

NEW FORMS OF WORK ORGANISATION CAN EUROPE REALISE ITS POTENTIAL? Results of a survey of direct participation in Europe

The EPOC Project

Over the past few years the Foundation's EPOC Project (Employee Direct Participation in Organisational Change) examined the various European experiments in direct participation which, in the context of EPOC, is: **individual consultation and delegation, group consultation and delegation**. The earlier research in this project identified an information gap in the knowledge about practices in European enterprises. What is the extent of direct participation? What are the economic and social effects? To what degree can employees influence the organisation of work or control their working environment?

In order to answer these and other questions the Foundation undertook a postal survey of European management during the Autumn of 1996. The first results of the analysis of this survey give, for the first time, a comprehensive overview of the implementation and effects of direct employee participation within the European Union.

Key results :

- The survey is representative of workplaces in ten countries of the European Union, and of the responses, services accounted for the greater proportion (57%), industry for 36% and construction for 7%.
- Direct participation was more likely in workplaces with "white collar" occupations, task complexity, team activity, high qualification and internal training.
- Four out of five workplaces practised at least one form of direct participation but only 4% had the complete array of all six forms.
- There is little evidence for the adoption of the "Scandinavian" model of group work - most workplaces were positioned between the "Scandinavian" and the "Toyota" models with a tendency towards the "Toyota" model.
- Productivity and quality of working life concerns far out-ranked other motives in all countries in the decision to introduce direct participation.
- All forms of direct participation were considered to have a strong impact on economic performance - in the case of quality nine out of ten respondents reported a strong impact.
- Around one third of respondents reported a reduction in absenteeism and sickness.
- The introduction of direct participation was accompanied by a reduction in the number of employees and managers in around one third of workplaces. In half these cases the short term reduction was compensated or over compensated for the medium term.
- There were more likely to be reductions in employment in workplaces **without** direct participation than workplace **with** direct participation.
- One fifth of managers regarded the involvement of employee representatives as "very useful" and more than two thirds found it "useful"; however, in a quarter of establishments representatives were not involved.
- The more employees were informed and consulted, the greater the economic effects.
- Workplaces which had no participative culture were significantly out performed by workplaces which had direct and/or representative participation.
- High qualification enhanced the economic benefits of direct participation - especially the ability to achieve cost reductions.
- Remuneration systems in workplaces **with** direct participation tended to be more complex than those **without** - pay for skills and qualification was particularly prevalent in workplaces with direct participation.



Country Difference

The results of the EPOC survey do not lend themselves to easy categorisations along geographical lines. It is possible to identify a ‘Southern’ European pattern embracing Italy and Portugal and Spain. It is much more difficult to do the same for ‘Northern’ Europe, however. Close neighbours such as Germany and the Netherlands, and Denmark and Sweden, appear to be quite different from each other. Similarly, there does not appear to be any obvious link between the tradition of ‘voluntarism’ associated with Ireland and the UK and the nature and extent of direct participation. The Auroux laws appear to have had an impact on the pattern in France, however.

With 61% and 65% practising at least one form of direct participation, Portugal and Spain were clearly below the European average of 82%. Italy, by contrast was above average with 85% (see Table 1). In all aspects, Portuguese managers were way below their European colleagues, but especially so in the case of individual delegation. Table 2 shows the distribution of the main form of direct participation. Spanish workplaces displayed a below-average use of direct participation. Here, the low use of group delegation (10%) stands out as the most distinct deviation from the ten-country average. Italian workplaces were above average for the use of the two group forms of consultation, but appear to have been comparatively hesitant to delegate

Table 1. The incidence of direct participation by country

	% of workplaces with direct participation	absolute number of workplaces with direct participation
ten-country average	82	4,731
Denmark	81	545
France	87	520
Germany	81	674
Italy	85	326
Ireland	82	409
Netherlands	90	454
Portugal	61	182
Spain	65	298
Sweden	89	652
United Kingdom	83	671

responsibilities to their employees either as individuals or in groups.

Size of Workplace

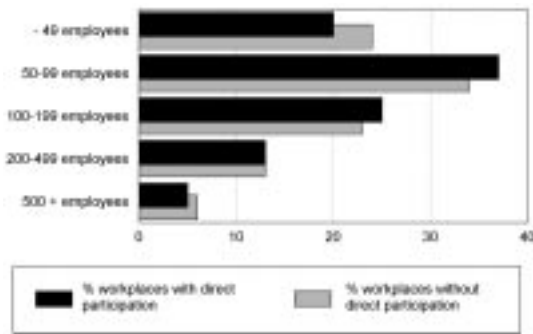
Overall, there is little variation in the incidence of direct participation by size (Figure 1). The medium size workplaces apply measures of direct workforce participation slightly more often than very large and particularly very small workplaces. In the case of small workplaces, this lower figure is explained by the lack of detailed bureaucratic structures and the higher degree of informality among social actors which such organisations permit.

Table 2. The incidence of the main form of direct participation by country

	individual consultation: ‘face-to-face’	individual consultation: ‘arm’s length’	group consultation: temporary groups	group consultation: permanent groups	individual delegation	group delegation
	%	%	%	%	%	%
ten-country average	35	40	31	30	55	36
Denmark	27	45	30	28	57	30
France	52	33	40	34	54	40
Germany	20	38	26	31	64	31
Ireland	39	22	36	28	62	42
Italy	32	42	42	21	44	28
Netherlands	38	73	26	35	59	48
Portugal	25	18	20	25	26	26
Spain	30	20	23	23	40	10
Sweden	29	45	34	29	69	56
United Kingdom	52	40	33	41	53	37



Figure 1. The size of the workplaces

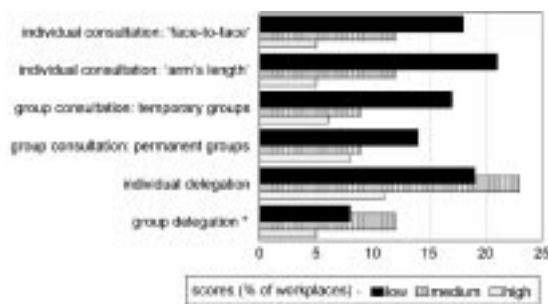


Direct participation was practised more often in workplaces where work was essentially team-based. In workplaces **with** and **without** direct participation, work was seen as a team activity rather than an individual activity. However, team-based work was more pronounced in workplaces **with** direct participation than **without**. Only to a minor extent, too, did team-based work seem to be the result of direct participation. However, workplaces with team-based work were more prepared to venture into direct participation, thus enforcing an already existing trend.

Scope

“Scope” means the range of issues on which employees are consulted or have decision-making powers. The position in the ten countries, as set out in Figure 2, shows that the proportion of workplaces achieving high scores for scope for any of the forms of direct participation is very low. Indeed, the proportion reached double figures in the case of one form only, that of individual delegation.

Figure 2. The scope of the main forms of direct participation: Ten countries – All respondents



* These scores combine those for scope and autonomy (see text below)

Economic Effects

Concerning the economic effects, the results in Figure 3 show a clear positive relationship between the multiple use of different measures of direct participation and all four economic performance measures. The strongest difference between a low and high use of direct participation was on output. If workplaces used only one or two forms of direct participation, 43% of managers saw an increase in output. However, if workplaces applied five to six forms the figure increased to 73% (a difference in percentage points of +30). The other three economic indicators showed a weaker but also significant interrelation. The difference in percentage points between single and multiple user workplaces for quality was + 8; for cost reduction, +11; and for throughput time, +12.

Employment Effects

While there are positive economic benefits from direct participation, there are also some negative employment effects (Figure 3). The survey results show that about 30% of workplaces experienced a reduction in employment as a result of the introduction of direct participation and a quarter reduced the number of managers. They also show that the higher the scope of certain forms of direct participation (e.g. ‘arms-length’ individual consultation; group delegation), the higher the reduction in employment. However, in half of these cases short term employment effects are compensated for in the medium term, with a return to, or in excess of, the previous levels of employment. They also indicate that

Figure 3. The effects of multiple forms of direct participation: Percentage of those responding “yes”

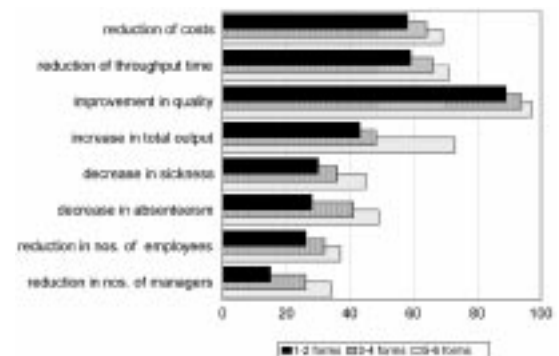
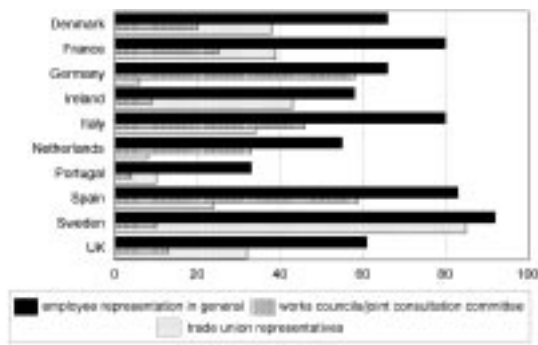


Figure 4. Percentage of workplaces with employee representation: All respondents



reductions in employment are more likely in workplaces without direct participation than those with direct participation.

Employee Representation

Figure 4 shows a significant difference in the extent of coverage of employee representatives in the ten countries. The two main institutions are works councils or joint consultation committees on one side, and different forms of trade union representatives on the other. In Sweden, nearly all workplaces (92%) had representative bodies and most involved trade union representatives (85%). Coverage was extensive in Italy, Spain and France as well. By far the lowest level of coverage of employee representatives was reported in Portugal. Only one third of Portuguese workplaces had representatives. Overall, trade union organisations were more

prevalent than works councils. Only in Germany, Italy, The Netherlands and Spain did works councils have a higher diffusion than trade union representatives.

A quarter of workplaces in the 10 countries did not involve employee representatives in the introduction of direct participation (Table 3). This reflects both the lack of employee representatives and the lack of their involvement where they were present.

Employee Consultation

The survey results indicate a relatively high level of employee consultation before the introduction of direct participation (Table 4). In more than one quarter of the workplaces, all employees were ‘extensively’ consulted and in more than 50% to a ‘limited extent’ consulted. In one out of ten workplaces, however, managers even admitted that employees were neither informed nor consulted before the introduction of direct participation. Some important differences emerge by country, which might have been expected. Sweden and Denmark had a high level of employee involvement. The lowest was in Portugal where nearly one in five workplaces said employees were neither informed nor consulted. Denmark had the highest level of extensive consultation (50%) followed by France (nearly 40%). The two countries characterised by voluntarism had the stronger levels of employee involvement.

Table 3. The extent of employee representative involvement in the introduction of direct participation – % of all workplaces with direct participation

	no participation	limited information	extensive information limited consultation	extensive consultation	extensive joint decision making/ negotiations
ten-country average	25	9	22	20	24
Denmark	22	3	10	21	44
France	22	8	37	16	17
Germany	29	5	15	18	34
Ireland	40	8	16	22	14
Italy	25	18	22	17	17
Netherlands	39	8	18	19	16
Portugal	44	8	15	19	14
Spain	19	13	23	24	22
Sweden	3	7	17	29	45
UK	19	12	24	27	19

	no involvement	limited information	extensive information	limited consultation	extensive consultation
ten-country average	10	8		51	28
Denmark	5	6	5	38	50
France	8	5	2	40	39
Germany	10	8	9	51	24
Ireland	12	9	4	45	33
Italy	15	10	1	54	17
Netherlands	13	8	4	54	22
Portugal	18	8	3	54	13
Spain	4	10	8	61	21
Sweden	3	5	4	58	31
UK	10	8	3	48	33

Figure 5. High qualification requirements for the largest occupational group by country

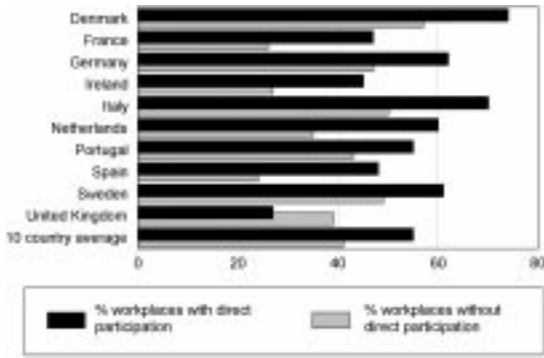
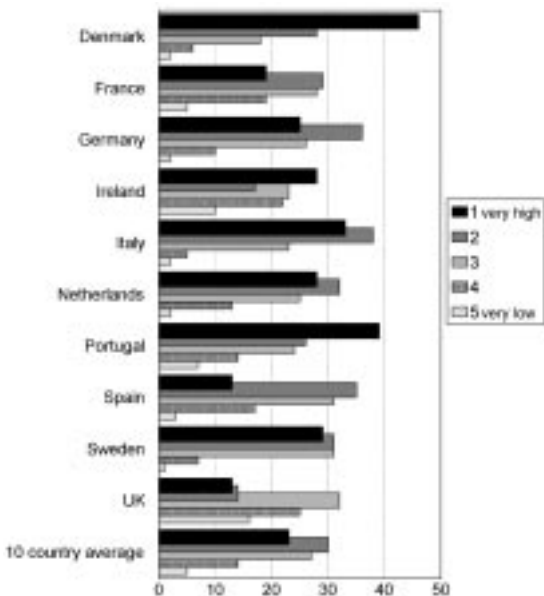


Figure 6. Qualification requirements – Percentage of respondents with direct participation by country



Both the UK and Ireland were above the ten country average with a third of workplaces practising extensive consultation.

Skills and Qualifications

When we examine the level of skills and qualifications of the workforce, we find that high qualification needs go together with direct participation (Figure 5). This is, above all, true of the Netherlands, Spain, France and Italy with differences of more than 20% points between the workplaces **with** and **without** direct participation. The country which stands out is the UK. Here the situation is reversed: 39% of workplaces **without** direct participation claim the need for high workforce qualification, compared with only 27% of workplaces **with**.

Country differences are most apparent for Denmark, at one extreme, and for Spain and the UK, at the other. While in Denmark the demand for very high qualification is almost twice as high (46%) as the ten-country average, it is the opposite for the other two countries. High qualification is used only to a very limited extent in Spain (13%) and the UK (13%). Moreover, a comparatively large number of managers (16%) in the UK declared they could run their business with an unqualified workforce. The case of Portugal and Spain is also interesting. While Spanish managers seemed to be pursuing a low-qualification strategy, in Portugal the number of workplaces with very high

	very high qualification	very low qualification
>10%	21	4
10-25%	30	5
25-50%	24	8
50-75%	22	7
75-100%	23	5

	very high qualification	very low qualification
>10%	40	0
10-25%	42	0
25-50%	17	1
50-75%	16	1
75-100%	8	0

qualification requirements is well above the average (39%). It can be assumed that in Portugal the presence of multinational companies brings operating concepts demanding high qualification.

Significantly, the results suggest, there might be a competitive disadvantage for workplaces following a low qualification strategy in their approach to direct participation. The message is that in spite of higher wages, cost reduction is more likely to be achieved by direct participation if the workforce is qualified.

The proportion of workplaces reporting the reduction of throughput times is also much higher in the high-qualification workplaces, whereas quality improvements and an increase in total output were only slightly affected. Direct participation-workplaces whose largest occupational group is highly qualified tend to reduce the number of

employees (26%) less often than other workplaces (39%). There are two possible explanations for this: one is that high-qualification workplaces are more successful and can compensate higher productivity with an increased production of goods or services; the other is that the increase of productivity, on its own, is less important in these workplaces than other cost reduction factors or other considerations such as flexibility and quality.

The survey results would indicate that neither qualification requirements nor skill-orientation, are related to the percentage of women in the largest occupational group. In general, more women are working in sectors with a high average of qualification requirements and skill-orientation (like banking/insurance or education), while in large sectors with lower skill requirements

Figure 7. Qualification requirements and the effects of direct participation: Percentage of respondents with direct participation

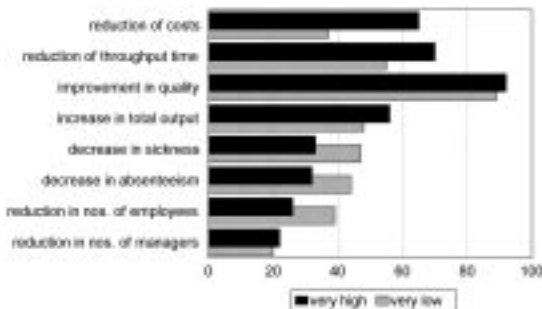
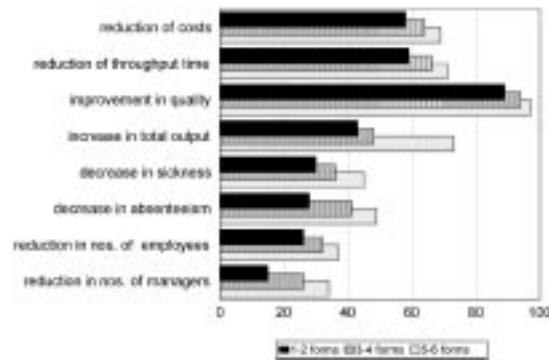


Figure 8. Types of remuneration systems: Percentage of all respondents



(e.g. industry or construction) men are in the majority.

Looking at single sectors shows the result that might have been expected: the higher the share of women at the workplace, the lower are the qualification requirements and the skill orientation.

For example if we examine two typical sectors with low and high female employment (Tables 5 and 6): in manufacturing the number of workplaces requiring very high qualification is more than four times higher in male-dominated workplaces – i.e. where the percentage of women was less than 10% than in women-dominated workplaces – where the percentage of women was above 75%. Just the opposite holds true for workplaces with very low qualification requirements. This impact of gender on qualification requirements is even more drastic in banking/insurance: more than 40% of male-dominated workplaces in this sector are high-qualification-workplaces, whereas this is the case in only 8% of those female-dominated workplaces.

Payment systems

Figure 8 suggests that most of the special components of remuneration systems are more frequent in workplaces **with** rather than **without** some form of direct participation. This is particularly true for components reflecting skills and qualification, which are applied in almost 50% of direct participation-workplaces but in only one third of their non-

direct participation counterparts. This would appear to support the finding that employee skills are a crucial factor in the functioning of direct participation.

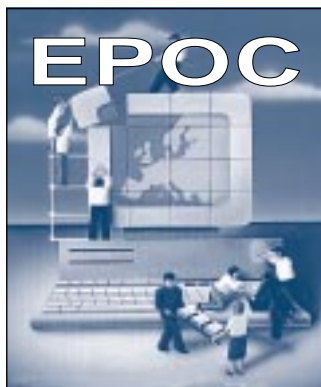
Bonuses for individual performance for the team volume of output and profit sharing schemes are slightly more prominent in workplaces **with** direct participation. Share ownership schemes are also frequently used.

As well as differences due to particular national systems of regulation, there are some other interesting results:

- Pay for qualification was, by far, most prominent in Germany (75% of direct participation-workplaces). Germany also had the highest proportions with individual bonuses for output - Germany, it seems, is the country of payment by results systems;
- Profit sharing schemes were very popular in France (43%) and in the UK (38%);
- The UK, as well as being prominent for profit sharing, was the only country with a considerable number of workplaces with share ownership schemes (22%). It can be said, that direct participation is most likely to go together with financial participation in the UK than in other countries;
- Sweden was prominent for having the highest proportion of workplaces **not** paying any special bonuses (49%).

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