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**“THE NATURE OF EMPLOYEE FINANCIAL
PARTICIPATION: EVIDENCE FROM THE
AUSTRALIAN WORKPLACE”**

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Abstract

In this paper employee financial participation (EFP) is investigated in the context of the enterprise bargaining principle. It is argued that employee financial participation should be seen as a logical consequence of the decentralisation of the industrial relations system. This is the case as the 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.

Employee financial participation will be also be assessed in the context of (strategic) human resource management (HRM). The type of business strategy and consequent HRM taxonomy will have a congruent type of EFP implemented in the workplace. The industry incidence and the “contingencies” of employee financial participation are considered. Specifically the context in which companies implementing these strategies are assessed, for example, 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, it is also possible that such strategies could exist alone and at the expense of other workplace innovations (Mathews 1994), which mirrors the archetypical human resource practices that are aligned with different types of competitive business strategies as defined by Schuler and Jackson (1987).

The enterprise agreements used in this investigation draws upon agreements (EBAs) held on the Australian Centre for Industrial Relations Research and Teaching (ACIRRT) database (Agreements Database and Monitor: ADAM). From a total of 3747 state and federal agreements, it was found that 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 “best practice” initiatives present. Further, the industries in which these strategies could be found was examined and the level of union involvement in the agreements was assessed.

“THE NATURE OF EMPLOYEE FINANCIAL PARTICIPATION: EVIDENCE FROM THE AUSTRALIAN WORKPLACE”

INTRODUCTION

This research report begins to assess the nature of employee financial participation (EFP) in the Australian workplace. EFP is a generic term that embraces an array of contingency based remuneration practices.

Employee financial participation will be assessed in the context of (strategic) human resource management (HRM). The type of business strategy and consequent HRM taxonomy will have a congruent type of EFP implemented in the workplace. The industry incidence and the “contingencies” of employee financial participation are considered. Specifically, the context in which companies implementing these strategies are assessed; for example, 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, it is also possible that such strategies could exist alone and at the expense of other workplace innovations (Mathews 1994), which mirrors the archetypical human resource practices that are aligned with different types of competitive business strategies as defined by Schuler and Jackson (1987).

It is argued that 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 more traditional 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 dual incidence gives rise to a parallel distinction of trade union involvement. It is argued that “best practice” initiatives and employee financial participation will co-exist within certified agreements, that is where a trade union is party to the agreement. However, where employee financial participation stands alone, it is argued that it will predominate within non-union agreements.

Critical analysis questions HRM as a concept and practice on several levels; specifically the unitary underpinning's of HRM, and whether HRM can overcome its inherent contradictions of being both employee and business strategy centred (Legge 1989). The resolution to this contradiction may be through greater employee participation in the strategic decision making of organisations. Extensive and equitable employee share ownership and other employee participatory practices could demonstrate this participation (Guest 1987).

Evidence from the UK suggests that employee share ownership plans (ESOPs) (as a particular form of employee financial participation) can be classified as: (1) “Technical” ESOPs, where ESOPs are not introduced to extend employee ownership; (2) “Paternalistic” ESOPs stemming from philanthropic motives of the employer and associated with employee involvement and communication. Implementation of the plan is “top down”; and (3) “Representative” ESOPs, where employee representatives are extensively involved in the creation of the ESOP and there is employee involvement in strategic decisions. The Representative form, as the most enabling of employee interests, can theoretically form a nexus between notions of “economic democracy” and “industrial democracy” (Pendleton et al. 1995). In the context of human resource management this is conceivably the necessary impetus required to move from “control” of employees to employee “commitment”.

Enterprise agreements, drawn from ACIRRT's agreements database and monitor were assessed for the incidence of EFP schemes. Those agreements with EFP provisions were further assessed in terms of whether EFP co-exists with other “best practice” provisions (eg. team work, consultation mechanisms and training provisions). A further distinction was made between “union” and “non-union” agreements, and whether best practice decisions are more likely to occur with trade union participation and involvement.

between ownership and control at (the) two different levels” (Schuller 1989:129). Employee representation is ensured by majority representation on the fund management boards, that is further enhanced by fund obligations to transfer, on request, 50% of voting rights to local trade unions. Even though evidence of the effects of the high level employee influence are “slim”, as Schuller claims, “(T)he Swedish initiative is clearly of great potential interest” (Schuller 1989:129).

Sitting in the centre of the ownership continuum are profit sharing schemes; where a share of the profits are offered to employees as a reward for enhanced organisational performance and a distribution of profits typically ranges from 14-33% (Nankervis et al 1996:396). These schemes are more likely to be successful in already profitable organisations enjoying a healthy industrial relations climate. Though contrary to the apparent “similar(ity) in operation and intent to share purchase schemes” (Nankervis et al 1996:396), a profit-sharing scheme alone, cannot be properly conceived as offering ownership opportunities for employees. Further definitions and delineation’s are required to address the form that employee benefits take.

As will be addressed later, there is also a growing emphasis, in human resource management literature, that focuses on harnessing employee “commitment” rather than gaining “control” of employees. This conceptual change (though perhaps questionable in its’ material impact) has ramifications for the type and form of employee financial participation schemes that are introduced as part of an overall human resource management strategy (O’Neill 1995:158). It will be advanced that only employee financial participation schemes, at the collective end of the ownership continuum (or “rights” based schemes) can genuinely be conceived as promoting the ideal of employee commitment to organisational goals and values.

Collective Payments versus Rights Based Schemes

Mirroring Schuller’s continuum of ownership classification, Peetz offers a further delineation, which makes a distinction between the form that the benefit to the employee takes. Employee financial participation schemes can be classified in terms of whether they are broadly “collective payment schemes” or “dividend or ‘right’ based schemes” (Peetz 1988:2). The following schema is adapted from and summarises his classificatory scheme.

Table 2: Collective Payments versus Rights Based Schemes

Collective Payment Schemes		Dividend or “Right” Based Schemes			
Productivity Sharing (gainsharing)	Profit Sharing	Based on performance of the enterprise		Based on performance of portfolio managers	
		↓ Employee Share Ownership Scheme	↓ Producer Coops	↓ Employee Investment Funds	↓ Super- annuation
		↓ Employee Stock Ownership Plans (USA)			

Source: Peetz, D. (1988). *Financial Participation by Employees (1): A Review of Theoretical and Practical Issues* (DIR Research Paper Series 8). Canberra: Department of Industrial Relations. 2-3

Peetz has offered a useful and valid distinction between “collective payment schemes” and “dividend or ‘rights’ based schemes”. There appears to be a conceptual leap from one to the other. Profit sharing, for example, is just another form of payment by results, albeit on a collective basis (Wright 1991). Collective

payment schemes offer little opportunity for participation in decision making, expect perhaps in the implementation of such a scheme. These types of schemes do recognise that employees do not carry out their work in isolation from others and contribute to the overall performance of the organisation as a group – however tangentially – given environmental factors effecting organisational performance out-with the control of individual or groups of employees.

Participation in an employee ownership schemes, in the first instance, can form a part of an employees remuneration package, but can also confer rights of ownership and by extension, the right to participate in the decisions making processes of an organisation. There could be a convergence, and nexus formed between notions of “economic democracy” and “industrial democracy” (Pendleton et al. 1995a). In the context of human resource management this is conceivably the necessary impetus required to move from “control” of employees to employee “commitment”.

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, employee financial participation is seen as a means of promoting employee loyalty and commitment to an organisation, co-existing with other “best practice” initiative’s eg. training and development, team working and the varieties of management-employee consultative mechanisms. However, critical analysis questions HRM as a concept and practice on several levels; specifically the unitary underpinning’s of HRM, and whether HRM can overcome its inherent contradictions of being both employee and business strategy centred.

The work of Schuler and Jackson (1987) perhaps exemplifies the notion of HRM in its pure form, where competitive business strategies are linked to human resource management strategies. After Porter, Schuler and Jackson (1987) see that it is necessary to link management characteristics and employee role behaviours with the type of business strategy that the organisation pursues. Competitive advantage through strategic initiatives is crucial to the organisation’s growth and survival. Management must assess their competitor’s strategies and practice, and take a proactive stance to pursue and gain a competitive advantage (Schuler and Jackson 1987). Depending on the form of the business strategy, there will a congruent form of HRM strategy that contributes to the achievement of business goals. Dyer and Reeves elaborate on human resource strategies and define them as “internally consistent bundles of human resource practices” (1995:656); and can be considered to be “bundled where they occur in fairly complete, mutually reinforcing or synergistic sets” (1995:657). It is logical to pursue “bundles” of HRM practices, given the multifaceted and “overdetermined” nature of employee performance (Hackman 1985 in Dyer and Reeves 1995:657). Improving employee performance is best addressed by a variety of employee development activities and a variety of motivational and incentive schemes (Dyer and Reeves 1995:658).

Mirroring and paralleling the notion of competitive business strategy is also the conceptualisation of competing models of productive efficiency as outlined by Mathews. These are, archetypically, mass production (fordism), lean production (neo-fordism) and sociotechnical production systems (post-fordism). In Schuler and Jackson’s terminology, cost-reduction, quality enhancement and innovation respectively (Schuler and Jackson 1987). Dyer and Reeves have succinctly pointed out this link between (strategic) human resource management practices and modes of production in their analysis of various author’s HRM practice taxonomies or “bundles” of HRM strategies (Dyer and Reeves 1995:658). They note a tendency in the various taxonomies of Arthur (1994), Ichniowski (1990), Ichniowski, Shaw and Prensushi (1993), and MacDuffie (1995) (cited in Dyer and Reeves 1995) to coalesce on a continuum ranging from “‘Traditional’ ‘Control’ and Mass Production” exhibiting, typically, “fixed job designs, minimal employee participation and low levels of formal training” to the polar opposite of “‘Innovative’, ‘Commitment’ and ‘Flexible (or Lean Production)’ strategies, embracing higher order employee development and participation practices (Dyer and Reeves 1995:658). Though Mathews (1994) would question the conflation of “lean production” with “innovation” (sociotechnical production system); there is a clear acknowledgment that there is a

congruent mode of production underlying any business and human resource management strategy. The mode of production will determine the "bundles" of human resource management practices utilised.

Schuler and Jackson outline three main types of business strategy and consequent HRM strategies. They outline the required skills, knowledge and abilities to perform the required tasks. These have also been compared with Mathews' models of productive efficiency.

Innovation Strategy and Post Fordism

The first option outlined by Schuler and Jackson is 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 associated with 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. These HRM practices intend to promote particular employee role behaviours which are required to realise the chosen business strategy.

It can be argued that an innovation strategy is underpinned by a sociotechnical mode of production (post-fordism). As an ideal type paradigm for production, sociotechnical systems seek "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" (Mathews 1994:44).

Congruent levels of employee financial participation under this strategy or mode of production could include extensive employee share ownership with associated profit share, gainsharing from improvements in production, and team based payment. There would be no logical need for individualised form of employee financial participation alone; as the production paradigm requires innovation promoted by collectivism, semi-autonomous work groups and shared ideas.

Quality-Enhancement Strategy and Neo-Fordism

The second option outlined by Schuler and Jackson is where competitive advantage is pursued through enhancing the quality of the goods or services produced. The consequent and necessary HRM practices associated with 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.

It can be argued that quality enhancement strategy strongly replicates the lean production system (neo-fordism). Under this system, management seeks to produce "high quality, low cost products" by means of the just-in-time system. The HRM 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. Neo-fordism as a hybrid strategy of lean production and sociotechnical production, has coopted the "humanisation" elements of sociotechnical production but retained the means of producing quality goods, quickly and cheaply. The strategy will logically embrace a mixture of individual and collective forms of employee financial participation but conferring of ownership rights would not be required.

Cost-Reduction Strategy and Fordism

The third option suggested by Schuler and Jackson is where producing goods and services that are cheaper than their competitors, pursues competitive advantage. The consequent and necessary HRM practices associated with 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.

A cost reduction strategy is based upon achieving economies of scale and therefore a clear parallel can be drawn between this strategy and mass production systems (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 and hierarchies; and low trust industrial relations" (Mathews 1994:31).

Under this strategy or mode of production, it is least likely to find any form of collective employee share ownership. Profit sharing and individual payment by results are probably the only logically congruent forms of employee financial participation. As Mathews (1994) points out, 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.

In summary: The type of business strategy "chosen" by a company will determine particular HRM strategies. The "bundle" of HRM practices enclosed by a HRM strategy will enable certain employee role behaviours that are required to realise the business strategy outcomes. An internally consistent feedback loop is constructed; where any changes will inevitably reverberate throughout the system.

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 HRM into the overall business strategy and the integration of human resources into a committed, high quality workforce. This can be simply put as a "hard" emphasis versus the "soft". The second problematic draws upon the "contradiction of capitalism" which faces HRM. By this, Legge means that although the labour market provides the means to support the powerful interests in society, the labour market may at some point actually undermine these interests. The question is therefore whether HRM realistically overcome these inherent tensions and contradictions. Legge suggests that "tough love", as a rhetorical device, can reconcile these contradictions — "you have to be cruel to be kind." Simply, "tough love" can be described as putting the needs of the business first, as this will ultimately be for the good of the employees.

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 then best be expressed through the collective forum of trade unions. Consequently, trade unions will need to realign their industrial relations aims within a HRM framework. With an increase in product market competition, an organisation must rethink and reassess their business strategy. If the decision is to stay in the product market, the organisation must choose between a path of new investment or reassessing the competitive strategy. With strategy reassessment, there is a choice between developing a niche in a specialised market or opt for low cost, high volume production. If the latter course is chosen, cost control must be achieved, and can be undertaken through collective bargaining with the union, or union avoidance strategies (Kochan et al 1984).

The resolution to this contradiction may be through greater employee participation in the strategic decision making of organisations. Extensive and equitable employee share ownership and other employee participatory practices could demonstrate this participation (Guest 1987).

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; promoting employee loyalty and commitment to the organisational business objectives. There is need therefore to examine the concept of employee financial participation, its variety of meaning 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 a 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's. Employee share ownership can therefore be seen to be 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. At the other end of the political spectrum, where class conflict can be eradicated through employees being beneficiaries of a system otherwise opposed to worker's 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 through 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. The task therefore is to examine whether the experience matches 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 needs to be examined.

Millward (1994) in his search for the "new industrial relations", closely examined British workplace surveys, and suggests that there is an association between employee financial participation and other participatory practices. Forty nine percent of the workplaces surveyed had both financial participation and other participatory initiatives such as semi-autonomous work groups and consultative committees. From this evidence, he concluded that the "material" and "moral"² participatory forms actively reinforced each other. Conversely, 11% of the workplaces had neither form, and these were exclusively non-union small units or 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 worker's attitudes to management and worker-management relations. They investigated employee's responses to human resource management initiatives such as share schemes, profit sharing, quality circles, semi-autonomous work groups and joint consultative committees. They found that although 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 was because of the manner in which 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 the result of a perceived inequality in status and benefits received by employees post-implementation and lack of institutional support amongst senior management.

² The author acknowledges Associate Professor Julian Teicher for suggestion of the term "moral" participation. "Material" participation is the authors own.

In a similar vein, Fernie and Metcalf (1995) in their analyses of 1500 British workplaces, examined links between employee communication and participation mechanisms, employee financial participation ("contingent" pay) and forms of collective representation. They assessed the impact of these HRM initiatives on "economic outcomes" (productivity levels, productivity growth, change in employment) and "industrial relations outcomes" (climate of relations between management and labour, quit rate and absenteeism rate) (Fernie & Metcalf 1995:404). They found that the HRM initiatives were more likely to have an impact on productivity rather than the industrial relations outcomes. This was further reinforced by the finding that employee involvement initiatives (ironically) did not necessarily promote harmonious labour management relations and they suggest that such initiatives are in reality driven by management intentions to improve productivity.

The various form and intention of employee financial participation could be categorised in a similar way to "other" participatory practices. Employee participation ("moral") can be analysed in terms of a three way typology that measures participation in terms of the level, the form, and the degree of participation (Teicher 1992:490). In a modified form, EFP schemes could be categorised in terms of the level, form and degree of participation involved. For example, a personal equity plan would offer an indirect, individual level of "pseudo" participation. A profit sharing scheme could be categorised as offering indirect participation at an organisational level of partial participation. Finally, an ESOP, based on a collective trust structure, could be categorised as offering indirect participation at a corporate level of partial participation or, theoretically, full degree of participation. Equally though, potential for participation conferred by an ESOP may be more illusory than real and constitute an example of "pseudo" participation (Pateman in Teicher 1992:491). The possibility of "pseudo" participation in an ESOP has also been demonstrated by Pendleton et al. (1995) in their typology of employee share ownership plans.

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.

As an outcome of a large scale investigation of ESOPs in Britain, Pendleton, McDonald, Robinson and Wilson (1995) have formulated a typology of employee share ownership schemes that reflect the variety of ideologies and intentions.

Table 3: A Typology of Employee Ownership

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.

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

This typology usefully summarises the variety of forms and intention of employee share ownership plans (as a particular type of employee financial participation) in the context of human resource management. The typology categorises the variety of managerial intentions of ESOPs and could also infer that the three main classifications will reflect the choice of business strategy and consequent HRM strategy. As a cost reduction

strategy would most likely embrace profit sharing as the preferred form of EFP. Profit sharing as a collective "payment by results" scheme does not necessarily confer ownership rights, but may well exist alongside an ESOP proper. Theoretically then, the technical and paternalistic ESOPs would presuppose a quality enhancement strategy, where some employee participation is welcome but not to the extent that managerial prerogative is diminished. The representative ESOP would be indicative of an innovation strategy, where the post fordist ideals of industrial and economic democracy could converge (Mathews 1994).

THE INTERNATIONAL EXPERIENCE

Remus (1983) analyses employee financial participation projects in terms of "time" and "space". Employee financial participation schemes have emerged and evolved over several years, and the different types of plans vary due to locality and are country specific. He examines schemes within the legal framework, the motivation behind their implementation and the historical progression of financial participation. He concludes that the "Anglo Saxon" countries (USA and Britain) have had a "liberal and traditional trend"; embodied by an absent legal framework and the main objective(s) are to stimulate tax efficiencies for companies. Whereas, the "social democratic and reformist trend" is typified by the Northern European countries, signified by their intention of work place reform (see previous discussion on Sweden). This analysis (of Britain) is confirmed by Gibb and Baddon (1990), who, from empirical evidence, conclude that financial participation schemes are more likely to be implemented by "paternalistic" company's, where the schemes offer tax concessions. It is argued that tax concessions as the main intention of employee financial participation schemes, is antithetical to genuine employee participation.

United States of America

Employee share ownership plans in the USA are regulated by the Employment Retirement and Income Security Act 1974 (ERISA) and its amendments which is a federal law. US workplaces have implemented various plan types with varying purposes. For example, they have provided companies with a tax efficient source of capital, have provided a defence against takeover, and sought to 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 (ACTU 1993).

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

Britain

The British experience appears to have had a more "conservative emphasis. Employee share ownership in Britain was encouraged by statutory provisions, initiated in 1978 with profit sharing arrangements. In 1980 the Savings related Share Option Scheme was introduced 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 which meant that income would be from a share of the profits and not from fixed incomes. The logic being, 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; however, 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 has been implemented and replicated in various companies (ACTU 1993).

THE AUSTRALIAN EXPERIENCE

Australian textbooks on human resource management concede that employee share ownership schemes have not developed to the extent of the US and European experience (Schuler et al. 1992). Nonetheless, there are many employee share ownership schemes functioning in the Australian business community which have attracted some comment and investigation. As Aitken and Wood have concluded (1989), the taxation and corporate legislation pertaining to ESOP structures until 1988 was not conducive to promoting employee ownership schemes in the Australian workplace (unlike the "Anglo-Saxon" counterparts of Britain and USA). During the 1990s though, progressive taxation rulings and changes to legislation has increasingly enabled the implementation of ESOPs for all levels of employees, though not to an even extent (Fitton & Price 1990, Crichton & Chikarovski 1995, 1997).

Lansbury and MacDonald (1992:219), drawing on AWIRS data (Callus et. al. 1991) showed that profit sharing and share ownership schemes were not widespread, and were concentrated in larger firms (of over 200 employees) where nearly 25% have financial participation schemes. They cite two cases; "Hotel International" (Lansbury & MacDonald 1992:112-113) and "Paintco" (Lansbury & MacDonald 1992:87-89). 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.

In a survey of Australia's "Top 350" companies (by market rank) conducted by the consulting firm RPC, only 65 (18.5%) of these companies had employee share plans that could be described as "substantial". "Substantial" is taken to mean greater than 50 employee participants and/or representing greater than 2% of the capital of the company or in their words "meaningful employee equity participation arrangements" (Crichton & Chikarovski 1997:30).

Though many high performing companies appear to be implementing employee share ownership schemes; very few offer extensive equity participation, which suggests from this data that the "technical" and/or "paternalistic" types of ESOPs predominate at Australian workplaces. Similar conclusions can be drawn from the latest data from the Australian Workplace Industrial Relations Survey (AWIRS 95). This data shows that ESOPs are a growing phenomena in Australia, with 22% of workplaces surveyed in 1995 having a scheme, compared with 16% in 1990. The schemes predominate in certain industries and are highly variable in the number of employees that participate in such schemes (Morehead et al. 1997:532 & 533). The finance and insurance industry has the largest number of schemes at 40% in 1995, followed by mining and retail trade at 39% and 38% respectively. The predominance in the finance and insurance industry may well be a reflection of the industry itself. That is, the notion of share ownership is not alien to employees, where the language of "ownership" is inherent to the culture of the workplace. There may also be a compensatory phenomena at work; where the leaders and senior managers in this industry have been publicly seen to be beneficiaries of particularly high remuneration packages. The corollary being, that general employees have, overtime, begun to participate in employee share plan structures traditionally the prerogative of senior management. This may also be the case in the retail sector. Chief Executive Officers (CEOs) in the banking, retail and insurance industries enjoyed some of the highest ranked median remuneration packages in Australia (first, third and fourth ranking respectively; "food & household" sector was placed second); where part their total remuneration will be drawn from benefits of an employee share ownership plan (Crichton 1997:32). The high incidence in the mining industry may also be a reflection of the industry itself. The outcomes and profits of the mining industry are heavily reliant on the prospect of finding a suitable site to mine. A contingency based payment system (eg. an ESOP) may be a logical consequence of a precarious industry, where employees share in the "good times", as well as the bad.

The existence of "managerial" ESOPs and "non-managerial" ESOPs can be discerned from the AWIRS 95 data on the percentage of "non-managerial" employees who actually own shares in the ESOPs. Looking at all workplaces in 1995, this varied considerably from 20% of ESOP workplaces having 0% of "non-managerial" employees in the share scheme to 12% of workplaces having 76%-99% of employees in such a schemes. Twenty six percent of ESOP workplaces – as the highest population – had 10-25% "non-

managerial" employee participation. Only 3% of ESOP workplaces had 100% participation rate of "non-managerial" employees. More starkly, approximately 75% of ESOP workplaces in the survey had 50% or less of "non-managerial" employees participating in a scheme. Though ESOPs are functioning in the workplace, for 20% of ESOP workplaces, only managers are participating and enjoying the benefits (Morehead et al. 1997:532 & 533).

Again, this data indicates that the technical and/or paternalistic forms of ESOPs predominate in the Australian workplace.

EMPLOYEE FINANCIAL PARTICIPATION: A UNION PERSPECTIVE

Mathews notes that even though companies are increasingly offering employee financial participation, that goes beyond and exceeds normal wage and salary remuneration, this trend is not without obstacles (Mathews 1993:163). He acknowledges that the labour movement may have difficulty promulgating and marketing employee financial participation schemes to their members. Even though unions may be wary of the intentions behind the implementation of an employee financial participation scheme, perhaps due to lack of knowledge, he feels that the union movement should not reject such schemes "outright" (Mathews 1993:163). He suggests that schemes can 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". Mathews concludes that such management initiated schemes should be embraced by unions, but they must pursue their own agenda within an overall programme of organisational democratisation.

The players and voices in the Australian union movement have identified employee financial participation as an employee relations issue that can be both enabling and disabling of employee and union interests. In particular, they have identified the potential opportunities and threats that can be derived from participation in employee share ownership schemes. The ACTU as the peak union council has formulated an ESOP policy and implementation document, that promulgates a preferred ESOP structure. As their policy denotes and connotes: *Employee Share Ownership Plans – Handle With Care*, ESOPs must be given careful consideration and ensure that their chimerical qualities are matched in reality at the workplace.

There are many "material" and "moral" benefits that can potentially be enjoyed from participation in an ESOP; with benefits varying at a macro and micro level in the economy. Employee ownership can potentially guard against company job losses and consequent unemployment and regional decline (Easson in Jensen and Lansbury 1989:19-23). With a voice on the board (via an ESOP), employee representatives have access to formerly privileged information and can gain a better understanding of the company's position and threats to its existence. The establishment of high level democratic structures and the realisation of a superordinate threat can promote joint problem solving and convergence of interests between employees and (senior) management.

Employee participation in "corporate governance" can be problematic. As a worker director, an employee representative has, in corporate law, a legal obligation of "fiduciary duty". In simple terms, are obliged as an officer of the company to work in the best interests of the company. Strict adherence to fiduciary duty may create contradictions that "render labour representation on corporate boards either problematical or useless" (Hill 1995:225). Retrenchments, for example, may be deemed to be "in the best interest of the company" (in the short term), but are clearly antithetical to employee interests. How then would a worker director resolve this stark contradiction? These possibilities should not thwart employees from opportunities in strategic decision making. Perhaps **long term** solutions to complex problems can only be created from the conflict and energy that arise from these contradictions.

ESOPs are not only useful in hard times. While assisting and contributing to the creation of profit and input into strategic decision making processes, the employees themselves can share in the gains. Not only can they increase their income and standard of living, but they can address "quality of work life issues". Consequently, there may be a reduction in levels of industrial conflict and disputation (Easson in Lansbury and Jensen 1989:19-23). The converse though may apply. In the USA, for example, employee share ownership as a form of contingent pay has been a part of concession bargaining with possible reduction in overall levels of income (Hill 1995:224). Further, as Peetz has pointed out, the implementation of an ESOP

or profit sharing scheme may itself be a cause of industrial conflict or disputation (Peetz 1988:i). It is ironical that employee participation mechanisms do not necessarily promote what they set out to achieve; where the implementation process itself may create further worker alienation (Kelly & Kelly 1991). These problems can be addressed if the ESOP is simply designed; the implementation, design and provisions features are clearly communicated; and importantly, initiated with the involvement of employees, unions and management (Easson in Lansbury and Jensen 1989:19-23).

The ACTU ESOP Principles

The ACTU stress that the type of employee share ownership scheme is an important factor and any "management initiated" ESOP should be assessed against a series of criteria (ACTU 1993:26). Namely: That all employees should be allowed to participate in the ESOP. This can be enhanced by ensuring that the plan is affordable to lower paid employees and risks are minimised by the company bearing the share purchase cost through profit share payments, share of productivity gains or a subsidy to employees. Share benefits should be allocated equitably, ideally with all employees receiving equal benefits. There should be employee and union consultation and involvement in any share plan implementation. Employees and representatives should be able to review the plan and make suggestions to management. That is, there should be genuine consultation on the type of share scheme and the eligibility of employees.

Simply, the ACTU principles seek to promote eligibility and participation of all employees; ensuring they have an opportunity for consultation and input into the design and implementation of the scheme.

The ACTU assesses the various types of ESOPs available in Australia and conclude that "Employer Funded Plans" best match their criteria. This type of plan is particularly flexible, and has simple financial and structural arrangements that afford employees and unions the greatest opportunity for risk free participation. There is also opportunity for larger shareholding for employees and greater involvement due to the need for regular review of the schemes progress and individual shareholding's are held collectively maximising voting rights.

Other plan types, such as purchase plans, partly paid and share option plans do not meet the ACTU criteria to a greater or lesser extent. They do not minimise risk to the employee, provide little opportunity for participation, and especially, in the case of partly paid share plans, are not offered to all levels of employee and share allocations cannot be made on an equitable basis. Evidence from surveys indicate that employer funded plans (or "Subscription" plans) are not common. These type of plans exist in 7.7% of the "Top 350" companies surveyed, whereas share option plans predominate at 55.6% of companies surveyed (Crichton & Chikarovski 1997:26). It seems then, that many ESOPs in the Australian workplace are not conforming to ACTU design criteria.

Given the tacit acceptance of employee financial participation by the ACTU, in the particular form of ESOPs, it is worthwhile assessing whether there is active union involvement in the implementation of ESOPs and other forms of EFP. Both the RPC and AWIRS 95 data seem to indicate that union involvement is a factor in both the incidence and success of implementation of an ESOP. In 1995, the AWIRS data shows that ESOPs are more likely to exist in a workplace where there is both union and delegate presence at 32% as opposed to "no union" workplaces at 14% (Morehead et al. 1997:532 & 533). In 1992, a survey by RPC indicated that the highest ranking criteria for a successful employee share was identified by managers as "union support" at 88%. The following table outlines further criteria for success:

Table 4: Criteria for a Successful Share Plan

Criteria	Important (Percent "Yes" by respondents)
1. Union support	88
2. Good communication	87
3. Low cost of entry	87
4. Easily understood	86
5. Good investment	83
6. High participation rates	82
7. Reduce risk	74
8. Stable share price	58

Source: Crichton, I. S., & Chikarovski, K. (1997). *The Employee Share Plan Handbook 1977*. Sydney: Remuneration Planning Corporation Pty Ltd. 36

As Crichton and Chikarovski note (1997:36), most of these "measures of success" (except "stable share price") can be met through a well designed ESOP. It is also worth noting that these "measures of success" match the ACTU preferred design criteria.

Union involvement in an ESOP needs to be addressed further. Are "management initiated" schemes being checked against ACTU best practice, and are employee financial schemes appearing alongside other HRM initiatives in the enterprise bargaining forum – as examples, in the most part, of joint employee-union-management negotiations on workplace wages, conditions and productivity?

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 of "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 activated 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. Wage increases could only be implemented in line 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, Lansbury 1990, Dabscheck 1992:316-317).

The reforms flowing from the *Industrial Relations Act 1988 and Amendments*, 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.

The Enterprise Bargaining Principle has not been universally applied and as Table 5 outlines, labour regulation has taken a variety of forms, where the majority of employees had their workplace wages and conditions underpinned by reference to an industry award or an award alone (at least until May 1996, with the enactment of the *Workplace Relations Act 1996*).

Table 5: 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 can 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. The principle could be 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 (then) Department of Industrial Relations in relation to the enterprise bargaining principle is "equitable and sustainable reform" (Romeyn 1994:32). 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 there are desirable goals. 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.

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."

(Matthews 1993)

Some commentators feel that observers and players should "keep (ing) enterprise bargaining in perspective" (Callus 1997:21). We should be cautious to assume that enterprise bargaining offers a "break with the past" and that agreements are resplendent with innovation and employee centred provisions. As Callus notes (1997:25), the Australian workplace is not moving towards a "post-fordist" era based on high trust, high commitment and employee centred activities that denote the "new industrial relations". As Callus points out, bargaining has been lead by management prerogative and increases in working time arrangements has been the dominant change to workplace conditions and practice. He acknowledges that there is "some evidence of innovation", but for the most part "there has been a narrowing of the enterprise bargaining agenda since 1992" (Callus 1997:21). As the ramifications of the *Workplace Relations Act 1996* evolve on a daily basis, this caution is increasingly relevant.

There is evidence that employers and managers do not have sufficient proficiency to realise HRM "best practice" via the enterprise bargaining principle. As Nelson has indicated, evidence suggests that Australian management, though a "necessary part of the bargaining process" (Nelson 1997:60), have skill deficiencies in "basic management and human resource management". They are overly paternalistic and have low levels

of knowledge about the enterprise bargaining system, where they had previously relied on the centralised award system to manage the employment relationship. Disconcertingly from a union perspective (and any support they may give to employee financial participation), there is evidence that managers have been sidestepping the awards system (Nelson 1997:56). If employee financial participation were to gain momentum within a decentralised industrial relations system, contingent remuneration could become a means of eroding wages and conditions of employees, who even in a centralised system were not necessarily enjoying the full protection of the award system.

With the enactment of the *Workplace Relations Act 1996* and the move to individual contracts and their precedence over genuine collective bargaining: there is a shift in 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 1994:227). 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 1994:227).

In the Coalition policy paper *Better Pay for Better Work*, it 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)

Because of their policy and legislation's explicitly individualistic focus, it can be argued that the technical or paternalistic forms of employee share ownership, and other forms of EFP delivered to employees on an individual basis (rather than a collective structures), would be the Coalition's and business community's preferred options.

Table 6: 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

As Table 6 above indicates, "gainsharing" (ACIRRT's own term for employee financial participation: and not sharing in productivity gains as is usually implied) and other employee "friendly" provisions are "not happening" in enterprise agreements. It is worthwhile investigating further the "context" of the gainsharing provisions. That is, are there other "best practice" provisions co-existing in the these "gainsharing" agreement and is this associated with union presence?

ANALYSIS OF ENTERPRISE BARGAINING 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; and
- the level of union involvement in the agreements.

Table 7: 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)

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

As Table 7 indicates, employee financial participation provisions are rare in enterprise agreements. Of all the agreement on the ACIRRT data base, the vast majority of agreements were certified with a trade union party to the agreement.

Table 8: Industry Incidence of Gainsharing

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%
Pharmaceutical's & Cosmetics	2.4%
Photographic	2.4%
Private Transport	4.9%
Rubber & Plastics	7.3%
Sanitary & Garbage	2.4%

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

As Table 8 indicates, EFP schemes predominate in the banking, finance, insurance and the metals industry. The apparently high incidence in journalism and printing industry is an artefact of one employer company applying the same enterprise agreement to their newspaper groups. The predominance in the metals industry may reflect manufacturing's reliance on collective “payments by results” as a means of promoting employee satisfaction (Wright 1991).

ANALYSING THE CONTEXT OF FINANCIAL PARTICIPATION WITHIN ENTERPRISE AGREEMENTS

The literature on employee financial participation suggests that this practice as part of an HRM strategy can either exist alone or within the context of other "innovations" (Millward 1994, Morehead et al 1997). This can further be investigated by assessing the level of union presence in "gainsharing" agreements, where "gainsharing" is the term given by ACIRRT to identify enterprise agreements with a financial participation component. As data from the Australian Workplace Industrial Relations Survey's have consistently shown, HRM "best practice" is strongly associated with union involvement in the management of the workplace (Callus et al 1991, Morehead et al 1997).

The data drawn from ACIRRT's Agreement Database and Monitor (ADAM) was analysed in two aspects:

1. Comparison of certified agreements (as union agreements) versus enterprise flexibility agreements (as non-union agreements) were analysed to ascertain the association of these two types of agreements, against a series of "innovative" provisions that could be seen to constitute HRM "best practice". Such innovations include such provisions, as stated intentions, for: gainsharing (employee financial participation), workplace grievance procedures, training provisions (such as skills audit and implementation of competency based training), occupational health and safety provisions (beyond the minimum legal requirements), performance indicators (as measures of increased productivity), consultation mechanisms (such as joint union management consultative committees), work allocated on a team basis, provisions for budget limits given to teams to implement improvements (as a measure of relative team autonomy), provisions that outline the extent of the team authority (also as a measure of relative team autonomy), and finally, provisions enabling teams to develop ideas for continuous improvement (again as a measure of a "semi-autonomous work group").
2. Secondly, "gainsharing" agreements were compared with "non-gainsharing" agreements. Enterprise agreements with some form of employee financial participation were compared with those with no provisions for EFP. These two types of agreements were analysed to ascertain the association between these two forms of agreement against the series of provisions (as above) that could constitute HRM "best practice".

The two aspects outlined above are, simply, contingency problems. A chi-square analysis, as a test of association, was therefore chosen as the most appropriate statistical tool. A chi-square analysis is also appropriate, given the nominal nature of the data (Blalock 1979:279).

Table 9: Comparison of Non-Union Vs. Union Enterprise Agreements against series of Variables:

Provisions (Variables)	Union Party to Agreement (c0106) n=2981 (No. of Agreements)	Union Party to Agreement (c0106) (%)	Union Not Party to Agreement n=448 (No. of agreements)	Union not Party to Agreement (%)
Gainsharing	125	4.20	22	4.9
Workplace Grievance Procedure	2129	71.42	360	80.35
Training	1494	50.18	174	38.84
O H & S	1021	34.25	120	26.79
Performance Indicators	1000	33.55	70	15.63
Consultation	1403	47.06	115	25.67
Work Allocated on Team Basis	300	10.06	25	5.58
³ Budget Limits given to Team for Improvements	7	0.23	-	-
Authority of Team Set Out	68	2.28	3	0.67
Team to Develop Ideas for Continuous Improvement	141	4.73	5	1.12

Chi Square Analysis: Union Versus Non-Union Agreements

1. Gainsharing

Null Hypothesis (H₀): There will be no difference between whether a union is party, or not party to an enterprise agreement and the incidence of gainsharing provisions in the agreement.

Variable		Union Party To		Union Not Party To		Row Totals	
		<i>f</i>	<i>p</i>	<i>f</i>	<i>p</i>	<i>f</i>	<i>pe</i>
Gain	Yes	125	0.042	22	0.049	147	0.043
	No	2856	0.958	426	0.951	3282	0.957
	<i>nc</i>	2981	1	448	1	3429	1

$$\chi^2 = \sum nc \frac{(p - pe)^2}{pe}$$

$$\chi^2 = 0.464$$

³ Due to some cells containing less than 5 observations, a chi square analysis was not run on this variable and the comparison between the two types of agreements.

Conclusion:

Calculated chi square value = 0.464
 Table value = 0.455
 Degree of Freedom = 1
 Significance level = 0.500
 Cannot reject the null hypothesis at this level of significance.

2. Workplace Grievance Procedure

Null Hypothesis (H₀): There will be no difference between whether a union is party, or not party to an enterprise agreement and the incidence of workplace grievance procedure provisions in the agreement.

		Union Party To		Union Not Party To		Row Totals	
		<i>f</i>	<i>p</i>	<i>f</i>	<i>p</i>	<i>f</i>	<i>pe</i>
Variable	Yes	2129	0.714	360	0.804	2489	0.729
Grievance	No	852	0.286	88	0.196	940	0.274
	<i>nc</i>	2981	1	448	1	3429	1

$$\chi^2 = \sum_{nc} \frac{(p - pe)^2}{pe}$$

$$\chi^2 = 15.86$$

Conclusion:

Calculated chi square value = 15.86
 Table value = >10.827
 Degree of Freedom = 1
 Significance level = 0.001
 Can reject the null hypothesis at this level of significance.

3. Training

Null Hypothesis (H₀): There will be no difference between whether a union is party, or not party to an enterprise agreement and the incidence of training provisions in the agreement.

		Union Party To		Union Not Party To		Row Totals	
		<i>f</i>	<i>p</i>	<i>f</i>	<i>p</i>	<i>f</i>	<i>pe</i>
Variable	Yes	1494	0.501	174	0.388	1668	0.486
Training	No	1487	0.499	274	0.612	1761	0.514
	<i>nc</i>	2981	1	448	1	3429	1

$$\chi^2 = \sum_{nc} \frac{(p - pe)^2}{pe}$$

$$\chi^2 = 19.909$$

Conclusion:

Calculated chi square value = 19.909
 Table value = >10.827
 Degree of Freedom = 1
 Significance level = 0.001
 Can reject the null hypothesis at this level of significance.

4. Occupational Health and Safety

Null Hypothesis (H₀): There will be no difference between whether a union is party, or not party to an enterprise agreement and the incidence of occupational health and safety provisions in the agreement.

Variable		Union Party To		Union Not Party To		Row Totals	
		<i>f</i>	<i>p</i>	<i>f</i>	<i>p</i>	<i>f</i>	<i>pe</i>
OH & S	Yes	1021	0.343	120	0.268	1141	0.333
	No	1960	0.657	3280	0.732	2288	0.667
	<i>nc</i>	2981	1	448	1	3429	1

$$\chi^2 = \sum nc \frac{(p - pe)^2}{pe}$$

$$\chi^2 = 9.864$$

Conclusion:

Calculated chi square value = 9.864
 Table value = 6.635
 Degree of Freedom = 1
 Significance level = 0.01
 Can reject the null hypothesis at this level of significance.

5. Performance Indicators

Null Hypothesis (H₀): There will be no difference between whether a union is party, or not party to an enterprise agreement and the incidence of performance indicator provisions in the agreement.

Variable		Union Party To		Union Not Party To		Row Totals	
		<i>f</i>	<i>p</i>	<i>f</i>	<i>p</i>	<i>f</i>	<i>pe</i>
PIs	Yes	1000	0.335	70	0.156	1070	0.312
	No	1981	0.665	378	0.844	2359	0.688
	<i>nc</i>	2981	1	448	1	3429	1

$$\chi^2 = \sum nc \frac{(p - pe)^2}{pe}$$

$$\chi^2 = 58.137$$

Conclusion:

Calculated chi square value = 58.137
 Table value = >10.827
 Degree of Freedom = 1
 Significance level = 0.001
 Can reject the null hypothesis at this level of significance.

6. Consultation Provisions

Null Hypothesis (H₀): There will be no difference between whether a union is party, or not party to an enterprise agreement and the incidence of consultation provisions in the agreement.

		Union Party To		Union Not Party To		Row Totals	
		<i>f</i>	<i>p</i>	<i>f</i>	<i>p</i>	<i>f</i>	<i>pe</i>
Variable	Yes	1403	0.471	115	0.257	1518	0.447
	No	1578	0.529	333	0.743	1911	0.557
<i>nc</i>		2981	1	448	1	3429	1

$$\chi^2 = \sum nc \frac{(p - pe)^2}{pe}$$

$$\chi^2 = 72.044$$

Conclusion:

Calculated chi square value = 72.044
 Table value = >10.827
 Degree of Freedom = 1
 Significance level = 0.001
 Can reject the null hypothesis at this level of significance.

7. Work Allocated on a Team Basis

Null Hypothesis (H₀): There will be no difference between whether a union is party, or not party to an enterprise agreement and the incidence of "allocation of work on a team basis" provisions in the agreement.

		Union Party To		Union Not Party To		Row Totals	
		<i>f</i>	<i>p</i>	<i>f</i>	<i>p</i>	<i>f</i>	<i>pe</i>
Variable	Yes	300	0.101	25	0.056	325	0.095
	No	2681	0.899	4230	0.944	3104	0.905
<i>nc</i>		2981	1	448	1	3429	1

$$\chi^2 = \sum nc \frac{(p - pe)^2}{pe}$$

$$\chi^2 = 9.174$$

Conclusion:

Calculated chi square value = 9.174
Table value = 6.635
Degree of Freedom = 1
Significance level = 0.01
Can reject the null hypothesis at this level of significance.

8. Team to Develop Ideas for Continuous Improvement

Null Hypothesis (H₀): There will be no difference between whether a union is party, or not party to an enterprise agreement and the incidence of “team to develop ideas for continuous improvement” provisions in the agreement.

		Union Party To		Union Not Party To		Row Totals	
		<i>f</i>	<i>p</i>	<i>f</i>	<i>p</i>	<i>f</i>	<i>pe</i>
Variable	Yes	141	0.047	5	0.011	146	0.043
TeamIdeas	No	2840	0.953	443	0.989	3283	0.957
	<i>nc</i>	2981	1	448	1	3429	1

$$\chi^2 = \sum nc \frac{(p - pe)^2}{pe}$$

$$\chi^2 = 12.307$$

Conclusion:

Calculated chi square value = 12.307
Table value = >10.827
Degree of Freedom = 1
Significance level = 0.001
Can reject the null hypothesis at this level of significance.

Table 10: Comparison of Agreements with and without Gainsharing components against series of Variables:

Provisions (Variables)	Agreements with Gainsharing Components n=147 (No. of Agreements)	Agreements with Gainsharing Components (%)	Agreements without Gainsharing components n=3600 (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
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

CHI SQUARE ANALYSIS: GAINSHARING VERSUS NO GAINSHARING AGREEMENTS

1. Workplace Grievance Procedures

Null Hypothesis (H₀): There will be no difference whether there are “gainsharing” or “no-gainsharing” provisions in enterprise agreements and the incidence of workplace grievance procedure provisions in agreements.

Variable		Gainsharing		No Gainsharing		Row Totals	
		<i>f</i>	<i>p</i>	<i>f</i>	<i>p</i>	<i>f</i>	<i>pe</i>
Grievance	Yes	106	0.721	2383	0.662	2489	0.664
	No	41	0.269	1217	0.338	1258	0.336
	<i>nc</i>	147	1	3600	1	3747	1

$$\chi^2 = \sum nc \frac{(p - pe)^2}{pe}$$

$$\chi^2 = 2.748$$

⁴ Due to some cells containing less than 5 observations, a chi square analysis was not run on this variable and the comparison between the two types of agreements.

Conclusion:

Calculated chi square value = 2.748

Table value = 2.706

Degree of Freedom = 1

Significance level = 0.100

Cannot reject the null hypothesis at this level of significance.

2. Training Provisions

Null Hypothesis (H₀): There will be no difference whether there are “gainsharing” or “no-gainsharing” provisions in enterprise agreements and the incidence of training provisions in agreements.

Variable		Gainsharing		No Gainsharing		Row Totals	
		<i>f</i>	<i>p</i>	<i>f</i>	<i>p</i>	<i>f</i>	<i>pe</i>
Training	Yes	89	0.605	1579	0.439	1668	0.445
	No	58	0.395	2021	0.561	2079	0.555
	<i>nc</i>	147	1	3600	1	3747	1

$$\chi^2 = \sum nc \frac{(p - pe)^2}{pe}$$

$$\chi^2 = 15.757$$

Conclusion:

Calculated chi square value = 15.757

Table value = 10.827

Degree of Freedom = 1

Significance level = 0.001

Can reject the null hypothesis at this level of significance.

3. Occupational Health and Safety

Null Hypothesis (H₀): There will be no difference whether there are “gainsharing” or “no-gainsharing” provisions in enterprise agreements and the incidence of occupational health and safety provisions in agreements.

Variable		Gainsharing		No Gainsharing		Row Totals	
		<i>f</i>	<i>p</i>	<i>f</i>	<i>p</i>	<i>f</i>	<i>pe</i>
OH & S	Yes	62	0.422	1079	0.300	1141	0.305
	No	85	0.578	2521	0.700	2606	0.695
	<i>nc</i>	147	1	3600	1	3747	1

$$\chi^2 = \sum nc \frac{(p - pe)^2}{pe}$$

$$\chi^2 = 9.917$$

Conclusion:

Calculated chi square value = 9.917
 Table value = 6.635
 Degree of Freedom = 1
 Significance level = 0.01
 Can reject the null hypothesis at this level of significance.

4. Performance Indicators

Null Hypothesis (H₀): There will be no difference whether there are “gainsharing” or “no-gainsharing” provisions in enterprise agreements and the incidence of performance indicator provisions in agreements.

Variable		Gainsharing		No Gainsharing		Row Totals	
		<i>f</i>	<i>p</i>	<i>f</i>	<i>p</i>	<i>f</i>	<i>pe</i>
PIs	Yes	74	0.503	996	0.277	1070	0.286
	No	73	0.497	2604	0.723	2677	0.714
	<i>nc</i>	147	1	3600	1	3747	1

$$\chi^2 = \sum nc \frac{(p - pe)^2}{pe}$$

$$\chi^2 = 35.326$$

Conclusion:

Calculated chi square value = 35.326
 Table value = >10.827
 Degree of Freedom = 1
 Significance level = 0.001
 Can reject the null hypothesis at this level of significance.

5. Consultation Provisions

Null Hypothesis (H₀): There will be no difference whether there are “gainsharing” or “no-gainsharing” provisions in enterprise agreements and the incidence of consultation provisions in agreements.

Variable		Gainsharing		No Gainsharing		Row Totals	
		<i>f</i>	<i>p</i>	<i>f</i>	<i>p</i>	<i>f</i>	<i>pe</i>
Consult	Yes	82	0.558	1436	0.399	1518	0.405
	No	65	0.422	2164	0.601	2229	0.595
	<i>nc</i>	147	1	3600	1	3747	1

$$\chi^2 = \sum nc \frac{(p - pe)^2}{pe}$$

$$\chi^2 = 14.818$$

Conclusion:

Calculated chi square value = 14.818
 Table value of chi square = >10.827
 Degree of Freedom = 1
 Significance level = 0.001
 Can reject the null hypothesis at this level of significance.

6. Work Allocated on a Team Basis

Null Hypothesis (H₀): There will be no difference whether there are “gainsharing” or “no-gainsharing” provisions in enterprise agreements and the incidence of “work allocated on a team basis” provisions in agreements.

Variable		Gainsharing		No Gainsharing		Row Totals	
		<i>f</i>	<i>p</i>	<i>f</i>	<i>p</i>	<i>f</i>	<i>pe</i>
Team Work	Yes	22	0.150	303	0.084	325	0.087
	No	125	0.850	3297	0.916	3422	0.913
	<i>nc</i>	147	1	3600	1	3747	1

$$\chi^2 = \sum nc \frac{(p - pe)^2}{pe}$$

$$\chi^2 = 7.752$$

Conclusion:

Calculated chi square value = 7.752
 Table value = 6.635
 Degree of Freedom = 1
 Significance level = 0.01
 Can reject the null hypothesis at this level of significance.

7. Authority of Team Set Out

Null Hypothesis (H₀): There will be no difference whether there are “gainsharing” or “no-gainsharing” provisions in enterprise agreements and the incidence of “authority of team set out” provisions in agreements.

Variable		Gainsharing		No Gainsharing		Row Totals	
		<i>f</i>	<i>p</i>	<i>f</i>	<i>p</i>	<i>f</i>	<i>pe</i>
TeamAuth	Yes	9	0.0612	62	0.0172	71	0.019
	No	138	0.939	3583	0.983	3676	0.981
	<i>nc</i>	147	1	3600	1	3747	1

$$\chi^2 = \sum nc \frac{(p - pe)^2}{pe}$$

$$\chi^2 = 14.662$$

Conclusion:

Calculated chi square value = 14.662
 Table value = >10.827
 Degree of Freedom = 1
 Significance level = 0.001
 Can reject the null hypothesis at this level of significance.

8. Team to Develop Ideas for Continuous Improvement

Null Hypothesis (H₀): There will be no difference whether there are “gainsharing” or “no-gainsharing” provisions in enterprise agreements and the incidence of “team to develop ideas for continuous improvement” provisions in agreements.

		Gainsharing		No Gainsharing		Row Totals	
		<i>f</i>	<i>p</i>	<i>f</i>	<i>p</i>	<i>f</i>	<i>pe</i>
Variable	Yes	12	0.0816	134	0.0372	146	0.0390
	No	135	0.918	3466	0.963	3601	0.961
<i>nc</i>		147	1	3600	1	3747	1

$$\chi^2 = \sum nc \frac{(p - pe)^2}{pe}$$

$$\chi^2 = 7.433$$

Conclusion:

Calculated chi square value = 7.433
 Table value = 6.635
 Degree of Freedom = 1
 Significance level = 0.01
 Can reject the null hypothesis at this level of significance.

Discussion Of Chi Square Analyses

From the chi square analysis of “union” versus “non-union” agreements and the incidence of “best practice” initiatives. It is clear that union involvement in enterprise agreements is strongly associated with the presence of an array of “best practice” provisions, **except** for “gainsharing” – employee financial participation – provisions. The descriptive data on EFP provisions indicates that there is a **tendency** for these provisions to occur in “non-union” agreements, though the tendency is not statistically significant. Employee financial participation may be one strand of the “bundle” of HRM practices which has a tendency to “stand alone” in “non-union” agreements.

From the chi square analysis of “gainsharing” versus “no gainsharing” agreements, it is clear that employee financial participation is strongly associated with other “best practice” initiatives with the exception of workplace grievance procedures. As the literature suggests, EFP is not an isolated event and does coexist with other best practice initiatives though there is no stark evidence for EFP existing at the expense of other innovations. The apparent tendency for EFP to exist alone in the workplace at the expense of other innovations requires further research, including an analysis of the type of business strategy and/or mode of production in this type of workplace.

CONCLUSIONS

This paper, as an initial analysis of the phenomenon of employee financial participation, (EFP) has begun to assess the incidence, extent, context and employee relations issues concerning this form of employee participation.

Only those forms of EFP that promulgate collective levels of "ownership" or "rights based" schemes can genuinely be conceived as offering employees the chance to participate in the decision making processes of an organisation. A profit sharing scheme may involve employee participation in the implementation of such a scheme, but only in parallel with an ESOP, could there be post-implementation participation. With the existence of an extensive and equitable employee ownership plan (i.e. most or all employees participating with a "substantial" share of capital held on a collective basis), can we start to conceive of notions of "economic democracy". In the context of (strategic) human resource management, this may theoretically be the necessary impetus to move from employee "control" to commitment. As the critical analysis of HRM as a concept has demonstrated, HRM is riddled with contradictions by attempting to be both employee and business strategy centred. Mechanisms are required to synthesise these inherent contradictions, one of these mechanisms being extensive and equitable employee ownership, co-existing with other participatory practices.

The evidence assessed in this report indicates that particular categories of ESOPs predominate in the Australian workplace. Though employee ownership schemes are a growing phenomena, there is little evidence that they are conferring high levels of ownership and opportunity to participate in strategic decision making processes of the organisation. This report has drawn a distinction between "managerial" and "non-managerial" ESOPs, which is indicative of Pendleton et al's "Technical" and/or "Paternalistic" forms. Employee share ownership schemes in Australia appear to be either initiated because of the taxation concessions they offer, or as a management initiated strand of a bundle of HRM strategies.

The ACTU has formulated a policy for implementing ESOPs, where the various types of schemes available are assessed against a series of "best practice" criteria. The evidence assessed does not indicate that the ACTU preferred form is being implemented, and schemes traditionally tailored for management employees predominate.

The analysis of enterprise bargaining agreements paints a similar picture. The enterprise bargaining principle has been heralded as a genuine opportunity for workplace participation and reform, but this optimism is not matched by reality. Employee financial participation schemes – as an employee centred initiative, along with, notably, childcare provisions – are rarely found in agreements. The contextual analysis of "gainsharing" agreements does support the view that EFP will co-exist with other employee centred initiatives, but there is tentative evidence that EFP can exist alone and in the absence of trade union involvement participation. Employee financial participation schemes may well be a vehicle for dealing with employees directly and circumventing union structures. EFP schemes, such as profit sharing, are aligned with scientific management principles as collective "payments by results", and may be the sole means of employee satisfaction. Strict adherence to HRM as a strategic choice, as a response to a changing product market, may lead to collective bargaining with a union or union avoidance (Kochan et al 1984).

Extensive and equitable employee share ownership (with other participatory practices) has been advanced as the means to resolve the inherent contradictions of HRM. HRM in its ideal form becomes a precarious concept by being both business and employee centred. Employee needs may be displaced if there is a strict adherence to a business strategy eg. a strategy may require large scale employee redundancy. "Tough love" has been offered by Legge (1989) as the rhetorical device to overcome these tensions. Alternatively, extensive employee ownership may be the material means to "bring the employees into the company" (Hill 1995, Guest 1989), or in HRM-speak, promote employee "loyalty" and "commitment". There may then be organisational reluctance to use short term solutions such as redundancy to solve organisational problems.

Strategic HRM initiatives may have the potential to undermine management interests. How will management interests respond when they are faced with the collective representation of employees at previously exclusive boards? The undesirable prospect of diminishing managerial prerogative may obfuscate any possibility of genuine employee participation. Employee centred initiatives will only be

implemented if management interest can be confidently protected. This scenario seems to apply the nature of employee share ownership in Australia.

Further research on employee financial participation in Australia needs to be undertaken and this report to some extent has identified some pertinent research questions. There must always be caution when analysing the contents of enterprise agreements. The provisions outlined are publicly stated intentions, and only with follow up case study analysis can any measure of these provisions be taken. The evidence in this report has only provided a "snap-shot" of the employee relations aspects of EFP. There needs to be in-depth analysis of the organisational effects of EFP schemes, especially the stated effects of an employee share ownership scheme. Further analysis of EFP schemes should look at the intention, form, level and degree of participation offered (Teicher 1992). Do the schemes promote any measurable improvement in organisational performance as a consequence of improved employee relations. Does the "new industrial" relations overcome, in Kelly and Kelly's words feelings of "us and them". Evidence to date on the nature and extent of employee (financial) participation in the Australian workplace does not indicate the dawning of a post fordist era.

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