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Coordinating the 'three channels' of employee participation? Focusing on the British practices

ABSTRACT

Concentrating upon the experiences of Great Britain, this chapter reflects on the possibility of coordinating the three channels of employee participation, for the purpose of balancing the dual goals of higher productivity and greater employee voice. The recent attempts seen in Great Britain to align representative and direct participation is indeed based on these two channels respectively possessing some attributes which enable them to complement each other. However, the picture is far from complete. The 'third channel' – financial participation – may further enhance the representative and direct participation, and itself will become more efficient when united with the other two channels. In theory, the three channels are likely to form a self-complementary system, but a practical difficulty is that they rarely coexist and overlap in practice because of the different levels of popularity.

Key Words: Great Britain; Employee Participation; Coordination; Productivity; Employee Voice

1 INTRODUCTION

'Employee participation' in all its kaleidoscopic guises is underlain by an invariable ultimate purpose: to allow employees to 'exert influence over their work, over the conditions where they work, and over the results of their work' (Poutsma 2001). The various forms of employee participation fall into three basic channels. The first channel can be summarized as representative participation (hereafter RP), as participation is achieved by the representation of formal institutions, such as trade unions, works councils or board-level representatives. The second channel is direct participation (hereafter DP), embracing informal and direct voice schemes like quality circle¹⁰³, employees' self-management, and autonomous work groups. Distinct from the preceding two channels whereby employees mainly have a say on working conditions or work content, the third channel – financial participation (hereafter FP) – gives employees access to the fruits of their work through employee share ownership plans or profit sharing schemes. This is believed to be capable of contributing to greater economic democracy at work (D'art, 2003).

Despite the homogeneity in the nature of RP, DP and FP, they have rarely been taken as comparable channels of employee participation, and the interactions between the three have scarcely been examined in a balanced way. As shown by literature, some studies probe into the relationship between FP and DP, both of which are comparatively vibrant in promoting the productivity of enterprises (e.g. Pendleton and Robinson, 2010; McNabb and Whitfield, 1998); some look at how typical voice arrangements – RP and DP – interact to enhance labor protection and job satisfaction (e.g. Gonzalez, 2010; Dundon et al., 2006; Wood and Fenton-O'Creevy, 2005); a few others are devoted to investigate the position and impact of representative institutions on the introduction and implementation of the other two channels (e.g. Pendleton and Poutsma, 2004; McHugh et al., 1999; Eaton and Voos, 1989). Apart from the divergent perspectives from which certain channels are connected, previous research has put forward two opposite directions about how the channels in question might interact with each other. One direction can be concluded as 'substitution', indicating that (a) certain channel(s) can substitute for other redundant ones for they have overlapping functions. The other can be called 'complementarity', meaning that plural channels may coexist in a system and strengthen each other for congruent objectives.

This chapter proposes that neither higher organizational efficiency nor greater employee voice alone, but the balance between these two goals, ought to be enshrined in the reflection on possible connections between different channels of employee participation. In the past several decades, globalization has posed huge challenges to enterprises that struggle to

103 A quality circle refers to a small group of employees 'who work together and volunteer to meet regularly to solve job-related problems, generally in their own work area' (Dale 1984).

survive the volatile global market, and productivity is becoming a crucial determinant to make or break situations. In the meantime, fighting for labor rights, no matter fundamental labor rights (e.g. the right against unfair dismissal) or the right to be heard in organizational decision-making, has never stopped in modern workplaces.

Given that each of the three channels of employee participation touches upon limited aspects in an enterprise's reaching the dual objectives, it makes better sense to look at the possibility of cultivating their symbioses in one system. However, the urge to jump into so abstract an exploration is tempered by the realization that the three channels must be materialized and placed in context before the connections can be virtually discerned. Therefore, this study focuses on the practices in Great Britain¹⁰⁴ since it has experiences in developing all of the three channels. Based on a brief introduction of the specific patterns of RP, DP and FP growing in the British soil, it firstly takes stock of the potential of RP and DP to join hands for better results, because of which there has been a perceptible tendency to interlock them two in recent years. Yet, RP and DP cannot complement each other in all respects. This chapter advances the idea that the manner FP influences power sharing and the redistribution of economic fruits is what the participation system requires. Provided FP is included in the 'alliance', it stands a good chance of remedying the drawbacks of RP and DP, and *vice versa*. Nevertheless, this conclusion is likely to be thwarted by the reality, since even in Britain the three channels have little or no overlap in many workplaces due to the low prevalence rates and coverage of RP and FP. A general observation is then provided in relation to why legislation can hardly change this situation.

2 BRITISH PATTERNS OF THE 'THREE CHANNELS'

2.1 RP

In Britain, union representation has traditionally been the core of the RP channel. Prior to 2005, recognized unions even had a monopoly on worker representation in British enterprises.¹⁰⁵ No second force could deprive

104 As is well known, the 'UK' and 'Great Britain' are two different geographical concepts. The UK includes Great Britain, Northern Ireland and some smaller islands. This chapter focuses on the practices in Great Britain, instead of the UK, because the existing data concerning employee participation basically come from Great Britain, few from Northern Ireland or other parts of the country. While the legislation of the UK is implemented nationwide and some statistics cited in this chapter are valid for the whole country, the relevant practices in Great Britain are the major part that the author attempts to observe.

105 According to the UK's legislation, employees in general have no legal right to be represented at the board-level. This has not been changed. With regard to the chances of employee representatives being informed and consulted about work issues, the year of 2005 is the watershed due to the ICER's coming into force, as explained in this section.

unions of the leading position in exerting influence over British employment relations or act more vibrantly in safeguarding the workers' voice. Yet, a noticeable phenomenon over the last 40 years is that the dominant role of unions has been seriously fading. In stark contrast to the peak of over 13 million union members throughout the UK in 1979, merely 6.5 million employees were trade union members in 2015, approximate to 24.7 percent of the whole working population (BIS¹⁰⁶, 2016). The density of union members in the private sector was below 14 percent, while that of the public sector was considerably higher – close to 55 percent (BIS, 2016). For Britain, there were only 6.3 million union members in 2015, accounting for 24.4 percent of all employees.¹⁰⁷

The reality that a high proportion of employees are not covered by unions and that few other legalized representation methods could make up for the widening unionism gap (e.g. national works councils and board-level representation) create the need for alternative approaches to RP. Two major methods have been developed in Britain: joint consultative committees (JCCs) and stand-alone non-union representatives.

In relevant discourse JCCs are used interchangeably with works councils or representative forums, which function as information and consultation platforms. JCCs had existed in some British employment relations prior to the enactment of the Information and Consultation of Employees Regulations (hereafter ICER) in 2004 – a consequence of transposing the EU directive on national level information and consultation (2002/14/EC). The ICER formally entitles all employees working in an enterprise that comprises more than 50 employees to request the employer to set up a consultative body. Simultaneously, enterprises are given considerable freedom to select the information and consultation procedures by negotiating an agreement with employees. If a valid pre-existing agreement (PEA) has already made certain arrangements concerning the information and consultation process within an organization, and employees do not request to change it, the employer need not even negotiate a new one. From multiple points of view, the obligation to inform and consult employee representatives is more flexible and adaptable in the UK, and consultative bodies established under the ICER are not as onerous as the typical continental European works councils. However, despite the enterprise-friendly provisions, the ICER has not given rise to a blossoming of consultative bodies in British workplaces since its implementation. The Workplace Employment Relations Survey (hereafter 'WERS') for 2011 reveals that the prevalence of JCCs dropped between 1998

106 The abbreviation for 'the Department for Business, Innovation and Skills' of the UK.

107 Data concerning the total amount of British union members in 1979 and about the density of union members in the private and public sectors in Great Britain are not available. However, the consecutive statistics from 1989 to 2015 (see BIS 2016) suggest that the trade union membership level of Great Britain has always been slightly below that of the UK, in terms of both the total amount and proportion of union members. The scale of British unionism in 1979, and the present density of British union members can be generally reckoned based on the data for the UK.

and 2004 but remained the same between 2004 and 2011, with only 7 percent of workplaces having JCCs (Van Wanrooy et al. 2013: 14-15).

Another avenue of representative voice is the stand-alone non-union representation. The appointed representatives do not connect with a trade union or sit on a JCC, but perform the general representative function on behalf of employees. At present, there is no formal legal structure for this representative method. In practice, it is introduced as seldom as JCCs. Workplaces with the presence of stand-alone non-union representation accounted for 7 percent of all workplaces in both 2004 and 2011, in accordance with the WERS 2011. An exception to the general trend is that 10 percent of workplaces belonging to large private sector enterprises had stand-alone non-union representation in 2011, in comparison with 6 percent in 2004. (Van Wanrooy et al. 2013:15).

2.2 DP

DP methods vary from time to time, from enterprise to enterprise. It is not possible to maintain stable and universal patterns of DP, because this comparatively innovative idea is employed by enterprises voluntarily, and management strategies are usually altered fast to adapt to internal reforms and the changing external environment. This is different from RP, for which the profound social and legal foundation provides the necessary environment for growing longstanding apparatuses like trade unions and works councils. Thus, in lieu of delineating the forms and coverage of DP in current British workplaces, what follows contextualizes the advent of the main DP methods as from 1979 and demonstrates the general trends in this regard.

On the whole, the dramatic changes in the political and legal environment of the UK since 1979, particularly the learning from the US neo-liberal model of employment relations in the 1980s and the reorientation towards a European social partnership model from the end of the last century (see Ewing 2003; Marchington 1998), have strongly impacted the evolution of every single channel of employee participation. However, in comparison with RP, of which the strength and scale have been influenced more notably than other aspects, DP can derive its own varying patterns and even the occurrence in British enterprises from the above social background.

To simplify, the year of 1997 is a cut-off point, dividing the last four decades into two distinct phases (See Ackers et al., 2003). From 1979 to 1997, the Conservative Government was in power, and insisted on weakening trade unions and withdrawing support for some collective bargaining structures, accompanied by the fall of employment in highly unionized sectors and the alteration to management policies, gave rise to trade unions' sudden decline as of 1979. Meanwhile, the deepening globalization and worsening recession forced enterprises to try fresh means to improve organizational performance. Due to growing recognition of the value of human resources during this period (see Storey 1992; Guest 1989), many enterprises actively

brought in what can be seen as early forms of DP in order to supplant the antagonism in employment relations and improve employee motivation and commitment to business success (Marchington and Wilkinson 2005). However, the methods were confined to top-down information sharing and bottom-up problem solving schemes, and employees had no substantial right to participate in decision-making at higher levels (Wilkinson 2001). According to a 1992 Marchington et al. study that depicts the 1980s and 1990s employee participation initiatives in Britain on the basis of observing 25 company cases,¹⁰⁸ the downward information sharing was basically by means of newspaper and briefing systems, and upward problem solving apparatus in the main referred to suggestion schemes and customer care/total quality management (TQM). Employee reports and quality circles were occasionally seen in a small number of enterprises.

The Labour Party's leadership by a landslide victory in 1997 started a new period of employee participation. Under the name 'New Labour', a bunch of policy changes and legislation following the election reshaped participation methods markedly post-1997. A closer engagement with European social policy, more active governance of the labor market, and a renewed attention to employee representation (in particular through unions and consultative bodies) as an essential approach to social partnership are the most significant characteristics of the legal and political environment of this period (Ackers et al. 2003). This is the well-known backdrop of the increasing public concern with the large representation gap over the past two decades and the context of the enactment of the ICER in 2004, but the effects on the development of DP are also perceptible.

Overall the DP has been more widely adopted by British enterprises since 1997, however, in no way wedded to the initial ways of downward communication and upward problem solving. In accordance with the 2003 Marchington et al. study, methods embracing all employees and making for management briefing, such as regular meetings with entire workforce, began to be substituted for previous localized or elitist techniques, for example the quality circles (Ackers et al. 2003). In line with the findings of 2004 WERS, slightly more enterprises started utilizing *regular newsletters* than in 1998, with the application of *suggestion schemes* dropping a little in general. However, neither of these two methods was found to be in a dominant position. A further spread of *systematic use of management chain* could be seen, but what really came to the front was the broad introduction of *noticeboards* and *employee surveys* (See Kersley et al. 2006: 17-19). The abrupt prevalence of modern electronica media, including email and intranet (See Kersley et al. 2006: 17-19), had tended to supplement and even replace the traditional paper and oral methods, and more importantly, the one-way information sharing and problem solving had gradually been fused by these new methods.

108 This is indeed a part of the longitudinal research conducted by Marchington et al.

DP has a high level of presence in the current British workplaces. In particular *meetings with entire workforce or team briefings* were adopted by 90 percent of workplaces in the private sector and 97 percent in the public sector, according to the 2004 WERS. As the second and third most popular methods, the coverage of *noticeboards* and *systematic use of management chain* respectively reached 86 percent and 81 percent in the public sector, and 72 percent and 60 percent in the private sector. *Suggestion schemes* were the least prevalent, but still were introduced by 30 percent of workplaces in both private and public sectors (See Kersley et al. 2006: 18).

2.3 FP

It is the favorable legislation offering both employees and employers tax incentives that has underlain the introduction of the first FP schemes and their expansion in the UK since 1978 (Poutsma 2000). The Labor Party was in alliance with employer associations and trade unions against the adoption of any FP form, but the rise to power of the Conservative party in 1979, which followed the Liberal Party¹⁰⁹ in approval of FP, successfully cleared the obstacles standing in the way of FP's advancement. In consequence, different types of statutory profit sharing, share ownership and share option schemes together with a variety of non-statutory schemes have been developed in practice, and the UK becomes one of the European countries with the highest incidences of FP (Wilke, Maack and Partner 2014).

Two categories of FP have been prevailing in British enterprises. The first category comprises profit sharing schemes called Profit-Related-Pay (PRP), which connect a part of employees' payments or bonuses to changes in the profit levels of their organizations (Wilke, Maack and Partner 2014; WERS 2011; Poutsma 2000). The second category encapsulates four types of employee share ownership plans.¹¹⁰ The most prevalent ones are the Save-as-You-Earn (SAYE) Share Option programs, in which employees who pay fixed monthly contributions for a certain duration are offered an option to buy shares of their enterprise at a fixed (and often reduced) price free of income tax or simply get the savings back in cash. Additionally, Share Incentive Plans (SIP), another kind of tax efficient and all-employee schemes, are becoming particularly popular with small and medium-sized enterprises (SMEs) that are incapable of offering their own share option schemes. Under SIP, SMEs can tailor plans to suit their own organizational conditions and objectives. SIP actually replace the approved Share-based Profit Sharing Schemes in existence between 1978 and 2002. In addition to the aforementioned all-employee schemes, Company Share Option Plans (CSOP) and Enterprise Management Incentives (EMI) have been imple-

109 The Liberal party merged with the Social Democratic Party (SDP) in 1988, forming today's Liberal Democrats.

110 See <https://www.gov.uk/tax-employee-share-schemes/overview> (accessed 18 May 2017).

mented. CSOP permit an enterprise to provide selective employees – usually key managers and employees – at its discretion with a chance to buy shares with discount on the stock market price. Similarly, EMI programs purport to facilitate smaller and risk-exposed enterprises' recruitment and staff retention via offering tax-sheltered share options to selected employees (Wilke, Maack and Partner 2014; Poutsma 2000).

3 A TENDENCY TO INTERLOCK THE DP AND RP IN A BINARY SYSTEM

Closely linked with the government's reemphasis on employee representation after 1997, a transformation of employee participation in British enterprises is that the erstwhile model of separating DP and RP has gradually been abandoned. Instead, efforts have been made to bridge their divisions (Ackers et al. 2003), as it is found that optimal results are achieved when the two go hand in hand (Purcell and Hall, 2012). The practicability of allying the direct and representative methods of employee participation stems from the fact that their different inherent attributes enable them to complement and strengthen each other in many ways.

3.1 Defects of RP

The operational mechanisms of trade unions have been established upon the presupposed antagonism existing between employers and organized labor, which naturally entails the rigidity of dispute settlement and personnel practices. This disagrees with the volatile global market and enterprises' need for higher efficiency. In another respect, unions' uppermost mission is the so-called 'redistributive' function – fighting against employers who try to monopolize all the surpluses. Yet, the common pursuit of flexibility in recent decades makes it increasingly difficult for union alliances to realize redistributive objectives through protective labor legislation combined with industry-wide or sectoral collective bargaining (Estreicher 2009). Redistributive bargaining has been undergoing an inevitable weakening and decentralization in the UK and many other countries around the world (see Katz 1993; Freeman and Gibbons 1993), giving way to firm-based negotiations and other plant-level instruments that promote workers' objectives in a manner favorable to enterprises' competitiveness (Estreicher 2009).

Compared with unions and collective bargaining, JCCs and stand-alone non-union representation are 'softer' ways of representation possessing little power to affect managerial decision-making and profit redistribution, because they do not hold labor's main weapon – organizing strikes to threaten more advantaged employers. The intention behind JCCs and stand-alone non-union representation is to foster labor and management cooperation with the purpose of enlarging the enterprise 'pie', rather than increasing workers' earnings at the expense of the total surplus (Freeman and Lazear, 1995).

A defect shared among all representative methods is that the formal procedures, no matter collective bargaining or meetings with different types of representatives, better suit problems which have a relatively significant bearing on employees' interests and can be solved by representatives' dealing with the employer (e.g. an envisaged threat to employment, substantial changes in contractual relations, occupational safety and health, etc.). This means that the need of an organization for informal daily communication cannot be met through representative structures. This problem is especially serious when it comes to the SMEs. The rapid expansion of SMEs has been seen in the UK and most other parts of the world. However, the fact that representative methods are inherently designed for the resolution of big formal issues limits their own practicability in SMEs, where quick and straightforward exchange of opinions between the employer and employees is more requisite than representative communication. In line with the 2004 data, 94 percent of all private sector enterprises in the UK fell into the scope of SMEs,¹¹¹ but merely 7 per cent of employees in small enterprises and 10 percent in medium-sized enterprises were members of trade unions (Forth et al. 2006: 49). Furthermore, there was a slight drop in the union coverage of SMEs and other workplaces with more than 5 employees from 2004 to 2011, corresponding to the general downward trend reflected by the official statistics covering all employees (Van Wanrooy et al. 2013:14). Meanwhile, British SMEs have shown weak reliance on non-union representation. The WERS 2004 suggests that just 10 percent of workplaces belonging to SMEs were covered by consultative bodies, and 6 percent had a stand-alone non-union representative (Forth et al. 2006: 49-50).

3.2 DP Complements RP by Adding Flexibility and Diversity

As RP methods are not always effective in reaching better organizational performance and greater employee voice, DP – a mild and flexible channel of employee participation – has a role to play and breathes new life into the employee participation system. Firstly, expressing ideas and exchanging information face to face lower the cacophonies in employment relationships, and help enterprises adapt to the current economic environment in favor of cooperation.

Secondly, whilst time or money-consuming channels – like collective bargaining or meetings between the management and employee representatives – function periodically to cope with significant collective problems, most routine matters can be tackled through multiple forms of DP. To put it another way, when the representative tools stick to those underlying principles or 'common rules' of working life, employees' direct involvement brings innovation, experimentation and diversity (see Strauss and Hammer 1987).

111 There are no globally universal definitions of SMEs. In the UK, small firms are defined as those employing fewer than 50 employees and medium-sized firms are defined as those employing 50–249 employees.

Thirdly, the challenges that the special situation of SMEs poses to representative methods highlight the meaning of DP in these workplaces. It is true that SMEs are less likely to have representative tools or other formal social dialogue at the company level (Voss and Wilke, Maack and Partner 2009), but employers that seek to address problems in a democratic way within the company can still resort to employees' direct involvement. Moreover, from the point of the issues that different participation channels are concerned with and the practical results, DP, by nature, is a better 'fit' in small enterprises than RP (Forth et al. 2006: 51).

3.3 The Merits *versus* the Achilles' Heel of DP

As concluded by extensive studies (e.g. Bhatti et al. 2011; EPOC 1999; Wallace 1995; Randall 1990), DP can reinforce employees' attachment, commitment and allegiance to their organization, which then give rise to greater endeavor, less absenteeism, reduced sickness and other positive effects on productivity. It is particularly noticeable that a five-year EPOC¹¹² survey interviewing managers in around 5,800 workplaces of 10 European countries, including the UK, indicates that the positive effects of DP on throughput time, cost, output and quality were present in most of above investigated undertakings. More importantly, these effects were intensified as the concrete forms of DP increased and the scope of each form was enlarged (Sisson 2000).

The above potential of DP stems from the likelihood that it promotes job quality from multiple perspectives. On one hand, delegating some discretion to employees or offering them multiple mechanisms for information sharing and communication does result in better work relations (Gonzalez 2010), high levels of autonomy (Valeyre et al. 2009), increased job satisfaction (Bauer 2004), and greater sense of achievement and trust (Green and Tsitsianis 2005; Ramsay, Scholarios, and Harley 2000). The experiences of British workplaces specifically disclose that employee direct involvement leads to superior labor productivity because of the higher managerial responsiveness to worker voice in related programs (Bryson et al. 2006).

On top of spiritual incentives that make a job feel more decent, DP may bring benefits in such aspects as salary level, job security and career prospects (Gonzalez 2010). These are areas where employees usually show the greatest concern. By rights, committed employees who make special contributions to organizational innovations or productive efficiency in DP programs should have access to promotion or bonuses. When the organization's productivity is elevated, at least a part of the additional surplus should be used to improve employees' remuneration (or keep wage level unchanged, or at least reduce salary cut) and guarantee employment sta-

112 EPOC is the abbreviation for a research project titled 'Employee Direct Participation in Organisational Change', which was carried out by the European Foundation for the Improvement and Living and Working Conditions from 1993 to 1998.

bility (or minimize job loss) (Strauss and Hammer 1987). Provided that an enterprise makes these efforts to keep DP mutually beneficial, employees' enthusiasm for participation is more likely to be sustained. In light of the findings by Forth and Millward (2004) based on the data from WERS1998, British DP practices had an 8% wage premium in comparison with traditional management, and the wage premium was only in existence under the condition that employees' involvement was supported by job security guarantees. An earlier study by Fernie and Metcalf (1995) reveals that the endeavors made by British enterprises to increase employees' interest in DP contributed to the employment growth between 1984 and 1990.

However, it cannot be guaranteed that an employer must value the sustainability of the cooperative relationship in DP programs by sharing the surplus outcomes with employees. After all, DP is a high performance strategy adopted by the management on a voluntary basis, and the law is unable to oblige the employer to distribute the growing profits in a 'fair' way. It is quite probable that productivity improvement is appropriated by the enterprise itself to gain greater flexibility in crew sizes, production standards and job assignment, which can result in more lay-offs, decreasing wages, and the deterioration of job quality (Gonzalez 2010; Levitan and Werneke 1984). This is the Achilles' heel of DP, where the opportunities to take part in managerial decision-making and influence organizational changes may be turned into 'traps' for employees.

3.4 RP Underpins the 'Healthy' Growth of DP

Early in 1977, the UK Bullock committee foresaw that participation at top level or representative organizations would facilitate the development of lower levels of participation (see Dickson 1981). This prediction has proved true by different evidence. The EPOC survey indicates that either work councilors or workplace trade union officials, depending on specific conditions of targeted EU member states, can be crucial actors for the successful introduction of DP. The amount of forms, scope of each form, and economic performance of DP are positively influenced (Sisson, 2000: 10). Data from all the ten involved countries are persuasive, including the UK. To be concrete, 26 percent of the investigated British workplaces with RP found employee representative involvement 'very useful' in the introduction of DP, and 61 percent 'useful' (Sisson, 2000: 10).

RP can play a positive proactive part in sculpturing DP programs for the following reasons. Firstly, employee representatives inform the management of collective rather than individual viewpoints on the design and operation of DP plans, which helps address issues of common concern in the earliest stages (Eaton and Voos, 1989). Furthermore, possessing relatively more expertise and experiences, employee representatives often bring necessary legitimacy to the introduction of innovative programs and provide the management with constructive suggestions (Cutcher-Gershenfeld et al., 1988). Lastly, this involvement reduces employees' feeling that DP

plans *per se* are the products of imposition from above (Elden, 1976), hence lays a good normative foundation for worker participation (Witte, 1980: 155).

As to the result, Wood and Fenton-O’Creevy (2005) reveal that the overall level of employee voice is lower in British workplaces that foster DP without the presence of RP than where DP is endorsed by indirect voice via trade unions or other representative bodies. Purcell and Georgiadis (2007) further point out that not only the ‘sonority’ of employee voice should be based on the complementation with workplace representation, but also the realization of the maximum value of direct, face-to-face communication.

As already stressed, the most salient defect of DP is the risk that employers might increase the flexibility in job assignment and in labor costs after exclusively absorbing the productivity improvement that is supposed to benefit not only enterprises but also employees. Active workplace representation may play a positive role in this scenario.

Firstly, at a general level, collective bargaining, consultation, and serious dialogues between stand-alone representatives and the management are all conducive to reaching an agreement on how to avoid or at least reduce compulsory redundancy and wage reduction. The function of trade unions is especially worth specifying. In line with the study by Bryson (2004: 481), many British trade unions bargain over employment levels as well as wages. This is different from the usual understanding that the two parties bargain over wages while leaving employment levels decided by the employer unilaterally. In consequence, collective bargaining over employment levels and wages is found to reduce the occurrence of existing employees being dismissed (Bryson 2004: 494-5).¹¹³ From this perspective, the danger embedded in DP is ameliorated.

Another intriguing point is that some British trade unions have been found to take part in ‘managing’ job reduction. Relying on the bargaining power, job security guarantees are imposed that forbid compulsory redundancies (White and Bryson 2013: 857-9).¹¹⁴ The aforementioned study by Forth and Millward (2004) emphasizes that the productivity improvement brought about by DP merely gives rise to a wage premium in workplaces where job security guarantees exist, and that there is a positive relation between union strength and the amount of the premium.

113 This argument does not contradict most empirical evidence suggesting that in the UK union presence has negative effects on workplace employment because of increasing labor costs. According to Bryson (2004), what has positive effects on workplace employment is the collective bargaining over employment levels as well as wages, for which the forgoing relationship between workplace dismissal and union presence is weakened.

114 White and Bryson (2013:859) add that Job security guarantees entail a promise not to impose compulsory redundancies, but the side effect is that they push up labor adjustment costs and discourage employers to hire more labor. However, this just implies the negative influence on employment fostering. The current employed ‘insiders’, including participants of DP programs, are the beneficiaries of job security guarantees.

Should the above internal solutions fail, trade union officials and other employee representatives can still intervene 'externally'. To be specific, employees are usually provided with judicial remedies or arbitration procedures to protect their own employment rights. In the British context, an employee is entitled to complain to an employment tribunal that the dismissal is unfair and that the wage reduction is a breach of the employment contract, provided this employee is laid off or receives a significant pay cut as a consequence of the employer abusing the additional surplus. In this situation, employee representatives can offer support to the involved employees by making and presenting their claims, representing them at the tribunal hearing, or assisting with other legal matters.

4 THE NECESSITY TO INCORPORATE FP INTO THE 'ALLIANCE'

Because of the traditional doctrine that FP is not germane to employee voice, the relevant discussions over the relations between voice schemes rarely include how FP interacts with RP and DP. However, when attention turns to the subject of 'employee participation', it is hard to disconnect FP from the other two channels. As is defined at the very beginning of this chapter, the essence of employee participation is to wield influence on managerial decision-making and organizational changes. FP certainly serves this purpose but in a different manner from that of RP and DP. The way FP affects power sharing and the redistribution of economic results is an advantage that can complement RP and DP opportunely. In the meantime, FP has limitations that need remedying by the other two channels. This arouses enlargement of the current binary 'alliance'.

4.1 FP Helps Relieve the Fading Redistributive Function of Unions

Consistent with the general global trend, British trade unions' involvement in pay determination becomes increasingly feeble. In both private and public sectors, the coverage of collective bargaining over pay has declined dramatically in the past three decades. By 2011 only 7 percent of private sector workplaces bargained with unions over employee pay, and just 16 percent of private sector employees had the pay set by collective bargaining. In comparison, in the public sector, 57 percent of workplaces bargained over pay, and 44 percent of employees had pay set by collective bargaining (Van Wanrooy et al. 2013: 22). This means that the vast majority of private sector employers and nearly half of public sector employers determine pay unilaterally. What is interesting is that in the private sector, where pay bargaining was extraordinarily infrequent, a proportion of workplaces introduced FP – 33 percent had PRP schemes and 10 percent had share plans (See Van Wanrooy et al. 2013: 25).

For employers, FP is a part of the systematic performance and appraisal management that aims to share risks with employees and encourage greater

commitment. From the perspective of employees' interests, however, FP may provide extra opportunities to share organizational success, especially in the situation where the traditional negotiation mechanism has lost ground. FP enables employees to acquire payoffs through capital income or profit sharing that are calculated by a formula or a rate, depending on the agreements of different schemes. This differs from collective bargaining, which seeks to absorb profits in order to improve employees' regular wages, pensions, bonuses and other fringe benefits (Mishel and Walters 2003). If enterprises make a profit, financial participants will receive a supplement to the fundamental remuneration. Equally, when enterprises suffer a loss, participants gain a reduced premium or no premium, which has no impact on the normal wages or benefits. Therefore, FP is a flexible reward instrument that promotes the pluralism of compensation tools (Gevers and Cludts 2002).

Yet, one practical problem is that many FP schemes are designed exclusively for managerial employees, significantly limiting the potential of FP to remedy the weakness and rarity of collective bargaining. The WERS 2011 shows that 84 percent of British workplaces where PRP were adopted and 93 percent of workplaces with share schemes covered 0 percent of non-managerial employees (Van Wanrooy et al. 2013: 25), whose incomes especially need supplementing by additional means in the absence of pay bargaining. A saving grace is that the majority of the remaining workplaces with PRP or share schemes had 100 percent of non-managerial employees covered (Van Wanrooy et al. 2013: 25). In these workplaces, the positive meaning of FP as an alternative tool for profit redistribution between employers and employees has been maximized.

4.2 Employee-Owned Shares with Voting Rights May Make up for the Lack of A Statutory Right to Board-level Representation

There is no statutory basis for employee representatives in the UK to participate at board level, for which employees lose access to company information and top-level policies that might not otherwise be available to them in other occasion (Kassalow, 1989). In theory, employee share plans may change this situation.

Participants of employee share schemes have no statutory voting rights in the UK. Employee shareholders' voting rights and the conditions under which they can vote are determined at the enterprise's discretion. Provided an enterprise renders full or substantial voting rights, employee shareholders will be allowed to vote all or a wide range of issues as non-employee shareholders. In this case, employees have certain leverage to affect business decisions at general meetings of shareholders, and may be able to nominate representatives to company boards.

However, as mentioned above, the concentration of employee shares in the hands of managerial employees is a realistic problem. In the overwhelming majority of workplaces with employee share plans, non-managerial employees are completely excluded. There is no given opportunity to send

representatives to company boards by virtue of the voting rights carried by shares. Only in the tiny minority of workplaces where share plans carrying voting rights embrace non-managerial employees, might the composition of board members be altered.

4.3 FP May Enhance Employees' Enthusiasm for DP

In DP, outstanding individuals may get promotions or salary raises, but these rewards are at the discretion of the management. The lack of established mechanisms to share company results poses a challenge to the sustainability of employees' motivation, because 'economic men' in the modern society demand decided financial incentives for long-term commitment, innovative ideas, and the disclosure of production-relevant information. In the words of Levine and Tyson (1990: 209), "sustained effective participation requires that employees be rewarded for the extra effort which such participation entails, and that they receive a share of any increased productivity or profits..."

FP may provide a solution to this issue in that it distributes productivity gains within a comparatively larger scope and in a fixed way. This indirectly converts part of the organization's success resulting from employee involvement into expectable and reified feedback for participants. However, this assumption is again subjected to the query as to how widely a FP scheme covers non-managerial employees. Whilst DP methods are usually applied to most or all of non-managerial employees, it is very probable that FP schemes are just available to a small part of non-managerial employees, or none. The meaning of FP as an incentive mechanism for DP is out of the question when the two have no overlap at all. With this fact in mind, it would be more pragmatic to limit the discussion here to enterprises whose FP programs let in non-managerial employees. In these workplaces, FP may strengthen employees' enthusiasm for DP on a second level: in addition to functioning as a channel for profit feedback, FP makes sense to the control of the risk that productivity improvement due to DP adversely threatens employees' job security and wage levels. The reasons are as follows.

First of all, DP is believed to be particularly risky in the UK and other liberal market economies because the widespread short-termism amplifies employees' distrust and impels employers to break promises (Godard 2004). In fact, in an enterprise where non-managerial employees are covered by share plans – an extreme example is an employee-owned business¹¹⁵, a (large) proportion of employees become the capital owners themselves. The problem with employees' trust is unlikely to be very serious. On the contrary, employees who are also capital providers may have stronger inclination towards the use of DP, since its potential to improve organizational

115 In an employee-owned business, employees don't necessarily possess extremely high percentage of shares, as long as they can control the corporate effectively and the stocks are dispersed widely.

efficiency and performance has been perceived. In some cases, employee shareholders are endowed with substantial voting rights and, therefore, are able to wield influence on collective redundancy and wage reduction at the general meeting of shareholders or by the action of their representatives on company boards. Thus, the chance of deterring abuses of the increased surpluses grows.

Secondly, both employee share plans and profit sharing schemes disperse profits and dilute the probability that increased surpluses are all absorbed by the management to raise the flexibility of crew sizes. If an employee is eventually dismissed, benefits from FP will become a 'silver lining'. For participants of profit sharing schemes, there are usually multiple ways to take out their benefits after the employment relationship is terminated, depending on the rules set forth by scheme documentation. For participants of employee share plans, more actions can be taken. Choices include holding the shares to get periodical dividends, making a profit by selling the shares to the former employer, or trading with someone else if there is no agreement requiring these shares to be sold back to the employer. The employer can also be taken to court on grounds of claims that the dismissal violates the fiduciary rights of the employee shareholder, in which case, employers must prove to the court that there are business justifications and that the dismissal is not an excuse to freeze the employee shareholder out of the investment.

4.4 FP Is More Effective When Combined with DP

As suggested earlier, FP schemes are open to non-managerial employees in the minority of British workplaces. These workplaces may benefit from the motivational influence of FP on productivity. The reason is that enhanced employee interest in collective success and in long-term organizational performance is likely to cause greater work effort, lower turnover, long-term commitment, reduced absenteeism and so forth. Yet, these positive productivity effects are unlikely to happen unless employee qualms and inertia are eliminated.

In the first place, an inclination to shirking or 'free-riding' is easily bred, because each participant of profit sharing schemes is only offered a small fraction of additional profits (Vaughan-Whitehead, 1995). Without efficacious mechanisms for mutual monitoring, this kind of participant indifference is likely to become serious. The same is true of employee share plans and all other group-based incentive systems facing the '1/N problem' (Pendleton and Robinson, 2010).

Moreover, employees are cautious about taking responsibility without having corresponding rights to participate in managerial decision-making. To some extent, employees are more acquainted with production-relevant information. When they are granted few opportunities to give suggestions on the business, the hesitance to bear relevant risks is imaginable (Robinson and Wilson, 2006).

DP is a potential 'antidote' for the above issues. Firstly, direct communication and information exchange strengthen the connection between individual performance and company success, and simultaneously make up for the insufficient power of non-managerial participants to influence decision-making in FP. This has been well capsulized in the study of Levine and Tyson (1990: 209): 'Just as participation can lead to demands for profit sharing, profit sharing can lead to demands for participation. When there is profit sharing, workers' incomes depend on the decisions of the firm, and workers want to have a say in these decisions.' Secondly, through teamwork and cooperative behaviors, DP programs produce positive peer pressure (Conyon and Freeman, 2004) and help eliminate the tendency of shirking (Vaughan-Whitehead, 1995). In other words, DP fosters the relevant cognitive potential of employees as well as a work climate that repels shirking (Dong-One, 2005). Finally, letting risk-averse employees directly take part in business operations is an essential way to provide reassurance, because more control rights are needed in order to limit personal exposure to risks (Pendleton and Robinson, 2010).

4.5 RP Drives the March of FP

In general, FP schemes are introduced by British employers on a unilateral basis, in a favorable environment provided by the government. While not being so crucial actors, trade unions, JCCs and other methods of employee representation have played a part in shaping relevant schemes. To start with, the introduction and design of FP are usually considered significant activities that change the economic situation of an enterprise, therefore, subject to consultation with employee representatives. One merit of formal dialogues between management and employee representatives is that integrated opinions on FP are transmitted so that the legitimacy and efficiency of FP schemes can be improved and employees' fear of unreasonable risks is more or less reduced.

Above the company level, the transforming positions and approaches of the national union confederation have had important impact on the routes taken by member organizations. British trade unions used to take a negative stance against the introduction of FP because of a lack of trust in its prospects and effects and a fear of losing employee support for independent representation. However, most unions adopted a disinterested approach, with no specific policies made on profit sharing or employee share plans (Poutsma 2001: 95). The major trade union confederation in Britain – Trade Union Congress (TUC) – did not take a quite positive view of FP until the 1990s, when many state-run enterprises were privatized and some trade unions were actively engaged in defining employee share schemes (Wilke, Maack and Partner 2014).

Although the TUC is a typical weak union confederation, it has been committed to the development of FP in recent decades. By formulating broad guidelines, it has endeavored to assist lower levels of unions in judg-

ing FP proposals from employers and to promote the spread of schemes that meet safeguards centering on equal opportunities for all employees to participate, protection of employees from unreasonable risks, prohibition of wage substitution and the consent of employees and employee representatives (Pendleton and Poutsma 2004). Meanwhile, it has stressed that FP should be introduced alongside other channels that improve cooperation and trust between the management and employees and facilitate participation in decision-making (Pendleton and Poutsma 2004). With these sensible and encouragement-oriented ideas seeping gradually into lower levels of the collective bargaining system, many affiliated unions have experienced a shift in attitude towards FP, from outright opposition to conditional acceptance. Some local unions even take the initiative to propose schemes that conform to the principles put forward by the TUC (Wilke, Maack and Partner 2014). In addition to providing constructive guidance, the TUC used to get involved in relative legislation on FP by virtue of its nominee on the Inland Revenue Advisory Group that helped to design the Share Incentive Plan and Enterprise Management Incentives (Pendleton and Poutsma 2004). Undoubtedly, it was a golden opportunity to propagandize its main ideas regarding the implementation of FP.

Notably, what the TUC has insisted on is conducive to minimizing the threats that the inappropriate design of FP schemes poses to participants' economic security, forming sustainable cooperative relationship between employers and employees, and restructuring workplace participation via allying FP with other means. In particular demanding to open FP schemes to all employees concerns the elimination of the serious participation inequality between managerial and non-managerial employees in Britain. Such inequality is a significant barrier hindering FP playing a due role in improving economic democracy and collaborating with other participation channels to produce ideal results. While TUC involvement is not an immediate portrait of union intervention at the company level, it helps mold the relevant policy and framework nationwide and has profound meaning for the orientation of workplace practices.

5 COORDINATION RESTS ON THE OVERLAP BETWEEN THE THREE CHANNELS

From the above analyses, the three channels of employee participation are not necessarily mutually independent or exclusive. Rather, these channels can penetrate into each other's growth and play complementary roles in one system. By virtue of its dominant position and profound social basis, RP functions as a 'safety valve' that controls unreasonable risk lurking inside the other two channels and safeguards employees' fundamental interests. DP provides 'grassroots' employees with 'hands-on' tools to exchange information and participate in decision-making, greatly remedying the inefficiency of representative communication. FP displays very mixed func-

tions. It offers an extra avenue for profit feedback on top of traditional redistributive bargaining, strengthens the influence of board-level representation by giving employees a chance to send more representatives to company boards, and reduces the risk that increased productivity derived from DP threatens employees' economic security.

RP demands the supplementation of DP and FP, both of which stimulate a greater internal productivity growth, broaden the concept of 'participation', and enable employees to feel valued at various levels. The other way round, DP and FP as emerging channels may be rendered fragile by conflict embedded deeply in an employment relationship (Godard, 2004). The expansion of them both requires the underpinning of traditional vehicles that rely on collective power and constitute the strongest counterbalance to employers' might.

A fundamental presupposition of the coordination between RP, DP and FP is that all of these three channels exist in the workplace and overlap. In the circumstance that a channel is absent, or that the three channels only serve to cover completely different employees, the construction of a self-complementary ternary system will be brought to naught. This is often the case in reality.

While DP features a high prevalence in British workplaces, and relevant methods embrace all or most employees, the presence and coverage of RP and FP are significantly lower. Workplaces with any union members and those with any recognized unions respectively accounted for 23 percent and 22 percent of British workplaces, according to the 2011WERS. Fifty-two percent of employees were union members in the former cross-section of workplaces, and 47 percent in the latter (Van Wanrooy et al. 2013: 14). Non-union employee representation is more infrequent in Britain, while representing all employees in the workplace. As mentioned previously, in 2011, 7 percent of workplaces had JCCs and 7 percent had stand-alone non-union representatives (Van Wanrooy et al. 2013: 14-15). With regard to FP, the absolute prevalence rate is not high in Britain, though exceeding that of many other European countries. The few enterprises with profit sharing schemes or share plans are mainly concentrated within the private sector, as pointed out earlier. In the public sector, the percentages of workplaces that used profit sharing schemes and employee share ownership plans in 2004 were both 1 percent, and the corresponding figures increased to 5 percent and 4 percent in 2011 (Van Wanrooy et al. 2013: 25). The problem is that RP (especially unions and JCCs) is in particular scarce in the private sector, and DP is also less prevalent than in the public sector (see Kersley et al. 2006: 18). Moreover, even within the private sector only very small proportions of enterprises give non-managerial employees the access to profit sharing schemes and share plans, which has been reiterated several times in this chapter. It is conceivable that the overlap between the three channels of participation is indeed nonexistent or little in many workplaces. In some sense, this is a more intractable issue that needs to be figured out ahead of attempting to bridge the three channels.

6 LEGISLATIVE DIFFICULTIES

Overall, the existence of overlapping RP, DP and FP is rare in the British workplace. Different methods are like jigsaw puzzle pieces scattered in the minority of workplaces, among which the structure and influence of employee participation vary significantly. Employees elsewhere may not have access to any vehicle of participation.

The legislative difficulties concerning how the situation can be changed are evident. Despite the perceivable significance of aligning FP with RP and DP, it is unrealistic that the huge gaps between the prevalence levels of the three channels can be filled via direct legal measures, let alone building a common structure for employee participation. To be concrete, the currently low and continually descending density of union membership, particularly in the private sector, is largely attributable to the decline in union recognition since the 1980s (Blanchflower and Bryson2008). It seems that union recognition is not entirely up to employers – when an employer does not voluntarily recognize a union, it may still apply for ‘statutory recognition’ as long as possessing sufficient bargaining power. However, the dominant position of employers in making employment-related choices and the capability to decide to ‘go’ or ‘remain’ a non-union establishment still enables a turn back on trade unions (See Blanchflower and Bryson2008; Bryson et al. 2004). This is fundamentally related to the lack of equilibrium between the capital and labor power in the employment market, and no legislative steps seem to be able to ‘turn the tables’ promptly enough. As union support is often unavailable at the moment, there is no reason why JCCs and stand-alone non-union representation should prevail. Both have to rely on the spontaneous election by employees who want to be represented.

Compared with RP, the introduction of DP and FP belongs more to what is at employers’ own will. DP blends the functions of the management and ordinary employees, and FP blurs the boundary between capital and labor. A paternalistic employer might revolt against any change to the conventional management wisdom, whereas an opportunistic employer may regard new participation forms as viable excuses to bypass union officials and other employee representatives. It is also possible that FP or DP is brought in because the employer does have discerned the chances of enhancing employee motivation and improving organizational performance. The uncertainty of the angle from which an employer observes and understands FP and DP is hard to address. While the UK’s legislation is favorable in offering tax incentives and has laid a solid foundation for the dissemination of FP across the country, opt-out enterprises are still in the majority. DP basically remains a ‘grey area’ in policy and legislation, but most enterprises have been attracted to practice it due to its easiness, plasticity and not touching upon the capital structure or highest levels of discretion.

There is little immediate prospect of legislative reform being able to re-boost the popularity of employee participation, and the way in which

an employer chooses to utilize the vehicles of employee participation often goes beyond the bounds of policy. However, policymakers should insist on guiding the practice by creating favorable conditions. It is worth contemplating the feasibility of adjusting the current legal arrangements in order to increase the efficiency and vitality of each participation channel. Possibilities include, but are not limited to, the following: further incentives and support should be provided so as to encourage enterprises to develop profit sharing schemes and share plans that let in non-managerial employees; with a view to keeping the prevalent DP methods on the right track, a legal framework needs to be established, rewarding enterprises that use productivity improvement to benefit employees with tax preferences and setting out different rules and conditions for workplaces where the intervention from unions and other representative bodies is absent and present respectively; the ICER reflects a sensible principle that the establishment of a consultative body in the workplace should depend on the willingness of employees, but it is probably more rational to set a statutory structure of election by all employees.

7 FINAL REMARKS

Britain is representative of countries that have cultivated RP, DP and FP – the three main channels of employee participation. Existing in more than one fifth of workplaces, unionism is the most common way British employees are represented, despite the dramatic decline since 1979. As alternatives to unions, the percentages of workplaces introducing JCCs and stand-alone non-union representation are lower than one third of that of unions. Regarding FP, diverse profit sharing schemes and employee share plans have been developed due to favorable legislation offering tax incentives and the ample growing space ensured by the government. However, workplaces that have introduced FP are still in the minority on the whole, particularly the schemes embracing non-managerial employees. In contrast, *meetings with entire workforce or team briefings, noticeboards, systematic use of management chain*, and other DP methods have been prevailing among British enterprises with the highest prevalence rates. A probable reason is that DP is an easy, adaptable and harmless tool for the employer to improve organizational performance.

Since the end of 1990s, a tendency to connect RP and DP in order to produce better results has gradually replaced the erstwhile model of isolating the two from each other. This transformation by and large results from two facts. One is that DP is capable of making up for the inflexibility, formalism, inefficiency of RP in communication and alleviating the conspicuous scarcity of RP in SMEs. The other is that RP has played a crucial role in strengthening DP and reducing the risk that productivity improvement resulting from DP threatens the job security and wage levels of employees. Yet, neither RP nor DP can remedy each other in every aspect, producing

the necessity to covert FP into the third element that should be aligned with RP and DP. FP may serve as an additional compensation tool and help relieve the weakening 'redistribution' function of trade unions. Employee-owned shares carrying substantial voting rights may enable employee shareholders to send representatives to the boards to compensate for the absence of a statutory right to board-level representation. Simultaneously, profit sharing and dividends may enhance employee enthusiasm for DP by providing a relatively fixed way of sharing the productivity improvement, and additionally, dilute the probability that it is all absorbed by management to increase flexibility of crew sizes and working conditions. FP also needs reinforcement by the other two channels. DP helps to overcome the 'free-riding' tendency and the lack of peer monitoring in FP, and reassures employees who fear to take financial responsibilities before exerting influence on managerial decisions. RP can play a crucial part in designing profit sharing schemes as well as employee share plans in order to reduce the risks faced by participants and improve the legitimacy and efficacy of FP. In this case, RP, DP and FP coordinate with each other in a ternary system and make a good balance between greater voice and higher organizational performance.

However, the above deduction is likely to be frustrated by the actual prevalence rates and coverage of the three channels in the UK, which imply that they have little or no overlap in most workplaces. It is perhaps more realistic to reexamine the subject by starting with the query of how to promote the substantial spread of the three channels, in particular RP and FP. Employer understanding as to the real influence of the three channels is the key to the issue, but from the legislative perspective no measure would help immediately. On the positive side, there is room for adjustment in the legal arrangements to maintain the vitality and efficiency of each channel.