

Strengthening Workers' Participation In Corporate Governance

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Abstract

This paper concerns itself with the relationship of two management strategies perceived to lead companies towards a better position in today's era: workers' participation and corporate governance. This paper suggests that the inception of workers' participation in corporate governance is a vital factor for an industry to survive in this competitive world as it helps ensure industrial peace, quality goods and services, and company productivity. Corporations are therefore encouraged to rethink of the promises of securing workers' involvement in all facets of business processes. Governments too are encouraged to provide for platforms that will institutionalize workers' involvement in companies' decision-making.

Introduction

Discussions are now in full swing, where corporate governance is taking center stage as a leading management strategy. It is rightly so because corporate governance seems to promise to implement reforms that are beneficial for the transparency and accountability of management to the shareholders of the company. Though these promises are very much enticing, one should note several important concerns.

Corporate governance basically deals with the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment. With this, one can define corporate governance as a formal system of accountability of senior management to the shareholders. It can also be defined as a system that includes the entire network of formal and informal relations involving the corporate sector and its consequence to the society in

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general. On the other side, emphasis can be directed towards the structure, process, cultures and systems that engender the successful operation of the organizations.

For the purpose of this paper, Corporate Governance can be described as the top management process that supervises and mediates value creation, and value transference, among various corporate claimants in a context that ensures accountability toward these claimants. Thus, in corporate governance two important factors are considered namely: claimants and accountability.

Another term that has been receiving wide attention is workers' participation or employee involvement.

One can define participation as a range of policies that, at the minimal end, permit workers to suggest improvement and at the substantive end, give all employees the ability, motivations and authority to improve the operations of the organizations continuously. It can also be defined as the systematic effort to involve employees in problem-solving processes intended to improve efficiency and morale. This includes participatory programs such as quality circles, self-managing work-teams and problem solving-task forces. Still, workers' participation can be described not as a formal program but as a set of diverse, interrelated organizational processes. Thus, there appears to be different forms of worker participation that corporations or organizations can employ. Below is a list of these forms:

1. Worker council or work representation on corporate boards of directors, committees and similar groups.
2. Job autonomy, which means that workers enjoy moderate influence over job-related issues as well as receive support on complementary workplace practices.
3. Workers participation team, which says that management mandates workers' intervention in any job-related issue.

In this paper, the point that workers have an explicit voice in the governance and operation of the workplace is emphasized. This voice should take a collective form in which the employees designate some of their colleagues to act as their representatives to management. Thus, a workplace system of due process shall protect the rights and interest of employees from arbitrary or opportunistic management actions.

This paper aims to find ways by which workers' participation in corporate governance can be strengthened at the enterprise level.

Two Major Schools of Thought in Corporate Governance

There are two major schools of thought in corporate governance: the *Stakeholder Theory* and the *Democratic Corporate Governance Theory*.

1. Stakeholder Theory

Stakeholder Theory is the notion that corporations ought to be accountable to more than just the shareholders. Everyone who has a stake in the corporation's success should have some say on how it is governed. The Stakeholder Theory is based upon the ethical principle that all human beings should be treated as persons, not merely as means to ends.

Stakeholders include the customers, employees, the suppliers, stockholders, and other members of the local community, each of them bearing the right to influence the corporation's governance. In the particular case of doctor-assisted suicide, the stakeholders are the patients, employees, suppliers, and the stockholders in the hospital where the event is taking place. Patients have their lives at stake. Employees have their jobs at stake. Suppliers have their own business at stake. The stockholders are, of course, the doctors and owners of the practices, if not the same entities.

One main principle of the Stakeholder Theory is that the corporation should be managed for the benefit of its stakeholders, their rights must be ensured, and they must be allowed to participate in decisions that significantly affect their welfare. Applying this to the case of doctor-assisted suicide, it is necessary to highlight that the doctor's office (the corporation) should be looking out for the best interest and benefits of primarily its patients (and other stakeholders).

Another principle is that management bears a relationship that is based on trust, both with the stakeholders and with the corporation. The management must therefore act within the interest of the stakeholders and within the interests of the corporation so as to ensure the survival of the firm. This principle leads one to believe that if the doctor's office does not follow the first principle, the business will be unable to stay in business.

2. Democratic Corporate Governance Theory

Democratic Corporate Governance attempts to build systems of accountability into corporations themselves as well as into the institutional investors.

The genius of the corporation, the factor that accounts for its almost universal use in the modern industrialized world as the preferred form for large commercial enterprises, is accountability. The corporation's vitality is based on trust, bridging law, tradition, and management. This theory proposes that managers will work loyally and effectively to realize the full potential of value for the owners, and that the owners can be counted on to ensure that the venture operates in their interest; their interest standing for everybody's interest. If the corporate structure is inadequate to maintain that trust, then all of the changes in laws, monetary policy, and trade agreements cannot solve the problem.

With these two major schools of thought in corporate governance, the former theory is more difficult to implement because of the difficulty in ensuring that the interests of all the stakeholders are met; each group's interests vary and more often than not, they run through different poles. With this, it appears that Democratic Corporate Governance Theory is the one, which is more inclined to instituting participation at the workplace level.

Two Major Schools of Thought in Workers' Participation

There are also two major schools of thought in workers' participation: *Direct Participation* and *Representative Participation*.

1. Direct Participation

Direct Participation happens when employees are involved in direct participatory arrangements with the management. This type of participation comes into two different approaches: *Consultative Participation* and *Substantive Participation*.

1.1. Consultative Participation

Consultative Participation involves direct participatory arrangements with little or no formal influence. Employees are allowed to give their opinions, but management makes final decisions. This focuses mostly in workplace organization and personnel issue. Often significant information is not readily accepted by management. Management solicits workers' suggestions, but they do not permit workers to decide on how to solve the problems. Oftentimes, even the suggestions accepted by management from the workers are not implemented.

Consultative Participation comes into different schemes. One of which is called quality circles wherein employees who are doing the same work are involved voluntarily in forming a group that meets on a regular basis to come up with recommendations on how to improve their respective work areas. Quality circle is therefore one way of utilizing the creative and innovative abilities of the work force.

A variety of benefits have been attributed to quality circles. This includes improved productivity, job enrichment, greater flow of information, and greater teamwork. One weakness associated with quality circles though is that participation here is relatively narrow and is confined only on issues that are related to work in the organization.

Another consultative participation scheme would be the total quality management or TQM. TQM is a structured system for managing people and business processes to ensure that customer needs and expectations are met and possibly, exceeded, by creating organization-wide participation in the planning and implementation of improvement processes.

One of the most famous TQM Model is the six-sigma. Six-sigma incorporates six elements for the achievement of more focused and powerful production systems: focus on quality and detecting potential problems before they occur; focus on customer satisfaction and establishment of cooperation with suppliers of products and services; continuous improvement and elimination of wasteful processes in production; focus on the empowerment of employees; use of the problem solving/problem prevention cycle; and use of measurements to support decisions.

There is also the scheme called briefing groups where participation is centered on a broad range of issues, often technical and of interest to employees, and where employees are often tapped to participate in decision-making.

1.2. Substantive Participation

Substantive Participation concentrates on the same kinds of issues as consultative arrangements, but workers have more influence. Workers' suggestions are implemented unless management specifically justifies its negative response. Management is required to explain what changes would make the suggestion acceptable. The extent of worker participation increases from no participation to purely advisory participation to active influence, as the number of issues on which workers participate expands.

Workers in work teams are given wide discretion to organize their tasks and operate with very little supervision. Work teams are given responsibility for developing relations, setting work pace, training new employees, and keeping financial records.

2. Representative or Indirect Participation

Representative Participation happens when workers are provided representatives to higher management. This type of participation is very important for resolving disputes that occur at the lower levels. It provides benefits to all workers that no single worker has an incentive to provide. This can also improve performance when they take part in policy decisions.

Representative Participation comes in two types. The first is membership in company boards of directors wherein employee directors involved in a considerable number of employee stock ownership plan worker buy-outs. The second is work councils wherein employee representation councils have the right to be informed about the financial situation of the company and to discuss certain employment related matters such as training and layoffs. Work councils also have the right to repudiate some employment-related decisions. They can also often serve a useful role in moving information up and down the organization and in improving the quality of decision-making.

Noticeably, representative participation characterizes a high involvement of participation where employees do not only have the power to raise suggestions or influence matters regarding their jobs, but also have considerable influence in terms of managing the business.

In view of the wide range of forms of workers' participation in decision-making, Poole (1975), in his book *Workers' Participation in Industry*, found it essential to classify with reference to the initiators of the different participatory schemes: forms of workers' participation initiated by the management, and forms of workers' participation initiated by the working people.

As Poole (1975) enlisted, the following are the direct and indirect forms of workers' participation as initiated by the two groups:

Box 1. Direct and Indirect Forms of Workers' Participation

Forms of Direct Participation Initiated by the Management	Forms of Direct Participation Initiated by the Workers
<p>1. <i>Piecemeal attempts to enhance production and efficiency while reducing conflict and increasing workers' satisfaction by means of work-group participation.</i> Take for instance the case of Hawthorne experiments, particularly the assembly test-room experiment, in which output of the group was observed to rise progressively despite major changes in the physical environment of work. The most important factor appeared to be the almost total disappearance of the industrial authority, which the workers have been accustomed to, and the fact that the test-rooms were developed into an almost self-governing body.</p> <p>2. <i>Joint consultation in primary working groups.</i> Here, workers are invited to participate only at a low level in the decision-making process. They are concerned at best with implementing means, the ends having been already established by the management, and the programs have evolved because of the management's fear of the consequences of</p>	<p>1. <i>Control by craft-groups over hours and conditions of work.</i></p> <p>2. <i>Demarcation and control over job rights.</i> Job rights are established to defend labor not only against encroachments by management but also by "dilutee" labor. This has been achievement, partly through the enforcement of the apprenticeship system, and partly by recourse to demarcation. Here, individual crafts have ensured that their members will perform only certain tasks and will not encroach on the territory of others. Moreover, by insisting on the closed shop, any potential division within the ranks of particular trade can be satisfactorily overcome.</p> <p>3. <i>Workgroup practices.</i> Of all workgroup practices, three main forms are particularly worth mentioning: first, various forms of direct action against machinery and machine processes; second, individual and group practices which modify the experiences of extremely alienating technical environments; and third, control over output which is particularly evident under piecework systems of wage payment.</p>

Forms of Direct Participation Initiated by the Management	Forms of Direct Participation Initiated by the Workers
<p>introducing changes without any prior consultation with workers.</p> <p>3. <i>Job rotation, job enlargement, and job enrichment.</i> Job rotation refers to the practice of changing workers from one job to another. Job enlargement, on the other hand, involves some extension of the range of jobs undertaken by a particular operator. Finally, job enrichment entails giving far greater responsibility to workers and enabling them to take decisions that were formerly the prerogative of supervisors.</p> <p>4. <i>Suggestion schemes, employee shareholdings, and other profit-sharing schemes, co-partnership, commonwealth ventures.</i> Suggestions schemes allow for a measure of participation by individual workers in facilitating rather specific technical changes at the shop-floor level or in altering work practices, which carry the risks of accidents or sickness. Shareholdings and profit-sharing, on the other hand, differ from suggestion schemes in four main ways: the rewards are collective in nature; the whole workforce rather than a considerably smaller amount proportion of employees are involved; dividends are paid regularly; individual employee shareholders usually have actual voting rights and can therefore influence managerial policy. Co-partnership represents an advance on employee shareholding, being a more genuine attempt by management to divest some of its decision-making prerogatives. Lastly, commonwealth schemes somewhat go further than co-partnership systems by ensuring both common ownership and the more directed participation of the workforce in decision-making processes of a policy kind.</p>	<p>4. <i>Producer co-operatives.</i> Producer co-operatives reflect far more ambitious that the workgroup practices and they sprang not from spontaneous actions at shop floor level but from coherent ideologies about industrial organization. Co-operative productive manufacture is usually based on three main principles: first, employees are co-owners of the enterprise; second, they may be nominated for any management board; and third, they share in the profits.</p>

Forms of Representative or Indirect Participation Initiated by the Management	Forms of Representative or Indirect Participation Initiated by the Workers
<p>1. <i>Joint consultative committees.</i> There is a great variety of types of committee ranging from the purely advisory with agendas deliberately designed to avoid discussing wages and related issues, to those in which almost any matter may be brought up and concluded. The nomenclature of these types of committees though work councils and joint consultative committees are commonly used.</p> <p>2. <i>Specific committees covering productivity, welfare and safety, the administration of various trust funds, etc.</i></p> <p>3. <i>Productivity bargaining.</i> Essentially, the main aim of such bargains is to ensure large increases in earnings in exchange for a more efficient utilization of labor. To this end, major relaxations of job demarcations, the withdrawal of craftsmen's mates, additional forms of shift working, and generally greater freedom for management in the use of its supervisory powers have all been characteristics of any given productivity bargain.</p>	<p>1. <i>Workers' control, syndicalism and industrial unionism.</i> The generic term "workers' control" has been used to cover a number of different practices but common to them all has been the ideal of replacing the capitalist industrial system by a new industrial order in which the industries of the country will be controlled, partly or completely, by associations of the workers employed in those industries.</p> <p>2. <i>Guild socialism.</i> The theory and practice of guild socialism differ considerably from the forms of workers' control such that, in some respects, it was a more idealistic movement, which was grounded in coherent humanitarian and socialist ideologies and was less spontaneous outgrowth from the ranks of working people themselves. Guild socialism endeavored to give workers control of the factories in which they were employed, but the State, should own the means of production and the workers should control the work of production. Moreover, political and economic power had to be divided to protect individual freedom, while consumer interests had to be safeguarded.</p> <p>3. <i>Shop steward movements and other plant-based systems of worker's representation.</i> Today, the decision-making powers of shop stewards at workplace level vary considerably so that although the overall economic climate has provided a basis for augmenting workplace-based</p>

Forms of Representative or Indirect Participation Initiated by the Management	Forms of Representative or Indirect Participation Initiated by the Workers
	<p>union activities, other factor help to explain differences in the degree of influence wielded by shop stewards, principal of these are technical circumstances and the values of the stewards individually and as a group.</p> <p>4. <i>Factory occupations, work-ins and take-overs.</i> Factory occupations and sit-ins are conflict strategies while work-ins and factory take-overs implies the organized groups of workers actually running the factory.</p>

From: Poole (1975), *Workers' Participation in Industry*.

Workers' Participation in Corporate Governance

Worker's Participation in Corporate Governance is vital for an industry to survive in a competitive world. This process is one way of empowering people in response to the management and employee relationship. This process also comes about by giving employees some combination of information, influence and incentive.

Worker's Participation in Corporate Governance gives a strong advantage to the employees. It gives them an active role in the conduct of the affairs of their organizations. When they are trusted to make decisions about how the work should be done and various other areas for decision-making, employees gain a new sense of pride, commitment and dignity of work and each individual will have a greater opportunity to learn the job, develop skills and contribute significantly to the organization. As Denning (1998) puts it, more involvement at work "combats social alienation, jobs stress, and even encourages self-actualization". The process of involving and empowering employees is an ongoing process and composed of a variety of activities that may have substantially improved the level and quality of services and products.

A plethora of literature and related studies exists that support workers' participation in good governance as catalyst for development. Michie and Oughton (2002) raised that combined with other human resource practices such as training, employee participation can have a positive impact on outcomes by ensuring and enhancing the competence of employees, tapping their motivation and commitment, and designing work to encourage their fullest contribution. All these three elements should be present to

encourage positive employee attitudes and behavior that should in turn impact upon establishment level outcomes such as high quality and productivity, which in turn should translate into better sales and performance (Michie and Oughton, 2002).

Michie and Oughton (2002) particularly noted the two important conclusions that emerged from two large cross-sectional studies conducted in the UK, one at establishment level and one at corporate level. The first conclusion made is that employees do respond positively to what might be termed high commitment human resource practices such as promoting participation and involvement (Michie and Oughton, 2002). The second is to confirm the casual links between human resource practices, such as participation and involvement, and the attitudes and behaviors of employees, and from thereon to performance outcomes such as productivity (Michie and Oughton, 2002).

Workers' participation in management and decision-making processes is neither a new concept nor a practice. Provisions like work councils, work committees, joint management councils, and nomination of worker's representatives in management committees have been included in labor laws of various countries.

Two countries are noted in terms of how the widening influence of corporate governance has proven successful, and how workers participation shares major points — Germany and Japan.

In Germany, the owner and manager of most private firms is the same individual. Even in publicly traded corporations, there is often a dominant shareholder. Also, the Works Constitution Act regulates the industrial relations in Germany at the plant level. This law provides the work council with a variety of different-level rights to co-determination, consultation, and information to social and personnel matters, in questions pertaining to the organization of work and vocational training, and with respect to so-called "economic matters." Through their own shareholdings and by casting proxy votes for individual shareholders who retain their shares with the banks, owners exercise significant power, while workers and lower level employees also gain a significant share of that power.

Workers and entrepreneurs are not in opposition to one another all the time. This is most apparent on the shop floor, but the representatives of both sides of the organization meet on many other occasions, for example on apprentice examination committees. In the labor courts, which rule on employment disputes, there are lay judges at all levels from both sides. And the leaders of various organizations meet frequently when politicians seek their views. These and other forms of cooperation help to foster mutual understanding without blurring the differences between their respective interests.

Worker participation in company affairs is one of the mainstays of the social system in Germany. It is based on the conviction that democratic legitimacy cannot be confined to government but must apply in all sectors of society. Co-determination rights cover such matters as company organizing, working hours, including the introduction of short time or overtime, holidays, social facilities confined to the department, company or group, technical monitoring of conduct of performance, accident prevention rules, occupational diseases and health protection regulations, allocation of company-owned housing or termination of tenancy, as well as pay structures, piecework payment and bonus schemes, etc.

In Japan, meanwhile, concepts of obligation, family, and consensus affect attitudes towards corporate governance. As part of a company family, individuals are members of a unit that envelops their lives to an unusual degree. Families command attention and allegiance of parties from top to bottom in corporations. Consensus is highly valued, even when a firm's commitment to it results in a slow and cumbersome decision-making process. Thus, the inception of workers in the day-to-day workings of the corporation has been welcomed with relative ease.

Moreover, the term 'Japanese-Style Management' is now popular. In this approach, management provides workers with many more job skills training programs than were typical in conventional manufacturing operations. It also provides the workers with information about organizational performance, sometimes providing organization-level rewards for business performance. Employees do not have much autonomy in making decisions, but their suggestions for improvement in the production system are actively encouraged through quality circles and other means.

There have been efforts as well in reviewing their employment practices. From seniority, employment security, and life-long employment, they have shifted to efficiency wage, flexible adjustment of employment, and ageless employment, respectively.

Economic globalization has been changing Japanese employment system and labor-management relations to the great extent. This indicates that the lifetime employment system, on which Japanese unique employment system has so far been based, tends to collapse mainly in large firms. It brings about the mobilization of labor and changes worker's sense or concept of values.

In addition, many firms are now trying to introduce the performance-based pay system, which is based on the actual achievements and results of each employee, in order to reinforce their competitiveness in the global market. The workers who have to accept such new system are also trying to radically change their sense of values. Moreover, the diversification of employment can be raised as another factor to change the Japanese employment system. Business firms become able to treat each employee in response to

his/her position, capability and performance so as to distribute personnel expenses in an effective and strategic manner, not depending on the past system of treating all employees on the basis of seniority order (Miyahara, 2004.).

Meanwhile, Spain has its Mondragon Cooperatives. A small town in one of the Basque provinces in the northern part of the country, the case of Mondragon has shown, above all, how workers can create and extend a system of self-management in a rapidly changing environment (Perez de Calleja, 1975). Mondragon fits the description of a high level of workers' participation in industry, particularly of what Poole (1975) has termed as productive co-operative. Thomas and Logan (1982) described the socio-economic phenomenon in the town as one that "includes factories in which all workers are members of a General Assembly which has ultimate control over organization; which includes other organizations such as a bank and educational institutions whose General Assemblies consist of different constituencies; which includes a rapidly growing — more traditional — consumers' cooperative as well as housing cooperatives."

Conditional to the signing of the Contract of Association, the cooperatives were set to comply with a set of basic economic principles regarding employment creation, capital ownership, surplus distribution, and democratic organization (Thomas and Logan, 1982):

1. An open-door principle that indicates readiness to extend membership to all those whose services are appropriate.
2. The initial capital contribution required for all new cooperators represents their capital share in their enterprise and each year, the value of the individual member's capital stake is adjusted to compensate for inflation. With emphasis being placed on capital accumulation for the expansion of employment, these capital accounts cannot be encashed under normal circumstances.
3. To avoid a cooperative elite in the community, it was decided that average earnings level with the earnings in the immediate area of Mondragon and in consideration with solidarity principles, the maximum range of wage differentials was set at three-to-one, wherein the gross earnings of the highest paid cooperator can never be more than three-fold of those of the lowest paid. The over-all implication is that the lowest ranked earn slightly more than their equivalents in private institutions, middle-range salaries are about the same, while managers and other high ranked earn considerably less than their counterparts elsewhere.
4. The Democratic Principle of the Contract of Association states that all authority is ultimately conferred by the democratic votes of all members of a cooperative. Those who are responsible for administering the cooperative are elected and they are therefore accountable to the membership.

In this context of cooperativism, workers' participation appears to be absolute considering that the workers themselves are the owners of the enterprises where they work.

Shifting to a Southeast Asian country, the Philippines has been, in the past decades, marked by the growing recognition of the importance of employee participation at the workplace as a tool in ensuring industrial peace and democracy and increasing quality of products and services, productivity and competitiveness of the firm (Binghay, 2004.). The operating mechanism design is called Labor-Management Cooperation or LMCs, "a voluntary body composed jointly of representatives from workers and management who meet to identify and resolve issues of common interests and concern" (Gatchalian, 2000).

As early as 1970s, the government has already sought to promote the establishment of LMCs in the country, as supported by the provision in the labor law and various directives issued to promote cooperation between management and labor. The Philippine Labor Code of 1974 Art. 255 Exclusive Bargaining Representation and Workers Participation in Policy and Decision Making is a perfect example of a law passed by the government to support workers. The article basically tells that workers shall have the right to participate in policy and decision-making processes of the establishment where they are employed in so far as said processes will directly affect their rights, benefits and welfare. However, an over-all assessment of the state of LMCs in the Philippines reveal issues regarding misconceptions and misapplications of the said mechanism, among which is the issue on LMCs being used by the management to thwart unionism and collective bargaining, and the reservations on the part of the unions regarding LMCs. Gatchalian (2000) lamented that "the practice of labor-management cooperation in the Philippines can generally be described as still in primitive state" where "LMCs largely function as consultative and advisory mechanisms" and "workers' representatives do not as yet have substantial influence in managerial decision-making on the more meaningful issues and concerns."

Also in Southeast Asia, Indonesia has come out as well with a new Manpower Act in 2003. According to Article 106 of the said act, it makes mandatory for companies with more than 50 workers to establish a bipartite cooperation institution. The bipartite cooperation institution shall function as a forum for communication, consultation, and deliberation on labor issues of an enterprise. This mechanism is similar to the LMC of the Philippines. The ILO has commissioned two distinguished Filipino industrial relations experts, namely: former department of labor and employment undersecretary and currently, the chief technical adviser of the ILO/USA Declaration Project in Indonesia Carmelo C. Noriel and Dr. Jose C. Gatchalian, professor and former dean, School of Labor and Industrial Relations, University of

the Philippines. Both conduct various ILO-sponsored training programs in Indonesia on workplace cooperation attended by labor and management representatives.

Problems in Promoting Workers' Participation

There are so many reasons why many companies do not embrace employee involvement that easily. Some of the most common reasons are herein discussed briefly.

1. The lack of understanding of the concepts and the benefits of employee involvement.

Terms like Corporate Governance and Workers Participation are new in some countries especially in the Third World. Due to feeble means of effective communication in some organizations, this lack of understanding becomes more obvious. Technology is one efficient way available to corporations for imparting knowledge among the employees; but if technology itself becomes the gap that will hinder people from becoming knowledge workers, then concepts like workers' participation and corporate governance will continue to be a distant reality. Moreover, many corporations remain unaware of the things that may contribute to the development of their enterprise. They may not know that some things like corporate governance worked in Germany and Japan.

2. The fear of change

Organization development experts say that meaningful change takes time and so does skills training. Change is never easy, and it is a human tendency to be cautious, if not outright negative, toward anything new and untried. Some companies have embraced the concepts verbally but have discovered that the road to successful implementation has quite a few obstacles and 'pot holes'.

Lack of knowledge or information can reinforce the fear of change. Employers and employees alike may think that they are gaining much from the status quo so that they will do anything to preserve that status quo. What they do not know is that if they would give these concepts the opportunity to work, they would have been gaining more from their efforts.

However, managers are not the only ones who need to learn new things. Non-management employees who have not had the opportunity to work in groups need to acquire knowledge and skills on how to communicate in groups, how to participate in meetings, and how to identify and solve problems. A company may also need to overcome the fear that some people have from experiences where they received negative criticism for offering ideas or suggestions that were contrary to what their supervisors believed.

3. The fear on the part of supervisors that control will be lost.

To remain competitive in a changing world, corporations must innovate and adopt their own corporate governance practices so that they can meet new demands and grasp new opportunities. Participation challenges supervisors' authority and status. Employees are encouraged to make decisions on their own. Discussions reveal managers' mistakes. Autonomous work teams are encouraged to contact staff people and suppliers directly, thus bypassing line managers.

Policy Issues on Workers' Participation in Corporate Governance

One needs to thoroughly assess and reassess the consequences of workers' participation in corporate governance before suggesting that any innovation should take place. The inclusion of workers or employees in the works traditionally allocated for top management is revolutionary and surprising. Careful planning and implementation of necessary policies should back such innovations so that the concept would materialize. Relevant talks that involve both parties are beneficial. Government's role should also be clearly defined in order to prevent overlapping of duties and responsibilities.

1. Lower and Mid-management Support

One of the major policy issues on workers' participation in corporate governance is with regards to lower and mid-management support. Employee involvement requires changes in companies' management systems, both on the low and mid-level ranges. Many middle and lower-level managers resist and sometimes sabotage employee involvement, because its main advantage of greater freedom could be threatening to them.

One important way of easing this kind of tension is to encourage the frequency of dialogues among department heads as well as among rank-and-file personnel. This would create an avenue for constructive criticism between employees and employers alike. Re-training managers to sharpen their skills in leadership, coordination, and planning upon which participation relies is essential. Managers will also more likely support participation if they share in the organization's profits and if part of their performance rating is based on their subordinates' successful involvement.

2. Top Management Support

Top management must decentralize power, so that mid-level managers as well as workers gain authority. Top-level personnel will find it harder to share power with others. It would be appropriate if both the top personnel and the lower personnel have a dialogue in order to lay out what things they have to consider, what both sides would gain or lose in power sharing. The importance of cooperation

and support aside from accountability will be highly regarded. Top personnel should also be aware that any misunderstanding and any sense of mistrust would be highly detrimental to the organization or the company. Most important, the manager must be committed to a long-term vision of the enterprise, which should include skilled workers and decentralized power. A crucial component is that employees, customers and suppliers are stakeholders of the company; thus management decisions must take into account the interest of these partners as well as the interest of the owners.

3. Union Support

The first source of union power is an ideology based on worker solidarity against management. Staff and trade union support is vital to the success of any private finance initiative projects or any company innovations given the huge uncertainties these schemes pose to public sector workers. However, employee involvement challenges solidarity based on opposing management by emphasizing labor-management cooperation. Cooperation in dispute put union leaders in a state of quandary. Through this process, labor and management representatives collaboratively address problems and develop plans for improving the relationships and operation of the organization. High involvement in the workplace, new non-union forms of employee representation, often compete with the union as mechanisms to resolve problems. This will be a great challenge to unions. Thus in order to maintain union support, in the end, employee involvement must not eliminate the role of union leadership, reduce union solidarity or lower the union's bargaining power.

4. Business Support

The organization establishes a partnership with suppliers and customers to assure continuous improvement in the quality of the products and services. In order to create a harmonious relationship among the management, suppliers, customers and personnel close business partner relationship must occur. One way of doing this is to ensure workers and suppliers participation. This process of continuous improvement is more effective if good communication shall be adapted. Both forms of participation require significant and similar changes in management vision.

Prospects and Recommendations: Increasing Participation at the Firm Level

There are a lot of ways by which we can propagate or strengthen decision-making processes based on participatory models. Listed below are some suggestions.

1. Change in the Attitude of Management

The philosophy of employee involvement calls for a progressive attitude on the part of the management and their openness to make adjustments, if necessary, in their management styles. Thus, a major prerequisite for initiating employee involvement in corporate governance is the total understanding, as well as complete conviction and belief in the participative philosophy, on the part of the management. After all, if workers are willing to contribute their ideas, then the management must also be willing to make possible a favorable environment to encourage employees to do so. Corporations must then be ready and open in accepting innovations that are revolutionary in nature.

Human involvement at the work place in all facets of the work is a prerequisite for the enhancement of quality life as well as performance and satisfaction. Thus, the organizational policy should work towards enhancing such aspects of work that encourage people's ownership of the workplace as well as the work itself, collaborative efforts among co-workers, and decision-making processes based on participatory models. It is therefore important that management seek for continuous improvement in quality of work life through humanization of work and improved organizational culture.

2. Employee Motivation

Employees must realize the significance in their lives of being involved in the organization's decision-making processes. Employees should learn to volunteer, where possible, as members of participatory groups. There are three policy recommendations that organizations may adopt to secure employee participation.

2.1. Sharing gains

Sharing gains is one kind of employee motivation that focuses on the involvement or the key element of almost all participatory systems. Effective participation requires that employees be rewarded for the extra effort that participation entails and that they receive a share of any increased productivity or profits. There are a few numbers of advantages in gain sharing scheme. For one, gain sharing brings groups of employees to work together toward a common goal, the success/benefit of the company. Secondly, it helps employees focus on profitability. Thirdly, the costs of implementing the plan rise and fall with the company's revenues. Lastly, gain sharing enhances commitment to organizational goals.

2.2. Group cohesiveness

Policies to promote cohesiveness are more common at high-involvement companies. One commonly used mechanism to reduce status differences is to eliminate time clocks and put all workers on salary. Use of all-salary pay is more prevalent at companies with high

level of employee involvement than at companies with low level of employee involvement. Highly cohesive groups are able to enforce group norms more effectively than less cohesive groups. In cohesive groups, internal pressures to conform are greater; because people value their membership in cohesive groups, they are willing to adjust their behavior to group standards. Cohesive groups also put more pressure on deviants to conform to group norms than less cohesive groups do.

2.3. Pay-for-knowledge

Pay-for-knowledge is a compensation system that rewards employees for each new skill acquired. Pay-for-knowledge systems are non-traditional compensation practices that tie base wages and salaries to knowledge and skill rather than to position or the job actually performed. In addition to pay-for-knowledge, these systems are sometimes called skill-based compensation, knowledge-based pay, multi-skill compensation, pay-for-skill, and so on. Regardless of the name, these systems are distinguished by the fact that employees who can perform a wider repertoire of jobs or functions than other employees receive a higher base compensation.

There are a number of specific benefits normally cited by those who advocate pay-for-knowledge systems (Boyett and Boyett, 1998).

Firstly, pay-for-knowledge systems, particularly multi-skill-based systems, by their very nature, encourage employees to become more flexible in the types of jobs they are willing and able to perform. As a result, the company benefits because more people are available to take over when someone else is absent, when turnover is high, or when other employees are on leave or attending training programs. In the case of production bottlenecks, skilled employees who work further down the production line and are perhaps idle can relieve the workload. In addition, when production requirements change, employees can move to different product lines as needed. In effect, under pay-for-knowledge systems all employees are encouraged to become utility people capable of performing work when and where they are needed.

Secondly, since employees are more flexible, pay-for-knowledge systems frequently result in a leaner staff. Because of their increased flexibility fewer employees stand idle waiting for work. Staffing for peaks is avoided, and employees are more fully utilized.

Lastly, with wider and more in-depth knowledge about the entire production process or service delivery system as a result of their expanded job knowledge, employees are likely to be more effective problem solvers. In short, multi-skilled employees are likely to have a broader perspective, be more innovative, and propose solutions that will be effective system-wide.

3. Provisions of Training

Appropriate training of employees is also needed. Without a proper understanding of the real concept of employee involvement in the governance of corporations, both the workers and management might just look at this philosophy with suspicion. Each group should know erstwhile the responsibilities and implications involved as well as the benefits that can be derived from decision-making processes based on participatory models. Employees specifically need to acquire knowledge and skills on how to lead groups, communicate in groups, how to participate and conduct meetings, and how to identify, analyze, and solve problems.

4. Government Recognition

The presence of awards and incentives from the government and for this matter, from other institutions, for enterprises that have demonstrated successful adoption of participative management may also prove to be helpful. This even creates multiplier effect such that other enterprises may just be encouraged to replicate the practice upon learning how participative management has transformed other enterprises into something better.

Governments might also consider institutionalizing genuine consultation processes between management and labor, especially over sensitive topics related to companies' strategic planning decisions, by means of labor laws and directives as in the case of other countries who have already spurred on legislating participative management. This entails establishing a general framework for employee information and consultation processes for all the companies throughout the country.

Conclusion

As mentioned, companies who practice or plan to practice employee participation can opt from a variety of mechanisms from direct participation in day-to-day decision-making to board level participation. While capital could adhere to non-democratic means of running its business, it is already proven elsewhere how this kind of management could be very detrimental to the existence of the company. An active participation coming from the employees can definitely form an effective and powerful base for improved corporate governance for any organization. This is important because good corporate governance is crucial not only for the establishment of credible management and financial success of companies, but also for the achievement of competitive performance and capacity for long-term sustainability. By empowering the people who work in the organization to be part of the corporate governance structure, and take part in managing the organization and steering it into the future, a company makes its decision-making more democratic, less at risk of corruption by a powerful few, and more socially responsible.

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