Financial and non-financial motivational strategies

Financial incentives:

Payment systems

Introduction Very few people would be prepared to work without financial reward, although the considerable numbers of charity workers should not be overlooked. Pay is necessary to encourage work effort—all theorists recognised this. The disagreements—particularly between Taylorite views and the others—is over whether pay is sufficient to generate motivation and how pay should be calculated. If pay is accepted as being insufficient to ensure that workers are motivated to work to their full potential then other non-financial methods need to be considered. The attraction of these is obvious: if they can promote motivation without adding to the pay bill then unit costs should fall and competitiveness increase. There are many links between how work is organised to boost motivation and the style of management and organisational structure of the business: these issues are covered in the chapters that follow.

Payment or financial reward systems The most common payment systems are:

- hourly or time wage rate,
- piece rate,
- salary,
- commission,
- performance-related pay,
- profit sharing,
- fringe benefits.

Hourly wage rates This is the most common way of paying manual, clerical and 'non-management' workers. An hourly 'time rate' is set for the job—perhaps by comparing with other firms or similar jobs—and the wage level is determined by multiplying this by the number of hours worked. This total is usually paid weekly (see Table 7.3).

Piece rate A rate is fixed for the production of each unit, and the workers' wages therefore depend on the quantity of output produced. The piece rate can be adjusted to reflect the difficulty of the job and the 'standard' time needed to complete it. These issues are determined by work study. The level of the rate can be very important. If set too low it could demotivate the workers but if too high it could reduce the incentives—because workers will be able to meet their target wage level by producing relatively few units (Table 7.4).

Salary This is an annual sum that is usually paid on a monthly basis. It is the most common form of payment for professional, supervisory and management staff. The salary level is fixed each year and it is not dependent on the number of hours worked (time rate) or the number of units produced (piece rate). The fixing of the salary level for each job is a very important process because it helps to determine the status of that post in the whole organisation. Job evaluation techniques (see Chapter 19) may be used to assist in deciding the salary bands and the differences between them. In most organisations, all jobs will be put into one of a number of salary bands and

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Workers will not rush their work and this could lead to high quality.</td>
<td>- Too much time may be taken to do a job as there is no additional reward for extra effort or faster work. To prevent this, additional supervision of workers may be required.</td>
</tr>
<tr>
<td>- Gives workers some security of payment even if there are unavoidable production hold ups.</td>
<td>- Higher 'overtime rates' are paid after a contractual number of hours has been worked—these could encourage slow working to delay completing a job.</td>
</tr>
<tr>
<td>- Wage rates can be adjusted easily to reflect different skill levels required to do a job.</td>
<td>- Wages will still have to be paid even if production is halted—unless the workers are on a very flexible hours' contract.</td>
</tr>
</tbody>
</table>

Table 7.3 Advantages and disadvantages of the hourly wage rate
the precise income earned within each band will depend upon experience and progress. It is always possible to gain promotion to another job in a higher salary band. Firms that are interested in creating a ‘single status’ within their organisation are now increasingly putting all

<table>
<thead>
<tr>
<th>Job grade</th>
<th>Salary band (per year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>E, e.g. regional heads</td>
<td>$50,000–$75,900</td>
</tr>
<tr>
<td>D, e.g. departmental heads</td>
<td>$30,000–$49,900</td>
</tr>
<tr>
<td>C, e.g. office managers</td>
<td>$20,000–$29,900</td>
</tr>
<tr>
<td>B, e.g. secretaries</td>
<td>$10,000–$19,900</td>
</tr>
<tr>
<td>A, e.g. junior clerical staff</td>
<td>$5,000–$9,900</td>
</tr>
</tbody>
</table>

Table 7.5 Salary bands – typical example

staff – manual and managerial – on to annual salaries to give the benefits of security and status to all employees.

Commission This is most frequently used in personal selling, where the salesperson is paid a commission or a proportion of the sales gained. It can make up 100% of the total income – reducing security – or it can be in addition to a base salary. It has the same advantages and disadvantages as piece rates used in production industries.

Performance-related pay (PRP) This is a scheme to reward staff for above-average work performance. It is usually in the form of a bonus payable in addition to the basic salary. It is widely used for those workers whose ‘output’ is not measurable in quantitative terms, such as management, supervisory and clerical posts. It requires the following procedure:

- regular target setting, establishing specific objectives for the individual;
- annual appraisals of the worker’s performance against the pre-set targets;
- paying each worker a bonus according to the degree to which the targets have been exceeded.
Activity

Read the advertisements below and then tackle the exercises that follow.

SIX FIGURE SALARY (AT LEAST $100,000) + SUBSTANTIAL FRINGE BENEFITS
CAR, INSURANCE, PENSION, HEALTH CARE

Human Resources Director – West Indies
Diverse Portfolio of International Businesses

Our client is an undisputed leader in the private equity market. It has financed the acquisition of a wide variety of businesses with a presence in more than 50 countries, an annual turnover in excess of £3.5 billion and 50,000 employees. Key to the Group’s success has been its close financial management and the assistance it has given portfolio companies in areas such as Human Resources and IT.

Due to continuing growth, an HR Director is now sought to add value across the Group.

THE POSITION
- Optimise the deployment of HR to add value within the portfolio businesses and support the Group’s overall objectives.
- Provide business and HR support to operating company management teams. Emphasis on management development, leadership teams and compensation.
- Active involvement in evaluation of potential acquisition targets. Provide critical analysis of management strengths and weaknesses.

QUALIFICATIONS
- Outstanding HR professional with a minimum of 15 years’ experience, a demonstrable record at Group and divisional levels in an international business.
- Practical understanding of business drivers and HR issues within large and small organisations. Highly influential with outstanding business management tool-kit.
- Specific experience in Caribbean is required, with fluency in a Spanish language a distinct advantage.

Please send full CV and current salary details to S.Amm at the address below.
Alternatively email: samm@partnership.com

THE PACIFIC RECRUITMENT AGENCY

(12 marks, 15 minutes)
1 Explain the different pay systems operated by these two businesses for these jobs. (4)
2 Why do you think that these pay systems are different? (4)
3 Why do you think that the higher-paid post also carries a range of other benefits? (4)

There are problems with PRP schemes. The main issue is one that Herzberg would recognise – does the chance of additional pay ‘motivate’ or just temporarily ‘move’ a worker to perform better? As there is no change in the nature of the work being undertaken most of the ‘motivators’ recognised by Herzberg would not be satisfied by PRP. In addition, the concentration on individual performance can create divisions within teams and groups, and this can work against the findings of the Hawthorne effect. There is also a widely held view that PRP bonuses are often inadequate, even to achieve short-term productivity gains or improvements in effort. The last problem concerns the style of management that PRP can lead to. By giving senior managers the power to decide which subordinates have achieved performances above target, it can lead to claims of favouritism and the ability to control staff by means of the ‘carrot’ of extra rewards.

Profit sharing This scheme shares some of the company profits not just with the shareholders but also with the workers. The essential idea behind these arrangements is that staff will feel more committed to the success of the business and will strive to achieve
<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivates staff to improve performance if they are seeking increases in financial rewards.</td>
<td>Can fail to motivate if staff are not driven by the need to earn additional financial rewards.</td>
</tr>
<tr>
<td>Target setting can help to give purpose and direction to the work of an individual.</td>
<td>Team spirit can be damaged by the rivalry generated by the competitive nature of PRP.</td>
</tr>
<tr>
<td>Annual appraisal offers the opportunity for feedback on the performance of an individual but as it tends to occur only once a year this is not usually sufficient to achieve a key feature of job enrichment.</td>
<td>Claims of manager favouritism can harm manager/subordinate relationships.</td>
</tr>
<tr>
<td>May lead to increased control over staff by managers because of the danger that bonuses may not be awarded if workers do not conform.</td>
<td></td>
</tr>
</tbody>
</table>

Table 7.7 Advantages and disadvantages of performance related pay

Higher performances and cost savings. Some shareholder groups, however, claim that profits should be returned to the owners of the business and are a reward to them for taking risks with their own capital. Some profit-sharing schemes do not offer cash but shares in the business to each worker when the firm declares a profit. This is designed to establish the workers as part owners of the business and reduce the conflict that might exist between 'them' (the owners and managers) and 'us' (the workers). In practice, many of the shares in such schemes are quickly sold by the workers, thus reducing the hoped for long-term impact on motivation.

**Fringe benefits** These are non-monetary forms of reward – and there are many alternatives that can be used. They include: company cars, free insurance and pension schemes, private health insurance, discounts on company products and low interest rate loans. They are used by business in addition to normal payment systems in order to give status to higher-level employees and to recruit and retain the best staff. Some of these fringe benefits are taxed but others are not and that gives the employees an added benefit, because to purchase these ‘perks’ from after-tax income would be very expensive.

**Appraisal** Appraisal is often undertaken annually. It is an essential component of a staff development programme. The analysis of performance against pre-set and agreed targets combined with the setting of new...
targets allows the future performance of the worker to be linked to the objectives of the business. You will recall from the chapter on motivational theorists that both appraisal and staff development are important features of Herzberg’s motivators – those intrinsic factors that can provide the conditions for effective motivation at work.

**Job evaluation and work study** This is a formal process of comparing jobs so that a rank order is obtained based upon the demands of each job. It is important to note that job evaluation is about comparing jobs, not about assessing the work of individuals, which is covered by appraisal.

The main purpose of job evaluation is to allow for the creation of a wage structure that is seen to be fair and objective – rather than one based on favouritism for individuals and arbitrary decisions. There are several different approaches to undertaking job evaluation but the **points rating system** is one of the most widely used.

The stages involved are:

1. **Detailed job analysis.** To allow for accurate job comparisons, it is essential to have a clear picture of what each job involves. A job analysis will provide details of:
   - a description of the main tasks involved,
   - the specific skills, competences or abilities needed by the post holder,
   - the value of assets for which the job holder is responsible,
   - working conditions,
   - the number of people reporting to the post holder.

2. **Relevant job factors are then identified.** These are the specific aspects of the jobs that will form the basis of the comparison. They usually include skills needed, qualifications required, levels of responsibility, physical effort levels needed and environmental factors, such as working conditions.

3. **Points allocation.** Each job is then considered in turn and points are allocated, out of a certain maximum level, for each of the job factors.

4. **Total points score is then totalled.** The total will determine the rank order of the jobs. For pay purposes it is common to put the ranked jobs into a limited number of pay bands to avoid a separate pay band for each job in an organisation.

Claimed benefits and drawbacks to the job evaluation exercise are shown in Table 7.9.

**Work study – improving labour efficiency** Work study includes a number of different techniques that are all aimed at improving the effective use of labour. The

<table>
<thead>
<tr>
<th>Claimed benefits from job evaluation</th>
<th>Possible drawbacks of job evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>- The ranking system is based on objective and measurable criteria.</td>
<td>- The points system still requires subjective judgements to be made when comparing the degree of difficulty and skills needed for different jobs.</td>
</tr>
<tr>
<td>- The resulting pay system is based on a study of job content and responsibility rather than the personal characteristics of the post holder.</td>
<td>- Job evaluation conclusions need constant updating to take changes in job content into account.</td>
</tr>
<tr>
<td>- The rankings can be updated to take into account changes in job content or responsibility.</td>
<td>- The introduction of job evaluation can lead to some job holders losing relative pay and status within the organisation. This can be demotivating.</td>
</tr>
<tr>
<td>- Pay disputes over differentials or equal pay claims can be referred to the evidence gathered from job evaluation.</td>
<td>- The system does not consider the performance of each individual within each post or the supply of people willing to undertake each job.</td>
</tr>
<tr>
<td>- By including both management and worker representatives in the job evaluation exercise, a useful form of participation is achieved.</td>
<td>- It does not fix pay levels – only pay differentials between posts.</td>
</tr>
<tr>
<td></td>
<td>- If workers are not involved in job evaluation then bad feelings may result from the findings.</td>
</tr>
</tbody>
</table>

Table 7.9 Advantages and disadvantages of job evaluation
The pay system at Quality Clothing Manufacturers Ltd was designed several years ago when there were several different trade unions representing workers at the plant. Each union had threatened industrial action if they did not achieve pay rates for their members around the average in the factory. This meant that factory supervisors were paid on the same grade as secretaries and electricians. Since the management had signed the single union contract it was considered time to revise the pay structure and base it on objective criteria.

The results of a job analysis are shown below:

<table>
<thead>
<tr>
<th>Job factor</th>
<th>Secretary</th>
<th>Factory worker</th>
<th>Electrician</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main tasks</td>
<td>Typing of contracts, orders and invoices.</td>
<td>Operating machinery.</td>
<td>Maintenance and repairs of all electrical equipment.</td>
</tr>
<tr>
<td></td>
<td>Dealing with calls from suppliers and customers.</td>
<td>Carrying supplies from stores.</td>
<td></td>
</tr>
<tr>
<td>Responsible for</td>
<td>Three junior clerks.</td>
<td>Operating machinery valued at $100,000 correctly.</td>
<td>Safe and efficient working of all electrical equipment.</td>
</tr>
<tr>
<td></td>
<td>Office equipment valued at $7,000.</td>
<td>Keeping adequate supply of stocks.</td>
<td>$25,000 of testing equipment.</td>
</tr>
<tr>
<td></td>
<td>Accountable for accuracy of work.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Good general education.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Work conditions</td>
<td>Flexible hours contract.</td>
<td>Shift system.</td>
<td>Safety risks always present.</td>
</tr>
<tr>
<td></td>
<td>Office environment.</td>
<td>Exposure to noise and heat.</td>
<td>Some outside work.</td>
</tr>
</tbody>
</table>

(30 marks, 40 minutes)

1. Explain the purpose of job evaluation. (4)
2. Comment on the job factors chosen and add one further factor that could be considered. Justify your selection. (6)
3. Undertake a ‘points rating system’ of these three jobs on a scale of 1–10. Use all five job factors, including your suggestion in 2. Total your results. (6)
4. Comment on your results. (4)
5. Explain how you might use your results to adapt the existing pay structure of the business and examine the problems associated with this change. (10)

The process was first analysed scientifically by F.W. Taylor. He argued that by analysing work rates and different work methods it should be possible to arrive at the ‘best’ or most efficient way of working. This would raise labour productivity from which, Taylor argued, both the firm and the workers might benefit.

In its simplest form work study involves:
- **method study** – to find the most effective method of undertaking a task;
- **work measurement** – recording output levels using different methods and arriving at a ‘standard’ or target time for each task.
These techniques should allow:
- an improvement in productivity,
- improved use of space and equipment,
- improved planning as the time for each task would be recorded,
- the calculation of piece rates for each task, if this was the method of remuneration to be used.

Method study aims to improve on existing work practices. The key stages in method study are:
- select the task to be analysed;
- observe how the task is currently done, noting the flow of materials, movements of workers and the layout of the equipment;
- analyse the data gathered;
- suggest improvements to the method, for example by cutting down on unnecessary movements of materials and part finished goods around the factory;
- put the new method into effect;
- record the impact of the new method on productivity.

Work study aims to measure how long workers take to perform each task so that a standard time can be established. This standard time can then be used to work out piece rates, if this type of payment system is used, or to help with the planning of production schedules. The key stages in work measurement are:
- decide on the task to be recorded;
- record the time taken for the task, making allowances for any necessary stoppages;
- rate the performance of the worker against the average performance for workers performing similar tasks. Has the worker been working harder or less hard than average?
- establish the standard time for the job – this is the time that the job should take if it is done by a trained and competent ‘average’ worker.

The standard time will be used to judge future performances and to help cost the final product.

Work study – common problems Introducing a work study programme is not as easy as the previous section might have indicated. The most common problems are:

1. Workforce resistance. There are several reasons why workers might resist this process. The observing and recording of people at work can often be seen as an ‘inspection’ of an individual’s performance. It should be stressed that this is not the case – work study is not meant to be an individual appraisal but a measurement of task length and an analysis of method efficiency. Staff may need to be reassured that no-one will be disciplined or sacked as a result of the data collected from work study. Another reason for resistance is the common feeling amongst staff that improved productivity – resulting from better methods – might lead to redundancies.

Finally, many workers will oppose changes to the ways of the past. If jobs have always been ‘done like this’ then the reasons to change methods might need to be given very carefully to the staff concerned. Many fears could be overcome by involving staff or their representatives in the whole work study process. For instance, using kaizen groups (see next chapter) to suggest the tasks most in need of reform or by discussing with work groups how important it might be to raise productivity and efficiency.

2. Accurate measurement of tasks. When staff are being timed there is a risk that they may work at a faster rate – to impress – or at a slower rate so that a long standard time might be established. Longer standard times will give workers longer to perform the task when the work study is complete, and by then working faster they may be able to increase their earnings. Skilled work study consultants should be able to identify staff who appear to be working at either an unusually fast or slow pace during the work measurement.

Developing appropriate pay systems The HR department will be heavily involved in analysing which method of financial reward should be applied to each category and grade of worker. In addition, the HR team may be asked to compare different types of jobs within the business to allow for the appropriate pay levels and pay differentials between the jobs to be set. This process of objectively comparing the demands of different jobs is called job evaluation.

Job evaluation identifies the different skills, levels of physical effort, responsibilities and qualifications needed to perform each job effectively. The factors common to the jobs being compared are then identified. Each job is given a number rating for each factor and the totals are compared. The job with the highest number of points is
then given the highest pay grade. A number of points can be made about this process:

- It is an attempt to compare jobs not people – appraisal is the system used to assess an individual’s performance, not job evaluation.
- It is difficult to evaluate and compare completely different jobs; there might be very few common factors between them.
- Experienced HR managers are needed to give the numerical rankings to each job – they need a close understanding of what each job involves.
- The results can be used to help determine pay differentials between different jobs but the actual level of pay may still be determined by bargaining with workers or collective bargaining.

Non-financial incentives

Non-financial methods of motivation The previous chapter highlighted the contrasting views about the importance of money in motivating workers. It is now widely recognised that money alone will not create the eagerness to complete jobs efficiently that all businesses are looking for in employees. The range of non-financial motivators is very extensive and this section concentrates on the most widely adopted ones. These are:

- job rotation,
- job enlargement,
- job enrichment,
- team working,
- quality circles,
- target setting,
- delegation and empowerment,
- participation.

Job rotation This is simply encouraging a worker to do more than one task by switching from one job to another. It should not be confused with job enrichment. Rotation may relieve the boredom of doing one task and it can give the worker multi-skills, which makes the workforce more flexible, but it does not, by itself, increase empowerment.

Activity

* Read the case study below and then tackle the exercises that follow.

Case study – Business expansion needs workforce support

Ursula and Jin-Ho had established their retail store selling mobile phones six years earlier. They were now ready to embark on an ambitious expansion programme. This involved opening three new stores a year. They had sufficient capital but they were worried about the staffing needs for these extra stores. How should they attract and keep the best staff? Ursula wanted to make the new store managers fully responsible for the performance of each branch and to reward them with a ‘share option’ scheme that would give them the chance to buy company shares at preferential rates. In addition, she wanted a profit-sharing scheme for all employees. This would involve sharing 20% of annual profits amongst all the staff in proportion to their annual salaries. Jin-Ho was not keen on either proposal. He suggested a commission-based pay scheme for the shop staff and a performance-related pay bonus system for the managers. The bonus would be paid if the managers reached the annual sales targets that would be set, taking the area and size of each shop into account. He was unhappy about taking profits out of the business. ‘As it is still a young company with ambitious growth plans we need to reward our existing shareholders, including ourselves, and put as much back into the firm as possible’, he had said.

Whichever system they adopted they both agreed that it would have to encourage all staff to contribute fully to the future success of the business.

(50 marks, 40 minutes)

1 Explain the differences between the payment systems mentioned in this case study. (9)

2 Examine the advantages of each of these two proposed payment schemes. (9)

3 Using all of the information available to you and your knowledge of payment schemes, recommend and justify suitable pay systems for shop workers and managers. (12)
or responsibility of the work being performed. In addition, it does not necessarily give a worker a complete unit of work to perform but just a series of separate tasks.

**Job enlargement** A term used to refer to any attempt to increase the scope of a job by broadening or deepening the tasks undertaken. It can include both job rotation and job enrichment but it also refers to increasing the 'loading' of tasks on existing workers, perhaps as a result of shortage of staff or redundancies. It is unlikely to lead to long-term job satisfaction unless the principles of job enrichment are adopted.

**Job enrichment** This involves the principle of organising work so that employees are encouraged and allowed to use their full abilities - not just physical effort. The process often involves a slackening of direct supervision as workers take more responsibility for their own work and are allowed some degree of decision-making authority. Herzberg's findings formed the basis of the job enrichment principle. The three key features of it are not always easy to apply in practice, but employers are increasingly recognising the benefits to be gained by attempting to implement them.

1. Complete units of work so that the contribution of the worker can be identified and more challenging work offered.
2. Direct feedback on performance to allow each worker to have an awareness of their own progress.
3. Challenging tasks offered as part of a range of activities, some of which are beyond the worker's recent experience.

Production lines (see Figure 7.2) have been reorganised in many factories and team working introduced in many service industries to more easily allow job enrichment ideas to be introduced.

**Team working** This approach to work places each member of staff into a small team of employees. Some traditionalists argue that moving away from 'pure division of labour', where one worker performs just one simple task all of the time, will result in lower productivity and time-wasting 'team' meetings.

![Figure 7.2 Traditional mass production – each worker performs a single task](image)

![Figure 7.3 Team production allowing for job enrichment – all workers contribute to producing the completed unit](image)

Supporters of job enrichment would respond by claiming that more challenging and interesting work, as allowed by teamworking or 'cell' production, will lead to:

- lower labour turnover,
- more and better ideas from the workforce on improving the product and the manufacturing process,
- consistently higher-quality, especially when TQM is incorporated.

Effective teamwork often involves quality circles – see below. It usually leads to workers learning several skills rather than just one. This helps to create a more flexible and adaptable workforce. Potential dangers of such an approach include the fact that some workers may find it difficult to work closely with others and may not 'get on' with other team members. In addition, if the team allows a strong informal leader to develop who does not share the organisation's objectives, the team may work inefficiently.
Quality circles These originated in Japan but they have been widely adopted in industry in most countries. They are voluntary groups of workers who meet regularly to discuss work-related problems and issues. They are not just concerned with ‘quality’, although improving quality of the product or service can be a major benefit. The meetings are not formally led by managers or supervisors, they are informal and all workers are encouraged to contribute to discussions. As the workers have ‘hands-on’ experience of the issues being discussed, it is often the case that one of the production team will arrive at the best solution to a problem. Results of the quality circle meetings are presented to management and really successful ideas are often implemented, not just in that factory but across the whole organisation. Workers are usually paid for attending and the most successful circles may be rewarded with a team prize. Quality circles are a successful method of allowing the participation of all staff and they fit in well with Herzberg’s ideas of workers accepting responsibility and being offered challenging tasks.

Target setting This is clearly related to the technique of Management by Objectives. As well as making work more interesting and rewarding, the purpose of target setting is to enable direct feedback to workers on how their performance compares with agreed objectives. The basic idea behind this is that people are more likely to do well when they are working towards a goal that they helped to establish and identify.

Delegation and empowerment These methods of staff motivation are fully examined in Chapter 8. They involve the passing down of authority to perform tasks to workers, although empowerment goes further, by allowing workers some degree of control over how the task should be undertaken.

Evaluation of payment systems and non-financial motivational methods If it is accepted that pay is not the only motivating factor for people to work effectively and to be satisfied in their jobs, then managers need to take a critical look at all of the payment and non-financial methods of motivating staff. What works for some groups of workers will not be effective with others. Managers need to be flexible and adapt the methods and approaches that are available to motivate staff to the particular circumstances of their business and their workforce. The main factors that influence the different degrees of emphasis on pay and non-pay factors include the leadership style of management and the culture of the organisation. If managers have the attitude that workers are naturally lazy and cannot be trusted then a ‘payment by results’ system with close supervision will be adopted. If the culture is to view workers as partners or associates in the business then production will be organised to give workers a chance to accept responsibility and to participate. A monthly salary payment system is likely under these circumstances. These two opposite approaches to leadership and management style are examined further in the next chapter, together with organisational structure.

Participation Participation means involvement by workers in decision making. This can be introduced at different levels of a businesses operation. Workers could be encouraged to become involved in decision making at the team or work group level. Opportunities for worker participation might include helping to make decisions about break times, job allocations to different workers, ways to improve quality and working methods. At the level of strategic decision making, workers could be encouraged to participate through electing a worker director on to the board or electing worker representatives to speak for employees at the Works Council meetings.

When employees are encouraged to participate at any level of the business, the advantages are often very obvious. As it is a form of job enrichment, the benefits will include improved motivation and responsibility towards the organisation. In addition, better decisions could result from worker participation as they have in-depth practical experience of operations – and some managers lack this.

The limitations of participation are that it may be time consuming to involve workers in every decision. Autocratic/directive managers would find it very difficult to adapt to the concept of participation and they may set up a participation system but have no intention of actually responding to workers involvement. This approach would eventually prove very demotivating for workers.