addressed this issue is Brown and Quarter's (1994) study of the propensity to participate in a conversion co-operative. Their study found that the social context was an important component of individual participation choices, one that 'influenced employees to become owners of their workplace' (Brown and Quarter, 1994, p. 262). One of the prime determinants here was co-worker overlapping interests outside the workplace. When overlap occurred within the management group it increased their propensity to participate in the buyout. When overlapping

outside interests coincided with shop-floor union membership 'despite a belief that participation in the worker co-operative could yield capital gains and job security, non-owner union members were unwilling to risk the negative effects of ownership on their social networks' (Brown and Quarter, 1994, p. 277); in fact those who had joined had subsequently found it 'a major source of friction' (Brown and Quarter, 1994, p. 278) with their colleagues. Also of important consequence were family situations and pressures. One office worker, in accounting for her decision not to join the co-operative, explained, 'my husband is very much against it' (Brown and Quarter, 1994, p. 278).

Other studies have also highlighted the role of family opinion in participation choices. In one co-operative (Tynan, 1980a), the influence of familial networks on participation was keenly felt by some workers; for instance Mary Bewick 'resented helping out in the factory and her husband preferred her not to' (Tynan, 1980a, p. 6), which in turn caused resentment among the other workers. Another worker found that her friends working in conventionally organised firms 'ridiculed her for doing unpaid overtime' (Tynan, 1980a, p. 14). Perhaps as a result of these pressures she was one of the first to leave the co-operative. Yet another co-operative case study, *Little Women* (Tynan, 1980b), also found that the 'costs of reconciling the demands of home and work proved too great for some women' (Tynan, 1980b, p. 5). Further studies, (Paton and Lockett, 1978) found that social contacts outside of work between workers in a co-operative meant that 'even when their respective roles put them at loggerheads, they maintained cordial relationships, and their wives were close friends' (Paton and Lockett,

1978, p. 158). Studies of the Mondragon complex of employee-owned firms in Spain have also suggested that their success is partly a result of their geographical and social isolation from the rest of Spain (Campbell *et al.*, 1977), and the persecution of the Basque people under the Franco regime, forging a strong regional identity and cohesion. Cultural homogeneity and social capital (e.g. mutual trust, community networks) were cited as main factors in the longevity of worker co-ops in the Pacific North West region of the USA (Pencavel, 2001, p. 76).

Participation and discrimination

On an individual basis, hierarchical status, tenure and advantaged position in the labour market through skill or shortage can promote employee influence over task and working conditions and, arguably, enhance employee performance (Heller *et al.*, 1998, p. 8). Conversely, less advantaged groups and individuals may have restricted 'voice', which can permeate to performance through frustration and impotence (Barnes *et al.*, 2002; Arthur, 2003). Broader categories of workers may also be adversely affected in terms of influence. These could include women, racial minorities, disabled workers and other potentially vulnerable individuals such as older workers and ex-offenders (Hirsch, 2003). Many of these groups also suffer from lack of employment security, which limits their capacity to participate in organisational affairs and, partly through this, affects the quality of their working lives (see, for example, Burchell *et al.* 1999). Ex-offenders can be especially vulnerable: as individuals, they are clearly at a disadvantage in the labour market and, unlike other groups, such as women or older workers,

are largely invisible and unlikely to be able to garner collective support from trade unions or popular support from colleagues (see, for example, Fletcher *et al.*, 2001 for more details of the employment situation of offenders). There may be similar problems for gay, lesbian and bisexual workers, who can also face discrimination at work. The role of sympathetic unions can be crucial in these circumstances. A recent study reported that over a quarter of union representatives surveyed had dealt with complaints of harassment or discrimination linked to sexual orientation (Labour Research Department, 2003). While it is difficult to quantify the effects of discriminatory behaviour on organisational performance, there is evidence that good employment practice is related to a harmonious and efficient workplace and that, through their representative actions, unions can contribute to these beneficial effects (see, for example, Patterson *et al.*, 1998; Hodson, 2001, Ch. 7). Empirical evidence with regard to gender and participation is most readily available.

Gendered inequality

As Ramsay *et al.* (1998) highlight, gender inequalities can affect both opportunity and willingness to participate. But, on top of this, false assumptions about gendered differences in attitudes to work and participation instruct many management schemes, with the result that activity is focused on men as the 'core' employees committed to work and organisation' (Ramsay *et al.*, 1998, p. 2). Women tend to be seen as less committed to work, with less willingness or time to participate because of out-of-work associations and commitments. However, as Hakim (1996) has illustrated, it

would be equally false to assume that all women (and all men therefore) behave in the same way. The conundrum is, however, that women are also thought to be 'more compliant and therefore better targets for managerial techniques' (Ramsay *et al.*, 1998, p. 2). They are also less likely to be union members and are concentrated in the less regulated sectors of industry and therefore are less likely to be covered by collective bargaining agreements. Trade unions are often seen as patriarchal institutions, bypassing women, especially as women are less likely to be union members. But union presence in a firm can result in collective representation and may be able to raise the profile of issues specific to marginalised groups.

In addition, women are disproportionately represented in part-time work, which is generally taken to suggest less time for participation in decision making, although the proportion of men engaged in part-time work is steadily growing. In 1996, around a quarter of all employees were working part time. While women continue to make up the majority of part-time employees, outnumbering men four to one, a significant aspect is the increase in the proportion of men entering part-time employment, up to 8.1 per cent of total employment. However, Ramsay *et al.*'s (1998) study of supermarkets found that, while women were concentrated in part-time work, these women had been with the companies for longer than the full-time male employees and were more positive about the participation programmes. Gendered work patterns were also important; shift working also affected ability to participate, with male part-timers more likely to be working nights and therefore not to be at work when meetings were taking place.

There is therefore evidence that gender and gendered work experiences do make a difference to experiences of participation (but it is important not to make assumptions about how 'all' women, for example, will react). Other potentially excluded and marginalised groups also have different experiences of work, because of, for instance language barriers and unequal access to information. There is evidence that ethnicity affects experiences of work, from the type of work to the ability to get work, and age discrimination policies also suggest that age influences experiences of employment. Ignorance of these differences in work experiences within a workforce could lead to participation schemes magnifying inequalities at work. As Perotin and Robinson (2000) point out, where equal opportunities policies are combined with employee participation, the productivity effects for both types of policy are enhanced, and this combination 'is generally associated with a productivity advantage over and above the separate effects of the two types of policy' (Perotin and Robinson, 2000, p. 577).

The mechanisms by which this particular combination works are such that equal opportunities policies may allow greater proportions of the workforce to participate in participation schemes, thus making them more effective, and that employee participation in decision making may allow more effective equal opportunities policies to be designed. Where either scheme operates more effectively, motivation, morale, effort, loyalty, creativity and co-operation are assumed to increase, impacting positively on performance. Yet, where a discriminatory environment exists within a firm, participation may be 'considerably restricted' and 'perceptions of unfairness may

worsen if participation schemes are introduced without fully involving discriminated groups' (Perotin and Robinson, 2000, p. 562). Where 'high-trust' relations are a crucial element of the participation-perception-performance causal path, this perception of unfairness may result in the breaking of this causal mechanism and the loss of productivity for the organisation.

However, one significant problem in Perotin and Robinson's methodology is the narrow focus on equal opportunities as a determining variable. Other, disguised variables may account for some of the results obtained, such as the existence of complementary bullying or pensions scheme policies, and the omission of trade unions as a possible variable is significant since unionism can affect productivity and may also influence the quality and scope of equal opportunities policies. For example, as shown below, research by Bond *et al.* (2002) indicates that union recognition positively influences both the quality and the quantity of family-friendly provisions in organisations.

There is therefore a potential combination effect at work beyond combinations of different types of participation – extending to other policies that also seek to alter employee attitudes, enhance commitment and loyalty, and release worker potential and co-operation at work. While Perotin and Robinson (2000), for instance, concentrate on equal opportunities policies, this potential combination effect could also extend to bullying and harassment policies, dignity at work, pensions provisions, etc.

In addition, inequalities at work can be experienced by employees with different contract status. Agency workers, for example, are often less protected and have access to fewer bonuses than permanent staff. Other possibly

disadvantaged workers are those on temporary or fixed-term contracts, home workers, and subcontracted employees. Recent years have seen a tendency toward continuous organisational restructuring resulting in the increased use of atypical contracts, and growing levels of contracting-out of activities and services (Cully *et al.*, 1999). However, Ramsay *et al.* (1998) demonstrate that part-time work alone does not necessarily reduce a worker's ability to participate; in contrast, neither is full-time work a good measure of ability or propensity to participate. Additional factors must be taken into account; for example Ramsay *et al.* (1998) found that length of service increased propensity to participate, while some shift patterns and job types reduced a worker's ability to participate.

Participation and ageism

The population of the UK is ageing and, at the same time, organisational restructuring has largely targeted older workers. As identified in the JRF series on the experiences of older workers, 'Transitions after 50', these demographic trends lead to a number of policy and practical dilemmas. First, there are pressures on occupational pensions as, with later starting age in employment and earlier termination, workers may not be employed long enough to accumulate adequate pension provision. Second, as the recent Jack Nicholson film *About Schmidt* demonstrated, there is considerable potential wastage of human capabilities and experience as older workers find it more difficult to be trained and retained or recruited by new employers when released prematurely into the labour market. Moreover, there is evidence that many over-50 workers

positively wish to remain in paid employment (Mooney and Statham, 2002). Third, early retired people may have years of active life ahead of them but face social exclusion and isolation through the lack of job opportunities imposed on them by age-discriminatory employers. Though the UK Government is committed to legislating against age discrimination, experience from other European countries suggests that the impact of such legislation, though positive, has not been strong (Hornstein, 2001).

Individual employees are clearly in a weak position to combat age-discriminatory practices – first because individuals are in a far weaker negotiating position than their employers; second because, in common with other exclusionary practices, age discrimination can be disguised and implicit; and third because, in the UK, there are no sanctions imposed on employers who practise age discrimination. As with other areas of discrimination, unions can therefore potentially be important sources of action, both in the political arena, for example to campaign for effective legislation, and as part of their bargaining and consultative activities within organisations. However, there is little evidence at present that unions have been proactive in this dimension of protecting their members. With an increasingly youthful labour force, mobilising support for older worker campaigns can be difficult. As older employees are also more likely to be in trade unions (Cully *et al.* 1999, p. 26), where these are recognised it is therefore in the interests of unions to ensure that employers adopt and exercise fair policies and practices. Arguably, it is also in the economic interests of employers to recruit and retain older staff, who tend to be loyal to their employers

and have considerable experience to share with colleagues, thereby stimulating and reinforcing organisational learning.

Participation and family life

This report has demonstrated that employee voice can potentially take a variety of forms, often expressed either as direct individual employee involvement ‘on matters which affect them’ (CBI News, 1990) or as more indirect representative participation through processes of collective bargaining or joint consultation (Cully *et al.*, 1999). Two justifications are generally made for the articulation of employee voice. First, it is presented as a democratic right, increasingly anticipated by an educated, experienced and knowledgeable workforce (Bean, 1994). Second, it is contended, supported by empirical evidence, that expression of employee voice can be associated with positive performance outcomes (Heller *et al.*, 1998, pp. 9, 62). There are three principal arguments to support this. The first is that managerial decisions informed by employee contributions are of higher quality. Following on from this, employees may respond more positively to decisions that they feel they have been able to influence. Third, the availability of opportunities to participate in decisions is believed to exert direct behavioural effects on employee commitment, motivation and performance (see, for example, Wilkinson, 2001).

As part of a wider JRF ‘Work and Family Life’ research programme, a recent study by Bond *et al.* (2002) was concerned with two main questions: whether employees have a voice over work–life issues and, if so, how instrumental was this voice in helping to establish family-friendly employment policies within

organisations. Other studies have examined the business consequences of implementing such policies and found that benefits could be associated with them (Dex and Scheibl, 2001). With regard to the first question, and echoing WERS analysis, it does appear that employees do have a voice of some kind in organisations such as large financial institutions (Gall, 2001). In these larger organisations, the dominant voice tends to be a collective one, expressed either through independent trade unions or by employer-supported staff associations. Typically, smaller enterprises lack collective means of expression, though other studies in the same programme show evidence of direct communication between individual employees and their employers over flexible working (Dex and Scheibl, 2002). Nevertheless, family-friendly policies appeared to be more widespread and more deeply embedded in those enterprises that recognise unions. This association of course does not *a priori* infer that unions have a more effective voice. As part of their research, Bond *et al.* (2002) studied four finance-sector companies in order to examine the influence of different arrangements for articulating employee voice in greater detail. From both management accounts and evidence of the family-friendly arrangements in place, these studies show little evidence of significant operational impact whether by trade unions, staff association or individual employees.

A number of factors help to explain this apparent poverty of influence. First, in all four companies, line managers were offered the discretion or prerogative to apply policies according to their organisational or even departmental needs. The evidence indicates that this discretion was applied in all four

companies. Employees and their representatives accepted this situation without challenge. In the company where the union was recognised, this acceptance was compounded by a general accommodative stance by the union towards the employer and also by the absence of negotiation over family or domestic issues. Invariably, the union would be involved through consultative or informative discussions, rather than by collective bargaining. Even if union representatives had been willing to confront managers in a more assertive way, for example over the lack of uniformity of provision associated with the differential exercise of managerial discretionary powers, they were well aware (as were managers) of the overall apathy or passivity of their members. Without strong member support, representatives would have limited opportunities and few resources with which to pressure managers to codify or to enhance company family-friendly arrangements. A final component emerging from the case studies is that many managers (and some trade unions, judging from interviews carried out in the head offices of unions active in the finance services sector, see Bond *et al.*, 2002) continue to adopt a gendered and possibly marginalised perspective of work-life issues.

An analysis of nearly 100 line managers in a range of public and private sector settings drawn from different studies in the JRF 'Work and Family Life' programme confirmed the low-key role of trade unions whose 'involvement featured very little in the managerial interviews' (Yeandle *et al.*, 2003, p. 46). Consultation, even with and among line managers, also appeared to be rather restricted with the possible exception of health services where significant

consultation was pointed to by the line managers as part of NHS organisational cultural traditions (Yeandle *et al.* 2003, p. 26).

Though the union role was not palpably developed in either the finance sector or widely reported in the broader study, levels of staff accommodation to management were higher and overall provision of family-friendly policies was lower in finance sector companies where staff associations formed the main instrument for employee voice. There were, however, instances at the small fund management company of individual employees negotiating informal arrangements with their managers to suit their individual circumstances. Similar informal arrangements were reported by Dex and Scheibl (2002) in their specific studies of SMEs and by Hyman *et al.* (2004) in their study of software engineers. It should be borne in mind, though, that labour at the 'professional' end of the financial services sector has been in short supply, and that high proportions of these staff were highly educated, independent and assertive professionals operating in a tight labour market. In all cases, indeed, the major factor influencing employers to implement or extend family-friendly policies has not been collective or individual employee pressures but labour-market conditions backed by minimal statutory requirements.

The management of time is an essential workplace process over which employees, especially those with domestic responsibilities, need a measure of control in order to combat tensions between the demands of work and home. Evidence from the finance sector indicates that, despite some softening of the political climate towards trade unions and a sectoral environment typified by scarcity of

labour, there is little evidence that employees, whether individually or acting collectively, have been able to make any significant impressions on the work-life agendas of companies, despite evidence from Dex and Scheibl (2001, 2002) that there can be a business case for such policies. Earlier research has indicated that long working hours, another major dimension of potential work-life conflict, have scarcely been touched either by the Working Time Regulations or by high-profile concerns expressed in the media and elsewhere. In terms of work-life balance and family-friendly working, the evidence suggests that the voices of employees remain firmly muted.

Human rights, equality and participation

The evidence indicates that vulnerable individuals and groups can be subject to discrimination at work. Discrimination undoubtedly causes damage to individuals and indirectly to company performance. Various institutions, both voluntary and statutory, have been established to combat discrimination. Among the most effective of these have been trade unions who:

... have played a leading role in helping workers resist abuse ... Along with higher wages and better benefits, protection from arbitrary management actions has been a central concern for trade unions. Unions protect workers from abuse through providing grievance procedures and through acting as ombudsmen for employees.

(Hodson, 2001, p. 102)

A recent example concerns an initiative of the Amicus finance and technical union to train and support union representatives as 'disability

champions' to provide equality of opportunity for disabled employees and to encourage disability-friendly workplaces (*Labour Research*, 2003b, pp. 15–16).

Statutory bodies include the Commission for Racial Equality (CRE) and the Equal Opportunities Commission (EOC), which concerns itself with gender equality, and the recently established Disability Rights Commission (DRC). Together with trade unions and other campaigning bodies, these Commissions have lobbied for reforms to extend employment protection to cover age, disability and sexual orientation, all of which are currently subject to revised or forthcoming legislation. Another proposed reform is to merge these Commissions to create a single body to deal with equality and human rights and to modernise the law on discrimination. Under government proposals, the new Commission for Equality and Human Rights will eventually replace the three existing Commissions to provide, in the Government's words, for a 'fairer, more inclusive and prosperous Britain'.

While most parties have welcomed the prospect of an integrated equality and rights commission, there is no doubt that it faces a monumental task. While there is no question that the EOC and CRE have helped to progress gender and racial equality at work, after more than 25 years, employment inequality, discrimination and abuse of individuals are still present (see, for example, EOC, 2004) and the role of protecting employees' rights at the workplace will still largely be the responsibility of trade unions and other supportive bodies. This role will be enhanced and potentially made more difficult if the proposed legislation for the new equality and rights body inclines to 'the light touch' favoured by employers and others

opposed to greater regulation of the labour market.

Summary

From the literature reviewed above, it would be hard to conclude whether stand-alone employee participation schemes have any predictable effects, positive or negative, on company performance. A significant part of the problem is the extreme difficulty in isolating the effects of participation schemes because of the broad range of mediating factors. Without adequate knowledge of how and why participation schemes are achieving results, studies will continue to produce contradictory findings.

However, it seems clear that combinations of financial and work-related participation schemes and collective and individualised participation schemes can exert positively synergistic effects. Of particular importance are the social and economic contexts into which a participation scheme is introduced. Changes in legislation concerning participation and union recognition are important considerations given the evidence linking unionism to improved performance. In addition, the role of other, complementary legislative and policy changes must be taken into account since the combination effect appears to extend beyond bundles of participatory practices.

A major social obstacle to participatory forms of work organisation is that they can result in increased work effort and responsibilities, which can be incompatible with family situations or caring responsibilities (see White *et al.*, 2003). Other significant implications are that participatory schemes may amplify existing social inequalities in the workplace. First, they may further exclude certain individuals or

groups by making it difficult for them to take part in these schemes. Second, compound disadvantage may accrue through excluding these employees from input into decision making, thereby possibly distancing them further through consequent actions. Taking the economic context, a number of studies reported here indicate that economic or business needs and necessity are a principal driving force behind organisational support for participation schemes, based on the assumption (supported by some empirical evidence and survey data) that participation will engender employee attitude changes in favour of management goals and thus achieve improved performance levels.

One issue that could unite advocates for both organisational performance and human rights would be whether enhancing the latter through reducing discrimination could positively influence employee orientations and behaviour towards the company. Certainly there are indications that possessing and expressing a 'voice' in organisational affairs can be associated with positive performance effects, and that a collective voice may be most effective. There are practical problems, though: the evidence shows that, even where unions are recognised, their impact on human rights issues, such as work-life balance or promoting gender equality, may be muted. Second, union membership and influence has declined spectacularly over the past 20 years and shows few signs of revival, especially among young people and in newer sectors of the economy (*Labour Research*, 2004, pp. 10–13). Third, employers do not necessarily associate union presence with effective employee or organisational performance, notwithstanding evidence that the most highly performing

organisations in the UK recognise trade unions (*Labour Research*, 2002, p. 10). Some commentators have argued that union revitalisation will occur as a result of the 'representation gap' for employees, which has been generated through the decline of union presence, but evidence for such a revitalisation process is questionable (Hyman *et al.*, forthcoming). This suggests that government policy consideration should be given to greater support for union recognition and activity, and for a stronger human rights framework for the protection of vulnerable individuals and groups of employees. Unions themselves, as the prime 'champions' for human rights at work, also need to look at the most effective ways in which they could attract, represent and retain a more diverse membership.

However, WERS98 demonstrates that many participation schemes are currently in operation and, as a result of current government policy as well as shifts to 'knowledge' work requiring committed employees, many more are likely to be introduced. While the literature does incline towards confirming the efficacy of combinations of financial and control rewards and collective and direct participation schemes, without an adequate understanding of the contexts and chain of processes that the introduction of participation programmes sets in motion, the consequences for workers and management are likely to cause unilateral or even bilateral disappointment.

Note

- 1 WERS98 results show that union recognition is associated with higher rates of absenteeism (Addison and Belfield, 2001).

4 Policy implications and conclusions

Implications of government policy and proposals

The extent of current support for employee participation in the UK is fairly limited and at times unco-ordinated. For example, work-related participation policies are focused on efforts to promote collective participation, e.g. through social partnership, while, on the other hand, financial participation legislation leans towards individualised participation programmes, such as *sharesave* programmes. The combination of the two forms of participation is left to voluntary application, notwithstanding results suggested in the literature that a combination of participation policies is likely to be the most, if not the only, effective means of influencing company performance. While government policy supports both financial and work-related participation, there is no legislation that would promote the implementation of both forms.

Furthermore, there appears to have been little attention paid to the changing nature of work. Increases in contracting-out of activities and services and the rise in the use of atypical forms of work, such as agency workers, are associated with a drop in the numbers of directly employed people (Cully *et al.*, 1999). This obviously has implications for the number of workers covered by company participation schemes. The importance of these changes cannot be overstated, as many occupations vital to the health of the economy or to social well-being are not necessarily in direct employment. For example, software is now thought to be the largest global knowledge-based industry. In the UK, numbers of software occupations rose by 39 per cent between 1996 and 2000, compared with

an increase of just 2 per cent in the economically active population. Large proportions of these workers are found in indigenous software SMEs and increasing numbers work in agency, sub-contracted and temporary positions, rather than as established employees. Similar forms of atypical work are common in key areas of the public services, such as the NHS, again raising the possibility of exclusion of these staff from participative initiatives such as partnership, which otherwise are making considerable headway in the public sector (*Workplace Report*, 2003, p. 4).

Financial participation policies

As the literature demonstrates, some participation schemes may engender low-trust relations (McNabb and Whitfield, 1998), a result that runs counter to the intentions in, and the assumptions behind, much of the policy in this area. Promotion of individual stakeholding for employees could prejudice the 'new enterprise culture of team-work' (Gordon Brown, *Financial Times*, 4 November 1998) that the Government envisages. As Kruse (1984) found, ownership alone is unlikely to be enough to produce or maintain attitude changes; participation in decision making is instrumental, a view also supported by Klein and Hall (1988). They found that ESOP employees were more satisfied the more the ESOP was committed to industrial democracy. This is not a recent revelation. The USA's General Accounting Office's extensive 1985 federal survey of employee share ownership 'found no relationship between ESOPs and improved performance – *except when employee ownership was coupled with employee participation in management decision-making*' (Logue and Yates, 2001, p. 78, emphasis in

original). Therefore ownership *per se* is not enough to capture the organisational changes that the Government is seeking and psychological ownership appears to be a key factor. There should therefore be concern if individual stakeholding is promoted without equal weight being given to the introduction of other participation measures in order to avoid the development of a disillusioned and unco-operative workforce.

Work-related participation policies

The majority of work-related participation proposals have been left to voluntary application, which provides a good deal of scope for interpretation (or misinterpretation) of government intent at firm level (Summers and Winterton, 1998; Bond *et al.*, 2002). Rough assumptions and inadequate definition of terms frequently obscure the policy implications of much of the research into the area of employee participation and company performance. For example, the use of the word 'flexibility' is mired in controversy and has very different meanings for different interest groups such as the CBI and TUC. The same can be said of the use of the linked term, 'participation', and potentially 'partnership', the flagship of current UK policy initiatives. This confusion of meanings results in ambiguous and obscure policy implications, allowing for vastly differing interpretations of policy intent.

A central problem with policy in this area therefore is that there are often discrepancies between how a policy is conceived at national or enterprise level and how it is interpreted at establishment or workplace level. As Ramsay *et al.* (1998, p. 4) found in their superstores case studies, 'management style and personality'

play at least as important a part in the success of participatory programmes as does company policy. The propensity for employees to participate is partly a result of management's commitment to the programme and their ability to make employees think that they are taking the scheme seriously. Questions remain therefore about where these policies are likely to lead, for both workers and employers. Of particular significance are the policy implications and assumptions that underlie the Employment Relations Act 1999 (ERA 1999) and the Chancellor's Pre-Budget Statement (HM Treasury, 1998a), which seem to ignore, or actively work against, the combination effect. For instance, the ERA 1999 actively excludes workers in firms with less than 20 employees from the union recognition rights enjoyed by all other workers.

Partnership

The term 'partnership' is used extensively throughout government policy and practice, relating not just to employee participation in the workplace. In this way, partnership can be seen as 'a central element in the policy of the Labour government' (Guest and Peccei, 2001, p. 208). The rhetoric of partnership is a key element of the Government's policy thrust on employment relations, and has received considerable support from the TUC in this approach. In support of this, the TUC has established its own partnership advisory body (the TUC Partnership Institute) for its member unions. In addition, the TUC's own documents indicate that partnership should benefit both employees and organisations by improving the experience of working life and by adding value to the firm.

Implications for equal opportunity

Policy implications for workers in small firms

The general lack of co-ordination of policy efforts concerning employee participation becomes even more pronounced in small firms. As the WERS98 data show, small firms are less likely to introduce direct, individual forms of participation, therefore there are few opportunities for accessing the positive sum effects of introducing financial and work-related participation. On top of this trend, government policy proposals work against the development of collective participation possibilities in small firms through the exclusion of these firms from union recognition rights. This has implications for the participation opportunities offered to employees of small firms, relative to the opportunities available to their counterparts in larger enterprises. Furthermore, firms without independent recognised unions are less likely to provide their employees with a high quality and extensive quantity of other complementary policies, such as work–life balance provisions (Bond *et al.*, 2002; Dex and Scheibl, 2002). Since small firms employ a disproportionately high proportion of women and ethnic minorities, the positive sum effects of participation schemes and other employee welfare policies are less likely to be found, and the negative sum effects of a lack of complementarity could be problematic for this sector on which the Government places such productivity hopes.

Employment Relations Act 1999

While the trade unions had overall positively received the *Fairness at Work* White Paper (DTI, 1998) and the Employment Relations Act 1999 that followed, they have voiced deep concerns

over the exclusion of around five million workers (many of whom will be trade union members) from trade union recognition simply because their workplaces have fewer than 20 employees. This has many contradictory implications for social partnership in small firms. From a perspective of sustainable employment, firms that recognise trade unions have a better training record than their non-union counterparts. Trade union recognition is therefore an important element in preventing multiskilling from becoming synonymous with job losses (Summers and Winterton, 1998). For instance, it could endanger the development of trust relations by increasing the risk that ‘the only way a union can pursue its recognition claim is by taking industrial action. That would be entirely contrary to the spirit and aims of the White Paper’ (TUC, 1998, p. 4). Furthermore, given the prevalence of informal employee relations in SMEs, the exclusion of many small firms from the recognition legislation could open up employees to ‘numerous workplace influences, insecurities and other pressures’ (TUC, 1997), as well as barring any form of local-level social partnership. As Table 2 in Chapter 1 of this report demonstrates, small firms are also unlikely to introduce other ‘new’ forms of direct participation. The exclusion of small firms also sends the message to employers that partnership with unions is a hindrance to growth and flexibility, and that employees do not need formal procedures to be involved in decision making. The message in the Employment Relations Act 1999 is therefore that collective participation through trade unions is incompatible with small-firm performance, while the message emanating from recent

Budget statements is that individual financial participation is necessary for improved productivity.

For larger firms, there is also a policy ambiguity between collective and individual employee relations. The implementation of the Working Time Directive sanctioned the possibility that individual-type agreements could be introduced into new starters' contracts, thus forcing the choice between a job and a collective right. This is of particular concern for the most vulnerable workers, in areas of high unemployment where there is a high degree of competition for jobs.

There is therefore both a collective social partnership and an individualised financial participation approach to current employee participation policy for large and small firms. However, the success of many employee participation policies depends on how they are administered within the firm, but the few significant omissions and contradictions within the policies and proposals leave an ambiguity in how the policies would be interpreted at enterprise level.

Implications for equal opportunities between employees

As this review has demonstrated, a simple assumed association between the introduction of participation, and attitude and behaviour change can itself obscure many essential factors. Most of the literature on employee participation takes the economic outcome as its main focus; little attention is paid, and many assumptions are made, about the social outcomes for employees. If, as seems clear, employee participation cannot guarantee the results expected by policy makers, what effects are

policies designed to promote participation likely to have on the worker, and on company performance? For example, from an economic perspective, it is probable that firms make decisions on which employee groups gain the opportunity to participate 'because returns on investment in individual human capital are most likely to differ significantly' (Keller, 1995, p. 324), therefore excluding some employees from opportunities to voice their concerns.

Given the results from the literature, policy makers should be especially concerned about the implications for potentially excluded groups. Ignorance of gender differences within the workforce could lead to participatory schemes undermining equality in the workplace, by realigning and reinforcing the power distribution towards groups more able and willing to participate. It is possible that, in some schemes, there are core groups who will reap the benefits of participation, and marginalised workers whose desire and ability to participate are depressed. This could have negative consequences not just for growing numbers of women at work but also for other excluded or marginal groups, such as minority ethnic workers or employees on temporary, casual, part-time or agency contracts. Also disadvantaged are workers whose job design does not enable them to easily participate, for example shift workers, transport workers, sales representatives, home workers and part-time, temporary or agency workers.

At the operational level, as this review has shown, management methods are all too often based on false assumptions about the nature of the workforce, resulting in probable discrepancies between the objectives and results of participatory programmes. As Ramsay *et al.*

(1998) demonstrated, participation schemes have to be far more sophisticated than many currently in operation in order to capture the human resources of the entire workforce. Important considerations for management in designing a participation programme include: length of service of employees (especially if, as Ramsay *et al.* discovered, some long-term female employees do not respond well to financial incentives); their types of work; and the gender mix of the workforce. The consequences of unsophisticated schemes are potentially even more alarming for equal opportunities at work.

Implications of European policy

Information and consultation procedures form an important element of the EU's social programme, expressed through European works councils (EWCs), the forthcoming Information and Consultation directive and employee participation aspects of the European Company Statute adopted in October 2001. EWC legislation was introduced in the EU (excluding UK) in September 1996 and has been in force in the UK since January 2000. EWCs apply to European companies employing more than 1,000 employees with at least 150 in two or more EU states. Areas of information and consultation are required to be of a European (i.e. transnational) nature, with the forthcoming Information and Consultation Directive (coming into force March 2005) intended to deal with company issues at national level (see *Labour Research*, 2003a).

Under the previous Government, the UK had opted out of the Social Chapter, which provided the basis for EWCs; however, many

UK-based companies and UK workforces, totalling around three million employees, were still bound by the Social Chapter through their operations in other EU states (Labour Research Department, 1997). By 1999, there were more than 550 EWCs throughout Europe (Gill and Krieger, 2000). It is estimated that, currently, there are about 650 EWCs of which almost 100 are UK-based companies (*Workplace Report*, 2003, p. 8). Nearly one in five managers in relevant organisations surveyed by WERS98 stated that their company operated an EWC (Cully *et al.*, 1999, p. 100). Potentially, therefore, the representative scope for EWCs in the UK is considerable.

Initially, both positive and negative outcomes were predicted for UK companies. On the negative side, the costs of establishing and undertaking the information and consultation exercises were criticised by management. Another view, associated especially with North American transplants concerned about commercial confidentiality (see, for example, Royle, 1999), was that enforced adoption of communication practices should not be part of government policy. Kersley and Martin's (1997) study concluded that formal communications between employees and employers have little effect on productivity and that enforced adoption of participation programmes actually adversely affects company performance. Keller's (1995) work also supports this thesis and suggests that the more statutory provisions a government places on the introduction of participation 'the probability for the introduction of new forms of representation is lower than in the opposite case' (Keller, 1995, p. 324). From a decision-making perspective, the EWC directive has not specified tightly enough

what is meant by 'information and consultation', leaving the working definition to the players at company level (Royle, 1999; Wills, 2000). As a result, the interpretation of the directive differs greatly between EWCs (Sloan, 1998).

For some companies, this flexibility in interpretation has had a positive outcome for communications and management–employee relations; for others, the picture is more bleak with management taking a very minimalist view of consultation. Further barriers to participation have been identified by the Involvement and Participation Association (IPA) as 'problems with resentful middle management' (Sloan, 1998, p. 8) blocking communication. In addition, delegates who 'do not feed back at all to their constituents' (Sloan, 1998, p. 9) prevent effective participation of the whole workforce. There has also been scepticism expressed by the trade unions who 'are concerned that EWCs may be used to bypass existing bargaining arrangements and undermine trade unions' (Labour Research Department, 1997, p. 4). However, the TUC supports union involvement in EWCs in order to prevent them becoming, in the words of John Monks, 'tame bodies whose agenda and functioning is determined by the employer'.

From a more positive angle, the directive can work in favour of promoting equality between managers and workers. Both the IPA and the Labour Research Department (LRD) studies found that the negative implications of EWCs were largely unrealised once companies had established their new consultation procedures. Policy recommendations to facilitate success would be the training of EWC delegates. Guest *et al.* (1993) focus on training as the failing area

in employee participation schemes and suggest that the training for employee involvement 'has not been successful in altering attitudes' (Guest *et al.*, 1993, p. 198). A European Foundation comparative study of EWCs concluded that, while the influence of EWCs on systems of industrial relations is generally negligible, there are signs that employee bodies are gaining a better 'Europeanised' awareness of international strategies; that greater co-ordination between European representatives is feasible; and that formation of group-level representative bodies may allow employee representatives to gain better comprehension of company strategies (www.eiro.eurofound.ie/1998/07/study). Whether employers would welcome these trends is of course another question.

These uncertainties surrounding the performance or other outcomes of EWCs are reflected in the DTI Consultation Paper on EWCs (July 2003) triggered by the Commission Review. The Paper suggests that, while EWCs in the UK are comparatively new, research indicates that, from a positive point of view, EWCs can contribute to 'better cross-business co-ordination among management teams and a better thought out corporate strategy'. Against this there have been claims of increased bureaucracy and 'unfulfilled employee expectations about what an EWC might achieve' (www.dti.gov.uk/er/europe/ewcdoc.pdf). Anecdotal evidence submitted to the DTI suggests that costs of running an EWC can escalate to £250,000 annually.

The European Trade Union Confederation (ETUC) and the European Parliament would like to see further refinement of EWCs, suggesting that information and consultation need to be defined more clearly, to ensure that

these take place prior to decisions taken by management. ETUC is also of the view that EWC members need time to communicate with each other and, in affirmation of other studies, that more resources need to be allocated to training of employee representatives. Mergers and restructuring are also areas where EWCs may need additional time in order to respond to management proposals and decisions ([http://www.etuc.org/EN/\(ETUC\)](http://www.etuc.org/EN/(ETUC))).

In his summary review of EWC experience, R. Hyman (2000) stresses three points. First, there appears to be no standard model, with

each EWC influenced by national, sector and company factors interacting with individual dynamics. Second, EWCs evolve through experiences, circumstances and personalities. Third, an EWC with 'internal cohesion and strategic vision can achieve an impact' (Hyman, R., 2000, p. 7). It seems that, in an era characterised by globalisation, partnership and forms of co-determination, a significant element of the future of participation may well rest with cross-national bodies like EWCs, though there is as yet little hard evidence that these impact significantly on trans-European corporations.

5 Conclusions

As demonstrated in the body of this report, there is now a massive and expanding volume of literature on all manifestations of employee participation. From this body of work, some uncomfortable conclusions emerge.

First, the relevance of the topic is undiminished as employee needs (and union requests) for information and influence persist in an uncertain and insecure world in which distance between governors and governed appears to be growing in the globalised economy. At the same time, employers face continual pressures to be competitive by reducing costs and optimising outputs while attracting, deploying and retaining highly skilled labour. 'Best ways' of managing inevitably confront issues of reconciling levels and embeddedness of communication and influence for employees and for managers. The different participative rationales identified in Chapter 2 confirm the ambiguities and complexities facing all the social partners. A further participation problem for both employers and for workers derives from the changing nature of the workforce, as flexible regimes involving part-time, home-working, agency and contracted staff introduce increasingly heterogeneous labour resources into organisations (see Felstead and Jewson, 1999).

Unfortunately, considerable uncertainty still surrounds the outcomes of participation, especially in terms of contribution to organisational performance. In Appendix 1, the report points to methodological issues, especially in terms of identifying direction of causality, as a major weakness to understanding links between employee attitudes, levels of commitment, behaviour and company

performance. The role of unions in contributing to these variables is still debated. Outcomes themselves have tended, especially in the dominant American literature, to be assessed according to finance indicators. One weakness inherent in this approach is the potential neglect of other perhaps more qualitative measures of performance. Second, and related to this, is the risk of neglecting research in non-profit-seeking organisations such as critical areas of the public sector (health service, education, social services, etc.) and voluntary organisations.

Nevertheless, there are positive indications. For example, financial participation appears to exert an effect on employee orientations and possibly behaviour if a genuine 'ownership effect' can be established. Whether, this relationship would hold at a time of stock market fluctuation and decline in share values is, of course, a question that has not been confronted empirically. Second, there is some evidence that combinations of participative approaches may be associated with indicators of enhanced performance, though there is more doubt about management-initiated high-performance regimes predicated largely on individualistic assumptions about the employment relationship. This introduces the point that the assumed shift to individualistic values – and hence employees' willing acceptance of management policies designed to engage with these values – has yet to be established. Third, the evidence on European works councils is mixed, though there is little evidence of any significant negative effects either for the employer or for employees. Nevertheless, training for the latter has been identified as a major requirement for the future if employee representatives are to make a

significant impression on these institutions. No doubt, our understanding of the processes and outcomes of these cross-national bodies will grow as further research over their activities and experiences is commissioned. Fourth, while the jury is still out on the effects of partnership schemes, there are at least short-term indications that, where unions are fully involved and the parameters of partnership are founded on agreed commitments and contributions by both parties, employment relationships can benefit. Fifth, the potentially marginalised status of workers vulnerable to discrimination is being recognised by the Government and European bodies as well as bodies committed to addressing equality and performance (e.g. the Chartered Institute for

Personnel and Development's campaign against ageism at work) and this recognition is being reflected in new anti-discrimination legislation. Finally, after 20 years of decline, there are small signs of union revival as the unions come to terms with the need to attract a more diverse membership in a less oppressive political climate. Participation through trade unions, as recognised institutional protectors of marginalised and disadvantaged employees, supported by appropriate legislation, may be the most visible and effective means of ensuring that all employees have access to full equality and human rights at the workplace and, alongside this, the potential to contribute to organisational effectiveness.

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Appendix 1

Methodological problems

We have seen that many uncertainties in identifying participation outcomes arise from different types of study. Extreme care must be taken in analysing and interpreting studies of employee participation, not least because of the various definitions and meanings attached to 'participation', which cloud the results. Further problems arise from the methodological assumptions used in the literature.

Comparability of qualitative and quantitative methods

There are profound problems within the literature because of the mix of qualitative and quantitative methods, making comparisons tricky at best. Both methods provide different pictures of participation processes and outcomes within enterprises (see, for example, the debate between Ackers *et al.*, 1992 and Ramsay, 1993). Quantitative studies tend to focus on the existence of participation methods, while qualitative works can also indicate the depth or scope of use of participation methods. Quantitative studies may also over- or understate satisfaction levels, as satisfaction is known to involve a comparison with what is thought feasible (Ramsay *et al.*, 1998, p. 8). Obviously, different employees and employee groups will have different perceptions of what is feasible. A female worker, for example, may not think that a male manager will take her suggestions seriously and therefore she may not attempt to make any; however, her assessment of satisfaction with a participation programme will be based on what she considers feasible. The subjectivity of many measures of participation also means that comparisons between firms are problematic, as feasibility will

differ between enterprises and their different structures and cultures. Furthermore, errors occur through subjective judgements of the success of participation schemes, particularly through respondent bias when self-reporting. Problems are also encountered through subjective judgements of what actually constitutes 'participation' (Kochan and Osterman, 1994). Juravich *et al.* (1993) have also questioned the reliability of surveys based on only one party in the employment relationship. Other measurement problems are associated with the use of proxy variables (Kelly and Kelly, 1991), which may be poor representations of, for example, real levels of employee control.

Obscured causality

The conceptual problems within the literature outlined above have severe implications for methodological accuracy. Of particular concern are incidences of obscured causality and care must be taken in accepting findings that are based on untested assumptions about the firm or the nature of the workforce (Ben-Ner and Jones, 1995; Fernie and Metcalf, 1995, p. 392). Without care, the reasons a firm has for establishing a participation scheme can be incorrectly assumed, along with the direction of causation. This occurs in many studies because much of the empirical research in this area is based on cross-sectional data, which 'makes causal inferences hazardous' (Bryson and Millward, 1997, p. 9). For instance, a participation programme may have been introduced as an incentive towards improved performance or as a reward for exceptional performance. On the other hand, the scheme could have been adopted to prevent a hostile

buyer, e.g. the UK bus ESOPs, or to prevent the firm from closing, e.g. Fakenham Enterprises or the Benn Co-ops. A means of avoiding this problem would be the longitudinal, before-and-after study (Guest *et al.*, 1993); however, surprisingly few studies in employee participation use this methodology.

Multiple variables

In addition, many studies test for only one measure or form of participation and a number of studies have shown that it is the cumulative effects of a number of forms of participation that have the greatest effects on productivity.

Ramsay *et al.*'s (1998) study found that female workers were more likely to emphasise 'opportunity to improve decision-making' (Ramsay *et al.*, 1998, p. 7), while male employees were more instrumental and stressed the financial rewards of participation. Therefore it is not surprising that a mix of participatory measures will capture the needs of both male and female employees.

Therefore, there is a methodological problem of omitted variables (Ben-Ner and Jones, 1995; Bryson and Millward, 1997), with the result that 'the estimates on employee ownership variables that arise from such studies may have the wrong sign' (Ben-Ner and Jones, 1995, p. 551). Furthermore, the interaction effects of combination packages are still obscure, with very little actual research into the processes at work (Cable and FitzRoy, 1980; Kruse, 1993; Perotin and Robinson, 2000). For example, the processes within combination participation measures that result in the sum appearing to be

greater than its parts need to be identified (Kochan and Osterman, 1994). Therefore, without a full appreciation of how combinations of organisational polices interact with participation schemes, conclusions concerning the relationship between participation and productivity are likely to be inaccurate to some extent and may account for the contrasting evidence provided by different empirical studies and between surveys undertaken at different times under different legislative, economic and social conditions.

Generalisation

Finally, the generalisability of research findings in this area can be called into question. Because of the mediating effects of variables such as employee heterogeneity, different organisational cultures and situations, and firm size, the likelihood of a particular form of participation producing the same results in more than one organisation is doubtful. Therefore success may be claimed for participation in a particular workplace, but this cannot then suggest that this form of participation will be a success elsewhere. Plus, questions remain about the underlying processes at work linking participation with performance, as these may be situationally specific and therefore generalising from these results may be misleading. This problem could be exacerbated especially when drawing comparisons across sectoral and national boundaries where a host of cultural factors intersect with different political and socio-economic contexts.

Appendix 2

Further research

- 1 The Employment Relations Act 1999 introduced a number of extensions to employee rights. These can be summarised as changes to individual workers' rights, particularly in the area of family-friendly provision, and as alterations to collective, trade union rights. The introduction of the Employment Relations Act has therefore been a significant piece of policy, which provides the opportunity to research many different aspects. These include the extent to which the Act has had a differential impact on forms of participation in small firms compared to large firms – are smaller enterprises less likely to adopt representative participation measures? In addition, an analysis of the extent and impact of social partnership in different contexts is needed.
- 2 Concerning the question of sustainable employment, research is needed into the associations between forms of participation and training and personal development. For example, to what extent will the promotion of social partnership improve job retention through multiskilling?
- 3 A significant omission from the published research is analyses of different employee types and their differential access to the various participation schemes. Of particular interest in the current policy climate is the involvement of marginalised groups in participation schemes. Who is likely to be excluded, or included, and under what conditions and forms of participation does this occur and what are the effects, especially in key growth areas such as software or in strategically vital areas such as the NHS?
- 4 Given continuing political emphasis on social inclusion, research is needed to identify the nature of links between forms of participation and the quality of workers' lives, and any benefits to the wider community.
- 5 Patterns and distribution of participation in small firms and the reasons why small firms are less likely to have participation schemes is an under-researched area. Are the low levels of reported participation because of their size or are there other factors (Bryson and Millward, 1997)?
- 6 Further research would also be beneficial into the underlying meanings behind workers' orientations, responses and attitudes – to what extent, why and how do they change? This could be linked with an exploration into the meanings and expressions of employee commitment. This research direction would essentially question the widespread reliance on attitude surveys in the literature, which are often based on false assumptions about employee responses. Research into employee orientations could also examine in greater depth links between individualism, collectivism and participation and its effects.
- 7 A study into the combination effects of different forms of participation and the processes by which the sum is greater than its component parts – the additional effects – is required. Is a new model of participation emerging? Recent research is suggestive of a complementary effect between bundles of high-influence policies in the workplace. Further research into combinations of participation types with, for example, policies

aimed at equal opportunities, unionism, work–life balance, dignity at work, bullying and harassment, peer reviews, and employee development and training are called for, especially from a longitudinal perspective.

- 8 To examine these research questions, case-study approaches would complement existing survey and quantitative data. In addition, to move away from mere association and to illuminate the question of causality between participation, attitude and behaviour change, and increased productivity, more longitudinal studies of the changes brought about by employee participation and ownership schemes are needed. In particular, qualitative studies could be promoted in order to gain insight into the processes at work once a participation programme has been introduced to an organisation.
- 9 Research into EWCs will need to continue, especially with the recent expansion of the EU to include new entrants in 2004. Again, longitudinal case studies could be an appropriate means to examine the implementation and effects of EWCs and other emergent information and consultation procedures.
- 10 Significant research on participation has been conducted in the private sector, with rather less emphasis on developments and effects in the public sector. Research in this sector (and the voluntary sector) to establish means, measures and effects would be of vital interest, bearing in mind interest attached to recruitment and labour turnover, for example in the NHS.

Appendix 3

Glossary of terms

Approved deferred share trust (ADST)

Under this scheme, a company can give shares to all its employees with a minimum of five years' service. Distribution is from a share pool and shares are kept in trust for three years to attract tax relief.

Attitude surveys

A survey involves the collection of information, usually by interviews or questionnaires, from a sample of the target population. Attitude surveys examine a variety of attitudes and behaviours, such as beliefs, opinions, values, expectations and satisfaction (Hartley and Barling, 1998).

Autonomous work groups

Also known as 'self-regulating work groups'. This method enhances participation at the shop-floor level, giving groups of workers responsibility for the regulation, organisation and control of their jobs, and an influence on their immediate environment. The groups make decisions on the following issues: the scheduling of work, allocation and rotation of jobs, quality acceptability, organising breaks, selecting and training new members, providing maintenance, and evaluating performance for pay purposes.

Co-determination

Germany offers the best known version of co-determination. Employee representatives, known as worker directors, sit on supervisory boards, which act as an intermediary between

the shareholders' annual meeting and the management. The make-up of these boards is known as $2x + y$, meaning one each of worker and shareholder representatives ($2x$) plus one or more neutral members on the board (y), drawn from such bodies as ACAS. Supervisory boards tend to have the following powers:

- appointment and dismissal of the management board
- overseeing the work of the management board
- veto power over strategic issues.

Collective bargaining

In the British context, collective bargaining takes place between management and trade unions at both national and local (plant) level. However, the issues covered by collective bargaining tend to be narrow, concerning wages and other basic issues such as hours of work and holidays.

Company share option plans

Shares are distributed at the company's discretion, usually to senior management. Shareholders have the option to buy shares at the current market price at a future date between three and ten years later.

Employee buyouts

An employee buyout occurs when the whole of the workforce is invited to take part in the purchase of a company or part of a company from its current owners or from a receiver.

Employee empowerment

Empowerment is seen as providing an extension to employee authority by allowing workers to take decisions that were previously the preserve of their line managers and to assume responsibility for the consequences. This occurs within an organisational culture of initiative, team work and flexibility (Hyman and Cunningham, 1998).

Employee involvement

Employee involvement is a term associated with schemes that involve low-level, individualised participation, with little or no input into corporate or high-level decision making.

Employee share ownership plans (ESOPs)

An ESOP is a scheme designed to allow all employees to become shareholders in their company. ESOPs can offer majority shareholdings to employees. Exemption from income tax is available if shares are retained for a minimum of five years in trust.

Human resource management (HRM)

HRM describes a bundle of management strategies, with a common emphasis on the shared goals of employees and managers in organisations. HRM treats employees as a key strategic resource, turning employees from passive recipients of decisions into active initiators within the organisation. As such, HRM disregards any plurality of interests and appeals to the ideas of commitment and co-operation.

Industrial democracy

Industrial democracy is a phrase designed to encompass those measures that result in the equitable distribution of power within enterprises. However, it can also be used to describe entire social and economic systems, which have significantly different structures to conventional systems within which a democratic firm may operate. Possibly the most obvious example of a formally industrially democratic firm is the co-operative, where ownership and control are distributed evenly among the members.

Joint consultation committees (JCCs)

A process whereby management seeks the views of employees before making a firm decision. In practice, it is rare for a JCC to have veto power over managerial decisions. Two specific types of JCCs are works councils and joint working parties.

Joint working parties (JWPs)

A typical JWP will consist of between six and ten members, drawn from management and employee representatives. In contrast to collective bargaining, JWPs will often involve joint problem-solving techniques, such as 'brainstorming' sessions.

Management buyouts

Management buyouts occur when members of the management of a company negotiate to purchase the company from its current owners or from a receiver, having organised the finance to support the purchase.

Partnership

One of the themes of the Employment Relations Act 1999 and its precedent, the *Fairness at Work* White Paper, is partnership (or social partnership). The term implies a new approach to industrial relations, replacing adversarial relations with a joint approach, between employers, employees and their representatives, to solving workplace problems. Social partnership can also operate at the national level, and is demonstrated by the joint consultation document drawn up by the TUC and CBI, which fed into the 1998 *UK Employment Action Plan*.

Performance appraisal

Performance appraisal schemes consist of the appraisee and their appraiser, usually an immediate superior. Together they will assess the employee's past performance, set goals for future performance and monitor how effectively these goals are achieved.

Performance-related pay

Performance-related pay is usually linked to individual effort and is sometimes connected to appraisal schemes. Pay acts as an incentive and reward for performance.

Profit-related pay

Profit-related pay describes a portion of employee pay that is linked formally to the profits of the company. Companies offer cash-based profit sharing to their employees for which bonuses are triggered by attainment of stipulated profit levels.

Quality circles

The idea behind quality circles is to enable workgroup teams to assess and implement improved methods of production and delivery of services. Quality circles consist of a group of people coming together from the same work area, performing similar work, who voluntarily meet on a regular basis to identify, analyse and solve their own work-related problems.

Save as you earn (SAYE)

Employees contract to save regularly with a recognised savings institution. At the end of the savings period, employees can opt to take savings with accumulated interest or use the amount saved to purchase company shares at a price fixed at the commencement of the savings period.

Savings-related share options

Savings schemes are open to all employees with a minimum of five years' service. Shares can be bought at no less than 80 per cent of the current market price in three, five or seven years' time, based on accumulated monthly savings.

Suggestion schemes

Suggestion schemes are a procedure for submitting and evaluating ideas. Suggestion boxes, suggestion committees, or individual management can all be used as the transmission agency for ideas.

Team briefing

Also known as briefing groups, team briefings work on the principle of cascading information down the line from executive management through line management/supervisors to the shop floor.

Team building and team work

This involves the organisation of employees into work groups, which take responsibility for a process. Demarcation is eliminated, direct supervision reduced and a goal-oriented culture encouraged.

Total quality management (TQM)

TQM is concerned primarily with meeting the needs of customers. Through increasing worker input into problem solving and enlarging employees' areas of responsibility, the 'continuous improvement' of product quality and work organisation is promised (Thompson and Warhurst, 1998).

Worker co-operatives

Co-operatives are businesses owned and controlled by the people working in them. Co-operatives are democratic organisations administered by people elected or appointed in a manner agreed by the members and accountable to them. Members enjoy equal voting rights (one member, one vote) and participation in decisions affecting their enterprises.

Worker directors

Worker directors are pulled from the employee body to represent workers' views on the Board of Directors. Worker directors may be elected or selected, and many are drawn from the trade union body.

Works councils

Works councils potentially involve employee representatives in strategic decision making. They may also serve as a channel for information disclosure and consultation, e.g. European works councils.

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