PROFIT SHARING AND PERFORMANCE IN IRISH COMPANIES: A REVIEW

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Introduction

In recent years profit sharing has become an important policy prescription in Irish industrial relations. However, there has been a comparative paucity of research both in terms of its scope and coverage in Irish firms and with respect to its outcomes and effectiveness for organisations. This paper has three main objectives. Firstly, to examine trends in the use of profit sharing in Ireland, secondly, to compare employee and organisational outcomes of profit and non-profit sharing firms using a survey of 294 private sector firms, and thirdly, to examine the relationship between profit sharing and trade unionism.

Profit Sharing in Context

Schemes of profit sharing and employee shareholding have a 19th century origin. Indeed, the classic definition of profit sharing was formulated and adopted by an International Congress on Profit Sharing in Paris in 1889. Profit sharing, Congress declared, is an agreement freely entered into whereby employees receive shares, fixed in advance, of the profits (Schloss, 1898). Subsequent definitions of the concept have mostly been commentaries or expansions on the original (see for example, Estrin et al., 1997). Similarly the objectives of profit sharing have tended to multiply. At the outset the aims of the measure were in the main comparatively modest, being confined to the individual enterprise. The assumption was that workers receiving a share of company profits in addition to wages would be encouraged to work harder, more diligently and in co-operation with their em-

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ployers. Increased effort, increasing profit and returns to workers, would unite employers and employees in harmonious pursuit of a common objective.

With many of these early schemes the individual employee profit share took the form of a cash bonus. A more sophisticated version distributed the employees' profit share not in cash, but in an equivalent number of their own company shares. Like their cash counterpart, share based or co-partnership schemes, as they were called in Britain, sought to create harmony and efficiency within the enterprise. Yet share based schemes sometimes had an additional objective that was altogether more ambitious. The experience of ownership through shareholding would inspire worker loyalty not just to the firm but also to the prevailing economic and industrial conditions. With the diffusion of share ownership, the formerly property-less labourer would now have a tangible stake in capitalist industrial society and radical collectivist ideologies would lose their appeal. Thus the potentially explosive combination of unionism, socialism and democracy would be defused. Employee shareholding – the industrial version of peasant proprietorship – would, some expected have the same stabilising and socially conservative effect (Bristow, 1974). This macro expectation of the diffusion of employee shareholding should not be seen as an exclusive concern of the late 19th century. During the 1980s successive Conservative governments in Britain expected similar outcomes from their programme of privatisation and the promotion of wider share ownership or people's capitalism (see Saunders and Harris, 1994: 26–31).

Trends in Irish Profit Sharing

Prior to 1982 employee shareholding or cash based profit sharing schemes were apparently a rarity in Ireland The Finance Act of 1982 and subsequent amendments mark the entry of government into the field of employee financial participation. This legislation was designed to encourage the voluntary and widespread adoption of share based profit sharing and to that end government offered tax concessions for companies and their individual employees. However, such concessions would only be granted to companies establishing approved schemes that met certain government requirements (see Finance Acts 1982, 1984, 1986). Indeed, a favourable tax regime appears to be a crucial factor in promoting the growth of approved profit sharing schemes.

In addition, the revival of centralised bargaining since 1987 may have contributed to their growth. The Irish Congress of Trade Unions

(ICTU) now advocates profit sharing at the level of the individual firm as a way of securing a more equitable outcome to wage restraint (D'Art and Turner, 2000). Likewise the Irish Business and Employers Confederation (IBEC) now encourages its member firms to consider schemes for the financial involvement of their employees. In its Budget submission for the year 2000, IBEC has strongly requested government to develop a tax regime that accommodates the most comprehensive use of financial employee involvement schemes.[i] The growth rate of approved profit sharing schemes in Ireland is shown in Table 1.

TABLE 1: GROWTH IN THE NUMBER OF APPROVED SCHEMES 1982-1999

Year ended 5th April	Number of Approved Schemes	Limitation of the Market Value of Shares for the Individual Employee
1983	0	£1,000
1984	2	£5,000
1985	6	£5,000
1986	7	£5,000
1987	13	£5,000
1988	18	£5,000
1989	18	£5,000
1990	23	£5,000
1991	23	£5,000
1992	11	£2,000
1993	9	£2,000
1994	4	£2,000
1995	8	£10,000
1996	27	£10,000
1997	37	£10,000
1998	32	£10,000
1999	27	£10,000
Total	265	

Source: Revenue Commissioners

There appears to be a strong and cumulative relationship between the number of schemes introduced in any one year and the available tax

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[i] However, the employers' organisation remains opposed to the mandatory or prescriptive introduction of financial involvement (IBEC,1999a).

incentives. Despite the increasing generosity of these incentives, particularly since 1995 and the favourable attitudes of IBEC and ICTU, the overall growth in approved profit sharing schemes is modest.[ii]

Organisational Motives and Profit Sharing

Schemes of profit sharing or employee shareholding are most frequently used to enhance organisational outcomes such as productivity and profitability. Over more than a century of profit sharing practice, numerous studies have attempted to evaluate the outcomes of these schemes. Some studies compare profitability levels in profit and non profit sharing companies as a measure of a scheme's success (Metzger & Colleti, 1971; Livingston & Henry, 1980; Conte & Tannenbaum, 1978). Other studies focus on the effect of profit sharing on employee behaviour and attitudes (Metzger, 1975; D'Art, 1992). Yet evidence for the success of these schemes regarding employee motivation, attitudinal change and improved company profitability is uneven or inconclusive (see Baddon, et al., 1989: 14–20; Poole, 1989; Poole & Jenkins, 1990; Ramsay, 1991). The ambiguity that can characterise management objectives with regard to these schemes may go some way to explain the difficulty in evaluating their outcomes.

In practice, the goal, motivations and expectations for profit sharing schemes can vary between organisations and the adoption of a particular perspective or approach is to some extent determined by the type, size and market situation of the firm. A number of reasons for

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[ii] Indeed, if we take the number of firms with approved profit sharing schemes in 1997, they account for 10% of all manufacturing firms with over 20 employees (Source: Census of Industrial Production, 1997). Even this figure is an overestimate, as the Revenue statistics for approved profit sharing schemes include all industrial firms and all firms in the service sector of the economy which accounts for the greater proportion of the employed labour force.

There are no accurate figures available of the actual number of employees covered by approved profit sharing schemes from the Revenue Commissioners. Excluding the self-employed and employers (283,100), assisting relatives (20,400), public sector employees (226,595), and assuming an average of 200 employees in each of the 265 companies with approved sharing in 1999 (giving 53,000), we estimate that approved profit sharing schemes cover approximately 5% of the employed labour force in 1999. Our figures are at variance with IBEC's estimate of the numbers covered by approved sharing schemes (IBEC, 1999b). This disparity may be due to IBEC's reliance on the records produced by the Revenue Commissioners, which grossly overestimate the number of employees covered by these schemes.

establishing schemes of employee financial participation can be identified.

In some cases, the primary motivation of management in establishing a profit sharing scheme is the attraction and retention of staff through encouraging employee attachment to the firm. This approach to profit sharing is most commonly found in large, capital-intensive multinational corporations. Cash or shares are distributed to all permanent employees, the amount usually varying according to the individual's salary or length of service. In the wider society, the sharing of profits with employees helps to project an image of the caring, socially responsible corporation and good employer. It has a practical benefit in that it is likely to widen the pool of potential recruits, thus facilitating management selection of the most talented. From a strictly economic viewpoint, the apparent intangibility of these benefits to the corporation is offset by tax concessions granted by many governments to companies operating such schemes. In some instances, the profit or share scheme is only one element in a package of fringe benefits, additional to standard wage or salary (D'Art, 1992). Thus we can test for two hypotheses. Firstly, that firms that give the management of human resources a high priority are more likely to have a profit sharing scheme as part of a raft of practices. Secondly, that companies offering profit sharing to their employees will have superior employee relations outcomes in terms of attracting and retaining staff.

Hypothesis 1: Firms who give human resources a high priority are more likely to have an established profit sharing scheme for all employees.

Hypothesis 2: Firms with profit sharing will have superior employee relations outcomes than comparable firms without profit sharing.

Another reason for the introduction of financial participation is the expectation that it will result in some concrete economic benefit or competitive advantage for the company. Such a cost–benefit approach is more likely to be adopted in small firms operating in a competitive market. In these circumstances, profit sharing or employee shareholding, it is hoped, will enhance labour–management co-operation, increase the quality and quantity of employee output and reduce absenteeism. For some managers with a cost–benefit perspective on financial participation, this may not be the only or principal expectation of profit sharing. In the US, for instance, many profit sharing schemes appear to function primarily as cheap pension substitutes (see Latta, 1979: 3; Hewitt Associates, 1982). Funding a pension through profit sharing is less costly and avoids many of the obligations and regulations governing defined benefit pension plans in the US. Profit sharing plans can also be used as a flexible component in a formerly fixed wage arrangement with employees. In any case, profit sharing continues to appeal to employers as it holds out the prospect of a positive alteration in employee behaviour and a consequent improvement in organisational performance. We test the cost–benefit approach by comparing the financial performance of profit sharing firms with non-profit sharing schemes.

Hypothesis 3: Firms with profit sharing for all employees have better organisational performance outcomes than comparable firms without profit sharing.

Trade Unions and Profit Sharing

Management in non-union firms sometimes adopts the unitarist approach to financial participation. Profit sharing or employee shareholding is used as a defence or deterrent against union organising drives (Roche and Turner, 1998). For instance, management may threaten to abandon the scheme if workers opt for union membership. This strategy has met with some success in North America (Czarnecki, 1970). In Europe, because of the greater legitimacy accorded to trade unions, the unitarist approach to financial participation may be less overt. Yet where employee shareholding features among the bundle of human resource practices it may have the potential to weaken union influence. Shareholding apparently providing a personal financial stake complements human resource management attempt to establish an individual relationship between the company and its employees. Effective application of this strategy may weaken the appeal of collectivism and even in the organised enterprise its tendency may be to marginalise the union (see Flood and Toner, 1997; Poole, 1989: 103; Poole and Jenkins, 1990: 11).

Unions have traditionally tended to be sceptical or opposed to profit sharing/employee shareholding in single firms. Firstly, it appeared to individualise the employment relationship and so weaken the collective. Secondly, it was feared the schemes could be productive of an enterprise consciousness at odds with the broad socio-economic perspective of the labour movement (see Meidner, 1978:

45–46, 96–97, 119). However, during the 1980s intensified international competition, recession, company restructuring and the revival of economic liberalism have obliged unions to accept more market oriented and co-operative views of relations with management. One aspect of this reorientation within the European union movement is the apparent change in attitude regarding financial participation. Up to the early 1980s both Scandinavian and European unions generally appeared to favour schemes of collective capital formation in preference to schemes of financial participation based at the level of the individual firm (see ETUI, 1983; D'Art, 1992). This position has largely been abandoned and there is now less overt hostility to, if not acceptance of, firm level profit sharing or employee shareholding schemes. In Ireland these developments are reflected in ICTU's present advocacy of profit sharing/employee shareholding (ICTU, 1999). In the context of the centralised wage agreements negotiated since 1987, trade unions have advocated profit sharing as an equitable mechanism for giving employees a share in increasing company profits. In particular, Partnership 2000 and the Programme for Partnership and Fairness have emphasised the provision of a profit sharing scheme for employees where feasible. Consequently, in the Irish context, profit sharing is likely to be more prevalent in union than in non-union firms.

Hypothesis 4: Firms recognising a trade union are more likely to have a profit sharing scheme for all employees.

Methods and Measures

The source of the data used in this paper is the 1999 Cranfield–University of Limerick Study of human resource management (HRM) in Ireland.[iii] The sample used in this paper covers only private sector companies, giving a total of 294 companies, of which 38 or 13% had

[iii] The Cranfield–University of Limerick Study of Human Resource Management (HRM) in Ireland forms part of the Cranfield Network on European HRM, first established in 1989 and currently involving 26 participating countries. The Irish node of this study is located at the Employment Relations Research Unit, University of Limerick and directed by Patrick Gunnigle, Michael Morley and Tom Turner. For a summary of data emanating from the international study see Brewster & Hegewisch. (1994) for review of the 1992 Irish data see Gunnigle, et al., (1994) and for the 1995 data see Gunnigleet al., (1997). Information from the most recent survey (1999) is available from the University of Limerick.

profit sharing for manual workers.[iv] In addition, 42 of the 294 private sector companies were excluded because they originated from countries that had no profit sharing for manual workers in any of the firms.

Variables

We measure the importance attached by the organisation to the management of human resources by a number of indicators that include the position accorded to the human resource manager within the organisational hierarchy, the existence of a formal HR strategy, and the resources allocated to training and development. The specific measures are as follows: (1) whether the HR manager is on the senior management board, (2) whether there is a formal written HR strategy, (3) the proportion of the annual salaries and wages bill spent on training, and (4) whether employee training needs are systematically analysed (Table 2).

The measures of union presence used are: trade union recognition, the proportion of employees unionised and the extent of union influence over the past three years. In addition, the effect of the presence of a joint consultative committee is assessed.

Organisational outcomes are measured by the financial performance of the firm and employee relations outcomes by levels of absenteeism, levels of turnover and difficulties in the recruitment of staff.

A number of controls are used in the multivariate analysis including size, country of origin, industrial sector and market circumstances.

[iv] However, the 38 firms include two firms with only clerical workers, since our intention is to focus on those firms with profit sharing for all employees.

TABLE 2: DESCRIPTION OF MEASURES

	Description	Mean	S. Dev.	N
HR measures				
HR board	Does the head of the personnel/human resources function have a place on the main Board of Directors? Scored 1=yes; 0=no.	38%		252
HR strategy	Does your organisation have a HR strategy? 1=none; 2=yes – unwritten; 3=yes – written	2.0	0.85	252
Training costs	Approximately what proportion (%) of the annual salaries and wages bill is currently spent on training?	3.9%	5.3	145
Training needs analysis	Do you systematically analyse employee training needs? Scored 1=yes; 2=no.	1.34	0.5	250
Trade union				
Recognition	Do you recognise trade unions for collective bargaining purposes? Scored 1=yes; 0=no.	57%		239
Union density	What proportion of the total number of employees in your organisation are members of a trade union? Scored 1=0%; 2=1–10%; 3=11–25%; 4=26–50%; 5=51–75%; 6=76–100%.	3.3	2.1	250
Union influence	Has the influence of trade unions on your organisation changed during the last three years? Scored 1=no influence; 2=decreased; 3=same; 4=increased	2.1	1.0	250
JCC	Do you have a joint consultative committee? Scored 1=yes; 2=no.	1.8	0.4	251

TABLE 2 CONT'D

	Description	Mean	S. Dev.	N
Organisational and employee relations outcomes				
Financial performance	Would you say that gross revenue over the past three years is: 1=well in excess of costs; 2=sufficient to make small profit; 3=enough to break even; 4=insufficient to cover costs; 5=so low as to produce large losses?	1.7	0.9	234
Employee turnover	Measured by the % turnover per year	11.3%	11.1	193
Absenteeism	Measured by the average days absent per employee in a year	7.6	12.1	128
Recruitment difficulties	Is it difficult to recruit/retain manual employees? Scored 1=yes; 0=no.	38%		252
Controls				
Size	Number of employees expressed as a raw figure	304	555	249
Country	Firm ownership is divided into Irish, US and others (mainly European) and entered as dummies in the regression equations.			
Industrial sector	Industrial sector is divided into three groups, traditional manufacturing, high tech and others and entered as dummies in the regression equations.			
Market	How would you describe the market for your products or services? Scored 1=Local; 2=Regional; 3=National; 4=European; 5=World-wide.	4.1	1.2	250
Dependent variable				
Profit sharing	Do you offer a profit sharing scheme to your manual employees? Scored 1=yes; 0=no.	15%		252

Results

Section 1: Descriptives and t-tests

In the first section we report on the distribution of profit sharing schemes regarding company ownership and industrial sector and also test for differences in the characteristics of profit and non-profit sharing companies using t-tests. Section 2 uses multivariate analysis to control for possible differences arising from exogenous factors such as size, country of origin and particular product market.

Foreign firms are more likely to have profit sharing for manual workers, with 5% of Irish firms reporting the existence of a profit sharing scheme for all employees compared to an average of 20% for foreign firms (Table 3).

TABLE 3: COUNTRIES WITH PROFIT SHARING FOR MANUAL WORKERS

Country of Origin	Number of Firms	No. of Firms with Profit Sharing	% of Firms with Profit Sharing
Ireland	130	7	5.4%
USA	75	19	25.3%
UK	16	3	18.8%
Germany	12	2	16.6%
Netherlands	8	4	50%
Switzerland	4	2	50%
Japan	7	1	14.5%
Total	252	38	

Companies from the Netherlands and Switzerland are particularly likely to have profit sharing, though the sample size for both is relatively small. US companies are also notable for the extent of profit sharing while Irish companies report the lowest incidence of profit sharing. Industrial sector also appears to influence the incidence of profit sharing. It is most prevalent in the manufacturing sector, the energy and water sector and non-energy chemicals. Approximately 19% of manufacturing firms have profit sharing, 50% of companies in the water sector and 40% in non-energy chemicals. Given that the number of firms in our sample for the water and chemical sectors is small (21 in total), caution is required in interpreting the data (see table in appendix 1).

Table 4 compares the difference in the priority accorded human resources between profit and non-profit sharing firms. There is no significant difference regarding the existence of a formal human resource strategy, the amount spent on training and whether a needs analysis evaluating the effect of training is present. However, there is a significant difference regarding having an HR person on the company board. A total of 63% of companies with profit sharing have an HR person on the company board, compared to only 37% of companies without profit sharing.

TABLE 4: PROFIT SHARING AND HR CHARACTERISTICS

HR Features	Profit Sharing for Manual Workers	Mean or %	Std Dev.	N	t-test
HR board	Present	63%	/	38	***
	Not present	37%	/	214	
HR strategy	Present	2.2	0.81	38	NS
	Not present	1.98	0.86	214	
Training costs	Present	3%	1.3	26	NS
	Not present	4%	5.8	123	
Training needs analysis	Present	74%	/	38	NS
	Not present	67%	/	212	

Significance levels: * $p< .05$ ** $p< .01$ ***$p < .001$

Unions and Profit Sharing

Firms who recognise a trade union are more likely to have profit sharing, 70% compared to 55%, and more likely to have a joint consultative council (Table 5). However, the difference is only statistically significant at the 10% level (based on chi sq. scores). Union density is a proxy measure to assess the effect or strength of the union influence on profit sharing. In this case the analysis is restricted to firms recognising a union, approximately 137 in total. There is no significant difference in density levels between the two groups.

TABLE 5: PROFIT SHARING AND TRADE UNIONS

Union Presence	Profit Sharing for Manual Workers	Mean or %	Std Dev.	N	t-test
Union recognition	Present	70%	/	37	+
	Not present	55%	/	202	
JCC	Present	29%	/	38	+
	Not present	16%	/	213	
Union density	Present	4.88	1.0	26	NS
	Not present	4.96	1.2	110	
Union influence	Present	2.58	0.58	26	*
	Not present	2.94	0.66	111	

Significance levels: * p< .05 ** p< .01 ***p < .001 + significant at the 0.1 level

The question on the influence of trade unions allows some assessment of the impact of profit sharing on trade unions. Results indicate that union influence over the previous three years is reported to have significantly declined in unionised firms with profit sharing. Indeed, if the question on union influence is compared for the three Cranfield surveys, 1991/2, 1995 and 1999, the proportion of firms indicating a decrease in union influence is consistently higher in firms with profit sharing (Table 6). It should be noted that the number of unionised firms in each survey with profit sharing is relatively small so care must be taken in reaching any definitive statement with such small numbers.[v]

TABLE 6: PROPORTION OF FIRMS RECOGNISING A UNION EXPERIENCING A DECREASE IN UNION INFLUENCE

	Union Influence has Decreased in the Past Three Years		
	1991/2	*1995*	*1999*
Firms with profit sharing	39% (7)	33% (6)	32% (12)
Firms without profit sharing	24% (40)	22% (48)	11% (24)

[v] One must also be cautious in interpreting the results from the question on union influence because of its sole reliance on managerial respondents (see Benkhoff & Peccei (1997).

Profit Sharing and Organisational Outcomes

Finally, we consider the impact of profit sharing for manual workers on a number of organisational outcomes for firms which include the reported levels of the firm's financial performance, the level of turnover and absenteeism and the difficulties reported in recruiting manual staff. In addition, the trend in the level of union influence in firms with and without profit sharing is compared. There is no significant difference in the rating of the firm's financial performance and the existence of profit sharing. However, firms with profit sharing have significantly lower levels of turnover and absenteeism compared to firms without profit sharing (Table 7). While 16% of the former reported difficulties in recruiting manual staff, 42% of the latter reported such difficulties.

TABLE 7: PROFIT SHARING AND ORGANISATIONAL OUTCOMES

Organisational and Employee Relations Outcomes	**Profit Sharing for Manual Workers**	**Mean or %**	**Std Dev.**	**N**	**t-test**
Profits	Present	1.74	1.08	34	NS
	Not present	1.7	0.9	200	
Turnover	Present	7%	9.8	30	*
	Not present	10%	11.2	163	
Absenteeism	Present	4.9%	2.95	22	*
	Not present	8.3%	13.17	106	
Recruitment difficulties	Present	15.8%	/	38	***
	Not present	42.1%	/	214	

Significance levels: * $p< .05$ ** $p< .01$ *** $p < .001$

Section 2: Multivariate Analysis

In order to ensure that the t-tests are robust, a number of logistic regressions are reported in Table 8.[vi] As noted above, profit sharing appears to be particularly prevalent in US and Dutch companies and in certain industries. Consequently, to control for possible exogenous effects, measures for country of origin, industrial sector and product market conditions are entered in all equations. Equations 1, 2 and 3

[vi] Only the measures which were statistically significant in the t-tests are included in the regressions. Both the measures of union density and a JCC are included, as both were significant at the 10% level.

include all firms; equations 4, 5 and 6 include only firms recognising a trade union. The dependent variable is dichotomous: whether or not firms have profit sharing for manual workers. In equation 1 firms with an HR person on the company board are over three times more likely to have profit sharing. This result is statistically significant and provides some support for **hypothesis 1**, that firms that give human resources a high priority are more likely to have an established profit sharing scheme for all employees.

Turning to organisational and employee relations outcomes, firms with profit sharing are substantially less likely to have difficulties in recruiting manual workers and this result is statistically significant (equation 1). In equations 2 and 3 the measures of turnover and absenteeism are entered separately. Since the control variables have similar scores across the three equations, only the odds ratio for turnover and absenteeism are reported. Firms with profit sharing are significantly more likely to have lower turnover levels (equation 2) and likely to have lower levels of absenteeism, though in the latter case the coefficient is not significant. These results provide considerable support for **hypothesis 2**, that firms with profit sharing for all employees have better employee relations outcomes than comparable firms without profit sharing. However, there is no support for **hypothesis 3**, that firms with profit sharing for all employees have better organisational performance outcomes that comparable firms without profit sharing As indicated in Table 7, there is no significant difference in financial performance between profit and non-profit sharing firms.

Although firms that recognise a union are almost twice as likely to have profit sharing and are more likely to have a JCC, neither of these results is statistically significant when country of origin is taken into account. Thus there is little firm support for **hypothesis 4**, that firms recognising a trade union are more likely to have a profit sharing scheme for all employees.

Equations 4, 5 and 6 include only firms recognising a union. Union density, though likely to be higher in firms with profit sharing, is not statistically significant. However, firms with profit sharing are significantly more likely to report a decrease in the influence of the union. While turnover and absenteeism are likely to be lower in firms with profit sharing (equations 5 and 6), the coefficients are not significant.

TABLE 8: MULTIVARIATE ANALYSIS USING LOGISTIC REGRESSION (METHOD: ENTER)

	Dependent Variable: Profit Sharing (1=profit sharing present; 0= not present)					
	1	2	3	4	5	6
	Odds Ratios for All Firms			**Odds Ratios for Unionised Firms**		
Controls						
Size	0.999			0.998		
US++	5.84**			4.81*		
Other countries	5.01**			3.28		
Hitech	0.52			0.17*		
Other industries	0.7			0.93		
Market location	1.1			1.12		
HR factors						
HR on Board	3.19**			5.27**		
Union factors						
Union recognition	1.89			X		
JCC	0.82			0.6		
Union influence	X			0.43*		
Union density	X			1.23		
Outcomes						
Recruitment difficulties	0.38*			0.43		
Turnover		0.91*			0.91	
Absenteeism			0.88			0.88
N	235	181+	119+	132	103	67

Significance levels: * p< .05, ** p< .01, *** p < .001.

++ Country of ownership is divided into three groups: US origin, Irish and other countries (mainly European). Irish firms are the dummy variable omitted from the regression.

Firms are divided into three sectors: hitech, traditional manufacturing and all others. Traditional manufacturing is the dummy variable omitted from the regression.

+ The number of cases in the regressions is small because of the large number of respondents who omitted data on turnover and absenteeism.

These results broadly similar to the t-test findings, with the exception of the measure for absenteeism. Firms with profit sharing are more likely to have an HR person on the company board, experience less difficulty in recruiting and have lower levels of turnover. In addition, within firms recognising a union, profit sharing is more likely to be accompanied by a decrease in union influence.

Conclusion

Despite the promotion of profit sharing for employees by government and the social partners, it appears that only a small proportion of private sector employees are covered by approved schemes. Although the expected growth of such schemes is an important policy of recent national wage agreements, the incidence of these schemes remains modest. At firm level, the evidence from the Cranfield survey would suggest that the principal organisational outcome of profit sharing is the attraction and retention of staff. There was no evidence that profit sharing had any impact on financial performance. This would tend to suggest that many of the profit sharing schemes are motivated by the aim of encouraging employees to join and remain with the organisation. Given the present position in the Irish labour market where scarcity of labour prevails in many areas, any measure which eases the difficulty of recruitment and retention may be of considerable value to the firm.

Firms with profit sharing appear to give the management of human resources a high priority. Those firms having an HR director on the board of the organisation are three times more likely to have a profit sharing scheme for all employees and five times more likely in unionised firms.

A notable result is the relationship between the trend in union influence and the presence of a profit sharing scheme for all employees. It appears to be the case that firms with profit sharing consistently report a larger decrease in the influence of the union compared to firms without profit sharing. These findings suggest that the traditional union concern with the debilitating effect of company level profit sharing schemes on the solidarity of the collective may have some credence. This being so, we might expect this effect to be more pronounced where the profit sharing scheme is part of a bundle of human resource practices designed to establish an individual relationship between the company and its employee. Our survey provides some evidence to suggest that this may be a possibility. Profit sharing firms with an HR director on the board are more likely to report a decline in union influence.[vii] These findings should be of particular interest to trade unions. However, their tentative nature necessitates more research. More generally, this could focus on management motivation for the introduction of these schemes, their effects and outcomes.

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[vii] 30% of unionised firms reporting an increase in union influence had an HR director on the Board; 41% of those reporting no change in the influence of the union had an HR director on the Board; 47% of unionised firms reporting a decrease in union influence had an HR director on the Board.

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Appendix 1

PROFIT SHARING AND INDUSTRIAL SECTOR

Industrial Sector	Number of Firms	Number of Firms with Profit Sharing for Manual Workers	% of Firms with Profit Sharing in Each Sector
Agriculture	3	0	0
Energy & Water	6	3	50%
Non-Energy Chemicals	15	6	40%
Metal Manufacture	42	7	17%
Other Manufacturing	59	12	20%
Building & Engineering	31	1	3%
Distributive Trades	12	1	8%
Transport & Communications	18	1	5%
Other Services †	16	1	6%
Other	39	6	15%
Total	241‡	38	

Source: Cranfield–University of Limerick survey, 1999.

‡ 11 cases have missing values

† Other services include banking and finance (4); personal services (4); health and education (5); other (3).