



Direct Participation and the Modernisation of Work Organisation



EUROPEAN FOUNDATION
for the Improvement of Living and Working Conditions

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Foreword

The ‘modernisation’ of work organisation is a central issue for EU social partners and policy makers. Trade unions have campaigned for decades for greater industrial democracy in the workplace, including, at times, a demand for full worker control or self-management. In recent years, as a consequence of the severe economic pressures faced by EU Member States, there has been an unprecedented and widespread management interest in using the direct participation of employees to improve business performance.

For policy makers, too, the ‘modernisation’ of work organisation has assumed a fundamental significance. This idea was a central premise of the European Commission’s 1997 Green Paper, *Partnership for a New Organisation of Work*. This followed on from the 1993 White Paper on *Growth, Competitiveness and Employment*, which had highlighted organisational capacity as one of the key components of competitiveness; in a similar vein, the European Council meeting in Essen in 1994 had stressed the need to increase the employment intensity of growth, in particular by a ‘more flexible organisation of work in a way which fulfils both the wishes of employees and the requirements of competition’ (European Commission, 1997:1).

Significantly, employment was given a treaty basis at the Amsterdam Inter-Governmental Conference in June 1997, and the extraordinary jobs summit in November of the same year set in motion a rolling programme of yearly planning, monitoring, examination and re-adjustment based on the four so-called ‘pillars’ of priority action: improving employability, developing entrepreneurship, encouraging adaptability in businesses and their employees, and strengthening equal opportunities policies.

The European Foundation for the Improvement and Living and Working Conditions has been actively involved in research and debate about work organisation for many years. During the years 1993-98, it carried out a major programme of research dealing with the nature and extent

of the direct participation that is at the heart of new forms of work organisation. Known by the acronym EPOC (Employee direct Participation in Organisational Change), the project concentrated on the following main activities:

- A study of the concept of direct participation to make it more accessible to empirical research;
- A study of the attitudes and approaches to direct participation of the social partners throughout Europe, involving around 200 interviews with senior representatives of the peak employers' and trade union organisations in two main sectors, engineering and banking;
- An appraisal of the available research in the USA and Japan, as well as EU member countries, in order to establish the current state of knowledge and understanding of direct participation and its contribution to new forms of work organisation;
- The design, implementation and analysis of a representative postal survey of managers in some 5,800 workplaces in ten EU countries, in order to be able to draw the first-ever EU map of the nature and extent not only of direct participation but also innovation and a range of flexible employment practices; and
- The organisation of a number of round tables and seminars to allow for the dissemination and discussion of the results of the project at key junctures.

In the event, such is the policy interest in work organisation that the Foundation was invited by the European Commission's Directorate-general for Employment to join forces in the establishment of the European Work Organisation Network (EWON) which would serve as a vehicle for encouraging the spread of new forms of work organisation as well as carrying out further research. Key institutions and government agencies from each of the Member States are involved in the network which was launched in the summer of 1999.

In view of the importance of the issues examined in the EPOC research, both the EPOC Research Group and its Advisory Committee felt it would be appropriate to draw up a review which would analyse and reflect on the project's findings. Not only would such a report summarise what had been learnt about direct participation over six years of research activity, but it would also identify the main considerations that EWON, along with policy makers more generally, needs to address if there is to be serious progress in modernising work organisation.

It is this remit that the present report seeks to fulfil. Its main target audience is policy makers in the area of industrial relations as well as governments and social partner organisations.

Raymond-Pierre Bodin,
Director

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Chapter 1



The EPOC project: concepts and methods

Several features of the approach of the EPOC project are fairly distinctive and it is useful at this point to spell them out briefly. Conceptually, given the gaps in knowledge and its relevance to the policy debate, the primary focus of the EPOC project was on the degree to which management was using direct participation and other new forms of work organisation as a strategy for improving business performance. Rather than using labels such as ‘quality circles’, which admit of a wide range of different interpretations, the emphasis was on the processes of direct participation. For the purposes of the empirical enquiry, *direct participation* was defined as follows:

- *Consultative participation*, whereby management encourages employees to make their views known on work-related matters, but retains the right to take action or not.
- *Delegative participation*, whereby management gives employees increased discretion and responsibility to organise and do their jobs without reference back.

The essence of direct participation can be better understood by contrasting it with the other forms of involvement and participation listed in Box 1.

In contrast to communications and financial participation, i.e. profit sharing and share ownership, the key distinguishing features of direct participation are *consultation* and *delegation*. Profit sharing and share ownership may be an integral feature of a participative approach, but do not necessarily involve consultation with or delegation to employees. In contrast to indirect or representative participation, the word ‘direct’ is crucial: whereas *indirect* participation takes place through the intermediary of employee representative bodies, such as works councils or trade unions, *direct* participation involves employees themselves.

Box 1 Types of involvement and participation

<p>Communications</p> <p>Financial participation</p> <p><i>Profit sharing</i></p> <p><i>Share ownership</i></p> <p>Direct participation</p> <p><i>Consultative</i></p> <p><i>Delegative</i></p> <p>Indirect or representative participation</p> <p><i>Joint consultation</i></p> <p><i>Co-determination</i></p> <p><i>Collective bargaining</i></p> <p><i>Worker directors</i></p>
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Both *consultative* and *delegative participation* can involve individual employees or groups of employees. The two forms of consultative participation can be further subdivided. Individual consultation can be ‘face-to-face’ or ‘arms-length’; group consultation can involve temporary or permanent groups. This gives us six main forms of direct participation regardless of the particular label applied. The six forms are set out in Box 2 (page 3), together with examples of relevant practices from EPOC’s research review (Fröhlich and Pekruhl, 1996) and round table discussions. It is around these types that the EPOC survey’s questions were structured.

The EPOC project also adopted a methodology that is unique for this kind of policy-relevant research. Typically, such research has tended to focus on supposedly ‘best practice’ case studies. The problem is that such an approach runs the risk of underestimating the problems that management in ‘ordinary’ organisations faces in introducing ‘best practice’, as well giving the impression that the practice is much more widespread than it is. Essentially, as the outline above confirms, the EPOC project combined a number of strands: work on concepts, a review of the literature, and discussions with social partner representatives, leading to the first systematic EU-wide survey covering not only the nature and extent of direct participation, but also innovation and a range of different types of flexibility. The intention was that this survey would, in turn, provide the springboard for in-depth cases studies, covering a range of situations from organisations with little or no evidence of modernised work organisation through to those that might be said to have transformed theirs.

Any research design has its limitations. In the case of the EPOC project, most of these were the reverse of its strengths. The tight focus on direct participation, for example, meant that other forms of employee participation did not receive the attention that some believed they should. The



prioritisation of management strategy meant that employee experience of new forms of work organisation remains to be systematically evaluated. As well as looking at the main findings of the EPOC project, therefore, the discussion that follows addresses these and other issues needing further consideration.

Box 2 The main forms of direct participation

Individual consultation

'Face-to-face': arrangements involving discussions between individual employee and immediate manager, such as regular performance reviews, regular training and development reviews and '360 degree' appraisal.

'Arms-length': arrangements which allow individual employees to express their views through a 'third party', such as a 'speak-up' scheme with a 'counsellor' or 'ombudsman', or through attitude surveys and suggestion schemes.

Group consultation

'Temporary' groups: groups of employees who come together for a specific purpose and for a limited period of time, e.g. 'project groups' or 'task forces'.

'Permanent' groups: groups of employees who discuss various work-related topics on an ongoing basis, such as quality circles.

Individual delegation

Individual employees are granted extended rights and responsibilities to carry out their work without constant reference back to managers – sometimes known as 'job enrichment'.

Group delegation

Rights and responsibilities are granted to groups of employees to carry out their common tasks without constant reference back to managers – most commonly known as 'group work'.



Chapter 2	The impact and effects of direct participation
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Contribution to business performance

The results of the EPOC project can be added to the growing body of empirical evidence suggesting that new forms of work organisation in general and involvement and participation in particular make good business sense. All the forms of direct participation covered in the EPOC survey were reckoned by managers to have a strong positive impact on a range of indicators of business performance. As Table 1 (page 6) suggests, the strongest impact was on quality, where between 92 and 95% of managers saw a positive impact resulting from different direct participation measures. Not as strong, but also with a clear majority, management saw positive effects on throughput time (between 62 and 70%), cost reduction (between 56 and 66%) and increased output (between 44 and 58%).

The overall effect on the indirect labour cost variables was lower than on the economic performance indicators. This can be seen by comparing the results for group delegation. Around one third of workplaces with group delegation experienced a reduction in absenteeism (37%) and in sickness (32%), whereas an observed increase in quality was three times stronger and increased output is nearly double (58%). These results concur with the public debate on the changing management expectations of direct participation. Historically, there was a tendency for managers to stress the benefits more in terms of absenteeism, sickness rate and turnover than business performance. Nowadays, it seems, direct participation has become an organisational development tool used to influence output, throughput time and quality.

Another significant finding is that the more forms of direct participation that were used, the greater the reported effects. Furthermore, the greater the scope of the form (i.e. the range of

issues employees were consulted on or given rights to make decisions), the greater the reported effects.

Table 1 The effects of the different forms of direct participation (% of those responding 'yes')

	Individual consultation: 'face-to-face'	Individual consultation: 'arms-length'	Group consultation: temporary groups	Group consultation: permanent groups	Individual delegation	Group delegation
Reduction of costs	61	66	64	61	60	56
Reduction of throughput time	64	66	66	62	69	66
Improvement of quality	94	92	95	94	93	94
Increase in total output	52	47	48	53	44	58
Decrease in sickness	39	40	31	37	22	32
Decrease in absenteeism	42	39	39	39	28	37
Reduction in no. of employees	27	37	30	26	26	30
Reduction in no. of managers	26	25	23	22	28	31

Table 2 reveals that the sharpest contrast in effect between a low and high use of direct participation was in the area of output. If workplaces used only 1 or 2 forms of direct participation, 43% of managers saw an increase in output. However, if workplaces applied 5-6 forms, the figure increased to 73% (a difference in percentage points of +30). The other three indicators of business performance 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.

Table 2 The effect of multiple forms of direct participation (% of those responding 'yes')

	1-2 forms	3-4 forms	5-6 forms
Reduction of costs	58	65	69
Reduction of throughput time	59	66	71
Improvement in quality	90	95	98
Increase in total output	43	47	73
Decrease in sickness	30	35	45
Decrease in absenteeism	28	41	49
Reduction in no. of employees	25	32	38
Reduction in no. of managers	15	26	35

Multiple forms of direct participation also had a strong influence on indirect labour costs. In those workplaces with 5-6 forms, 49% of managers attributed a reduction of absenteeism and 45% a decrease in sickness rates to direct participation. This compares to a 28% reduction of absenteeism in workplaces applying only 1-2 forms and to a 30% reduction in sickness, the difference in percentage points for absenteeism being +21 and for decrease in sickness +15.

Table 3 (page 7) illustrates the positive association between the scope of direct participation and the contribution to business performance, showing that workplaces with high scores for individual delegation achieved 97% quality improvement, which equals 10 percentage points



higher than workplaces with low scores. Using the same comparisons, success in cost reduction increased by +10; throughput time by +14; and output increased by +9. The effects on indirect labour costs were even higher: sickness decreased by +21 and absenteeism was reduced by +18.

Table 3 The effect of the scope of individual delegation (% of those responding ‘yes’)

	Low scores for scope	Medium scores for scope	High scores for scope
Reduction of costs	56	60	66
Reduction of throughput time	60	74	74
Improvement in quality	87	94	97
Increase in total output	46	37	55
Decrease in sickness	13	22	34
Decrease in absenteeism	24	20	42
Reduction in no. of employees	22	23	40
Reduction in no. of managers	20	32	45

Table 4 illustrates the case of group delegation, where the economic effect of groups with high scores would appear to be convincing, with cost reduction increasing from 44% (low) to 62% (high). This is a difference of +18 percentage points. Throughput time (+15); quality (+6); and increase in output (+30) also showed a strong relationship with the scope of issues the group could consider.

Table 4 The effect of the scope of group delegation (% of those responding ‘yes’)

	Low scores for scope	Medium scores for scope	High scores for scope
Reduction of costs	44	61	62
Reduction of throughput time	52	68	67
Improvement in quality	90	96	96
Increase in total output	42	63	72
Decrease in sickness	30	34	33
Decrease in absenteeism	32	42	35
Reduction in no. of employees	25	31	35
Reduction in no. of managers	29	22	42

These findings can of course be criticised on the grounds that they reflect the opinions of managers rather than objective evidence linking changes in work organisation to performance measures. Patently, the case would be stronger if such data could be produced. The problem is that managers themselves rarely collect such data and certainly not in a form that allows the kind of cross-national comparison undertaken by the EPOC project. What is especially difficult for them, and therefore researchers, is to unravel the effects on performance of multiple developments and initiatives in volatile market conditions.

Effects on employment

Both the EPOC social partner (Regalia, 1995) and literature (Fröhlich and Pekruhl, 1996) reviews revealed concerns expressed by trade union representatives that direct participation would lead to a reduction in the number of employees. The EPOC general survey report confirmed that many of the workplaces introducing direct participation (around a third) did indeed reduce the number of employees as a result (see Table 1). In a similar proportion, the overall reduction of employees was accompanied by a process of delayering the internal hierarchies and, as a consequence, a reduction in the number of managers. The largest reduction of middle managers occurred in workplaces which had introduced group delegation (31%). The smallest was in workplaces with permanent group consultation (22%). As in the case of the business results, the more forms of direct participation practised, and the greater their scope, the more likely workplaces were to reduce employment (Tables 2, 3 and 4). Furthermore, employee representatives were more likely to be involved in the introduction of forms of direct participation involving reductions in employment.

This is not the complete story, however. In half of the workplaces where direct participation led to a reduction in employment in the short term, there was stable or increased employment in the medium term. Furthermore, and most fundamentally, the workplaces which did not practise direct participation were more likely to report a reduction in medium-term employment than those which did.

The same is true of other indices of workplace change such as innovation, working time flexibility and contract flexibility. Although there are many other considerations involved, it is the 'active', and not the 'passive', workplaces that are more likely to increase employment. In the case of functional flexibility, contract flexibility, innovation and the consultation of individual employees, and their combinations, the net employment change (i.e. the difference in the proportion of workplaces reporting an increase/decrease in employment) was likely to be least positive in the 'passive' workplace. Only in the case of numerical flexibility (i.e. downsizing/back to core business), not surprisingly, was 'inactivity' favourable from the point of view of employment.

Even so, an important implication of the EPOC survey findings is that new forms of work organisation and reductions in employment do not appear to be mutually incompatible. New forms of work organisation, it seems, can and do take place side-by-side with the employment reductions associated with a 'downsizing' and a 'back to core business' approach. European workplaces are no different in this regard from their OECD and US counterparts. The EPOC survey results confirm that the Green Paper's summary point –the need to reconcile security for workers with the flexibility of firms – is likely to be an especially sensitive issue.



Factors of success

Communication

The EPOC literature review found that many commentators emphasised the importance of the involvement of employees themselves, and not just their representatives, in the successful introduction of direct participation. The EPOC survey confirms this. Extensive consultation of employees went together with the introduction of forms of direct participation, such as semi-autonomous work groups, with a wide scope for decision-making. The opposite was also the case: little or no employee involvement went hand-in-hand with low scores for the scope of direct participation.

The more employees were informed and consulted, the greater managers thought the contribution of their direct participation to business performance was. This was especially true of costs reduction and increases in output. Furthermore, the more extensive the employee involvement, the greater was the tendency for respondents to report a decrease in sickness and absenteeism.

Employee consultation

The EPOC survey, along with the literature review and social partner interviews, also confirms the importance of management going beyond the giving of information and making every effort to seek the views of employees. In this case, however, there is particular point to be made. Both the policy and scientific debates have tended to prioritise the delegative forms of direct participation at the expense of the consultative. Thus the EPOC literature study found that group work in particular was the 'dominating concept' and the 'core element of new forms of work organisation' (Fröhlich and Pekruhl, 1996: 79). Yet the data from the EPOC survey suggests that, far from being regarded as the poor relation, employee consultation should be accorded much greater attention. It is not just that a majority of respondents to the EPOC survey, including many of those who practised delegation, reckoned that one of the consultative practices was the most important form of direct participation so far as their workplace was concerned. The effects of consultative practices were found to be at least as strong as those of the delegative practices on the indicators of business performance. Indeed, it often needed the more intense application of the delegative forms to achieve similar effects to those of the consultative of lesser scope. The consultative forms, in particular 'face-to-face' consultation, showed a more positive relationship with employment: the more intensively managers consulted with employees, the more likely there was to be an increase in employment and the less likely a decrease.

These findings can, of course, reflect the relatively limited nature and extent of the group delegation uncovered by the EPOC survey, which is discussed in more detail below. They can also reflect managers' prejudices: managers may be reluctant to give up control and rely on one of the delegative forms of direct participation that takes the initiative away from them. It is also possible, however, that the intensive practice of employee consultation is an indicator of a management that is open to new ideas and willing to learn: one, therefore, that is more likely to be sensitive to the opportunities for change and adaptation leading to positive employment outcomes.

Employee representative involvement

The findings of the EPOC survey also suggest that, far from being incompatible with the various forms of direct participation, indirect or representative participation is one of the ingredients of their successful introduction. Employee representatives, who could be either work councillors or workplace trade union officials depending on the country, were in most cases regarded as ‘agents of change’ rather than ‘barriers to progress’ in the introduction of direct participation. Indeed, overall, as Table 5 shows, one fifth of managers in the EPOC survey found the involvement of employee representatives as ‘very useful’ and more than two-thirds found it ‘useful. Only 11% of managers said it had ‘no effect’ and 1% thought it a ‘hindrance’.

Table 5 Usefulness of employee representative involvement in the introduction of direct participation (% of workplaces with employee representatives)

	‘very useful’	‘useful’	‘no effect’	‘hindrance’
Ten-country average	21	67	11	1
Denmark	41	54	6	–
France	18	54	26	2
Germany	21	67	9	3
Ireland	24	70	6	–
Italy	7	81	9	3
Netherlands	20	70	9	1
Portugal	38	62	–	–
Spain	16	70	13	1
Sweden	17	75	9	–
United Kingdom	26	61	11	2

Extensive consultation and negotiation/joint decision-making of employee representatives in the introduction of the various forms of direct participation also went together with the practice of a wide scope of these forms. By contrast, a narrow scope was most frequent in workplaces without such involvement. Employee representative involvement, in the opinion of managers, was also positive as far as the effect of direct participation on the economic performance was concerned. This was especially true in the case of reducing costs and employment in the short-term. Employee representatives, it seems, were substantially involved in activities involving the restructuring of their workplaces.

Qualifications and training

The EPOC survey confirms that qualifications and training are two of the key ingredients in the success of direct participation. A high level of employee qualification and vocational training increased the likelihood that direct participation would be successful in achieving a positive contribution to business performance. It was not just vocational training that was very important, however. Direct participation was more likely to be successful if there was training of both employees and managers in the social skills appropriate to the new forms of work organisation.

This point becomes especially evident in a comparison of the two ideal types of group work prominent in both the policy and scientific debates: the ‘Toyota’ and the ‘Scandinavian’ (see



Table 6). In the case of the Toyota model, the intensity of group delegation, the qualification requirements and the training levels tend to be low. In the case of the Scandinavian model, the opposite tends to be true: the intensity of group delegation, the qualification requirements and the training levels tend to be high. Only one fifth of respondents with the Toyota model said direct participation was a complete success, whereas almost half of those with the Scandinavian variety did so. 15% of the Toyota-type workplaces reckoned that direct participation had been not very successful, whereas none of the workplaces with the Scandinavian model did so.

Table 6 Types of group delegation and economic success (in %)

	Toyota model	Scandinavian model
<i>Was direct participation a success?</i>		
Completely successful	20	48
Very successful	56	44
Moderately successful	9	8
Not very successful	15	0

Looking at the effects of direct participation on the range of indicators of business performance, the figures are much higher for the Scandinavian model than for the Toyota model in each (see Table 7). For example, while a total output increase is achieved by almost all workplaces (99%) applying the former, less than one third (27%) with the latter did so. In many categories the results for the Scandinavian model are more than twice as high as for the Toyota.

Table 7 The effect of different types of group delegation (% of respondents with other forms)

	Toyota model	Scandinavian model
Reduction of costs	44	80
Reduction of throughput time	56	80
Improvement in quality	91	96
Increase in total output	27	99

An integrated approach

As stated earlier, the findings reveal that the greater the number of forms of direct participation used, the greater the reported effects on a range of measures of business performance. The implication, which is consistent with the results of recent research from both Europe and the USA emphasising the importance of ‘bundles’ or ‘clusters’ of activities, is that an integrated approach to the modernisation of work organisation is important. More robust evidence to support this conclusion also comes from the detailed analysis of the factors shown to be positively associated with employment growth. This showed that the various measures associated with new forms of work organisation, such as innovation, working time flexibility, contract flexibility, delegation and consultation, had a stronger positive impact when they were combined than when they were applied on their own. When functional flexibility and contract flexibility were practised together, for example, or contract flexibility and consultation or contract flexibility and innovation or innovation and consultation, the prospects for employment growth were enhanced.

The strong showing in the various clusters of innovation, measured in terms of new products, the introduction of information technology, a policy of automation and the introduction of new machinery and equipment, has a wider significance. The main focus in the policy debate in recent years has been on greater labour market flexibility as the route to the modernisation of work organisation. A critical implication of the EPOC findings is that such a focus is far too narrow. However necessary greater labour market flexibility may be in promoting competitiveness and employment, it is not sufficient in itself. The 'growing workplace', the EPOC findings suggest, is above all one in which the management is highly innovative and listens to its employees.

Chapter 3

The characteristics of direct participation

New forms of work organisation

At first sight, the results of the EPOC survey suggest that the new forms of work organisation are extensive. Between 30% and 50% of workplaces practised each of the forms of direct participation and something like four out of five workplaces were involved in at least one form (see Table 8).

Table 8 The incidence of the main forms of direct participation by country (in %)

	Individual consultation: 'face-to-face'	Individual consultation: 'arms-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

Closer inspection suggests that there was a considerable ‘gap’ between the rhetoric and the reality of new forms of work organisation, however. Most workplaces are in reality pursuing a partial approach. Relatively few – around one in seven – used the five or six forms which might have been expected in organisations with an integrated approach (see Table 9). The coverage of the group forms of direct participation, both consultative and delegative, was also less than 50% of the workplace’s largest occupational group in most cases (Table 10).

Table 9 The incidence of multiple forms of direct participation in ten countries (in %)

One form	23
Two forms	25
Three forms	22
Four forms	16
Five forms	10
Six forms	4
Total	100

Table 10 The coverage of group forms of direct participation (% of workplaces involving over 50% of the largest occupational group)

	Group consultation: temporary groups	Group consultation: permanent groups	Group delegation: group work
Ten-country average	48	48	47
Denmark	51	50	66
France	50	58	45
Germany	23	28	26
Ireland	73	71	58
Italy	24	12	12
Netherlands	59	63	53
Portugal	77	56	58
Spain	49	41	56
Sweden	59	66	55
United Kingdom	52	42	47

Scope of direct participation

The scope of much of the direct participation proved to be rather limited as well. Indeed, when the total population of the workplaces in the survey is taken into account, the proportion with high scores for scope reached double figures in the case of one form of direct participation only, that of individual delegation (see Table 11 on page 15). The proportion of workplaces with semi-autonomous group work approximating to the Scandinavian model (i.e. extensive delegation + high qualifications + high training intensity) was less than 2%; most workplaces seem to have been positioned between the Scandinavian and Toyota models with a tendency towards the Toyota (i.e. low-intensity delegation + medium or low employee skills + low training intensity). On the face of it, then, management is reluctant to delegate, even though the evidence which we have already mentioned suggests it is profitable to do so.



Table 11 Percentage of workplaces with high scores for scope for each form of direct participation by country (all respondents)

	%					
	Individual consultation: 'face-to-face'	Individual consultation: 'arms-length'	Group consultation: temporary groups	Group consultation: permanent groups	Individual delegation	Group delegation
Ten-country average	6	6	6	8	12	6
Denmark	4	7	8	7	12	7
France	8	5	9	12	11	4
Germany	4	4	5	8	17	6
Ireland	8	4	7	9	20	3
Italy	2	2	2	2	3	3
Netherlands	10	15	9	11	12	8
Portugal	2	0	5	7	3	5
Spain	6	4	3	4	5	0
Sweden	8	10	10	11	15	15
United Kingdom	6	5	6	9	13	5

Other areas of concern involve some of the ingredients that respondents themselves identified as important in the success of direct participation. Employees were not involved in the introduction of direct participation in one out of 10 workplaces and received only limited information in a similar proportion. A significant proportion of workplaces (around a quarter) did not involve employee representatives in the introduction of direct participation; half of these reflected the lack of employee representatives and half the lack of their involvement where they were present. Around half the workplaces in the EPOC survey with one or other of the group forms of direct participation offered no training in social skills.

It is not just in the area of direct participation that there appears to be a gap between rhetoric and reality. Bearing in mind the considerable media and policy attention other changes have received, the levels of activity reported by the EPOC survey were remarkably low. The proportions of workplaces reporting no activity in the areas of downsizing/back to core business, outsourcing and subcontracting, working time flexibility and contract flexibility were 69%, 78%, 63% and 66% respectively. As many as 30% also reported no innovation in their products or technology and a further 34% very little innovation. The respondents, it cannot be emphasised too strongly, are senior workplace managers, who are extremely unlikely to be guilty of underestimating what was going on

At the other extreme, the proportions of workplaces reporting intense activity in any of these areas can only be described as minuscule. In no case does the proportion rise above double figures: the highest is 7% for contract flexibility. Typically only 5%, or one in 20, of workplaces report intense activity. In short, it is not just direct participation that is rarely practised intensively. The same is true of numerical flexibility, contract flexibility and innovation. Even consultation, which has been shown to have unexpectedly strong effects, was rarely practised intensively. To paraphrase the final paragraphs of the general EPOC survey report, it is not so

much the promotion of the 'high road' of work organisation which is the challenge facing European policy makers, but encouraging the practice of some of the most basic forms of activity.

Equal opportunities

Another important finding of the EPOC survey is that the limited extent of new forms of work organisation cannot be explained in terms of the sexual division of the labour force. On the face of it, the results of the EPOC survey suggest that men and women are equally involved in the practice of direct participation. Female-dominated establishments conform to the average level of practice, with almost 80% reporting one or other of the forms of direct participation, while mixed sex workplaces were the most assiduous practitioners of direct participation. Mixed sex workplaces were also important practitioners of all forms of direct participation, being second only to male-dominated establishments. They were leading practitioners of 'face-to-face' individual consultation, probably because this involves techniques widely used in public services where mixed sex workforces are particularly dominant. They were also, importantly, leading practitioners of multiple (between four and six) forms of direct participation and high scope participation.

This does not mean that opportunities are equal, however. A closer look at the gender composition of groups involved in group consultation and delegation specifically found that around one-quarter of workplaces either excluded women from these groups altogether or did not include them in proportion to their overall participation in the labour force. Under-representation took place in 14% of all workplaces practising group consultation, while women are excluded in 13% of cases. In 13% of the workplaces women were under-represented in group delegation and they were excluded in 12%. Over-representation took place in only a handful of workplaces practising group consultation (8%) and group delegation (7%). So, despite the importance of mixed sex workplaces as practitioners of direct participation, their female employees were not always properly or fully represented in that participation.

Overall, men and women were trained in preparation for direct participation for much the same periods of time, which is another encouraging message of the survey. However, gender inequality is revealed in the type of training, which is geared towards different skill sets. Women were predominantly trained in 'soft' skills, perhaps to equip them better for coping with the interpersonal relations of the workplace. Yet it is precisely the full range of hard and soft skills that are required if equal access to different types of work is to be achieved.

Female-dominated workplaces were the least likely to report improvements in economic performance or employment reduction, which also has implications for equal opportunities. The pursuance of strategies for improved economic performance often entails retraining and the use of new skills. Women do not appear to be significant beneficiaries of these initiatives in the EPOC survey workplaces. Neither is the sexual division of labour itself much disrupted in organisations practising direct participation. On the contrary, the survey shows a slight retrenchment of gender segregation with the implementation of direct participation in Europe's workplaces.



The apparently equal involvement of men and women in the practice of direct participation also takes place within a context of pronounced horizontal and vertical occupational segregation of the sexes. The gender structures of the EPOC workplaces confirm the established contention that women are segregated in a relatively narrow range of industry sectors and in a few occupational groups, while there are significant areas of the economy where women are not found at all. Repetitious and routine work seems to be more associated with female-dominated employment; organisations which make strong use of female labour seem to be less likely to make capital investments, perhaps because they have less need to, than those which employ still relatively expensive male labour. Furthermore, women are employed in jobs which require lower skills and qualifications than jobs in which men are found. Developments in 'atypical employment' (the growth of part-time work, temporary work, sub-contracting and other forms of 'flexible' employment) are also firmly gendered. Part-time employment contracts are growing particularly rapidly in areas where women work, while temporary work is growing in establishments where both sexes work.

Key dimensions

The findings of the EPOC project also throw considerable light on the significance of a number of key structural dimensions in accounting for the overall patterns of modernisation observed. Four in particular stand out – size, ownership, sector and country – and in each case the findings are briefly considered below.

Size

Overall, there was very little variation in the incidence of the changes in work organisation by size of workplace. Medium-sized workplaces tended to be slightly more active than their smaller and larger counterparts, whereas in the case of innovation, it tended to be the larger ones which were to the fore.

Workplace size has a definite influence on employment changes, however. With increasing size, there were equally strong effects of both employment reduction and employment increase. This means two things: first, the larger the workplace, the less the chance of a stable workforce; and, second, employment changes were not just in one direction: the larger workplaces were divided, largely on the basis of sector, between those with employment losses and those with employment growth.

Ownership

So far as the incidence of changes was concerned, ownership proved to be less significant than had been anticipated. Multinational companies tended to practise direct participation more intensively, as well as taking other initiatives, especially where the competition they were facing was intense, but the difference was not great.

More significant were the implications of ownership for employment. The most important contribution to a reduction in employment came from workplaces that were subsidiaries of large

EU-owned multinational companies. By contrast, employment growth was more likely to be found in multinational companies whose ownership came from outside the EU.

Sector

The sector breakdown of the EPOC survey results is especially illuminating. Much of the debate about new forms of work organisation has focused on manufacturing. In the case of group work, for example, it is not unfair to suggest that there has been an exclusive interest in metalworking. In the event, it emerges that industry was not the leader in matters of direct participation. As Table 12 illustrates, the incidence, coverage and scope of direct participation was greater in services and, especially, public services, and construction came ‘bottom’ on most dimensions.

Table 12 The incidence of the main forms of direct participation by sector (ten countries) %

	Individual consultation: ‘face-to-face’	Individual consultation: ‘arms-length’	Group consultation: temporary groups	Group consultation: permanent groups	Individual delegation	Group delegation
Ten-country average	35	38	32	31	54	33
Industry	31	40	34	29	47	29
Construction	19	27	20	15	45	28
Trade	44	42	30	35	56	39
Private services	39	40	31	31	57	31
Public service	37	33	36	36	63	35

Overall, there were no significant differences between the public services and the private sector in the effects of the new forms of work organisation. In both cases most respondents highlighted ‘improvement in quality’ as a major consideration. If anything, it was at the sub-sector level that the major differences in effect emerge. In the private sector, manufacturing was more prone to employment reductions than services, while public administration respondents suggested that they were under greater pressure to reduce costs and employment than their colleagues in education and health.

Table 13 The most important forms of direct participation by sector (ten countries) %

	Individual consultation: ‘face-to-face’	Individual consultation: ‘arms-length’	Group consultation: temporary groups	Group consultation: permanent groups	Individual delegation	Group delegation
Ten-country average	11	22	14	29	11	13
Industry	9	22	16	28	10	15
Construction	16	40	10	8	15	11
Trade	11	20	10	37	7	15
Private services	15	27	14	27	9	8
Public service	9	19	14	30	15	13



These findings remind us of two things in danger of being forgotten in the debate over new forms of work organisation. The first is that the public services probably have more lessons to give than receive in the area of individual and group delegation, which are intrinsic to work organisation in this sector. The second is that the effects on public service managers of the pressures to change are very similar to those of their private sector counterparts, even if their source may be different.

Country

Sweden has acquired a well-supported reputation as a pioneer in matters of direct participation, especially group work: both the incidence and scope of this form, as well as the importance with which managers regard it, are relatively greater than in other countries, as is the overall measure. The Netherlands, too, makes a relatively strong showing overall and, in particular, in the area of group consultation. By contrast, expectations in the case of Denmark (because of the Scandinavian connection), Germany (notably because of the intense debate about group work) and the UK (because of the support for employee 'involvement'), hardly seem to be borne out by the data: the incidence and scope of direct participation in these countries is only around the ten-country average or less for some forms of direct participation.

Tables 8-11, which contain the supporting data for these observations, also shed further light on the debate that dominated the second EPOC round table on direct participation in Lisbon in 1996. This is the question as to whether there is a distinctly 'southern' European pattern, embracing Portugal, Spain and (to a lesser extent) Italy, reflecting special features of industrial structure (a proportionately larger number of small family-owned businesses) and, until recently, a highly centralised and legally-regulated industrial relations system. It is true that the incidence and scope of direct participation in these countries lag behind those elsewhere. In the case of group delegation, however, the picture is somewhat different. The actual incidence of group delegation is relatively low. Where it is practised, in particular in Portugal and Spain, however, proportionately more respondents than in other countries regard it as the most important form of direct participation. Also the scope of group delegation was found to be greater in Portugal than in most other countries. The presence in this country of a proportionately larger number of 'green-field' operations with group delegation from the beginning would appear to be the most plausible explanation, as it is for a similar finding for Ireland.



Chapter 4

Issues for future consideration

We now turn our attention to issues arising from the EPOC research that would merit further attention in the future. Some of these, such as employees' experience of direct participation and the role of other forms of employee participation, reflect the specific focus of the EPOC project on direct participation and its prioritisation of management strategy. Others, notably the need to account for the limited extent of modernisation, flow directly from the findings of the EPOC project.

Employees' experience of direct participation

Most of the attention in the EPOC project was on the performance and employment effects of new forms of work organisation, reflecting budgetary constraints and the need to set priorities in the policy debate. Another research strand could have been surveys of employee representatives and employees, as well as the case study programme, to establish the social effects of direct participation in general and the implications for the quality of working life in particular. EPOC's research review, as well as the social partner interviews and the round table discussions, revealed that opinions on the social effects of direct participation were ambivalent. Employees were said to value the benefits that greater participation can bring, such as training and new responsibilities. Furthermore, the reorganisation of production and better planning of operating processes, including a reduction in overtime working, where it has taken place, was also regarded as a bonus. Additional benefits included working with pride on quality products, feeling part of an elite, and involvement in problem-solving.

The new forms of work organisation have their critics, however, and their views have yet to be explored systematically. Specifically, there have been complaints about the 'lean production' or

Toyota model of group work: long hours, work intensification and increasing stress; greater risks of accidents; the loss of free time and the dangers of self-exploitation. More generally, there have been criticisms of management's failure to live up to the promise of the new forms of work organisation. For example, it is claimed that many initiatives have not increased decision-making power as much as employees had been led to expect. Lack of resources has often meant that employees have not been given the training and development opportunities necessary for acquiring skills to undertake their new tasks.

There also remains a serious research gap about the implications of new forms of work organisation for one of the four pillars of the EU's overall employment strategy: equal opportunities. The EPOC survey found that coverage of some of the group forms of direct participation was less than 50% in many workplaces and that women were often under-represented. It is not clear, however, whether the new forms of work organisation as a whole encourage or discourage the segmentation of the 'internal' labour market; whether, for example, they create 'losers' as well as 'winners' in terms of skills, training and development and, perhaps most important of all, employment security. Equally unclear is whether, more generally, there is likely to be a growing polarisation in the workforce as a result of the introduction of new forms of work organisation; whether there is likely to be a shift to new skills in some cases and yet, at the same time, a reduction in skill demands for others.

Other forms of employee participation

The EPOC project did not seek to embrace every form of employee participation. Its focus was on direct participation and the extent to which management promotes it as a strategy for improving business performance. Accordingly, several other possibilities arise, which may not only be important in their own right but also in explaining the gap between the rhetoric and the reality raised earlier.

The relationship between direct and indirect participation

For the most part, the EPOC project found that direct and indirect participation were complementary: there was little evidence that direct participation was being used to undermine the position of employee representatives and considerable support for the view that indirect participation was an ingredient of the success of direct participation. Yet another possibility, however, is that indirect participation can be a substitute for direct participation. Conceivably, for example, if works councillors or workplace trade union representatives have extensive rights of information, consultation and co-determination, discussions with managers may pre-empt the need for some forms of direct participation.

In the case of individual and group delegation there does not appear to be any a priori reasons why a difference might be expected. So it seems is the practice. Far from suggesting a conflict, the exact opposite is true. Sweden, Germany and the Netherlands would generally be regarded as having some of the most extensive arrangements for indirect participation, either of workplace trade union representatives in the case of Sweden or works councillors in the case of Germany



and the Netherlands. Yet all three have above average levels of individual delegation and Sweden and the Netherlands have the highest levels of group delegation.

The consultative forms of direct participation appear to be a different matter, however. In the case of 'face-to-face' consultation, there does appear to be something of a substitution effect. In countries such as Denmark, Germany and Sweden, where there are extensive indirect participation rights, the incidence of 'face-to-face' consultation is below average. In the UK, by contrast, where there are few such rights, the incidence of 'face-to-face' consultation is considerably above average.

The findings in respect of the other forms of consultation are much less clear-cut. In the case of 'arms-length' consultation, Denmark, Sweden and, most pronounced, the Netherlands, have the highest proportions of workplaces involved. In the case of the two forms of group consultation, the situation is mixed. Denmark, Germany and Sweden were around the average or below, whereas the Netherlands had relatively low levels of 'temporary' group consultation, but high levels of its 'permanent' equivalent.

Informality

A second possibility is that there are informal processes of employee participation that have been ignored because of the conceptual focus of the EPOC project. These informal processes, it has been argued, are especially important in smaller workplaces, where formal arrangements are less necessary.

This may or may not be the case. Arguably, the questions in the EPOC survey allowed for a substantial measure of informality inasmuch as they emphasised processes rather than specific institutional arrangements. Furthermore, there were only marginal differences in the nature and extent of new forms of work organisation between large and small workplaces.

Even so, the possibility remains. The problem is that it is notoriously difficult to quantify informal processes on a systematic basis. Perhaps the best way forward here would be to focus on SMEs. The EPOC survey had a threshold of workplaces with 50 or more employees in the case of the larger countries (France, Germany, Italy, Spain and the UK) and 25 in the case of the smaller ones (Denmark, Ireland, the Netherlands, Portugal and Sweden).

Self-management

A third possibility is that there are forms of employee self-management or control taking place, which managers may be unaware of or reluctant to admit, and yet which make a significant contribution to work organisation. For example, the autonomy of the individual or group has long been seen as integral to the craft tradition of many manufacturing industries or to the practice of 'professional' workers in health services. Yet managers would not necessarily associate this with the forms of individual and group delegation that result from their own initiatives. Similarly, some groups of non-craft workers such as port transport and newspaper distribution workers have acquired levels of control over work processes that managers may not wish to admit.

Here the problem is not so much in identifying the processes. There is a long-established tradition of research on the many different forms of worker's control. Rather the difficulty is in establishing the contribution, if any, made to performance. Typically, such controls have been primarily designed to promote the occupational interest of the employees responsible for them rather than the objectives of the management. In this case, a focus on cooperative organisations, which were deliberately excluded from the scope of the EPOC investigation because of the complexities they raised, may help to illuminate some of the issues.

The limited extent of new forms of work organisation

Important though the issues so far considered are, perhaps the main challenge for the future is to understand why the extent of new forms of work organisation is so limited. Here the EPOC project raises two main lines of inquiry about direct participation, which need to be explored further if progress is to be made in promoting change.

A question of choice?

In the light of the findings of the EPOC project and other recent research, it is difficult to avoid the uncomfortable conclusion that the so-called 'transformation thesis', which has informed so much of our thinking in the area of work organisation, is seriously flawed. Far too many commentators make the mistake of assuming that the new forms of work organisation supposedly emerging are inevitable and universal in their application. Significantly, the Confederation of German Employers' Organisations (the BDA) criticises the European Commission for having a 'rather simplistic conception' of new work organisation in its Green Paper that assumes a general shift from a 'Tayloristic' system of work organisation with a high division of labour towards a flexible team-based work process (see EIROnline, 1999). According to the BDA, there is 'no general turning away from Taylorism'. Indeed, after a period of widespread use of 'lean production concepts' in the early 1990s, the 'pendulum is currently swinging in the opposite direction' whereby many companies are reintroducing more Tayloristic work concepts. The developments of work organisation are very different depending on the specific national, branch and company circumstances and particular market conditions.

One obvious point that too often gets neglected is that competitive success based on quality and up-skilling is only one of a number of strategies available to organisations. Others include seeking protected or monopoly markets, growth through take-over and joint venture, shifting operations overseas, cost cutting and the new forms of Taylorism referred to by the BDA.

In the case of work organisation, to develop the last point, it is possible to identify a number of trajectories besides what might be described as the 'quality option' at the heart of the emerging European social model advocated by the European Commission. Each of these trajectories starts from the same point: the questioning of traditional forms of work organisation in the light of intensifying competition. In each case, however, the outcome is very different reflecting specific products and services, market position, cost pressures, technology, and management frames of reference. It may take the form, for example, of straightforward work intensification or forms of

team working which approximate to the Toyota rather than the Scandinavian model. In these circumstances, it can be argued, the very limited forms of direct participation are being used as part of the restructuring of work organisation rather than its modernisation.

There is also evidence to suggest that the choices that managers make are likely to reflect their personal prejudices as well as the objective circumstances facing them. Here EU-Japanese comparisons have suggested that European managers may be more reluctant than their Japanese counterparts to give up the control associated with semi-autonomous team working, for example, because they are worried about loss of status and power. They may even be reluctant to share information openly with junior managerial colleagues for the same reason.

A question of process?

A second explanation for the gap between the rhetoric and reality of new forms of work organisation has to do with process. Most commentators, it can be argued, have considerably underestimated the problems that management has in modernising work organisation. It is not so much a question of divergent interests or lack of knowledge of alternative arrangements, although these in themselves can be barriers to change in certain cases. A major problem, as Pil and MacDuffie's (1996) review of the literature on innovation reminds us, is that there is a strong temptation for managers to prefer the incremental path to change, in other words to try one or two elements and assess their impact before going further, reflecting worries about the costs associated with unlearning old practices and introducing new ones. In doing so, however, organisations come up against the problem of 'complementarities' or integration discussed earlier: there is very strong evidence that it is bundles of complementary practices that have the greatest impact. Inevitably, the danger of the incremental approach is that individual practices are tried and rejected because they appear to be unsuccessful in themselves.

OECD studies (see, for example, 1997) have made the point that the adoption of new forms of work organisation can be seen as a form of investment in intangibles and therefore is constrained by market failures associated with information barriers and externality problems. Information barriers occur because intangible investments are difficult to measure. Traditional accounting frameworks, at both company and national level, measure the costs but not the returns associated with investments in human resources. Externality problems arise because of the inability of organisations to guarantee that they will capture the returns made on human capital and other forms of intangible investment. For example, performance-enhancing organisational innovations require up-front training investments of a general as well as organisation-specific nature. Managers may worry that their investment in general training in particular will be lost if employees leave before the returns can be captured.

The OECD also finds that some institutional and policy frameworks are especially unsupportive. Significantly, these are not just those labour market institutions which discourage human capital investment by enabling firms to 'externalise' adjustment costs or education and training institutions which fail to generate the supply of skilled workers needed for 'high performance' work systems. Also included in this group are corporate governance and financial market

institutions which emphasise shareholders' short-run interests above the longer-term interests of those of other stakeholders and therefore act as a disincentive to innovation.

On balance, too, the relatively high levels of unemployment (and, thus, a reduced imperative for firms to aggressively seek strategies to increase labour productivity growth) have also probably served to discourage investment in human and organisational capital. The uncertain environment prevailing in many countries has been particularly discouraging for investments that are difficult to evaluate.

In the circumstances, it is not surprising that many of the well-known cases of the introduction of new forms of work organisation turn out to be very exceptional in qualitative as well as quantitative terms. They tend to involve either 'green-field' operations or a crisis situation that forces the parties to shift from their traditional ways of working.

The significance of the policy framework

Establishing which mix of the many instruments at the policy maker's disposal is likely to promote the objective of modernising work organisation is difficult but crucial. As the European Commission's Green Paper *Partnership for a new organisation of work* recognises, it is an immensely complex task, raising issues across the spectrum of employment, education and social policy areas, such as the following:

- how to organise the necessary training and retraining, so that the workforce can meet the increasing needs for skills and competence;
- how to adapt social legislation to take account of new employment trends;
- how to adapt wage systems along with the organisational structures on which they are based;
- how to adapt working time arrangements in the light of the new situation;
- how to take advantage of the new employment trends with regard to equal opportunities;
- how to develop more flexible organisations in the public services;
- how to provide adequate support to firms, in particular small firms, who wish to change, but lack the resources or expertise to do so (European Commission, 1997).

There are also fundamental disagreements between the social partners on what is appropriate, and these are clearly reflected in the reactions to the Green Paper. For employers, there can and should be no blueprint for work organisation. Work organisation is a matter for management to decide according to the specific economic and social conditions. Employers are opposed to the regulation of work organisation, above all at EU level, on grounds of both practice and principle. In their opinion, less rather than more regulation is needed if the aim is to promote competitiveness and employment.



This statement from the UK Institute of Personnel and Development (IPD) would be typical of the general management view:

The IPD shares the Commission's commitment to improving competitiveness, but believes that there is no single right model by which organisations can achieve this. Organisations need to be open and flexible to accommodate different approaches and promote innovation and variety. The Institute would be sceptical about any proposals for action at European level to promote particular 'solutions' (European Commission, 1998a: 9).

In contrast, most trade unions hold a very different position. Work organisation is seen as important in promoting the quality of life as well as economic performance. Regulation, it is argued, is needed to offset the growing dominance in many organisations of a short-term 'shareholder value orientation' and to help those in danger of being excluded. Specifically, there needs to be an extension of individual and collective employee rights by agreements and/or by new legislation concerning employee participation in the introduction and implementation of new forms of work organisation; the right for further training for all employees; more security and individual time sovereignty regarding flexible forms of work organisation and working time; and better protection for teleworkers. A European Industrial Relations Observatory study on the subject found that even the basic information and consultation structures necessary for a partnership for a new organisation of work are missing in many workplaces (EIROOnline, 1999).

Left to their own devices, it has also been argued, managers are unlikely to modernise work organisation because of the short-term pressures on them discussed above. For example, in discussing the adoption of new working practices in the USA, Kochan and Dyer have argued that the relatively limited adoption of these which took place is due to the fact that:

...they depended so heavily on the values, strategies and support of top executives ... While we see [these] as necessary conditions, we do not see them as sufficient to support the transformational process. A model capable of achieving sustained and transformational change will, therefore, need to incorporate more active roles of other stakeholders in the employment relationship, including government, employees and union representatives as well as line managers (Kochan and Dyer, 1992: 1).

In the circumstances, suggesting a way forward is no easy matter. One valuable type of research in the future would be a systematic cross-national review of the impact of measures taken to promote the new forms of work organisation in individual EU countries. Specific measures include the provision for the *groupes d'expression* in France. More generally, there are the wider public programmes in such countries as Germany, the Netherlands and Sweden. Other things being equal, it might be expected that the different patterns of results revealed by EPOC survey would have a bearing on the policy frameworks.



Chapter 5

Conclusions and recommendations

There are three main conclusions to be drawn from the findings of the EPOC project that have wide-ranging implications for the modernisation of work organisation more generally. The first is that, in the opinion of significant numbers of managers, changes in work organisation such as introducing direct participation make a positive contribution to a range of indicators of business performance such as output, quality, reduction in throughput time as well as reducing sickness and absenteeism. The prospects of achieving this contribution is enhanced if managers communicate and consult fully with employees over the changes, involve employee representatives in their implementation and provide appropriate training and development not only in vocational, but also in social skills. An approach that seeks to integrate the changes so that they are mutually reinforcing is especially likely to pay dividends.

The second is that the new forms of work organisation are likely to have mixed employment effects. In the short run, it is highly probable that there will be reductions in both the numbers of employees and managers, although the same is also likely in those organisations not changing. In the medium and longer term, however, it is more likely that organisations which adapt will be able to stabilise and maybe increase employment. For this to happen, however, the modernisation of work organisation is not going to be enough, however necessary it may be. A management willing to innovate across the board, and above all in its products and technology, is best placed to increase employment in the future.

The third finding is the most controversial and uncomfortable. There is a very considerable gap between rhetoric and reality as far as the new forms of work organisation are concerned. The rhetoric suggests that new forms of work organisation are widespread and inevitable. The reality is that some of even the most basic practices associated with these forms are absent in the

majority of EU workplaces. Something resembling an integrated approach affects only a handful of organisations.

In the circumstances, and assuming policy makers remain committed to the belief that the modernisation of work organisation is essential to the way forward, there are two priorities. The first is to understand why management has been so slow to change. Is it, to use the terms from this report, a question of choice or process? In this instance, a case study programme would seem to be the most appropriate tool of analysis. Conveniently, too, the EPOC survey can be used to identify a range of types of organisation for further investigation.

The second priority, closely related to the first, is to get a better understanding of the mix of policies and policy frameworks most likely to encourage the modernisation of work organisation. Here the practical way forward would be to undertake a systematic cross-national review of the impact of measures taken to promote the modernisation of work organisation in individual EU countries. These measures range from support for individual initiatives, such as particular forms of employee participation, to wide-ranging multi-sector agreements and legislation as in the case of the Scandinavian countries.

Depending on the outcome of these enquiries, policy makers would be in a better position to know how to proceed. One option would be to develop sustained programmes of information and advice, support of networks and financial support for training and development. As the report of the European Commission's high-level group on industrial change recommends (European Commission, 1998b), supply chains, in both the public and private sectors, can also be used to help ensure the spread of new forms of work organisation

More controversially, it may be that policy makers will also need to resort to a combination of legal and financial carrots and sticks as well as support activities. One component might be a more extensive set of universal individual employment rights to give the clearest indications of the direction in which organisations are expected to go. Possible areas include continuing education and training, information and consultation, participation in the planning of work and representation at work.

Policy makers may also have to think in terms of measures to encourage the adoption of business strategies involving a move into higher quality goods and services. Many of the objectives of the EU's employment policy have implications for the demand as well as the supply side of the labour market. This implies going behind social policy as it has been traditionally defined. It means, for example, changes in corporate governance arrangements and taxation policy to encourage an emphasis on long-term investment rather than short-run profitability.

In any event, in the medium and longer term, there needs to be regular monitoring of the nature and the extent of new forms of work organisation. Otherwise there is a danger that policy makers will continue to work in the dark, making assumptions about the nature and extent of change that may be totally unwarranted. Ideally, there should be regular surveys, not just of managers as in the case of the EPOC project, but also of employee representatives and employees.




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Appendix 1

The EPOC Project

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The EPOC objectives

The objectives of the investigation have been expressed in the form of a number of questions:

1. The 'WHO' of direct participation: who is practising direct participation; how diffuse is it; which sectors; which industries; which firms; which countries; and which group of workers (gender, ethnicity and skill categories). How does Europe compare with the USA and Japan?
2. The 'WHEN' of direct participation: how recent is its introduction and what does this tell us about 'why' it was introduced. Here it will be interesting to examine if direct participation is adopted at points of transition (crisis or modernisation) in an organisation and/or during normal periods of operation.
3. The 'WHY' of direct participation: to 'test' the main motives for its introduction i.e. management's interest in competitiveness, flexibility and performance (TQM and lean production); union demands for an improvement in the quality of working life; employees' 'post-materialistic' values; state initiation and/or sponsorship for direct participation.
4. The 'HOW' of direct participation: how did it come to assume the shape(s) it has: the processes involved in its development. How was it introduced and implemented; what participation is there in the introduction of direct participation? Are trade union representatives and/or employees permitted to participate?
5. The 'WHICH' of direct participation: what form does direct participation assume and what issues are significantly influenced by employee participation; how closely aligned are they with existing labels/concepts, e.g. quality circles, autonomous work groups, etc.
6. The 'EFFECT' of direct participation: both objective (if possible) and perceived on organisational performance; how have people's working lives changed; how have hierarchical and authority relations changed; are employees working 'harder' and/or more 'effectively'? Have employees' attitudes changed? Another crucial issue is direct participation's relationship to forms of indirect (representative) participation: does direct participation erode or strengthen existing institutional forms of employee participation and representation? Of course as well as the intended effects, we will also have to consider direct participation's unintended consequences? There is no need to anticipate these at this stage.
7. The 'SUCCESS' or 'FAILURE' of direct participation: how is each defined by the actors concerned. Is success or failure associated with trade union involvement, or with a strategic approach to other HR/IR issues such as training and communications?

Appendix 2

EPOC publications

Priced publications

Priced publications are on sale from local bookshops or from the official sales agents of the EU (see list on inside back cover) or from the Office for Official Publications of the European Communities. Summaries are available free of charge and may be obtained on application to the Foundation's Information Centre or on the Foundation website at www.eurofound.ie.

Benders J., Huijgen F., Pekruhl U., and O'Kelly K. P., *Useful but unused: group work in Europe. Findings from the EPOC survey*. Dublin: European Foundation for the Improvement of Living and Working Conditions, 1998. Cat. no. SX-21-99-408-EN-C. Price (excluding VAT) in Luxembourg: EUR 20. English only, EF/98/59. Summary in DE, EN, ES, FR, IT available free of charge at www.eurofound.ie.

EPOC Research Group, *New forms of work organisation: can Europe realise its potential? Results of a survey of direct employee participation in Europe*. Dublin: European Foundation for the Improvement of Living and Working Conditions, 1997. Cat. no. SX-09-97-002-EN-C. Price (excluding VAT) in Luxembourg: EUR 30, English only EF/97/46. Summary in DE, EN, ES, FR, IT available free of charge at www.eurofound.ie.

EPOC Research Group, *Employment through flexibility: squaring the circle? Findings from the EPOC survey*. Dublin, European Foundation for the Improvement of Living and Working Conditions, 1998. Cat. no. SX-21-99-440-EN-C. Price (excluding VAT) in Luxembourg: EUR 22. English only, EF/98/57.

Fröhlich D. and Pekruhl U., *Direct participation and organisational change: fashionable but misunderstood? An analysis of recent research in Europe, Japan and USA*. Dublin, European Foundation for the Improvement of Living and Working Conditions, 1996. Cat. no. SX-98-96-227-EN-C. Price (excluding VAT) in Luxembourg: EUR 25, English only, EF/96/38.

Geary J. and Sisson, K., *Conceptualising direct participation in organisational change: The EPOC project*. Dublin, European Foundation for the Improvement of Living and Working Condition, 1994. Cat. no. SY-85-94-640-EN-C. Price (excluding VAT) in Luxembourg: EUR 8.50, English only, EF/94/23.

Hegewisch A., van Ommeren J., Brewster C., and Kessler I., *Direct participation in the social public services: findings from the EPOC survey*. Dublin, European Foundation for the Improvement of Living and Working Conditions, 1998. Cat. no. SX-15-98-908-EN-C. Price (excluding VAT) in Luxembourg: EUR 28. English EF/98/40. Summary in DE, EN, ES, FR, IT available free of charge at www.eurofound.ie.

Regalia I., *Humanise work and increase profitability? Direct participation in organisational change viewed by the social partners in Europe*. Dublin, European Foundation for the Improvement of Living and Working Conditions, 1995. Cat. no. SX-91-95-431-EN-C. Price (excluding VAT) in Luxembourg: EUR 25, English only, EF/95/21.

Schnabel A. and Webster J., *Participating on equal terms? The gender dimensions of direct participation in organisational change. Findings from the EPOC survey*. Dublin, European Foundation for the Improvement of Living and Working Conditions, 1999. Cat. no. SX-22-99-676-EN-C. Price (excluding VAT) in Luxembourg: EUR 25. English only, EF/99/30.

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Sisson K. *Closing the gap: ideas and practice. Direct participation in organisational change*. Dublin: European Foundation for the Improvement of Living and Working Conditions, 1996. Cat. no. SY-94-96-962-*C. Price (excluding VAT) in Luxembourg: EUR 7, all languages, EF/96/15.

Other works published by the Foundation

These are available on request from the Foundation's Information Centre

Reports

Geary, J. and K. Sisson, *Direct Participation in Organisational Change: Introducing the EPOC project* (1995) Working Paper No. WP/94/18, English only.

Pekruhl, U., Schnabel A. and Weishaupt K., *Direct Participation Bibliography. Results from a data base research. The EPOC Project* (1995). Working Paper No. WP/95/34, English only.

Regalia, I. and C. Gill, *Direct Participation: how the social partners view it. A comparative study of 15 countries* (1995). Working Paper No. WP/95/73, English only.

Country Studies - Volume 1. Working Paper No. WP/95/35, English only.

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O'Kelly, K., *Direct participation: Ireland* (1995). Working Paper No. WP/95/01, English only.

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Tollhagen, R., *Direct participation: Sweden*, (1995). Working Paper No. WP/95/02, English only.

Van der Meché, P., B. van Beers, M. van der Veen and W. Buitelaar. *Direct participation: The Netherlands*, (1994). Working Paper No.: WP/94/48, English only.

Vervelacis, T., *Direct participation: Greece*, (1994). Working Paper No. WP/95/70, English only.

For summaries of the round table discussions in Dublin in February 1995 and in Lisbon in June 1996, see:

P+ No. 12 – *Direct Participation in Organisational Change*, EF/96/21, available in English, French and German.

P+ No. 13 – *Direct Participation: focus in Southern Europe*, EF/97/22, available in English, French and German.

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Direct Participation and the Modernisation of Work Organisation

Over a five-year period the Foundation's EPOC research project charted developments in the changing world of work, most significantly in the area of work organisation. The focus of the investigation was to show the extent of direct employee participation and to illustrate the role played by such participation in the modernisation of work organisation. This report highlights key findings from the EPOC research which have wide-ranging implications for the future of work organisation. The introduction of direct participation is shown to have a positive influence on business performance in terms of output, quality, and reduction in throughput time, while also reducing sickness and absenteeism. While enterprises engaging in direct participation may suffer some employment loss in the short-term, in the medium and long term there are likely to be gains. As well as making an important contribution to the current debate on organisational change, the EPOC findings point the way forward for future action to ensure the modernisation and ultimate survival of European enterprises in the face of economic recession and global competition.



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