# EMPLOYEE FINANCIAL PARTICIPATION: A LOGICAL CONSEQUENCE OF ENTERPRISE BARGAINING?

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# EMPLOYEE FINANCIAL PARTICIPATION: A LOGICAL ENTERPRISE BARGAINING?

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*This paper proposes to investigate employee financial participation in the form of employee share ownership, profit sharing and gain sharing in the context of the enterprise bargaining. The author suggests that employee financial participation should be a logical consequence of the decentralisation of the industrial relations system; given that a rationale for enterprise bargaining has been the need for workplace reform and demand for increased productivity at the enterprise level. Employee financial participation on a collective basis can also materially afford employees opportunities to participate at a high level in the decision making processes of an organisation.*

*The paper specifically looks at industry incidence and the "contingencies" of employee financial participation: in what context are companies implementing these strategies, i.e. does employee financial participation exist within the context of other innovations. The literature suggests that the implementation of an employee financial participation scheme is not an isolated event and will co-exist with other "best practice" initiatives such as team based work. Conversely, such strategies could exist alone and at the expense of other workplace innovations (Mathews 1994). This mirrors the archetypical human resource practices that are aligned with different types of competitive business strategies as defined by Schuler and Jackson (1987).*

*This dual incidence of employee financial participation schemes may best be typified as a distinction between those organisations implementing human relations management practices versus those relying on Taylorist forms of management. The latter form should be prevalent in mass production firms; where monetary gain may*

*be the sole basis for job satisfaction. This dichotomy can be further supported by assessing the basis on which employees receive their share of productivity gains, i.e. on a collective or individual basis.*

*Given this dual incidence, there is a parallel distinction that can be drawn concerning trade union involvement; where "best practice" initiatives and employee financial participation will co-exist within certified agreements i.e. where a trade union is party to the agreement. Whereas, employee financial participation alone will predominate within non-union agreements.*

*The enterprise agreements used in this investigation were drawn from those held on the Australian Centre for Industrial Relations Research and Teaching (ACIRRT) database (ADAM). From a total of 3747 state and federal agreements, 147 had an employee financial participation component (3.9%). The contents of these 147 enterprise agreements were analysed to ascertain whether there were any other "innovations" present, in which industries these strategies could be found, on what basis employees received their share in gains and the level of union involvement in the agreements. Those other "innovations" present were then cross tabulated with the remaining 96.1% of agreements without employee financial participation components to ascertain the level of significance.*

## EMPLOYEE FINANCIAL PARTICIPATION IN THE CONTEXT OF (STRATEGIC) HUMAN RESOURCE MANAGEMENT

Any exploration of the many forms of employee financial participation must be set within the conceptualisation and practice of (strategic) human resource management (HRM). As a human resource management initiative, and arguably its' unitary nature, employee financial participation is seen as a means of promoting employee loyalty and commitment to an organisation, co-existing with other "best practice" initiatives eg. training and development, team working and the varieties of management-employee consultative mechanisms. A critical analysis though, questions HRM as a concept and practice on several levels; whether the notion of HRM differs substantially from the "old" pluralist personnel concept, and whether HRM can overcome its' inherent contradictions of being both employee and business strategy centred.

The work of Schuler and Jackson perhaps exemplifies the notion of HRM in its' pure form i.e. where competitive business strategies is linked to human resource management strategies. After Porter, Schuler and Jackson see that it is necessary to link, management characteristics and employee role behaviours with the type of business strategy that the organisation pursues. It is crucial to the organisations growth and survival to gain competitive advantage through strategic initiatives. The organisation must assess their competitors strategies and practice, and take a pro-active stance to pursue and gain a competitive advantage (Schuler and Jackson 1987).

Mirroring and paralleling the notion of competitive business strategy is also the conceptualisation of competing models of productive efficiency as outlined by Mathews: mass production (fordism), lean production (neo-fordism) and sociotechnical production systems (post-fordism); that is cost-reduction, quality enhancement and innovation respectively (Mathews 1994).

Schuler and Jackson outline three main types of strategy and consequent HRM strategies which are based on the needs of the employees; given the required skills, knowledge and abilities to perform the required tasks. An organisation has three main strategic options and consequent HRM practices:

**1. Innovation Strategy and Post Fordism:**

Where the organisation pursues competitive advantage by producing goods or services that are unique and qualitatively different from their competitors. The consequent and necessary HRM practices set within this business strategy include team working, long term and group-based performance appraisal, career development opportunities and promotion of an internal labour market, an internally equitable pay system rather than comparisons with external market, and salary packaging with a high component of contingent remuneration based on bonuses and shares.

An innovation strategy appears to mirror and is perhaps underpinned by a sociotechnical mode of production (post-fordism). As an ideal type paradigm for production, sociotechnical systems seeks "high quality, medium cost, innovative products" and embraces human resource strategies and an employee relations climate that would focus on "high commitment, close customer and supplier relations; high level of skills with intellectual content; team-based, overlapping coordination; management focus on strategic directions and facilitation of production; high-trust industrial relations; and organisational democracy as goal" (Matthews 1994:44)

Congruent levels of employee financial participation under this strategy/mode of production could include extensive employee share ownership with associated profit share, gainsharing from improvements in production, and team based payment.

**2. Quality-Enhancement Strategy and Neo-Fordism:**

Where the organisation pursues competitive advantage through enhancing the quality of the goods or services produced. The consequent and necessary HRM practices within this business strategy include, clear and well-defined job descriptions, employee participation and input to how the work is performed, short term and results based performance appraisal system, equal treatment and job security for employees, and a focus on training and development of employees.

A quality enhancement strategy strongly replicates the lean production system (neo-fordism). Under this system, the organisation seeks to produce "high quality, low cost products" by means of the "just-in-time" system. The required human resource management strategies and employee relations climate that would be consistent with this mode of production include "high commitment, close customer and supplier relations; team-based hierarchies; medium trust industrial relations; and high worker commitment to the company (Mathews 1994:34).

Employee financial participation under this strategy could be expected to include low level of involvement in an employee share scheme, profit sharing and team and individual performance based payment by results.

**3. Cost-Reduction Strategy and Fordism:**

Where the organisation pursues competitive advantage by producing goods and services that are cheaper than their competitors. The consequent and necessary HRM practices within this business strategy include clearly defined and narrow job descriptions, with limited opportunities for career development, results-based performance appraisal, setting pay levels by close scrutiny of the external market and little focus on employee training and development.

There is a clear parallel to be drawn between a cost-reduction strategy and the mass production system (fordism). This mode of production seeks to produce "low quality, low cost products" and HRM practices that take the form of "functional division of labour; labour rigidity's and demarcations ... centralised authority/hierarchies; and low trust industrial relations" (Mathews 1994:31).

Under this strategy/mode of production, it is least likely to find any form of collectively employee share ownership. Profit sharing and individual payment by results are probably the only logically congruent forms of employee financial participation.

As Mathews has pointed out (1994), profit sharing alone - to the exclusion of other HRM initiatives and forms of financial participation - should be prevalent in mass production firms; where monetary gain may be the sole basis for job satisfaction.

***Resolving the Contradictions?***

Legge argues "that HRM is problematic at two levels" (Legge in Storey 1989:29). First, because of the emphasis HRM has on the notion of integration, which has two meanings; the integration of human resource into the overall business strategy and the integration of human resource into a commitment, high quality workforce. Simply, a "hard" emphasis versus the "soft". Secondly, she cites Watson (1977) by suggesting that HRM faces a "contradiction of capitalism"; that is though the labour market provides the means to support the powerful interests in society; the labour market may at some point actually undermine these interests. Can HRM realistically overcome these inherent tensions and contradictions?

There are inherent contradictions in HRM in trying to be both strategic and employee centred, because if there is strict adherence to the business strategy, employee developmental needs may be displaced. The needs of the employee as a class may best be expressed through the collective forum of trade unions. Trade unions will need to realign their industrial relations aims within a HRM framework. The resolution to this contradiction may be through greater employee participation in the strategic decision making of organisations. This participation could be demonstrated by extensive and equitable employee share ownership (Guest 1987) and other employee participatory practices.

***Variety, Extent and Co-existence of Employee (Financial) Participation***

The critical analysis of human resource management in its ideal form has offered the means of resolving the inherent contradictions that face HRM as a concept and practice. Extensive and equitable employee share ownership and other employee participatory practices can theoretically offer the means of realising the ideals of the HRM discourse; i.e. promoting employee loyalty and commitment to the organisational business objectives. Therefore there is need to examine the concept of employee financial participation, its variety of meanings and whether it has the power to resolve the contradictions of HRM. The focus should necessarily be on the particular type of employee financial participation generically known as employee share ownership.

An examination of the literature reveals that there are rich variety of experiences of employee share ownership (Hyman and Mason 1995). This concept extends from management determined monetary supplements to full economic democracy; and importantly there is support from broad political and industrial perspective. Employee share ownership can therefore be seen to informed by a continuum of ideologies. These range from the conservative claims of "property owning democracy", where property ownership encourages self independence and distances employees from collective influences (read trade unions); where some ownership can act as a incentive to work harder and is the material key to employee integration; to the other end of the political spectrum where class conflict being eradicated through employees as beneficiaries of a system otherwise opposed to workers' interests.

Analysis by Poole (1989) comments further on the multi-faceted nature of employee share ownership initiatives and notes that such schemes are a necessary vehicle to enable employees a high level of influence within the (capitalist) business organisation. These can most effectively be promulgated through trusts; enabling influence thorough communal shareholding. Such structures and consequent high level decision making for employees are obviously antithetical to the interests of the business community.

Any analysis of employee share ownership therefore needs to look at the ideas that inform and support different approaches to employee financial participation schemes; reasons for their introduction; the main directions of practice; the claims made for and extent of employee financial participation ie. does the experience match the claims?

Employee financial participation should therefore be examined in the context of other human resource management initiatives and participatory practices. The claim that such initiatives promote integration of interests and employee loyalty and commitment also need to be examined.

Millward (1994) in his search for the "new industrial relations", closely examined British workplace surveys, and suggests that employee financial participation and other participatory practices are strongly associated. 49% of the workplaces surveyed had both financial participation and other participatory initiatives such as semi-autonomous work groups and consultative committees; and he concluded that the "material" and "moral" participatory forms actively reinforced each other. Conversely, 11% of the workplaces had neither form, and these were exclusively non-union small units/businesses.

There is evidence that the array of human resource initiatives (or "new industrial relations"), including employee financial participation, do not necessarily deliver on the claims of greater employee integration. To assess the impact of the "new industrial relations", Kelly and Kelly (1991) examined workers attitudes to management and worker-management relations; how employees responded to human resource management initiatives such as share schemes, profit sharing, quality circles, semi-autonomous work groups and joint consultative committees. They found that though workers welcomed the "new industrial relations", there was no long term impact on the distinction between employees and management - feelings of "them and us" persisted between the two groups. This continuing divergence of interests persisted due to the way the techniques were implemented and managed. Employees had little choice over participation; and there continued to be a lack of trust between parties. These appeared to be due to a perceived inequality in status and benefits received by employees post implementation and lack of institutional support amongst senior management.

### *A Typology of Employee Share Ownership Plans*

Employee financial participation in the form of employee share ownership is in itself a diverse concept and, as Hyman and Mason have indicated, informed by a variety of ideologies and intentions. Pendleton, McDonald, Robinson and Wilson (1995), as an outcome of a large scale investigation of ESOP's in Britain, have formulated a typology of employee share ownership schemes that reflect the variety of ideologies and intentions.

**Table 1**

| **Classification** | **Description** |
|---|---|
| • Technical ESOPs | Where ESOPs are not introduced to extend employee ownership. |
| • Paternalistic ESOPs | Stemming from philanthropic motives of the employer and associated with employee involvement and communication. Implementation is "top down". |
| • Representative ESOPs | Employee representatives extensively involved in the creation of the ESOP and employee involvement in strategic decisions. |

From: Pendeleton et. al. (1995) "The impact of employee share ownership plans on employee participation and democracy" in Human Resource Management Journal, 5, 4, pp.44-60.

***The International Experience***

## United States of America

In the USA, employee share ownership plans are regulated by Federal Law, i.e. the Employment Retirement and Income Security Act 1974 (ERISA) and its amendments. US workplaces have implemented various plan types with varying purposes; that is, they have provided companies with a tax efficient source of capital, have provided a defence against takeover, bind employees individually to companies and therefore by—passing union representation and structures. Even so, in the 1980s, the unions became involved in implementation of ESOPs, primarily because of the biting recession and consequent plant closures.

The variety of plans created was due mainly to the invention of new financial structures by companies to provide tax effective sources of new capital. US employee share plans typically are linked to retirement benefits, which not only creates a high risk investment situation (i.e. investment linked to one company's shares), but has also been open to abuse of companies "dipping" into employee pension funds. The ERISA legislation in 1974 was passed to prevent this abuse.

## Britain

The British experience appears to have had a more "conservative emphasis" (ACTU 1993). Employee share ownership in Britain was encouraged by statutory provisions, initiated in 1978 with profit sharing arrangements; in 1980 saw the start of the Savings related Share Option Scheme and by 1985, 41% of quoted companies were operating at least one of the schemes (ACTU 1993).

The intention in Britain was to link ownership to profit related pay; income would be from a share of the profits and not from fixed incomes. The logic was that there would be an incentive to work harder, employment would be shared more widely, there would be no place for unions and no place for any form of employee participation (ACTU 1993)). This was the theory; in practice British companies seemed to be slow to pick up profit related pay and some unions did manage to use the opportunities to set an agenda of their own. The example given, is Unity Trust, a trade union co—operative joint venture in banking which was linked into tax, financial and company legal framework.

**Sweden**

With over forty years of a social democratic government and commitment to extensive and real advances in workplace organisation — skills formation, enhanced job design and democratising systems at the workplace, the trade union movement felt that the next step was to push into the terrain of capital formation. The "Meidner Plan" was formulated as a strategy, which intended to provide an allocation of profits to employee funds which would eventually evolve into major ownership by employees. This plan though was met with a "backlash" from employers, who felt the plan would severely undermine their interests. It signified for them the last step in "creeping socialism" (ACTU 1993:18). The Meidner Plan consequently became an election issue on three occasions between 1976 and 1990; at the latter election, the social democrats lost power — only the second occasion in 58 years (ACTU 1993:18); and the strategy has therefore never been implemented properly.

As part of the backlash, Swedish employers offered alternatives to Meidner Plan but on an individual basis rather than through the collective representation of the union structure; there does seem to have been an intentional effort to avoid the trade union movement.

***The Australian experience***

Australian textbooks on human resource management also concede that employee share ownership schemes have not developed to the extent of the US and European experience. Nonetheless, there are many employee share ownership schemes functioning in the Australian business community and has attracted some comment and investigation.

Lansbury and MacDonald (1992:219), drawing on AWIRS data (Callus et. al. 1991) not that profit sharing and share ownership schemes are not widespread, and concentrate on larger firms (of over 200 employees) where nearly 25% have financial participation schemes. They cite two cases; "Hotel International" (112-113) and "Paintco" (87-89). In the former case, financial participation schemes were implemented to the benefit of senior staff, related directly to the profits of the company. In the latter case, employees had been encouraged to purchase shares with interest free loans, through the conduit of the parent company structures. Over 25% of "shop floor" employees had taken up these loans though no conclusions could be directly drawn on any change in employee attitudes and productivity.

***ESP Analysis by Size of Plan***

In Australia's Top 350 Companies, only 58 companies (16.57%) had employee share plans which could be described as substantial (i.e. greater than 50 employee participants and/or representing greater than 2% of the capital of the company).
Of these, 32 of the companies were in the Top 50. Only 26 companies, or less than 10%, in the Top 350 companies had meaningful employee equity participation arrangements in place.

***Employee Share Plan Incidence by Industry Sector and Size of Plan***

| Industry Sector | With Plan | Small | Medium | Large |
|---|---|---|---|---|
| Alcohol & Tobacco | 4 | 2 | 1 | 1 |
| Banks & Finance | 12 | 1 | 8 | 3 |
| Building Materials | 8 | 2 | 4 | 2 |
| Chemicals | 3 | 1 | 2 | 0 |
| Developers & Contractors | 9 | 5 | 0 | 4 |
| Diversified Industrials | 10 | 3 | 1 | 6 |
| Diversified Resources | 4 | 2 | 1 | 1 |
| Engineering | 8 | 5 | 2 | 1 |
| Entrepreneurial Investors | 1 | 1 | 0 | 0 |
| Food & Household | 5 | 1 | 2 | 2 |
| Gold | 27 | 8 | 10 | 9 |
| Insurance | 8 | 3 | 1 | 4 |
| Investment & Financial Services | 7 | 2 | 4 | 1 |
| Media | 11 | 3 | 2 | 6 |
| Miscellaneous Industrial | 16 | 5 | 9 | 2 |
| Miscellaneous Services | 19 | 4 | 10 | 5 |
| Oil & Gas | 9 | 4 | 3 | 2 |
| Other Metals | 14 | 4 | 4 | 6 |
| Paper & Packaging | 2 | 1 | 1 | 0 |
| Retail | 6 | 2 | 3 | 1 |
| Solid Fuels | 1 | 1 | 0 | 0 |
| Tourism & Leisure | 5 | 2 | 2 | 1 |
| Transport | 5 | 0 | 4 | 1 |
| **TOTAL** | **194** | **62** | **74** | **58** |

Small: Less than 10 employees and/or less than 1% of capital
Medium: 11- 50 employees and/or between 1% and 2% of capital
Large: Greater than 50 employees and/or greater than 2% of capital

***Employee Financial Participation and the Unions***

Mathews (1993:163) notes that even though companies are increasingly offering employee financial participation which goes beyond normal wage and salary remuneration; this trend is not without obstacles. He acknowledges that employee financial participation has and will be a difficult issue for the labour movement to come to terms with. Given that the unions may be unsure of motivations behind implementation of employee financial participation schemes, and maybe perhaps because of lack of knowledge, he feels that the union movement should not reject such schemes "outright" (Mathews 1993:163). He suggests that schemes potentially offer genuine opportunities for equity in the profits of the company, and indeed, can be a learning opportunity for unionists in the "mechanics of capitalism". In other words, this may be the opportunity that Kochan et. al. suggest for the labour movement to become involved in the strategic human resource management choices at the top tier of their strategic choice matrix (Kochan et. al. 1984:23). Mathews concludes that such management initiated schemes should be embraced, but should be done so within an overall program of organisational democratisation, and that the unions must set their own agenda to pursue.

Recent literature and data appear to place the union role as central to the overall success of employee financial participation schemes. *In The Australian Employee Share Plan — Detailed Report* (1992), out of the 288 companies surveyed, there was an incidence of 46% and employee share plans (RPC 1992:26); and when asked what were the most important factors contributing to the overall success of their plan(s), the highest factor stated was union support at 88% (RPC 1992:38).

Michael Easson of the NSW Labour Council notes that the ACTU's main focus of attention as regards employee financial participation has been self financing schemes, incorporating employee share ownership trusts (ESOT's), as opposed to workers co-operatives, workers buy out of companies and "crude" profit sharing schemes (Jensen and Lansbury 1989:18). Under these self financing schemes, employees share only in the profits and the losses, and further, there is no financial outlay by employees to buy shares.

Easson continues by highlighting concerns that the unions have regarding employee share ownership:

- Company's operating employee share ownership schemes should remain within the arbitration system
- Share ownership should not replace wage increases, or by concession for wage cuts during a downturn in company performance
- Share ownership schemes must be affordable and financially equitable
- Share ownership must adhere to equal employment opportunity principles, i.e. maximum participation in the scheme. Exclusive management and executive share ownership schemes are unacceptable to the trade union movement
- Share ownership schemes must be implemented in tandem with other work place reforms and democratising mechanisms
- The trade unions must be actively involved in developing and representing employee interests in regard to share ownership schemes
- Trade unions must be represented on employee share ownership trusts

Employee interests should be met where the share ownership scheme is:

- simply designed
- the implementation, design and provisions features are clearly communicated
- initiated with the involvement of employee, union and management

Share ownership schemes should provide equitable benefit to the employee in the event of death, disablement, retirement, resignation or redundancy.

Having set the union agenda and framework for participation in the implementation of an employee share ownership schemes, Easson continues by outlining the following benefits of employee share ownership schemes as seen by the trade union movement:

- Potential reductions in company job losses and unemployment
- Prevent regional decline
- Assist industry regeneration, restructuring and rejuvenation
- Increase productivity
- Increase employees incomes and standards of living and working, i.e. stable and high quality jobs
- Can establish democratic structures where capital, management, employees and unions can work towards common objectives
- Reduce the incidence of industrial dispute and conflict
- Forms partnerships that can influence macro economic planning issues
- Employees can share and assist in profits and strategic decision making processes, particularly investment decisions

(Jensen and Lansbury 1989:19-23)

Easson further states that a precondition of privatisation of government enterprises should be employee share ownership (Jensen and Lansbury 1989:24). This precondition has consequently been set within the legal framework, following a Labor Cabinet decision in 1990?; a recent example being the development of an employee share ownership scheme as an integral part of the privatisation process at Qantas.

***The ACTU Policy***

With the publication of *Employee Share Ownership Plans — Handle with Care*, the ACTU as the umbrella union organisation, seem to be "gearing to the challenge" of employee share ownership (ACTU 1993:12).

Given the international experience, ESOP's can be appealing to the Australian workforce; unions and employees welcome the opportunity to have a "slice of the cake" and have a part in organisational decision making. But, as the title states, employee share ownership plans must be given careful consideration, ensuring that the glittering benefits are matched in reality.

The ACTU views employee share ownership plans enhancing employee interest in their workplace; giving workers access to financial rewards above normal wages and conditions; allowing a share in the value of the company, and perhaps most importantly; workers may have the potential to have a say in the running of the enterprise. There is one major caveat; employee share ownership plans may mean a share in the loss of a company as well as profit.

The ACTU also stresses that the type of plan is also an important factor to be considered, as the union position must protect the interests of the individual (and the collective) and therefore need to choose a plan that minimises loss. Employee share ownership plans also allow varying levels of ownership, which as implications for the amount of real power the trade union(s) may have access through an ESOP.

The ACTU's tacit acceptance of employee share ownership is not without reservation, mainly because ESOP's have not been that significant or successful in Australian working life (see previous discussion on plan types and RPC data [1992]). They do have specific concerns which to some extent reflect those of Easson (1989). Employee share ownership plans should not be supported if their implementation means that workers will be expected to trade conditions for share ownership, and if it appears that the employer is substituting trade union collective representation with shareholders structures. They also note that ESOP cannot be implemented within a vacuum; the impact of employee share ownership will be diminished if there is no parallel change in the traditional management style of decision making. Unions have made progress where they have negotiated share plan structures which offer benefits to individual workers and can further influence collectively productivity, efficiency, skills formation and work design, i.e. influence over the quality of their working lives. The ACTU define the worst case scenario for employee share ownership, where implementation can mean:

- Avoidance of union structures
- Avoidance of union negotiated wage systems

- ESOP's as a cheap source of capital
- ESOP's as a defence against hostile takeover
- ESOP's as a means of dealing directly with the workforce and therefore employees are not adequately protected

It is important to look at cases of bad practice, given the critical task for the union movement — if an ESOP is to be implemented, the union must ensure that:

- The employees receive genuine benefits and are not victims of a "management rort".
- The ESOP is part of overall workplace change strategy.
- There is minimal risk to employee and there must be worthwhile financial gain.
- The plan must not undermine the union position.

***Enterprise Bargaining Principle***

Born of Award Restructuring and the Structural Efficiency Principle, the Enterprise Bargaining Principle has been firmly set in the industrial relations agenda of government, trade unions and the business community. As the Business Council of Australia has highlighted, there is a whole new language — "global economy" "enterprise" and "co—operation" compared with "local" "industry" and "conflict" (BCA 1989).

The historical antecedents of the Enterprise Bargaining Principle and its focus on productivity and workplace reform can be traced back to March 1987 when the Industrial Relations Commission ratified and established a two-tier wage fixing system. The first tier allowed wage increases of $10 per week, the second potentially giving increases of 1.5% six months later, up to a ceiling of 4%. The wage increases were agreed to on the understanding that the trade unions would participate in workplace restructuring, hence the "Restructuring and Efficiency Principle" was introduced, where wage increases would only be implemented in parallel with efficiency measures, both in the public and private sectors. The onus was on work and management practices, alongside other initiatives such as multi-skilling, cutting demarcation lines and training and development (Deery and Plowman 1991).

This was the impact of the new "economic order" of the global economy and Australia becoming more dependent on international trade, the impact being most severely felt in the metals and engineering industries. Between 1981 and 1983, 100,000 jobs were lost in this sector with a flow on effect on union membership. The Metal Trades Industry Association (MTIA) and the Metal Trades Federation of Unions discussed the need for change and jointly proposed the "Compact" on a range of issues such as investment, quality, research, training and development. With it came also an agreement that the Metals Industry Award be restructured allowing career paths for employees with recognition of training and experience, and their skills to be utilised more efficiently and effectively.

The reforms though still maintained a dual system of (1) legal machinery overseeing, facilitating and intervening in the matter of awards and (2) an enterprise bargaining system to strike bargains above awards, in return for productivity increases, via the forms of certified agreements (CAs) and enterprise flexibility agreements (EFAs), which had to be facilitated and ratified by the Industrial Relations Commission's Bargaining Division. EFAs, which were intended to cover non-unionised workplaces, have been little used and therefore deemed ineffective.

***Form of Labour Regulation***

| **Form of Labour Regulation** | **Percentage of Employees** |
| --- | --- |
| Awards Only | 35 |
| Awards and Registered Agreements | 30 |
| Registered Agreements Only | 5 |
| Individual Contracts | 30 |

Source: Australian Centre for Industrial Relations Research and Training, What's Happening in NSW and Federal Enterprise Agreements, June 1996.

The Enterprise Bargaining Principle could be seen as a vehicle for workplace reform with advantages over unilateral management action or centralised setting of industry awards via the conciliation and arbitration machinery; i.e. a means of mobilising workers skills and knowledge that are valuable in informing and improving workplace performance. It has the potential for promoting employee participation in many facets of workplace management and organisation and can effectively implement notions of worker responsibility/empowerment and joint problem solving. Agreements can set the limits on management prerogatives and imposition of solutions.

Amongst the key issues identified by the Department of Industrial Relations in relation to the Enterprise Bargaining Principle is that of Equitable and Sustainable Reform. With the new "co-operation" in productive ways of working and promoting common goals of long term productivity enhancement, it is imperative that workers be committed to the continuing process; and to do so they must have an effective voice in the process and an expectancy that there will be fairness in the outcomes and that the goals are desirable. The sole responsibility of reform should not be borne by workers alone and equity will not be assured if workers cannot share in the benefits of reform.

Sharing in the benefits of reform can be materially realised through employee *financial participation schemes; alongside other employee participation practices.* As Race Matthews has noted:

> In recent years, unions have moved away from their traditional stance of confrontation with employers to new modes of working co-operatively at the enterprise level. The old gulf between labour and capital has narrowed as unions negotiate enterprise agreements in which employees seek job protection and higher wages, in return for boosting the productivity and profitability of the enterprise (Matthews 1993).

In this climate of co-operation, the concept of workers owning shares in the companies which employ them is probably an idea whose time has come.

***What's Not Happening in Enterprise Agreements***

| Issue | Percentage of Agreements |
|---|---|
| Performance Pay | 9 |
| EEO | 5 |
| Childcare | 1 |
| Family Leave | 5 |
| Gainsharing | 3.8 |

**Total Number of Agreements Analysed = 1839**

Source: Agreements Database and Monitor (ADAM) Australian Centre for Industrial Relations Research and Training, What's Happening in NSW and Federal Enterprise Agreements, June 1996

The move to individual contracts and their precedence over genuine collective bargaining could be seen to be shifting the balance of power in the employment relationship to the detriment of the employee; there will be an asymmetrical relationship with no "counterbalance to the employers property rights" (Bennett 1994). The workplace may become an arena for the execution of managerial prerogatives without genuine consultation with the employee. Evidence in case studies from Queensland, where individual contracts were "tested", but later repealed have shown that there was little or no negotiation at the workplace (Bennett 1994).

In the Coalition policy paper stated:

> "The Coalition strongly supports and will encourage all forms of employee participation — ranging from direct consultation through to financial incentives, profit sharing and employee share ownership" (Reith 1996:11)

Given the explicitly individualistic focus of the Coalition's industrial relations policy; it is easy to assume that the technical or paternalistic forms of employee share ownership, delivered to employees on an individual basis (rather than a collective trust structure) would be the Coalition's and some sections of the business community's preferred options.

***Further Analysis of Enterprise Agreements***

The enterprise agreements used in this investigation were drawn from those held on the Australian Centre for Industrial Relations Research and Teaching (ACIRRT) database (ADAM). From a total of 3747 state and federal agreements, 147 had an employee financial participation component (3.9%). The contents of these 147 enterprise agreements were analysed to ascertain whether there were any other "innovations" present, in which industries these strategies could be found, on what basis employees received their share in gains and the level of union involvement in the agreements. Those other "innovations" present were then cross tabulated with the remaining 96.1% of agreements without employee financial participation components to ascertain the level of significance.

***Basic Frequencies: Gainsharing & Union Party to Agreement***

| | |
|---|---|
| Gainsharing | 3.9% (147) |
| Union Party to Agreement | 82.8% (2981) |
| Union NOT Party to Agreement | 12.4% (448) |
| Unknown | 4.8% (171) |

***Industry Incidence and Type of Agreement***

| Industry | Percentage Incidence |
|---|---|
| Agriculture | 4.9% |
| Abrasives | 2.4% |
| Aircraft | 2.4% |
| Banking, Finance & Insurance | 12.2% |
| Construction | 4.9% |
| Electricity & Water | 2.4% |
| Firefighters | 4.9% |
| Food & Beverage | 4.9% |
| Government | 7.3% |
| Journalism, Printing & Graphic Arts | 12.2% |
| Metals | 12.2% |
| Oil & Gas | 7.3% |
| Pharmaceuticals & Cosmetics | 2.4% |
| Photographic | 2.4% |
| Private Transport | 4.9% |
| Rubber & Plastics | 7.3% |
| Sanitary & Garbage | 2.4% |

***The Context of Financial Participation within Enterprise Agreements Comparison of Non-Union Vs. Union Enterprise Agreements against series of Variables:***

| Provisions (Variables) | Union Party to Agreement (c0106) (No. Agreements) | Union Party to Agreement (c0106) (%) | Union Not Party to Agreement (No. of agreements) | Union not Party to Agreement (%) |
|---|---|---|---|---|
| Gainsharing | 125 | 4.0 | 22 | 3.4 |
| Workplace Grievance Procedure | 2129 | 68.5 | 360 | 56.2 |
| Training | 1494 | 48.1 | 174 | 27.1 |
| O H & S | 1021 | 32.9 | 120 | 18.7 |
| Performance Indicators | 1000 | 32.2 | 70 | 10.9 |
| Consultation | 1403 | 45.2 | 115 | 17.9 |
| Public Sector<br>Private Sector<br>Non-profit organisations | 629<br>2360<br>94 | 20.3<br>76.0<br>3.0 | 57<br>545<br>32 | 8.9<br>85.0<br>5.0 |
| Work Allocated on Team Basis | 300 | 9.7 | 25 | 3.9 |
| Budget Limits given to Team for Improvements | 7 | 0.2 | - | - |
| Authority of Team Set Out | 68 | 2.2 | 3 | 0.5 |
| Team to Develop Ideas for Continuous Improvement | 141 | 4.5 | 5 | 0.8 |

***Comparison of Agreements with and without Gainsharing components against series of Variables:***

| Provisions (Variables) | Agreements with Gainsharing Components (No. Agreements) | Agreements with Gainsharing Components (%) | Agreements without Gainsharing components (No. of Agreements) | Agreements without Gainsharing components (%) |
|---|---|---|---|---|
| Workplace Grievance Procedure | 106 | 72.1 | 2383 | 66.2 |
| Training | 89 | 60.5 | 1579 | 43.9 |
| O H & S | 62 | 42.2 | 1079 | 30.0 |
| Performance Indicators | 74 | 50.3 | 996 | 27.7 |
| Consultation | 82 | 55.8 | 1436 | 39.9 |
| Public sector<br>Private sector<br>Non-profit organisation | 40<br>104<br>- | 27.2<br>70.7<br>- | 646<br>2801<br>126 | 17.9<br>77.8<br>3.5 |
| Work Allocated on Team Basis | 22 | 15.0 | 303 | 8.4 |
| Budget Limits given to Team for Improvements | - | - | 7 | 0.2 |
| Authority of Team Set Out | 9 | 6.1 | 62 | 1.7 |
| Team to Develop Ideas for Continuous Improvement | 12 | 8.2 | 134 | 3.7 |

Source: ADAM Database (June 1997), n = 3747

## CONCLUSIONS

Human resource management initiatives such as employee share ownership and the possibility of union avoidance or marginalisation is a crucial issue. The possibility of union avoidance is particularly demonstrated in the debate on strategic human resource management by Kochan et. al. (1984). If HRM moves into the arena of exclusively managing the employment relationship with its new emphasis on business strategy — where previously trade unions had taken employee centred initiatives to managing the workplace, what will be the consequences for trade unions. As Kochan et. al. have demonstrated, strict adherence to HRM as strategic choice as a response to a changing product market and increased competition, may lead to collective bargaining with a union or union avoidance.

It is therefore crucial that the consciousness of the union movement is not false. They must be cognoscente of the sometimes inherent contradictions in HRM initiatives (e.g. employee share ownership plans) and the different power and material interests of the classes of players involved. The ACTU by developing this manual for their trade unionists, do appear to separate the myth and reality of employee share ownership, have empowered themselves with the theory and the practice, and have consequently set their own agenda. Employee share ownership as well as involvement in the strategic decisions of organisations, may bring capital and labour to a new nexus of co-operation and understanding without stifling their class and material interests.

Strategic HRM initiatives such as employee share ownership have the potential to undermine management interests. If employee share ownership (and other democratisation principles) are taken to their logical conclusion, employees could be in a far more powerful position to control their own interests and retain craft knowledge and skills; the middle management prerogative and function may ultimately become redundant. Therefore the human relations principles and methods may be obfuscated by middle management because of its threat to their position.

How will management interests respond when they are faced with the collective representation of the employees at their previously exclusive boards, as a consequence of equitable employee financial participation? As Legge argues "(strategic) HRM is problematic at two levels" (Storey 1989:29). First, because of the emphasis HRM has on the notion of integration, which has two meanings: the integration of human resource into the overall business strategy and the integration of human resource into a commitment, high quality workforce. Simply, a "hard" emphasis versus the "soft". Secondly, she cites Watson (1977) by suggesting that strategic HRM faces a "contradiction of capitalism", i.e. though the labour market provides the means to support the powerful interests in society, the labour market may at some point actually undermine these interests. Can strategic HRM realistically overcome these inherent tensions and contradictions? Legge cites Guest (1987), noting resolution of this contradiction can only be through parallel changes in the ownership and control of industry, i.e. equitable and extensive employee share ownership (Storey 1989:25).

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