

## Relations industrielles Industrial Relations



### Michael Poole, *The Origins of Economic Democracy: Profit Sharing and Employee-Shareholding Schemes* and Michael Poole and Glenville Jenkins, *The Impact of Economic Democracy: Profit Sharing and Employee Shareholding Schemes*

Richard J. Long

Volume 46, numéro 4, 1991

URI : <https://id.erudit.org/iderudit/050729ar>

DOI : <https://doi.org/10.7202/050729ar>

[Aller au sommaire du numéro](#)

Éditeur(s)

Département des relations industrielles de l'Université Laval

ISSN

0034-379X (imprimé)

1703-8138 (numérique)

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Citer ce compte rendu

Long, R. J. (1991). Compte rendu de [Michael Poole, *The Origins of Economic Democracy: Profit Sharing and Employee-Shareholding Schemes* and Michael Poole and Glenville Jenkins, *The Impact of Economic Democracy: Profit Sharing and Employee Shareholding Schemes*]. *Relations industrielles / Industrial Relations*, 46(4), 872–874. <https://doi.org/10.7202/050729ar>

With respect, I disagree. To those inexperienced in labour law, the book will be too basic as it lacks in-depth discussions of some of the very complicated areas involved in the certification process. The major beneficiaries of this book will be the novice trade union official or even small employer who is faced with a union certification. For these individuals, the book sets out numerous check lists and basic principles in point form which are easily understood.

It would seem that the author himself recognizes this reality, as in the Preface he also states "my initial objective in preparing this guide was to provide an organizing manual that would be on the one hand precise and detailed, and on the other, readily understood by persons organizing for the first time ... I have since revised that original objective and aimed for a more modest publication". It is for the second group identified - namely persons organizing for the first-time - that this book will be an invaluable reference throughout the certification process.

**David McPHILLIPS**

University of British Columbia

**The Origins of Economic Democracy: Profit Sharing and Employee-Shareholding Schemes**, by Michael Poole, London, Routledge, 1989, 158 p., ISBN 0-415-02555-9 and **The Impact of Economic Democracy: Profit Sharing and Employee Shareholding Schemes**, by Michael Poole and Glenville Jenkins, London, Routledge, 1990, 160 p., ISBN 0-415-03587-2

These two companion volumes document the results of the most exhaustive examination of employee profit sharing and shareholding schemes ever conducted in the United Kingdom, or perhaps anywhere, for that matter. The study involved three main phases: (a) telephone interviews with 1,125 British firms in order to ascertain the overall extent of employee profit sharing and employee shareholding (PS/EO) in Britain; (b) detailed interviews with a subset of 303 firms with at least one of these schemes; and (c) extensive case studies of 22 of these firms. As a part of each case study, interviews were conducted with key union and management officials, objective data on company performance was collected, and questionnaires were administered to a sample of employees at each firm. Overall, approximately 2,000 of these questionnaires were collected.

As suggested by the titles of the two books, the results of all this are presented in two parts. First, the factors that cause implementation of profit sharing or share ownership are examined (book 1); and second, the effects of these schemes are identified and discussed (book 2).

In book 1, the development of PS/EO in Britain is first put into historical perspective. Next, possible explanatory frameworks are posited, and Poole argues that the interaction of five sets of factors - government policy, economic infrastructure, managerial strategies, industrial relations, and collective representation - will determine whether or not PS/EO will emerge. The balance of the book consists of chapters devoted to each factor. After a brief concluding chapter, three appendices provide technical details regarding the sample, data analysis, and the questionnaires used.

Overall, Poole concludes that there is no simple explanation for the recent expansion of PS/EO in Britain, although it is clear that the legislative inducements embodied in the 1978, 1980, 1984 Finance Acts have served as a major catalyst. He also finds that it has been the more

successful, expanding, and larger publicly traded firms in which these plans have found most favour, particularly those firms that already had progressive human resource policies. Interestingly, presence of a trade union was positively related to presence of PS/EO. The primary objectives of adopting firms were (1) moral commitment, (2) staff retention, (3) employee involvement, (4) improved IR performance, and (5) protection against takeover.

In the second book, Poole and Jenkins start by presenting a model of the impact of PS/EO. Building on the literature, they suggest that PS/EO will operate by first enhancing the organizational identification of employees, which will then lead to improved company financial performance and industrial relations performance. They then present their results regarding economic performance, noting the existence of a link between PS/EO and company performance. However, they point out that the linkage is likely a reciprocal one: PS/EO may indeed, cause improved performance, but good performance also tends to cause firms to implement PS/EO. Because of the cross-sectional nature of most of their evidence, they are unable to fully resolve this question, but they do conclude that both share-based profit sharing plans and employee ownership plans are more strongly related to favourable performance than cash-based profit sharing plans.

Chapter 3 goes on to examine the impact of PS/EO on industrial relations, and concludes that PS/EO has not brought dramatic changes. However, while they continued to perceive a need for the union, employee shareholders were much more likely to desire a less adversarial relationship between the union and management.

Based primarily on the case studies, Chapter 4 examines the impact on organizational commitment and employee performance. Here, Poole and Jenkins conclude that job attitudes have been enhanced, especially by share-based plans. Chapter 5 then goes on to illustrate the dynamics of PS/EO by presenting in some detail the experiences at three of the case study companies, selected to illustrate a variety of industrial sectors (i.e., a bank, a brewing company, a retailer).

Chapter 6 then sums up and presents some implications and prospects for the future. Overall, it is argued that the "favourable conjunctures" of events that has driven PS/EO during the eighties in Britain will likely continue, and even be augmented by demographic changes and shortages of labour in key sectors, although progress will be uneven. Finally, four appendices describe the methodology and instruments used to conduct the case studies in some detail.

Overall, these two books represent a carefully documented and detailed exposition of a major research project on an important topic. The conclusions are cautiously laid out and the authors are careful not to go beyond their data. While their conclusions are not startling, a major contribution is the finding that much of the association between profit sharing and company performance is based on successful companies implementing profit sharing, rather than profit sharing leading to success. Also noteworthy is that stock based plans were found to be more effective than cash based plans.

What are some weaknesses? First, although the numerical results were presented separately, both profit sharing and employee ownership tend to be lumped together during discussions and conclusions. However, both the theory and empirical evidence suggests that these two concepts can be implemented for different reasons, may work somewhat differently, and have different effects, therefore calling for separate treatment. Second, although the data analysis was thorough, a couple of important cuts were omitted. For example, recent evidence has shown that there are major differences between private corporations and public corporations in terms of the applicability of profit sharing and employee ownership.

Third, the authors could have done more in drawing out the implications for practitioners. What are the characteristics necessary to maximize likelihood of successful implementation? When should either profit sharing, employee ownership, or neither, be used? Fourth, the presentation is very dry, and so much data is presented that the reader tends to get bogged down in the details, losing the overall picture. The books are tough reading. Limiting the presentation of data to the key findings would have improved readability. Perhaps the other findings could have been placed in an appendix. Finally, the proofreading could have been improved. For example, the headings on many of the tables in the second book are incorrect.

These limitations should not, however, be allowed to detract from the fact that this study does constitute a major accomplishment, and a major advancement to our knowledge on PS/EO. Although the lay reader will find these books rather inaccessible, they are essential reading for those scholars and policy makers who work with profit sharing and employee ownership.

**Richard J. LONG**

University of Saskatchewan

**Beyond Multinationalism: Management Policy and Bargaining Relationship in International Companies**, by Jairus Banaji and Rahini Hensman, New Delhi, Sage Publications, 1990, 224 p., ISBN 81-7036-182-6 (India)

This book is about employer-employee relations in two multinational companies, i.e. Unilever and Phillips. These two Dutch multinationals have considerable manufacturing investment in India. The book is a comparative study of transnational differences in structure, level of earnings, leave, working hours, conditions of work, management attitude towards union and rate of conflict in India and Holland.

The basic premise of the book is that multinationals are not bad in the sense that they hold back the economic development of the host country. The authors argue that "mobile international firms integrate production facilities across national boundaries and whose presence is an inexorable part of growth of social labour as world labour".

One of the major problems in the foreign subsidiaries of the multinational is that Head Office retains control over all major decision making powers in the areas of manufacturing, finance, capital investment and marketing of products. Labour relations is decentralized because of local customs and regard for the autonomy of local management.

Industrial restructuring in Dutch multinationals emerged in response to the increased competition. Restructuring involved stream lining operations by selling off peripheral activities such as transport, petrochemical and coca products for Unilever. The Dutch electric company Phillips designed a pilot plan for its foreign subsidiaries, which is small and less automated, to accommodate smaller markets and higher employment.

As far as the bargaining system in Holland and India is concerned, there is lack of formal bargaining rights at the plant level in Dutch industry, but in India the local union plays an important role in day-to-day bargaining. Workers in Bombay have much greater control over the bargaining process than their counterparts working for the same companies in Holland.