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Contextual Analysis on the Choice of Employee Participation Schemes in China's Coal Mining Companies and Automotive Assemblers

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Abstract

This paper analyses the contextual determinants of employee participation schemes in China's enterprises. It focuses on the breadth and the depth of employee participation schemes. It aims to produce in-depth case studies on employee participation schemes in coal mining and automotive assembly enterprises to reflect the changing labour relations processes and institutions at the workplace level, under the confluences of labour market shortage, strengthened legal regulation such as Labour Contract Law, trade unions campaigns for collective bargaining and young workers' collective actions. This paper encompasses two main parts: first, it reviews the legal, regulatory and policy documents governing various schemes of workers' participation, in order to depict a statutory framework of workers' participation for China's enterprises; second, it includes empirical research on employee participation in four case companies. This paper finds out that the breadth and depth of employee participation practices in the case companies were largely subject to the commitments of management. As a consequence, employee participation in these companies was confined to information and consultation. The evidence, however, showed that the depth of employee involvement at the shop floor level within the organisation was enhanced, with the main focus on the subjects of wages and bonus distribution in teams and groups.

1 Research Background and Objectives

The developed economies have a considerable history of effective employee participation models, albeit with different trajectories and outcomes (Zoghi and Mohr, 2011, Dundon et al., 2006). The study of employee participation, which usually means various mechanisms for information sharing and consultation at the workplace (Freeman and Medoff, 1984, Wilkinson and Fay, 2011), has formed a separate track of research from traditional collective bargaining, which has a long history dating back to 19th century (Chamberlain, 1944, Clegg, 1976).

In China, however, collective bargaining is relatively new novelty, while the notion of democratic management, embedded in workers' (representatives) council, has been widely practiced in the traditional state-owned enterprises. As Chinese workplaces try to cope with challenges of market-based employment relations, China has embraced idea of collective bargaining, while expanding institutional mechanisms under the overarching term of 'democratic management' to include the mechanisms of information sharing (that is, transparency management), workers' evaluation of managers' performance, workers' (representatives) council, employee representation at the management and supervisory board level, as well as collective bargaining. There are some anecdotal studies which look at one or two components of the complex web of industrial relations institutions at the workplace (Warner and Ng, 1999, Clarke et al., 2004, Clarke, 2005, Ding et al., 2002, Ng and Warner, 1998, White, 1996, Lee, 2009).

Nevertheless, to date, there is little systematic, in-depth case study which try to look at how each component of old and new IR institutions actually function, what factors enable these institutions to function properly and what outcomes these IR institutions at the workplace actually process in both state and non-state sectors. Some papers published in Chinese academic journals quantitatively examined the link between employee participation schemes and outcomes, such as, organisational performance, employee satisfaction, budget management performance, employee loyalty, strategic decision making, etc. (Liu, 2010, Wu and Chen, 2010, Qian and Yu, 2007, Xie et al., 2010, Li and Hu, 2006). Zhang and his colleagues (2002) explored the relationship between the antecedence of employee involvement, that is, organisational climate, and employee involvement, by analysing the data obtained from questionnaires distributed to 148 enterprises. Zheng and his colleagues (2008) conducted a research on the impact of Trust on employee silence via the methods of interviews and survey. These quantitative studies, however, offer little understanding of the nature, arrangements, processes and outcomes of employee participation in Chinese enterprises. Franzosi (1995) addressed the weakness of regression analysis: 'as regression results are merely interpreted, not explained, hardly any cumulation of knowledge is obtained' (quoted by Hyman, 2001:206). Some qualitative papers on employee participations schemes have also been published in the Chinese academic journals: for example, employee participation in the start-up (Chen and Chu, 2010), and union's investigation reports on promotion of information sharing scheme in enterprises (Yi, 2001, Fang, 2000, Liu and Han, 2001). These short papers were very descriptive and did have much theoretical values.

To fill in this gap, this paper analyses the contextual determinants of the employee participation schemes in China's enterprises. It focuses not only on the breadth, but also the depth of employee participation schemes, that is, the extent of influence

employee participation schemes exert over the decision making. This paper aims to produce in-depth case studies on employee participation schemes in coal mining and automotive assembly enterprises to reflect the changing labour relations processes and institutions at the workplace level, under the confluences of labour market shortage, strengthened legal regulation such as Labour Contract Law, trade unions campaigns for collective bargaining and young workers' collective actions. As a part of the research, we look at how companies are adapting their HRM strategies and practices, as well as changing combination of different elements of flexibility (numerical, functional and wage) in response to the above challenges, and also how domestic management schemes at the workplace are channeling those HRM changes and affecting different combination of flexibility at the workplace.

The structure of this paper encompasses two main parts: first, it reviews the legal, regulatory and policy documents governing various schemes of workers' participation, in order to depict a statutory framework of workers' participation for China's enterprises; second, it includes empirical research on employee participation in four case companies, including two coal mining group companies and two assemblers within one automotive group company. The objectives of empirical research are to explore:

- Environmental determinants in shaping, considering both internal organizational context and external legal environment;
- Strategic choices/response of the key actors (party, management, trade unions and employees) to environmental determinants in shaping the organisation's approach to introduce and implement employee participation;
- Practical operation of employee participation arrangements under the term of "democratic management" including collective bargaining as well and other indirect employee participation schemes, including the respective roles and approaches of the key actors and the relationships between them, the issues most commonly dealt with and the nature of the employee participation processes used; and
- Outcomes of employee participation practices in terms of quality of management decision-making, employee commitment, employment relations climate and organizational effectiveness.
- More specifically, the changing HRM strategies and practices as well as combination of different elements of flexibility (numerical, functional and wage), especially after 2008, and why they made these changes;
- How domestic management schemes at the workplace have been channeling those HRM changes and affecting different combination of flexibility at the workplace.

2 Statutory Framework for Employee Participation in China

China is building on a statutory framework for information, consultation and employee participation in the enterprises. This framework focuses on ‘enterprise democratic management’ (企业民主管理) mainly operated in the state enterprises and collective enterprises. There is a trend in the local legislations and regulations towards promoting ‘democratic management’ to non-public enterprises. Current legislations and regulations recognise mechanisms for the involvement of employees in management decision making. The structure of mechanisms encompasses employee representative council, information sharing, democratic appraisal of managerial performance, collective bargaining, suggestion schemes, employee participation at the board level, etc. In effect, this statutory framework may have shaped China’s employer strategies for employee participation.

2.1 Democratic Management

The Constitution of the People’s Republic of China, issued in 1982 and modified in 2004, stipulates that state enterprises practise democratic management by means of employees representative council and other mechanisms in line with the law, and that collective economic establishments practise democratic management in line with the law, to elect and dismiss managerial staff, and to decide on major matters on operation and management of the establishment.

The Labour Law, issued in 1994, provides that labourers shall take part in democratic management or negotiate, on the basis of equality, with the employing units on the protection of the legitimate rights and interests of labourers.

The Law of Trade union, issued in 1992 and modified in 2001, provides that trade unions shall organise employees to participate in the democratic decision making, democratic management and democratic monitoring in their establishments, via ERC or other channels. It recognizes the role of trade union in the process of democratic management. It stipulates the enterprise democratic management under different ownership regimes:

- ERCs in state enterprises are the basic form of democratic management. They are the bodies where employees exercise the rights of democratic management in accordance with the law. Trade unions in the state enterprises are the working bodies of ERC, in charge of ERC’s daily works, monitoring and urging the enforcement of ERC’s resolutions.
- Trade unions in collective organisations shall support and organise employees to participate in democratic management and monitoring, as well as protect employees’ rights of electing and dismissing managerial staff, and deciding on significant matters on operation and management.
- Except state enterprises and collective organisations, other enterprises and public institutions shall organise employees, in line with the law, to adopt methods suitable for their enterprises and public institutions and to participate in democratic management of enterprises and public institutions.

The Law of the People's Republic of China on Industrial Enterprises Owned by the Whole People, issued in 1988 and modified in 2009, provides that:

- Enterprises practise democratic management by means of employee representative councils and other mechanisms.

- Employee representative council is the basic form of democratic management for the enterprises, and is an employee body to exercise their rights of democratic management.
- Enterprise trade unions are the working body of ERC, in charge of ERC's daily works.

The 2006 Company Law of the People's Republic of China requires limited liability companies, state-wholly-owned companies, and joint stock limited companies to implement democratic management. It stipulates that companies shall exercise democratic management by means of ERC and other mechanisms in line with the Constitution and relevant legislations.

2.2 Employee Representative Council

ERC is the basic form of democratic management for employees in accordance with the law. There is evidence from local legislation that China seeks to promote the establishment of ERC in all public institutions and companies. Despite the discrepancies in specific circumstances, the rights of ERC specified by the law are roughly summarised as follow:

- to hear and deliberate significant matters on operation and management;
- to review and endorse or reject enterprise programmes for wage and bonus distribution, health and safety measures, and other important rules and regulations;
- to deliberate and decide on the programmes for employees' welfare and benefits;
- to evaluate and oversee the performance of leading administrative staff;
- to democratically elect factory directors;
- to deliberate and approve the draft of collective contracts; and
- to elect employee representative at the board level.

The Mines Safety Law of the People's Republic of China, taking effect in 1993, stipulates that the Directors of coalmines shall report the work of safe production to the ERC or all-employee meetings on a regular basis, and that ERC acts as a role of overseeing.

The 2006 Company Law of the People's Republic of China regulates that when discussing and deciding upon significant matters on restructuring and operations of the company, formulating important rules and regulations, companies shall seek the views from trade unions, and ask for opinions and suggestion from employees via ERC or other channels. It also provides that employee representative at the management and supervisory boards are elected via ERC.

The Labour Contract Law enacted in 2008 stipulates that

- When the employing unit formulates, modifies or makes decisions on rules, regulations or important issues that are directly related to the immediate interests of its employees, such as wages, working hours, rest and leave, occupational safety and health, insurance and benefits, training, working discipline or work quota management etc., the case shall be discussed with the employee representative council or all the employees for proposals and comments, whereupon the final decision shall be made through consultations with the trade union or the employee representatives on the basis of equality.

- The employees, as one party, and their employer may, upon bargaining on an equal basis, conclude a collective agreement on the issues as labour remuneration, working hours, rest and leave, occupational safety and health, insurance and benefits, etc. The draft of the collective agreement shall be presented to the employee representative council or all the employees for discussion and approval.

The Law of the People's Republic of China on Industrial Enterprises Owned by the Whole People, issued in 1988 and modified in 2009, stipulates that the ERC shall have the following five legal rights :

- (1) to hear and deliberate the factory director's reports on the policy of operation, long-term and annual plans, programmes for capital construction and major technical transformation, plans for the training of the staff and workers, programmes for the distribution and use of the retained funds and programmes for contract and leasing systems of managerial responsibility, and to put forward opinions and suggestions;
- (2) to review and endorse or to reject the enterprise's programmes for wage adjustment, programmes for bonus distribution, measures for health and safety, measures for awards and penalties and other important rules and regulations;
- (3) to deliberate and decide on the programmes for the use of the staff and workers' welfare fund, programmes for the allocation of the staff and workers' housing and other important matters concerning the well-being and benefits of the staff and workers;
- (4) to evaluate and oversee the leading administrative cadres at various levels of the enterprise and put forward suggestions for rewarding or punishing them and for their appointment or removal; and
- (5) to elect, by decision of the competent department of the government, the factory director and report to such department for approval.

The Law of the People's Republic of China on Industrial Enterprises Owned by the Whole People provides that ERC has the rights of democratic election. Except as otherwise stipulated by the State Council, the selection of the factory director shall be made by the competent department of the government in the light of the specific conditions of the enterprise by one of the following methods:

- (1) Appointment by the competent department of the government or choice of an applicant on a competitive basis by the same department; or
- (2) Election by the ERC of the enterprise.

With respect to the person to be appointed or the applicant to be chosen as factory director by the competent department of the government, the opinions of the staff and workers shall be solicited, with respect to the person elected as factory director by the staff and workers' congress of the enterprise, his appointment shall be reported to the competent department of the government for approval. The removal or dismissal of the factory director appointed or chosen from applicants by the competent department of the government shall be decided upon by such department, while the opinions of representatives of the staff and workers shall be solicited; the recall of the factory director elected by the staff and workers' congress of the enterprise shall be decided by such congress and reported to the competent department of the government for approval.

Nonetheless, it is worthy noting that the prerequisite for the democratic election of factory direct is ‘subject to the decision made by the competent department of the government’. The results of democratic election shall be approved by the competent department of the government. The authority of ERC’s nomination and election of factory directors, which is underpinned by the current legislation, is not sufficient. In fact, it is the competent department of the government that select and appoint factory directors. (Cui and Cui, 1990:135)

There is a trend in China’s local legislations on ERC towards the full coverage of ERC in all companies and public institutions. For example, Shanghai spearheaded by issuing the Regulations on Employee Representative Council, which took effect on May 1, 2011. It provides that all employers, including enterprises and public institutions, in Shanghai with more than 100 employees shall (*yingdang*) establish employee representative councils. Employers that have less than 100 employees generally shall hold all-employee meetings instead of ERC meetings to handle the matters that an ERC would normally handle. It also clearly provides that ERC exercise the authority, in line with the law, of deliberation and suggestion, deliberation and approval, review and overseeing, democratic election and democratic appraisal.

2.3 Democratic Appraisal of Managerial Performance

Democratic appraisal of managerial performance is one mechanism of democratic management mainly at state enterprises, collective enterprises and their holding companies. It is one of important rights and functions of ERC. China, however, has no specific legislation and regulations on democratic appraisal though it is normally used in the regulations on democratic management and ERC. *Provisions on the Work of Enterprise Trade Unions (For Trial Implementation)*¹, issued by the ACFTU in 2006, regulates that ERC or all-employee meetings have the authority to democratically appraise the managerial staff above medium level. *The 2008 Henan Province Regulations on the Protection of Enterprise Employees’ Democratic Rights*² provides state enterprises, collective enterprises and their holding companies shall establish democratic appraisal system for managerial staff above medium level. Democratic appraisal is conducted at ERC or all-employee meetings.

Democratic appraisal is confined to state enterprises, collective enterprises and their holding companies in most regions of China. Nevertheless, ERC in non-public enterprises of Xinjiang, Jiangxi, Sichuan, Tibet, and Shanghai have the rights of democratic appraisal though it is based on the needs of enterprises.

2.4 Information Sharing

Although information sharing has been seen as one mechanism of democratic management, China has no national legislation to regulate information sharing. Local governments regulate information sharing by means of local legislation, regulations, or documents.

Notice on Thorough Implementation of Information Sharing System in State Enterprises and Collective Enterprises, issued by the General Office of Central

¹ 《企业工会工作条例（试行）》，中国全国总工会，2006年7月6日实施。

² 《河南省企业职工民主权利保障条例》，2008年1月1日施行。

Committee of the Communist Party of China and the General Office of State Council of the People's Republic of China in 2002³, is the first national specific regulation on information sharing. The Notice encompasses the substance of information sharing, channels of information sharing, and organisation and leadership of information sharing. According to this notice, information sharing is only confined to state enterprises, collective enterprises and their holding companies. The substance of information includes:

- Significant matters of the enterprise, including medium- and long-term development plans, important decision on investment, production and operation, reform and restructuring plans, merger and bankruptcy plans, significant technological reconstruction, employee redundancy, etc. ;
- Important issues on production, operation and management of the enterprises;
- Matters related to immediate interest of employees, such as, enforcement of labour law and regulations, the signing and implementation of collective contracts and labour contracts, wage increase and promotion, wage and bonus distribution, penalty and benefits, the subscription of social security funds, employee recruitment, etc.
- Issues closely related to the formation of enterprises leadership and combating corruption, involving the results of democratic appraisal of leading administrative staff, selection and appointment of medium-level managerial staff and key jobs, leading administrative staff's annual salary, bonus, part-time jobs, allowance, housing, cars and communication tools, etc.

The key channel of information sharing is the employee representative council. The daily channels of information sharing include information notice boards, information sharing meeting of the enterprise, joint meeting of party committee, administration and trade unions, intranet, broadcast and TV, newspaper and posters, etc.

Information sharing is undertaken by the enterprises under the leadership of party committee of the enterprises. Enterprise administration is the key actors of information sharing. The enterprise shall establish the leadership group of information sharing, with members from leaders of party committee, administration, Discipline Inspection Commission, and trade union of the enterprises. Trade union of the enterprise is the working body of leadership group of information sharing and in charge of daily works. The enterprise shall found an inspection team of information sharing, with members are from Discipline Inspection Commission, trade union officials and employee representatives.

Lastly, the Notice requires that regions and employing units shall formulate detailed guidance and measures according to the specific circumstances. This gives the local governments the discretion in making the regulations.

The Constitution of China's Trade Unions, modified in 2008, recognises information sharing as one mechanism of democratic management. It regulates that the basic tasks of trade union committees at the grass-root level is to represent and organise employees to participate in democratic management and overseeing of the enterprises in line with the law, by means of ERC, information sharing and other mechanisms.

³ 《中共中央办公厅、国务院办公厅关于在国有企业、集体企业及其控股企业深入实行厂务公开制度的通知》，2002年发布。

Local governments implemented the 2002 Notice into local legislations, regulations or documents. By the end of 2011, seven province, autonomous regions and municipalities have promulgated local legislations (条例) on information sharing. They are Hebei Province, Guangdong Province, Chongqing City, Ningxia Autonomous Region, Jiangxi Province, Gansu Province, and Xinjiang Autonomous Region. Among these local legislations, the requirements of information sharing are not confined to state enterprises, collective enterprises and their holding companies. Hebei, Chongqing, Ningxia, and Gansu extended the requirements of information sharing to the non-public enterprises. Both Jiangxi and Xinjiang requires all enterprises and public institution to share information with their employees. Other local governments also issues rules or notices to promote information sharing in the enterprise. Some also include information sharing as one mechanism of information sharing, which is specified in the local legislations on democratic management or ERC. To sum up, China has no specific national legislation to regulate information sharing in the enterprises. Local governments promote information sharing in the local legislation, regulations or documents within the discretion given by the 2002 Notice.

2.5 Employee Participation at the Board Level

The 2006 Company Law of the People's Republic of China regulates the employee representation at the management and supervisory boards of limited liability companies, state-wholly-owned companies, and joint stock limited companies.

- In limited liability companies and state-wholly-owned companies, the management board shall (应当) encompasses employee representatives; in joint stock limited companies, the management board may include employee representative;
- In limited liability companies, state-wholly-owned companies, and joint stock limited companies, the supervisory board shall include employee representatives, with the proportion no less than one thirds;
- Employee representatives at the management and supervisory boards shall be democratically elected via ERC, all-employee meetings, or other mechanisms.

Democratic Management at the Grass-roots Level: Democratic Management Council
Apart from the arrangements of democratic management at the enterprise level, China issued a few regulations to enhance democratic management at the grass-roots level, by means of direct participation or democratic management council. As there is no specific and detail regulation, the organisation and operation of democratic management council vary among the enterprises.

Regulations on Employee Representative Councils in Industrial Enterprises Owned by the Whole People, issued in 1986, provides that

- Workshops (branch factories) can exercise the authority of democratic management within the competence of work units, by means of employee council, employee representative council, employee representative group or other mechanism, according to specific circumstances.
- Trade unions committees of workshops (branch factories) are in charge of the daily works of democratic management of workshops (branch factories)
- Employees directly participate in democratic management of teams and groups, which is organised by the head of trade union division of the team or group

and employee representatives. A number of democratic management members can be nominated and elected in charge of daily democratic management of teams and groups if there is a need.

The Law of the People's Republic of China on Industrial Enterprises Owned by the Whole People, issued in 1988 and modified in 2009, stipulates that workshop practise democratic management by means of employee meetings, employee representative groups and other mechanisms. Workers directly participate in the democratic management of teams and groups.

Regulations on Enterprise Democratic Management of Shanxi Province, issued in 2005, provides that

- at the establishments setting up ERC, their branches (分公司), subsidiaries (子公司), workshops (分厂、车间) should form ERC or All-employees meetings.
- Democratic Management Council (Group) can be founded in teams and groups (sections and offices), workshop sections, project management bodies, and commercial outlets with few employees.

3 Research Design

This paper applies the case study research methodology, in accordance with the research methods of Mark Hall and his colleagues' empirical study on information and consultation in British medium-sized organisations (see Hall et al., 2008). This paper chose two coal mining group companies and one automotive group company to research and collected the data via the methods of documentary material, semi-structured interviews with party officials, managers, trade union officials and employee representatives, as well as employee survey. This paper does not present the analysis results of employee survey.

3.1 Choice of Industries and Analysis Unit

The researcher conducted case studies in two state-owned coal mining group companies in Shanxi Province, and two automotive assemblers within one automotive group in North-eastern China. The reason for this choice is illustrated below. Capital intensity, which is defined as the ratio of capital to the labour required to produce a good or service, has been assumed to moderate the relationship between employee involvement practices and the outcomes, that is, organisational commitment and turnover intention (Park et al., 2010). This assumption is developed on the basis of needs theory. Park, Appelbaum and Kruse's (2010) research finding revealed that employee involvement is more effective in capital-intensive companies than in labour-intensive companies. In the current research, automotive assemblers can be regarded as one example of capital-intensive companies, whilst coal mining companies are the example of labour-intensive companies. Capital intensity may help explain the discrepancy in the effectiveness of employee participation schemes. In addition, capital intensity may also help explain the different arrangements of employee participation chosen by the companies.

3.2 Profile of the Case Study Companies

Coal Company A

Coal Company A is a very large coal company in China. It ranks one of top 5 coal production enterprise groups in Shanxi Province. Coal Company A owns 13 wholly-owned subsidiary companies, 28 subsidiaries, 14 branches, and 20 joint stock companies, with 55,000 employees. The predecessor of Coal Company, the Bureau of L Mining, was founded in 1959. Coal Company A ranked 127 of Top 500 Enterprises in China in 2010. The sale revenue was 85 billion RMB Yuan, while the profit stood at 4.2 billion RMB Yuan in 2010.

Coal Company B

The foundation of Coal Company B dated back to 1950, when its predecessor, the Bureau of Y Mining, was set up. It is also one of top 5 coal production enterprise groups in Shanxi Province. It has 148 subsidiaries and branches, and around 130, 000 employees, with the sale revenue in 2009.

Auto Group F

Auto Group F was one of the first state-owned automotive companies founded in China. It employed more than 10,000 staff and workers. It took a leading position in China's automotive market. Auto Group has 16 wholly owned subsidiaries and controlling interest in 15 partially owned subsidiaries.

Car Company A is a subsidiary controlled by Automotive Group. It was founded and listed on the Shenzhen Stock Exchange in 1997. Until the first half of 2010, Car Company A has 7,734 employees. Car Company A is a Tier Two company of Auto Group and owns nine Tier-three companies.

Car Company B is a large passenger car manufacturer jointly founded by Auto Group F and European automotive giants in early 1990s, with share investments of 60% and 40% respectively. The Company is the first company to localise the production of premium cars, the first one to set up a sales network for premium car brand, and ranks the highest regarding sale volume and car population of premium cars, the first one to have one million premium cars sold in the Chinese car market. The Company has two manufacturers, one located in the Northeastern China and the other in the Midwestern China. Until the end of 2010, Car Company B has 15,596 employees, including 119 expatriates. Car Company B produced eight hundred and eighty thousand cars in 2010, with an increase by 31.63% than 2009. The total sales revenue of 2010 reached up to 168.5 billion RMB yuan, increased by 43%.

Table 1: Profile of Case Study Companies

	Coal Group A	Coal Group B	Auto Group F	
			Car Company A	Car Company B
Ownership	SOEs	SOEs	SOEs	Sino-European Joint Venture
Location	Shanxi	Shanxi	North-east	North-east
Year of Foundation	1959	1950	1997	Early 1990s
Number of Employees	55,000	130, 000 (2009)	7734 (2010)	18000 (full-time, 2010)

3.3 Data Collection

The data collection involves the methods of documents analysis, in-depth interviews and employee survey.

Collection of Documentary Material

The researcher reviews the legal, regulatory and policy documents in China governing various schemes of workers' participation, in addition to all major national documents and some advanced examples of local documents. The researcher conducts analysis of the official statistics on various forms of employee participation (such as workers' congress etc), supplemented by interviews with tripartite policy makers with the purpose of understanding their perceptions and perspectives on employee participation in China.

Interviews

The researcher conducts semi-structured interview with managers, senior trade union officials, HR managers, and employee representatives with the following purposes:

- Managers
 - To explore the business and employment relations contexts;
 - To examine the factors shaping management approaches to employee participation;
 - To trace the development of employee participation arrangements in the case study companies;

- To investigate the practical operation of employee participation arrangements, including the respective roles of the party and management, the relationship between party officials, the management and employee representatives, the issues commonly dealt with by the management and employee representatives, the nature of employee participation processes, and outcomes/effects of employee participation;
- To examine the long-term impact of employee participation practices.
- To explore recent changes in HRM strategies and practices in response to the changing employment relations context after 2008, as well as how employee participation schemes channel/impact these changes;
- HRM managers& experts
 - To look into the recent changes in HRM strategies and practices, as well as changes in the combination of different elements of flexibility;
 - To explore how employee participation schemes impact these changes.
- Trade union officials
 - To explore the employee participation arrangements established in the case companies;
 - To study the factors shaping trade union approaches to employee participation;
 - To understand the practical operation of employee participation arrangements, including the role of trade unions, the relationship between party officials, the management, trade unions and employee representatives, the issues commonly dealt with by the management and employee representatives, the nature of employee participation processes, and outcomes/effects of employee participation.
 - To look into how employee participation schemes exert impact on the changes in HRM strategies and practices made by the company in response to the changing employment relations context after 2008.
- Employee representatives
 - To explore the selection of employee representatives and their personal attitudes and experience of employee participation;
 - To examine the practical operation of employee participation, including the role of employee representatives, the relationship between party officials, the management, trade unions and employee representatives, the issues commonly dealt with by the management and employee representatives, the nature of employee participation processes, and outcomes/effects of employee participation;
 - To study how employee participation schemes influence the changes in HRM strategies and practices made by the company in response to the changing employment relations context after 2008.

Employee Survey

The researcher undertook employee survey to examine employee attitudes towards employee participation arrangements, operation and impacts, employment relations climate, as well as to measure the effectiveness of trade unions and employee representative. The survey provides deep insights into the actual operation of employee participation as experienced by the employees. The questions in the survey are modelled on the questionnaire of Mark Hall and his colleagues' research (2010), but adapted to the context of Chinese enterprises.

4 Empirical Evidence

4.1 Breadth and Depth of Employee Participation

Breadth and *Depth* are the indicators to measure the 'embeddedness' of employee participation practices (Cox et al., 2006). *Breadth* of participation is measured by the number of employee participation practices operating at the workplace (Cox et al., 2006). *Depth* of participation refers to the degree to which employees or their representatives impact on the final decision (Marchington et al., 1992:8). This can be measured, amongst other things, by the frequency with which meetings take place, the chance for employees (or their representatives) to raise issues and the relevance and importance of subjects considered at the meetings (Cox et al., 2006). A continuum, with points on the continuum, has been formed to signify different levels of employee participation and influence (Blyton and Turnbull, 2004:223-226). The receipt of information from management without employees' active involvement in the decision-making process is the minimum level of involvement. Joint consultation offers employees and/or their representatives the opportunity to exert advisory power and discuss production and other issues with management, whilst retaining authority over the final decision making. In compare with joint consultation, joint decision making makes employees or their representatives formally entitled to influence rather than merely be involved in the decision-making process. At the right-hand edge of the continuum, employees have full control over decisions. Employee control is likely to be confined to areas of task arrangement in modern enterprises. Regarding higher levels of decision making, employee control is largely confined to workers' cooperatives. (Blyton and Turnbull, 2004:223-226)

Types of employee participation and involvement are classified into communicative involvement, non-representative consultation, task-based involvement, financial participation, representative consultation, representative participation, and workers' control (Hollinshead et al., 1999:384).

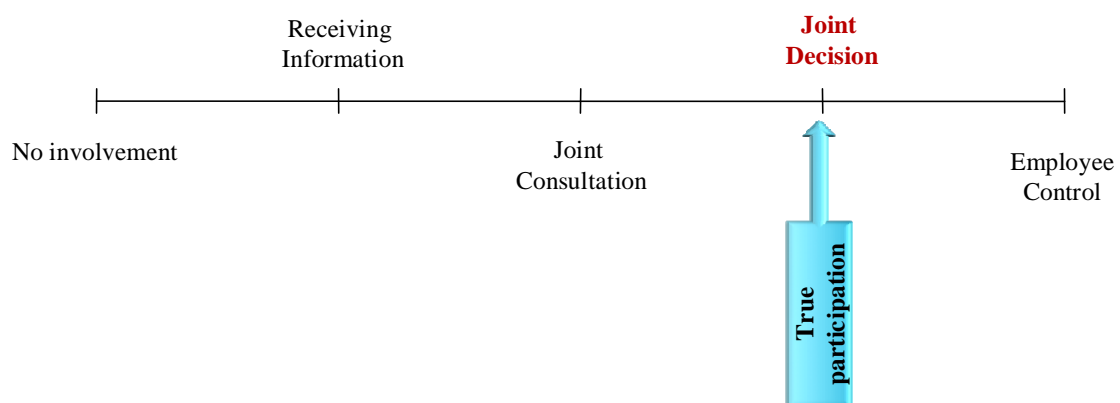


Figure 1: Depth of Employee Participation

Source: Blyton and Turnbull (Blyton and Turnbull, 2004:224)

4.2 Empirical Evidence

Hall et al.(2010) identified two main categories of information and consultation arrangements in their case studies organisations, that is, active consulter and communicator. Active consulter refer to the fact that management was proactive in discussing strategic organisational issues with the Information and Consultation body and engaged in extensive consultation leading to agreed outcomes. Communicator applied I&C bodies essentially for ‘communication’ purposes. Employee representatives were expected to communicate the decision to employees and feed back their views.

Although the contexts and legislations of the UK and China were different, their categories of employee participation are meaningful and can be applied to this research with modification. In Chinese enterprises, especially state-owned enterprises, the main body of information and consultation is Employee Representative Council (ERC). Coal Group A fell into the ‘active consulter’ category, whilst Coal Group B and Auto Group were ‘communicators’.

4.2.1 Coal Group A

The arrangements of employee participation in Coal Group A fell into the category of ‘active consulter’. In terms of the company’s attitudes towards democratic management, the fundamental ideology and value of Coal Group A is that the development of the company relies on employees, while the benefits of employees come from the development of the company. The types of employee participation in this group embodied statutory democratic management, management-led voice mechanisms (like the mine head’s hotline) as well as workers’ control. These employee participation practices were driven by the party committee-led incentive and penalty schemes for the democratic management.

Employee Participation Arrangements

Coal Group A was very active in consulting the employees by means of various participation schemes. The democratic management of this company has been regarded as the ‘good practice’ by the ACFTU. As a group-level union official concluded, Coal Group A actively implemented democratic management on three grounds: a good tradition in the enterprise, attitudes of the leadership, and support of party committee. The democratic management practices in Coal Group A contributed to the making of Regulations on Enterprise Democratic Management of Shanxi Province issued in 2005, and therefore may have had indirect implications for other establishments in Shanxi province.

Group-level Union Official Y *‘Over the period from 1980 to 1999, until our enterprise was restructured into group company, it was called Democratic Management under the Director Responsibility System (厂长负责制期间的民主管理). Employee Representative Council (in our enterprise) was held in line with national legislations on ERC, Company Law, etc. One leader of Shanxi Province’s ACFTU said that our enterprise has done lots of practical works beforehand for the making and enforcement of Shanxi Province’s Regulations on Enterprise Democratic Management. The Regulations have eight provisions*

specifically on the management of workers' representatives. I can clearly tell that six of them replicate the ways we undertake in our enterprise.'

At the time of on-site visit, the arrangements of statutory democratic management in Coal Group A involved employee representative council, information sharing, democratic management council at the grass-roots level, etc. Management-led voice mechanisms embodied the dialogue between the management and employees, coal plant director's hotline, and open day of coal plant director. Workers' control scheme involved In-house Marketing Management.

Coal Group A regarded information sharing and democratic management as the important initiative and approach to safeguard employees' interests, to further the development of company, as well as to promote the ethos of the Party and incorruptible administration. Democratic management has been integrated with the management system of the company.⁴

Information Sharing

According the Company's report, Coal Group A implement the system of information sharing at multi-levels, i.e., Group Company, thirty-three coal plants (矿厂), as well as four hundred and forty-four sections and divisions (科队), as well as teams and groups (班组). Coal Group A applied multi-methods to disclose information. At the levels of Group Company and coal plants, the methods of information sharing included ERC, meetings, notice boards, intranet, broadcast and TV, newspapers, documents and so on. At the level of sections and divisions, (科队), along with the levels of teams and groups (班组), the communicative involvement involved all-employee meetings, team briefing, notice boards, etc. The Researcher visited the Information Sharing Hall of Coal Plant B. Workers were able to understand the plant rules and regulations, payment systems, material consumptions, etc. on the computers in the hall. The researcher also observed that the meeting rooms for teams and groups at coal plants have been equipped with black boards. Workers were able to know wage and bonus distribution programmes of their teams or groups, their own work performance, attendance, awards and penalties on black boards.

Coal Group A regulated the substance of information sharing, the time of disclosure and the people responsible for the work of information sharing. The substance of information sharing should be submitted to the higher authority for approval prior to the disclosure. The information was released as long as it was reviewed and approved.

Employee Representative Council (ERC)⁵

The ERC in Coal Group A has a long history. The first session of ERC dated back to 1959, the year when its predecessor, the Bureau of L Mining, was founded. ERC was suspended during the culture revolution. During the period of 1978-88, ERC was under the leadership of Party Committee. Over the course of 1988-99, before the Bureau of L Mining was restructured to Group Company, the democratic management was under the leadership of factory director, that is, under the leadership of the Head of Mining Bureau. At the time, the Head of Bureau was concurrently responsible for

⁴ Source: Coal Group A's Report on Information Sharing and Democratic Management.

⁵ This section is written mainly based on the interviews with group-level and grass-roots union officials, company reports, and documents.

the administration of the Party Committee while the Party Committee governed the trade union.

Currently, the operations of ERC at Coal Group A were illustrated in accordance with the following sequence, ERC meeting preparation, over the ERC meeting and after the ERC meeting.

Prior to ERC meeting

Coal Group A innovated the procedures of ERC by replacing the deliberation of administrative working reports over ERC, which was specified in the relevant legislations and regulations, with the discussion prior to ERC meeting at group level. This was aimed to widely solicit the suggestions for the modification of the working report.

Group-level Union Official Y *'This change is highly important. The ERC meeting in other enterprises throughout the country normally take place for three or four day. This can't perform the functions of ERC. The working paper is not distributed to the representatives until the start of ERC meetings. There are so many agendas over the course of ERC meetings. The representatives are unable to calm down and read though the contents of working paper, and to think of the truth and feasibility of working report. Such ERC meetings are dysfunctional.'*

At Coal Group A, the draft of the working report was written up after soliciting the opinions from employee representatives. It then was distributed to the employee representatives for discussion around fifteen days before the ERC meeting. It was believed that the ERC at Coal Group A actually 'convene' from the first day the report was drafted, with a time span of nearly one month. Top enterprise management and union leaders of Coal Group A attended the plant-level discussion meetings and solicited opinions from employee representatives face-to-face. During the on-site visit, the researcher had a chance to present the discussion meeting at Coal Plant B. The researcher observed that most representatives were proactive in proposing their opinions and suggestions, which topics covered career development of university graduates, training and promotion of skilled workers, commuting to work and road safety, income, and other issues in direct relation to immediate interests of employees.

Election of ERC Representatives and Allowances

It was reported that two coal plants of Coal Group A, which the researcher visited, have reformed the procedures for election of employee representatives and chairs of trade unions at grass-roots level. At the time of on-site visit, employees stood as candidates on a voluntary basis for the election of employee representatives. Leaders at grass-roots level collectively examined the qualification of applicants and decided on the candidates. After the candidates delivered their speech, employees balloted for the ERC representatives. The election results were determined by the votes. The chair of trade union at Coal Plant A believed that the democratic rights of employees were therefore strengthened. He recalled that:

'In the past, the number of ERC representatives were once designated to the sections by the higher authorities. The directors of sections determined

employee representatives. (There was no election for representatives.) The consequence might be that the directors chose representatives from deputy directors or their friends. So employee representatives did not stand for the interests of employees but for the interests of those people who named them. ’

Coal Group A rewarded employee representatives with the cash allowance as an incentive for representing their employees and dealing with the problems. As a result, employees’ enthusiasm for standing as representatives was enhanced.

Chair of Trade Unions, Coal Plant A ‘*Our employee representatives receive allowance, 50 RMB yuan per month, in other words, 600 RMB yuan per year. The allowance is in return for their efforts to deal with matters for the sake of employees. Possibly for this reason, our employees have been competing for the post of representative since representative allowance was paid. For example, in the Department of Security, several candidates recently took part in the election of employee representatives, and were in dispute with each other. Eventually, the union came in and handled their disputes. Such enthusiasm is good.*’

Training of ERC Representatives

Coal Group A convened ERC at least once a year. Prior to each ERC meeting, no less than two thirds of employees were trained by the trade unions. The contents of training covered rights and obligations of employee representatives. A group-level union official of Coal Group A introduced that:

‘Over the training, I constantly remind employee representatives of their obligations and that they took part in the ERC meeting on behalf of the voters in their cohort’

Over the ERC Meeting

Coal Group A conducted democratic appraisal under the supervision of the union chair and the discipline inspection commission of party committee. Over the ERC meetings at different levels, the administrative leaders of Coal Group A reported the fulfillment of their duties to employee representatives. It was then followed by democratic appraisal. The representatives filled out the appraisal forms, which were designed by the State-owned Assets Supervision and Administration Commission of the State Council. The appraisal forms has two copies, one to evaluate the performance of the whole leader team and the other to assess the performance of the individual leaders. The results of appraisal were announced on the spot.

ERC deliberated and passed the significant decisions of the company and important matters on the immediate interests of employees via the ballot. According to Coal Group A’s report, ‘the resolutions were not carried as long as employee representative did not agreed, and that the resolutions were not implemented without the agreement of ERC’. It cited an example: the motion on the adjustment of job-based pay rates was not carried in the 2007 ERC meeting at the group company level. The employee representatives perceived that increases in the job-base pay rates were too low.

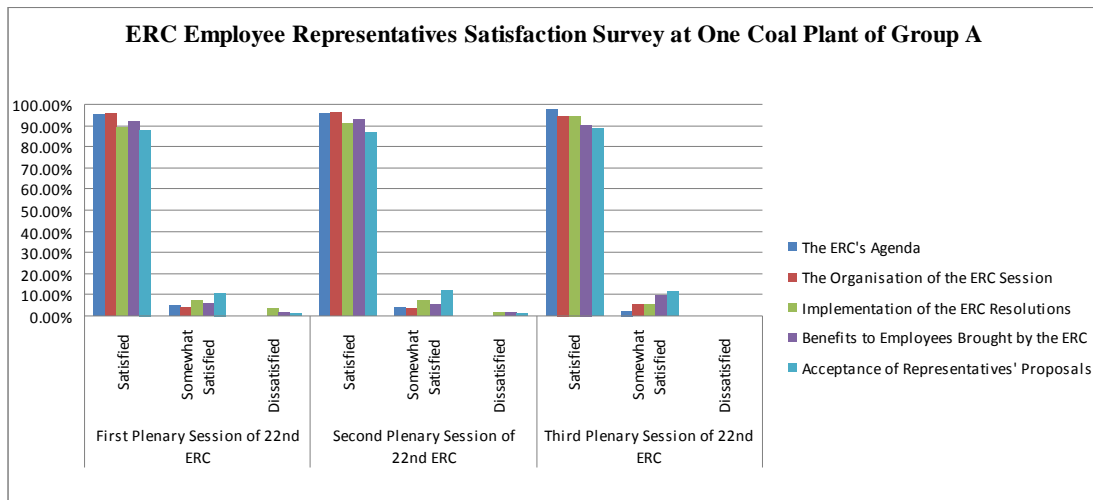


Figure 2: Employee Representative Satisfaction Survey

Note: This figure was drawn up on the basis of union documents given by one coal plant at Coal Group A.

ERC employee representative satisfaction surveys were conducted and distributed to representatives of ERC at group company and plant levels every year. The survey results in one coal plant in the past three years showed that the majority of representatives were satisfied or somewhat satisfied with the ERC's agenda, the organisation of the ERC session, implementation of the ERC resolutions, benefits to employees brought by the ERC as well as acceptance of representatives' proposals by the ERC.

After the ERC meeting

In this part, two arrangements of employee participation were illustrated. They are Joint Meetings of ERC Delegation Heads at One Coal Plant of Coal Group A, and ERC Representative Inspection.

During the closing of ERC meeting, any significant corporate decision and important matter related to the immediate interests of employees must go through the joint meeting of ERC delegation heads and be carried via the ballot. Members of this joint meeting involved the chairs or deputy chairs of the shop floor trade unions, as well as members of ERC working committees. ERC at Coal Group A has seven specialised working committees, including welfare committee, employee representative qualification investigation committee, labour dispute committee, committee for handling proposal, and so on. Figure 33 shows the process of joint meeting of ERC delegation heads at one coal plant of Coal Group A. The resolutions carried by the joint meeting should be submitted to the next session of ERC for confirmation.

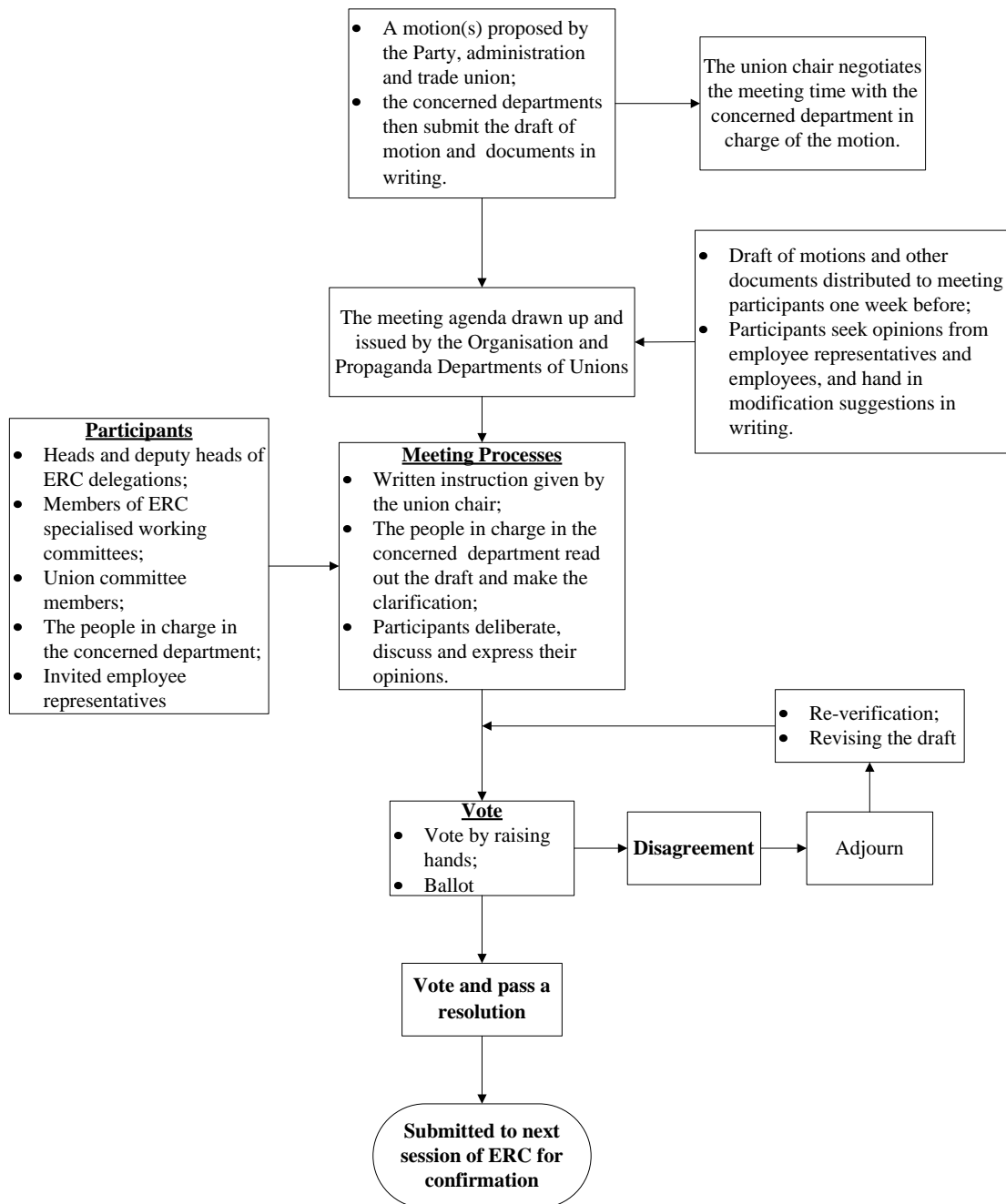


Figure 3: Joint Meetings of Employee Representative Council Delegation Heads at One Coal Plant of Coal Group A

Note: This flow chart is drawn on the documents of trade union in one coal plant of Coal Group A.

ERC Representative Inspection

Before next session of ERC convened, ERC representatives inspection was usually carried out at least twice. The contents of inspection embodied the implementation of ERC's resolutions, the focus of employees' attention, the priorities and critical work which corporate leaders needed to understand, and so on. Regarding the problems revealed by the employee representatives over the inspection, grass-roots organisations were urged to rectify seriously. The inspection report needed to be submitted to the party and administration in time. One focus of recent employee representative inspection was on the unemployment of employees' daughters. In the

past, Coal Group A employed the children of their employees due to the tradition of planned economy. Since the corporate restructuring in 2006, Group A provided few job opportunities suitable for female workers due to the features of jobs in coal mining companies. So far, there have been around 3,000 unemployed workers who often petitioned for jobs. The functions of employee representative inspection were believed to soothe employees, invite employees to air their grievances, report their grievances to the corporate leaders, and send the responses of corporate leaders back to employees. It was believed that the employee representative inspection and trade unions played a role in maintaining social stability of mining area.

Democratic Management

According to Regulations on Enterprise Democratic Management of Shanxi Province issued in 2005, the basic pattern of democratic management is Employee Representative Council or Employees Council. Employee Representative Council should be set up in the establishment with more than 200 employees, ERC or Employees Council should be formed in the establishment with 100 to no more than 200 employees. For those with less than 100 employees, Employees Council should be founded. At the establishments setting up ERC, their branches (分公司), subsidiaries (子公司), factories (workshops) (分厂、车间) should form ERC or All-employees meetings. Democratic Management Council (Group) can be founded in teams and groups (sections and offices), workshop sections, project management bodies, and commercial outlets with few employees. So far, this paper has addressed the institution and operation of ERC at Coal Group A. It now turns to illustrate the democratic management at the grass root level of this coal company.

Democratic Management at the Grass Root Level

At the coal plants of Coal Group A, the arrangements of shop floor (sections and divisions⁶) democratic management comprised employee (representative) council, information sharing, employee evaluation of department or team managers' performance, suggestion scheme and so on.

The trade union at the coal plant supervised, examined and oversaw the democratic management of sections and divisions within the plant. Via employee (representative) council, democratic management council and so on, the trade unions organised the employees to take part in the democratic decision-making, democratic management and supervision of their sections and divisions⁷.

Employee Representatives Council at the Sections and Divisions(科队)

Employee Representatives Council has the following authorities⁸:

- to hear and deliberate the reports by the sections and divisions managers) on the targets of operation, annual work plan, safety management, the construction of systems, democratic management, training of the staff and workers, as well as

⁶ The coal plant has three-tier organizational structure, that is, plant, sections and divisions (科队), as well as teams and groups(班组).

⁷ Source: Coal Plant A Regulations on Democratic Management of Sections and Divisions (for Trail Implementation), 2010.

⁸ Source: the same as 7.

other production, operation and management, and to put forward opinions and suggestions;

- to formulate and modify important rules and regulations of the sections and divisions;
- to deliberate and decide on the programmes of labour emulation, wage and bonus distribution, and important issues that are directly related to immediate interests of employees as well as the operation and management of sections and divisions;
- to evaluate the performance of leading administrative cadres of sections and divisions; and
- other authorities stipulated by the regulations.

Information Sharing/Disclosure

Information sharing was seen as the basic pattern of democratic management of sections and divisions. The purpose was to enhance the transparency of internal management of sections and divisions, improve management efficiency, safeguard legal rights and immediate interests of employees, as well as protect employees' rights to know. The contents of information sharing embodied payroll, bonus, attendance, programmes of wages and bonus distribution, rewards and penalty regulations of sections and divisions (via discussion and negotiation among Democratic Management Council members), fine and deduction tickets (of the plant, sections and divisions), distribution details of healthcare facilities, monthly material consumption and expenditure of sections and divisions, and other issues that were directly related to immediate interests of employees or employees wished to know.

Democratic Management Council (DMC)

Domestic management council (DMC hereafter) was the standing body of domestic management of sections and divisions, which was in charge of organising and representing employees to conduct domestic management, domestic participation and domestic supervision. The DMC was also involved in the distribution of bonus, decision-making on important issues, and all other domestic management activities which were directly related to the interests and benefits of employees. The DMC director was concurrently served by the chair of subsidiary union. The DMC members were elected by employees, proved by the branch of trade unions, and recorded by the Organisation and Propaganda Department of trade union. DMC were composed of three DMC members in an organisation with less than fifty employees, five DMC members in organization with less than one hundred employees, and eight DMC members in the organization with more than one hundred employees (excluding the director of DMC).

Every DMC of subsidiary trade unions was equipped with a DMC official seal. The seal was used for the exclusive purpose of reviewing and overseeing the payroll of wages and bonuses. It was not used for other purposes and was invalid outside the organisation. The DMC official seal was kept by the director of DMC. The DMC director could entrust the seal to a committee member, when he or she was unable to exercise the power. For the sheets of wages and bonuses with the stamp of DMC seal, the organization department of party committee and HR department should not prove and pay for that.

Each section or division held a specific meeting on the distribution of wages and bonuses at the end of every month. The DMC members were invited to attend this meeting to oversee and record the distribution of wages and bonuses, penalty charges, and other matters. When they oversaw the wage and bonus sheet, DMC members compared it with the record and thereafter stamped on it with the DMC seal if everything was right. If the DMC members found that wages and bonuses were not distributed according to the resolutions of the meeting, the DMC members could question the leaders of the organisation. If the leaders refused to rectify, then DMC members could report to the Organisation and Propaganda Department of trade union or directly to the chair of the plant-level trade union.

If there were personnel changes in the DMC director and members, each branch of trade unions needed to report the reasons of these changes in writing to the organisation and propaganda department of plant-level trade union. Meanwhile, re-election was held according to the rules. The results of re-election were then approved by the branch of trade unions and were recorded by the organisation and propaganda department of the plant-level trade union.

The DMC took part in the activities of its organisation, for example, the operation and management, production safety, job safety, and domestic decision-making. For those which DMC did not function well, they received the criticism from the plant-level trade union.

For those DMC members who did not take their responsibilities, failed to represent the interests of employees, and played favouritism and committed irregularities, they would be replaced according to the rules. Some members will be punished according to the losses that they made.

In-house Marketing Management

Coal Group A integrated democratic management with in-house marketing management. Previously, production materials were allocated according to the plan. Higher authorities were in charge of purchasing and allocation. Meanwhile, the grass-roots units did not have the rights to choose the production materials so that they used the means of production without consideration of cost. Furthermore, the democratic supervision at the workshops was not effective. In order to increase the transparency of the purchase of goods and materials, as well as the cost and consumption, Coal Group A initiated the reform of in-house marketing since 2005 and popularized it gradually. Coal Group A and its affiliated coal plants set up '*sunshine hall*' and '*coal mining supermarket*' where teams and groups purchased goods and materials for production. The purpose was to make the purchase of goods and materials transparent and fully competitive, and to prevent the corruption. Under the collective agreement, the prices of materials were clearly marked. The coal plants contracted with teams and groups for the 'screws' and wages, which linked the consumption of 'screws' with wage income. The fewer the 'screws' were used, the higher wages the employee received. The increases in the wages came from the deduction in the cost of materials. In doing so, employees had great enthusiasm for the supervision and management. It also decreased the cost of purchasing and production accordingly.

Employee security supervisors

Employee security supervisors took the responsibility of supervising team leaders regarding the production safety. The posts of employee security supervisors were not allowed to be concurrently served as the team leaders. Those serving as employee security supervisors received monthly allowance. If employee security supervisors found some potential risks, they had to report to team leaders. If the team leader neglected their reports, the employee security supervisors could report to higher authority.

Incentives and Penalty Schemes for Democratic Management in Coal Group A

The domestic management at Coal Group was seen as the ‘best practice’ by the local trade union. This ‘best practice’ was driven by the incentives and penalty schemes generated by the coal group. Coal Group A incorporated democratic management into the performance management of Group Company’s party committee. ‘Democratic management’ was set as Tie One indicator, under which ERC and information sharing are Tier Two Indicators. They are evaluated with 62 marks for 9 items (see Table 2). The workflow of performance evaluation consisted of planning, implementation, evaluation, as well as improvement and enhancement.

Coal Group A also incorporated democratic management into the management of discipline inspection and supervision of the Party. When leaders reported the fulfillment of their duties at the ERC of different levels, they must report their anti-corruption performance. Employee representatives democratically evaluated the leaders. The Discipline Inspection Commission of Group Company’s Party Committee supervised the democratic appraisal on the spot of ERC meetings. The outcomes of evaluation were announced on the spot. It also inspected the democratic management of coal plants every quarter by forming the Inspection Section with members coming from the Party Committee Office, Group Company Office and trade union.

Effectiveness of Employee Participation Schemes

Regarding the effectiveness of democratic management arrangements, it was reported by the Trade Unions of Coal Group A that information sharing on multi-contents at multi-levels via multi-methods offered employees with the rights to know, supervise and participate. It promoted employees’ enthusiasm for taking part in and discussing the company’s administration affairs, as well as protected the status of employees as the masters of the company. It was reported that the achievement of immediate interests of employees has been maximized. For example, the annual wage income of employees on average increased to 72,331 RMB yuan in 2010 from 14,776 RMB in 2001. Coal Group A took the lead in the implementation of pension system in Shaanxi Province in 2005 according to the highest standards of 8.3 per cent of wage incomes.

Table 2: The Criteria of Performance Management Measurement for Party Committee of Coal Group A (selected)

Programme	Indicator		Evaluation Standard	Evaluation Content	Standard Score	Evaluation Method
	Tier One	Tier Two				
Team Building	Democratic management	Employee representatives council (ERC)	Insist on the system of ERC and improve the quality of ERC	1. To convene the ERC meeting at least once a year. Prior to the meeting, no less than 2/3 of the representatives should be trained. In the election of the new term of ERC, the employee representatives should be elected by ballot and more than one candidate for each post.	10 (2)	Those which fail to convene the ERC will not be scored. For those which provide training for less than 2/3 of the representatives, 0.2 mark is deducted from the score of 10 for every 1% decrease. For those where not all the sections and divisions convene ERC (or employee council), 0.5 mark is deducted by every 5% decrease. For those where representatives are elected by ballot and more than one candidate in the election of the new term of ERC, 0.2 mark is rewarded.
				2. Before the company's important decisions and significant matters related to the immediate interests of employees are announced, it is necessary to broadly solicit employees' suggestions. The company's important decisions and significant matters related to the immediate interests of employees must be deliberated and carried by the ERC. During the closing of ERC, the company's important decisions and significant matters related to the immediate interests of employees should be deliberated and carried by the joint meeting of ERC delegation heads via ballot.	10	For those which do not ask for employees' suggestions, 5 marks are deducted. If the company's important decisions and significant matters related to the immediate interests of employees are not deliberated and carried by the ERC, no score is given. During the closing of ERC, if the company's important decisions and significant matters related to the immediate interests of employees are not deliberated and carried by the joint meeting of ERC delegation heads via ballot, no score is given.
				3. Team leaders report the fulfillment of their duties and anti-corruption performance to employee representatives. Their performance is democratically evaluated by representatives. The outcomes of evaluation are announced on the spot.	5	For an individual who fails to report to employee representatives, 1 mark is deducted. For an individual who is not democratically appraised by the representatives, 2 marks are deducted. If the outcomes of appraisal are not announced on the spot, 1 mark is deducted.
				4. Before next session of ERC convenes, employee representatives inspection is usually carried out at least twice. The contents of inspection cover the implementation of ERC's resolutions, focus of employee's attention, priorities and critical work which corporate leaders need to understand, and so on. Regarding the problems revealed by the	5	If inspection is carried out less than twice, 2.5 marks are deducted for every one inspection absent. For those which do not rectify according to the representatives' suggestions, 0.5 mark is deducted. If the inspection report is not submitted, 2 marks are deducted.

				employee representatives over the inspection, grass-roots organisations are urged to rectify seriously. The inspection report should be submitted to the party and administration in time.		
				5. Each representative should provide at least one motion on average. The implementation rates of registered motions should reach 90%.	5	If representatives fail to fulfill the target, one motion each person on average, 1 to 2 marks are deducted considering the situation. If motions are not classified and filed, 1 mark is deducted. If the implementation rates fail to reach 90%, 0.2 mark is deducted for every 1% decrease.
Team Building	Democratic management	Information sharing	Intensify the content of information sharing and enhance the effectiveness of information sharing	1. To establish and accomplish the leading and working system, following the principle of “led by party committee, administration as main actor, supervised by the commission for discipline inspection, operated by trade union, all employee participation, negotiation and cooperation”. Group leaders should investigate to public the company affairs in the meetings by quarter.	5	For those which do not have comprehensive leading and working system, they will receive no mark. For those where team leaders do not study information sharing, 1 mark is deducted every time.
				2. Except business technology and business secrecy, the company should disclose the important issues of their development and reform, the focal centre of employees’ interests, the key issues with the formation of corporate leadership and combating corruption. Intensify the content of information sharing and improve the effectiveness of information sharing in order to strengthen information sharing and democratic management.	10	For those which do not disclose the information required by the group company, 2 marks are deducted. For those which do not provide complete tables and figures, 1 mark is deducted. For those which provide information without following the standard, 1 mark is deducted. For those which provide distorted information, 5 to 10 marks are deducted considering the specific situation.
				3. The inspection of information sharing at the grass-roots unit should be incorporated as one of important works every month. Moreover, the results of inspection should be published in time by appropriate approach. The disclosed information should be preserved and filed in a proper way.	5	For those which do not incorporate the inspection at the grass-roots unit as one of important works every month, 2 marks are deducted. For those which do not publish the results in time, 1 mark is deducted. For those which do not file the disclosed information properly, 0.5 mark is deducted.
				4. To conduct an employees’ satisfaction evaluation on the work of information sharing in their organisation every half year, in order to understand employees’ opinions on the work of information sharing.	5	For those which fail to conduct the employees’ satisfaction evaluation, 2.5 marks are deducted each time. For those which do not know the employees’ opinions on information sharing, 1 to 3 marks are deducted considering the situation. In the satisfaction evaluation organised by the Group Company’s party committee, if the satisfaction rates is less than 80%, 1 mark is deducted by every 5% decrease.

4.2.2 Coal Company B

The arrangements of employee participation in Coal Group B fell into the category of ‘communicator’. The arrangements of employee participation in this group were composed of statutory democratic management, management-led voice mechanisms as well as party committee-led participation schemes. The arrangements of statutory democratic management contained ERCs at Group and Plant levels, Democratic Management Committee at the mining district level, Democratic Management Group at the team level, as well as Employee Representative Overseeing and Inspection. Statutory democratic management in Coal Group B could be regarded as representative consultation, but was lack of internal democracy in comparison with Coal Group A. Wage and Bonus Distribution Hearing in the coal plants was one of party committee-led participation schemes.

Employee Representative Council at the Group Level

ERC at the group company level took place together with Party Committee Working Conference and Administration Working Conference, so called ‘three conferences’. The Main Agenda of Party Committee Working Conference, Administration Working Conference and Employee Representative Council Conference involves the following items:

- To hear the working report of Group Company Party Committee;
- To hear and deliberate the working report of Group Company administration;
- To hear the important address made by the Board Director of Group Company;
- To hear the illustration on the reward management methods of Group Company
- To hear the general and administrative expenses, and other operating expenses of Group Company in the previous year;
- To announce the payment of annual salaries for the senior management.

Democratic Management at the Grass Root Level

Coal plants at Group B had a three-tier management structure, that is, coal plant, mining districts (workshops), as well as teams and groups. Democratic Management Committee (DMC hereafter) was set up in every mining district (workshop) of the coal plant. The Director of DMC is concurrently served by the chair of workshop-level trade union. DMC members were composed of five to seven workshop leaders or chairs of team-level trade unions. Democratic Management Group (DMG hereafter) was founded in the team-level unit. The Head of DMG was concurrently served as the chair of team-level trade union. DMG members were composed of three to five team leaders or democratic management members at group level. In comparison with Group A, the members of democratic management institutions in Group B were not elected but designated.

The main functions of democratic management institutions included:

- Democratic management institutions at district and team levels exercised the power of democratic management in terms of important matters in the districts (workshop) as well as teams and groups respectively. Particularly, they got involved in the study and formulation of policies, plans and methods in relation to the distribution of employees benefits, as well as oversaw the implementation of these policies, plans and methods after they were carried by the ERC;
- Democratic management institutions participated in and oversaw the management expenses of district and team;

- Democratic management institutions oversaw and reviewed the distribution of employee benefits and rewards;
- Democratic management institutions examined and oversaw the compliance with the articles of labour contract and collective contract, job rotation, lay-off and expulsion
- Information sharing was also seen as the key element of democratic management. The contents of information sharing covered the disclosure of the distribution plan of employees' wages and bonuses, disclosure of appraisal scores, disclosure of wages and incentives, disclosure of work-points on a daily basis, as well as disclosure of wages and bonuses on a monthly basis.

Democratic management institutions at different levels were under the leadership of party organisation of the same level. Trade unions at coal plant level inspected the DMC at workshop level regularly, as well as assisted and guided the work of DMC. Trade unions at team level helped DMG coordinate their work at any time. (see Figure 44)

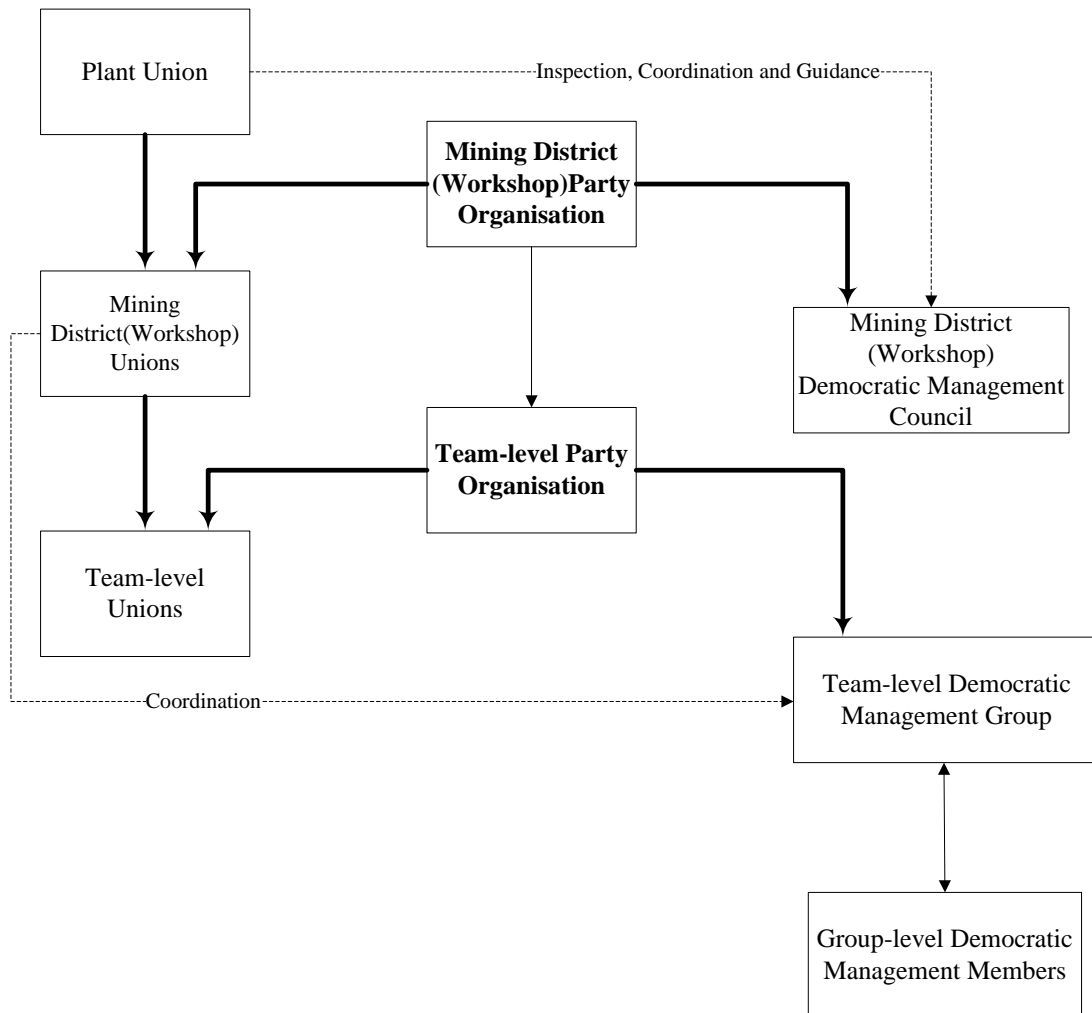


Figure 4: Democratic Management Institutions at the Shop Floor Level

Note: This figure was drawn on the basis of company documents.

Employee Representative Overseeing and Inspection

Over the closing of ERC meetings, plant unions organised the Employee Representative Overseeing and Inspection. Employee Representative Overseeing and Inspection Group were composed of staff of plant-level union, members of ERC specific working committees, a few employee representatives, invited professionals from concerned departments in relation to the topics of inspections.

The topics of inspection covered:

- Implementation of ERC resolutions;
- Important issues and difficulties of production safety at the coal plant, big issues associated with the employee welfare and life;
- Implementation of significant reform plans and regulations in relation to the overall development of the coal plant and immediate interests of employees;
- Fulfillment of collective contract and information sharing, the resolution of labour disputes;
- The processing and implementation of employee representatives' motions;
- Inspection of big matters which concern the majority of employees, including distribution of wages and bonuses, housing, commuting, healthcare, heating, dining, taking a shower, etc.
- Leaders' anti-corruption performance, work style and so on.

Overseeing and Inspection, including regular inspection and dynamic inspection, were carried out once every quarterly. It took the form of leaders' reports, questioning face to face, individual conversations, symposium, documents checking, on-site inspection and so on.

Wage and Bonus Distribution Hearing

Wage and Bonus Distribution Hearing was led by the party committee and undertaken at the teams and groups of all mining districts (workshops) in the coal plant. Participants in this hearing were composed of section managers, team leaders, party branch secretary, members of DMC, foremen and one worker representative. Trade unions did not play a role in the hearing. Over the hearing, team leaders and party branch secretary presented to the participants the monthly payroll, wage distribution plan, internal wage rates, attendance requirements, payment of wage and bonus, penalty, etc. The hearing minutes were signed by the participants with comments for future reference. The purpose of hearing was to monitor the process of wages and bonuses distribution, and to inhibit and eradicate the malpractices of team leaders to withhold their employees' wages and bonuses.

4.2.3 Auto Group F

The governance of trade unions in Auto Group F was characterised by three-tier management structure, that is, group company trade union, subsidiary company trade unions, and factory trade unions. It now has 252 full time and part time union officials.

Auto Group F had a fine tradition of democratic management and ERC. Nonetheless, democratic management in Auto Group has been confronted with many new challenges, along with the market economic reform and the restructuring of Auto Group F in transition from factory to group company. For example, with the rapid expansion of Group Company, what are the relationships among the ERCs in the Group Company, its holding companies and subsidiary companies? How do employees participate in the reform, management and development of the Group Company via the ERC? How do the ERCs play a role in the joint ventures formed between Group Company and foreign investors? How are the relationships among the ERCs, general meetings of shareholders, board of directors and board of supervisors in the joint stock companies and listed companies founded by the Group Company?

The arrangements of employee participation in Auto Group F fell into the category of ‘communicator’. The main types of employee participation in this group contained statutory democratic management and management-led voice mechanisms. Management-led voice mechanisms involved the meetings between the General Manager and employee representatives, the enlarged meetings of party committee and leadership meetings, as well as the dialogue between leaders and employees at the ERC meeting. The topics of the meetings between the General Manager and employee representatives included the production, operation and development of the company, rewards, and so on. Other communicative involvement included newspapers, TV, intranet and notice boards.

Employee Representative Council

The system of ERC has been established in all the Tier-Two and Tier-Three companies affiliated to the Auto Group F. In most of these companies, specific working committees of ERC and joint meetings of ERC delegation heads have also been set up. The ERC regulations of Auto Group F modified in 2007 stipulates that any significant matter in relation to immediate interests of employees must be deliberated by the ERC and voted via the ballot. Frontline employee representatives must accounted for 50% of ERC representatives, with a decrease in the proportion of leaders and cadres. Union officials at the Tier-Two and Tier-Three companies and employee representatives of Group level ERC received theoretical and professional training every year. The contents of training covered Labour Contract Law, New Company Law, and so on.

Car Company A

The governance of trade unions in Car Company A has a four-tier management structure, that is, company’s trade union committee, factory and workshop (section and office) subsidiary trade union committee, and trade union groups.

The arrangements of employee participation at Car Company A embodied

communicative involvement, non-representative consultation, task-based involvement and representative consultation. Communicative involvement schemes involved operation analysis meetings, departmental meetings, factory situation briefings, quality and production briefings, and so on. Factory situation briefings communicated downwards the operation and employment of the company. Over the briefings, the management also answered the doubts of employees. Participants in the briefings were composed of employee representatives and all the department managers. Via the briefing, the factory situations were communicated downwards and upwards.

Representative consultation comprised ERC at Tier Two and Tier Three Companies, joint meeting of ERC delegation heads over the closing of ERC and Employee Representation on the Board of Supervisors. It was reported that Car Company A did not carry out equal consultation and collective bargaining though the collective agreement was signed in accordance with the requirements of Group Company, but now has expired and was not renewed. It was also reported that Employee Representation on the Board of Supervisors did not function well in Car Company A.

Non-representative consultation comprised union-led employees' feedback forms, meetings with managers, and all staff meeting in the workshop. The employees' feedback forms often dealt with the issues of employees' salary. Task-based involvement at Car Company A contained quality circle, performance management and union-led suggestion scheme.

Labour Disputes Resolution Committee was set up in Car Company A. The members were composed of employee representatives, administration representatives, and union representatives. Each group of representatives accounted for one third members of Labour Disputes Resolution Committee. The Head of Labour Disputes Resolution Committee was the chair of company trade union.

Car Company B

The employee participation schemes in Car Company B embodied downward communication, non-representative consultation, tasked-based involvement and representative consultation machineries, but without true employee participation. Trade union at Car Company B was confined to the role of organisator and coordinator. The degree of employees influence over the results of decision-making was subject to the attitudes of management.

Downward communication at Car Company B involved team briefing, newsletter, magazine, TV, etc. Upward feedback schemes included suggestion schemes (with incentives), intranet and General Manager's hotline. It was reported that the General Manager's hotline was most effective in dealing with employees' complaints and grievances.

Non-representative consultation included employee satisfaction survey and 'employee emotion barometer' survey. Questions in the 'employee emotion barometer' survey contained three sections: the first is employee perceptions towards company product brand, corporate image and public image, as well as employees' relatives and friends perceptions towards company products and image; the second was the problems associated with cooperation between employees and line managers, between employees and peer colleagues, between employees and their subordinates; the third

is whether employees feel happy to work for the company. All the employees at Car Company B filled in this survey. The survey results were showed in three colors, among which green color represented that employees' emotion is very good, yellow color indicated employees' emotion is ok, and red color identified some problems with employee emotions.

Task-based involvement at Car Company B was composed of the Quality Audit System, a system to improve and promote product quality, and Quality Management Circles, PDCA (plan, do, check, and action). Employees participated in the processes of quality circles, inspecting the flaws with products by the last circle, rectifying the problems, and repairing. Through team briefings prior to and after work, line managers and employees clarified current flaws and strictly control the quality.

Car Company B recognised the status of trade unions from the day of its foundation. Nevertheless, the influence of trade union over the process of company's decision-making was limited. The trade union at Car Company B was confined to an organiser and coordinator: organising entertainment activities, such as collective wedding ceremonies and company open days for employees' relatives, assisting the Company in conducting some surveys, visiting some sick workers on behalf of the Company as well as organising charity events. Temporary agency workers were allowed to participate in the company's activities organised by the trade union.

Table 3: The Arrangements and Types of Employee Participation in the Case Study Companies

		Types of Employee Participation					
		Communicative involvement	Non-representative consultation	Task-based involvement	Representative Consultation	Representative Participation	Workers' control
Coal Group A		✓	✓	✓	✓	✓	✓ (In-house market)
Coal Group B		✓	✓	✓	✓ (Hearings)		
Auto Group F	Car Company A	✓	✓	✓	✓		
	Car Company B	✓	✓	✓			

5 Proposition and Hypotheses

Some propositions on the determinants of employee participation schemes can be drawn up on the basis of the comparison of case study companies.

Proposition 1 Company's ownership is related to the adoption of employee participation schemes.

Hypothesis 1 State enterprises are more likely to use the collective voice than non-public enterprises, and non-state enterprises are more likely to use the individual and management-led voice.

Proposition 2 The capital intensity is related to the use and effectiveness of employee participation practices.

Hypothesis 2 Labour-intensive companies are more likely to use the collective voice than capital-intensive companies, while capital-intensive companies are more likely to use the individual and management-led voice than labour-intensive companies.

Proposition 3 The commitment of management determines the breadth and depth of employee participation practices.

Hypothesis 3 The more committed the management, the broader and deeper the employee participation practices.

Proposition 4 The commitment of party committee moderates the relationship between the ownership and breadth and depth of employee participation practices.

6 Summary and Conclusion

This paper explored the institutions and process of employee participation schemes in two coal group companies and two auto assemblers within one auto Group Company. The arrangements of employee participation in Coal Group A fell into the category of 'active consulter'. The types of employee participation in this group company embodied statutory democratic management with innovative practices, management-led voice mechanisms as well as workers' control. The democratic management of Coal Group A was seen as the 'best practices' by the local trade union. Its operation was driven by the party committee-led incentive and penalty schemes for the democratic management.

The arrangements of employee participation in Coal Group B fell into the category of 'communicator'. The arrangements of employee participation in this group contained statutory democratic management, management-led voice mechanisms as well as party committee-led participation schemes. Statutory democratic management in Coal Group B was confined to representative consultation, and was lack of internal democracy in comparison with Coal Group A. Wage and Bonus Distribution Hearing in the coal plants was one of party committee-led participation schemes.

The arrangements of employee participation in Auto Group F fell into the category of 'communicator'. The main types of employee participation in this group contained statutory democratic management and management-led voice mechanisms. The statutory democratic management was confined to representative consultation in Auto Group F and its two affiliated case companies, whilst management-led voice mechanisms were communicative and task-based involvement.

The evidence above revealed that the breadth and depth of employee participation in the case companies were largely subject to the commitments of management. As a consequence, employee participation in these companies was confined to information and consultation, rather than true participation and even joint decision. The evidence, however, showed that the depth of employee involvement at the shop floor level within the organisation was enhanced, with the main focus on distribution of wages and bonuses in the teams and groups. In addition, the party committee played a crucial role in the implementation of employee participation in the case study companies.

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