



Chp. 17: Employee participation

⊕ Overview

- ▣ Conceptual discussion
 - Discriminatory features
 - Key concepts
 - Variations within framework
- ▣ Worker participation theories
- ▣ European employee participation
- ▣ NZ trends: history & participative forms

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“Periodically in New Zealand employee participation and industrial democracy surfaces as a suitable topic for management and employment relations seminars /.../ However, general approval of employee participation has masked a variety of different schemes and proposals, because the approval in general masks the differences in particulars.” (p. 493).

There are considerable confusion regarding the concepts surrounding employee participation. “The purpose of this chapter is to cut through this confusion by trying to answer as simply as possible a number of questions, namely:

- What is employee participation and what is industrial democracy?
- What kinds of scheme exist and how do they differ?
- What are the origins of these schemes and why are these origins important?
- What is the history of employee participation and industrial democracy in New Zealand?” (p. 494).



Employee Participation

- ✦ Worker influence, worker participation and/or industrial democracy?
- ✦ Discriminatory features (see p. 495):
 - ▣ influence or control (partial or total)?
 - ▣ financial or non-financial?
 - ▣ Direct or indirect?
 - ▣ ownership or management (or both)?
 - ▣ level of management decision-making?

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“Let us start by making a distinction between *employee participation* and *industrial democracy*. To participate in something is to have a say in it, or to have a share in it. /.../ Participation, however, whether it involves having a say in decisions or sharing in financial benefits, does not necessarily give employees (individually or collectively), any control over those decisions or the allocation of financial benefits. Although participating employees have *potential influence* within an organisation, management is free to ignore their views and opinions if it so chooses. Underlying the idea of industrial democracy, in contrast, is the possibility of employee *control* of various aspects of the enterprise’s operations.” (p. 494).

“A useful question to ask of any scheme of worker participation is, therefore, whether the scheme gives employees *influence* (gives them a say) or whether it gives them *power* (gives them potential control).” (p. 494).

The discriminative features or questions are discussed on p. 495 and then used in table 17.1 on p. 497. Keep table 17.1 in mind when the various participation schemes are discussed on pp 498-506.



A conceptual framework

- ✦ Table 17.1, p. 497: participation forms
 - ✦ Discriminatory features: previous slide
- ✦ Variation across the framework
 - ✦ Behaviours?
 - ✦ A single style?
 - ✦ Direct versus indirect participation
 - ✦ Temporary versus permanent structures
 - ✦ trivial versus 'real' issues

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“Table 17.1 should be viewed as an attempt to identify the principal aspects and potential of different schemes, rather than as a hard-and-fast guide to the detailed practice of any one scheme.” (p. 496).

The discriminatory features can cover a variety of behaviours. These behaviours are often associated with the organisation's general approach to management but may vary across employee groups (see the debate of management styles in chp. 11).

There are some participation forms (often associated with a certain organisational size) where indirect participation cannot be avoided. This then opens for a debate of representation & transmission of ideas & issues.

It is an on-going debate what kind of issues are covered and what kind of approaches are used. As discussed in chapter 12, employee rights tend to fall in 3 broad areas: right to information, right to consultation, right to shared decision-making.



Employee Participation Theories

- ✦ Democracy theory
 - ▣ Like politics: activate & release capabilities
- ✦ Socialist theory
 - ▣ Workers controlling production process
- ✦ Human growth & development theory
 - ▣ Participation lifts motivation & commitment
- ✦ Productivity & efficiency theory
 - ▣ Raise quality & acceptance of decisions

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Dachler & Wilpert (1978) identified the four sets of ideas presented above. These ideas may or may not play a role in different arguments for more (or less) employee participation. They have also fluctuated in importance over time, as indicated by the four phases of European employee participation (see pp. 508-9).

While the two first theories have historically played a considerable role in the arguments for more participation, there have been more emphasis on the latter two over the last couple of decades. Nevertheless, the emphasis on employee rights have placed democracy theory at the heart of most arguments for employee participation.

Although there is a tendency to assume that employees want more participation, it is salutary to remember the findings in chp. 16 (p. 482) that employees were mainly interested in participation regarding their own work.

The productivity & efficiency theory has become more relevant as organisations try to lift their performance & in light of widespread restructuring which often makes employee acceptance of change an important issue.



Participation: key concepts

- ✦ Employee participation in management
 - ▣ access to managerial information
 - ▣ having a 'say' in managerial decisions
- ✦ Employee financial participation
 - ▣ profit sharing
 - ▣ share ownership (wage earner funds)
 - ▣ may or may not involve participation in management

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See distinctions on pp 495-6. There is a distinction between owners and employees. This opens up for distinctions regarding ownership. Regarding employees there are two groups: managers and workers. There are also different types of management decision-making (see p. 495).

“Financial participation is based on the idea that financial input leads to higher psychological commitment. It does not necessarily lead to greater work participation in management but it may be employed alongside strategies for increasing worker participation in management.” (p. 496).

As financial participation is often found amongst managers – share options as part of pay-for-performance schemes (‘at risk pay’) – these managers appear to have the best of both worlds: participation in management and in financial participation.

The Scandinavian idea of wage earner funds is not dealt with in this book. Wage earner funds were implemented for a short time in Sweden.



Participation: key concepts II

- ⊕ Industrial democracy
 - ⊠ right to share power with managers
 - ⊠ different from worker participation
- ⊕ Legislative right to power sharing
 - ⊠ Often associated with statutory employee rights – eg. European Works Councils
 - ⊠ Employee Directors – may or may not involve genuine power sharing

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“Democracy is about government; about power sharing among all the constituents of a society. When we apply the noun ‘democracy’ to the workplace by inserting the adjective ‘industrial’ in front of it, it is clear that we are talking about power sharing in the workplace and nothing less.” (p. 496).

Power sharing in the workplace sits uneasy with the notion of managerial prerogative (see chp 11). Often this dilution of managerial prerogative has coincided with collective bargaining/union power or the implementation of legislative backed participation structures (see pp 502-504). However, there have been a few example where this has happened voluntarily (for example, producer co-operatives, see pp 505-6).

In some Continental European countries, employee directors are enshrined in law. This is especially the case in countries where you have a two-tier board structures. Employee directors can be important in having an ‘employee voice’ on the company board. While employee directors can facilitate better information and sharing of ideas it may have limited impact on actual strategic decision-making as employee directors are often a tiny minority.



Participative structures

- ✦ Joint consultation
 - ▣ Advisory, depends on decision areas
- ✦ Quality circles
 - ▣ Made popular by Japanese, TQM link
- ✦ Task forces
 - ▣ Direct, temporary form of participation
- ✦ Job enrichment
 - ▣ Job (re)design & employee satisfaction

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“It is noticeable that many of these forms of participation have been aligned with various management ‘fads’ and the popularity of participation schemes has varied considerably over time.” (p. 498).

“The degree of success experienced by consultative committees has varied considerably. Some have derisively been dubbed ‘tea and toilet’ committees because of their failure to deal with significant issues.” (p. 499)

Quality circles are associated with the approach of Deming & was seen as one of the hallmarks behind Japanese production successes. “In essence, QCs are a structure for facilitating small-group problem solving. A group of employees, often led by a supervisor or other manager, meets regularly to pinpoint, analyse, and solve particular production problems.” (p. 499).

Task forces, popularised by Peters & Waterman (1982), are still in widespread use but they are now less seen as a ‘magic wand’ & more as a practical organisational response to a specific problem. It fits with the focus on project management & incorporating a range of experiences in project teams.

Job enrichment is dealt with in chapter 16.



Participative structures II

- ✦ Autonomous work groups
 - ▣ Popular as self-managing teams
- ✦ Collective bargaining
 - ▣ 'Job control': Anglo-American unionism
- ✦ Co-management or co-determination
 - ▣ Works councils & employee directors
 - ▣ Made popular by European ER practices

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Autonomous work groups are best known as part of the 'Volvo experiments' but they have since become a benchmark for self-managing teams. It is always a key question how much teams are self-managing or whether key functions are managed from outside the teams.

Collective bargaining is important as it has been the preferred option of many NZ unions. However, the notion of 'industrial matters' (see p. 63) limited the range of issues that collective bargaining covered prior to the Labour Relations Act 1987.

Co-management or co-determination was first made popular by the German works councils & employee directors, though it was also found in several European countries. It became a hot topic again when European Works Councils became an institutional part of large European firms in the late 1990s (see pp 506-510).

Co-management is clearly a high level of employee participation – normally reserved to the term industrial democracy - and employee 'power' can cover a range of issues. Besides the range of issues covered it is also an important consideration what the actual power level is (for example, how large a share of the board of directors do employee directors constitute?).



Participative structures III

- ✦ Profit-sharing
 - ▣ Popular as part of 'pay-for-performance'
- ✦ Employee shareholding
 - ▣ Ownership & commitment
- ✦ Productivity gainsharing
 - ▣ Scanlon plan
- ✦ Producer co-operatives

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“Profit sharing includes a whole raft of schemes designed to help employees share in the financial success of an enterprise.” (p. 503). This is different from employee shareholding since it only provides for a higher income flow.

“Generally speaking, profit-sharing schemes are more common at the executive level than they are at shopfloor level. /.../ Productivity gainsharing, however, is one way of applying a profit incentive (in the broad sense) to the entire workforce.” (p. 503).

Employee shareholding provides a higher stake in both ownership & profits. “is based on the idea that physical ownership produces ‘psychological ownership’ – in other words, those who actually own a business are, typically, psychologically committed to its survival and success.” (p. 504).

Both profit sharing & employee shareholding are used as part of pay-for-performance packages. In particular, they are used in executive packages to overcome the so-called ‘agency problem’ (see pp 295-6) by aligning the interests of the organisation & the executive.

Productivity gainsharing is a more radical, comprehensive approach as can be seen from the main features on pp 505-5. Its link with productivity is crucial.



European employee participation

- ✦ 4 phases of participation, post 1945:
 - ✦ Immediate post-war period: democratisation
 - ✦ 1950s: Quality-of-life focus & high employment
 - ✦ 1970s: Individual rights & EEO
 - ✦ 1990s: European Works Councils
- ✦ The 4 phases tend to emphasize different types of employee participation
- ✦ Confronts Anglo-American 'shareholder capitalism' (instead 'stakeholder capitalism')

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There has been a long & persistent pressure for employee participation in Europe. In some cases, the ideas were advocated more than 100 years ago. “The persistent pressure was based on a wide interpretation of democratic rights – that is, these rights did not stop at the gate of the employing organisation. They were also associated with a positive interpretation of the state’s role where the state was seen as a provider of regulations, structures and rights in employment relations; in this case, enhancing democratic employee rights within the workplace.” (p. 507).

While each of the phases tends to have a mixture of employee participation it is possible to detect a different emphasis in the four phases. Thus, the philosophical ‘drivers’ changed over time. However, the long history of employee participation has clearly influenced the attitudes of employers & employees which is totally different from prevailing attitudes in New Zealand. “...the various schemes for employee participation were fine-tuned and integrated in workplaces and this consolidated their status as the ‘normal way’ of conducting employment relations and managerial decision making. Thus, many European managers are now quite comfortable with and, in some cases, even supportive of employee participation.” (p. 508)

Shareholder capitalism versus stakeholder capitalism – see pp 296 & 506



European Works Councils

- ✦ The end of a 20-year long debate
 - ▣ Associated with other EU initiatives
- ✦ 1994 Directive sets minimum demands:
 - ▣ Must consists of 3 to 30 members
 - ▣ Annual meeting(s) with management
 - ▣ Focus on information & consultation
- ✦ Other areas have information & consultation rights: redundancy, company transfers, OSH

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“European Works Councils will be a mandatory part of all large European businesses /.../ and therefore works councils will become, for the first time, part of business management in large British firms. As several subsidiaries of American firms will also be covered by these works councils, it will bring ‘shareholder capitalism’ and ‘stakeholder capitalism’ face to face.” (p. 506).

“European Works Councils (EWC) “...will cover all multinational organisations with more than 1000 employees in the European Union and with 150 or more employees in at least two member states.” (p. 508).

The minimum standards are fairly general & provide limited decision-making powers for employees. “The 1994 Directive is a watered-down version of the original proposal, as it allows for considerable flexibility in terms of its actual implementation. It is left to employers, employees and unions to develop the exact structure and functions of works councils.” (p. 509).

Because EWC lacks bite – “falls short of co-determination” - “Streeck (1997) has argued that the European Works Councils are neither European nor works councils.” (p. 509). Thus, there is considerable debate regarding the long-term impact of EWC on employee participation in the targeted large organisations.



New Zealand trends

- ✦ Influences: war or a tight labour market
- ✦ 1974 Private Member Bill
- ✦ Muldoon: financial participation
- ✦ 1989 Committee of Enquiry into ID
 - ▣ Proposal: works councils in organisations with more than 40 employees
- ✦ 1990s: workplace reform (see chp. 16)
- ✦ 2003: statutory OHS representatives (chp. 7)

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“Financial participation of workers in New Zealand companies was first promoted by the 1924 Companies Empowering Act /.../ The first known example of worker participation in decision making within the firm is the Workshop Committees set up by New Zealand Railways in 1927...” (p. 510).

“At industry level during the war, joint consultative committees were regulated into existence in the meat freezing industry, coal mining, public works, the Post office and the Public service.” (p. 511). But only 25 joint consultative committees were set up in the private sector.

“The late 1960s, however, saw an explosion of interest in industrial democracy in New Zealand. A 1972 Department of Labour survey found that 12.5% of all companies had implemented some form of worker participation.” (p. 510)

National MP Eric Holland’s 1974 proposal was to implement works councils in workplaces with more than 100 employees.

1989 Enquiry of Industrial Democracy: “In hindsight, the exercise appears to have been an expedient way of papering over the cracks within the Labour Government and between the government and the unions.” (p. 513).