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Do high-involvement work practices affect employee earnings in union and non-union settings in the Irish private sector?

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Introduction

The reduction of a union presence in many parts of the economy (Ebbinghaus and Visser, 2000; Verma and Kochan, 2004) means that managerial discretion over employee earnings are increasingly the preserve of management and the human resource function. Indeed, the provision of employee voice and the eliciting of employee preferences are more likely to be management sponsored through tailored practices such as employee involvement and employee representative structures. Such practices and structures are often integrated into a broader suite of human resource management applications under the rubric of high performance work systems (HPWPs) that include ‘innovative’ work practices such as job design, semi-autonomous groups/teams and extensive training of employees; employee involvement schemes such as quality circles, suggestion systems, consultation and information sharing and merit based reward systems (see for example: Walton, 1985; Arthur, 1992; Roche and Turner, 1994; Pfeffer, 1994; Huselid, 1995; MacDuffie, 1995; Youndt et al, 1996).

While there has been significant interest on the outcomes of such practices for employees in the areas of skill acquisition, career opportunities and job commitment and for firms such as organisational effectiveness, productivity and profitability, this attention rarely included the impact on employee earnings (Applebaum et al, 2000; Batt, 2001). The association between the application of human resource practices and earnings for workers is a notable research lacuna in this literature, given that earnings are likely to be considered an important outcome for workers. The potential for human resource practices to increase earnings could be of particular significance for low earners given the prominence of low wage work and wage inequality in many countries (Bosch, 2009; Rueda and Pontusson, 2000; Van Reenan, 2011). Yet, human resource academics and practitioners appear to have shown limited interest in the

association between human resource practices and the earnings of employees. A perennial critique of the human resource function is that despite its avowal to represent all the stakeholders in the organisation, owners, shareholders and employees, in practice the concerns of owners and shareholders are normally a priority. Consequently, apart from senior managerial and professional jobs, concern with the level of employee earnings receives less attention.

Using a 2008 national level matched survey of employers and employees from Ireland this study aims to expand the extant knowledge on the relationship between specific human resource practices and employee earnings. We test for an association between measures such as employee involvement, consultation and reward mechanisms and levels of earnings among workers both above and below median earnings in the private sector in Ireland. For workers' below median earnings wages are likely to figure highly in any valued outcomes at work¹. In the past the use of sophisticated human resource practices were commonly associated mainly with large profitable firms particularly multinationals in high technology and financial sectors of the economy (Foulkes, 1980). However, in the 21st century such HR practices are now considered to be critical to the performance of medium and small enterprises across all economic sectors including low pay sectors such as retail, hospitality and the fast food industry (Lacoursiere et al, 2008). A central contribution of this paper is to examine whether the use of specific human resource practices delivers an earnings premium to all workers, particularly those in the bottom half of the wage distribution. As the data used here come from a cross sectional survey our paper is intended as a descriptive and exploratory comment on the association between specific human resource practices and employee earnings. In addition, in the context of a general decline in trade union membership and density levels we

¹ As median hourly earning only amounted to approximately 74 per cent of average industrial hourly earnings in 2008 workers earning below the median are relatively low paid (Central Statistics Office: Earnings and Labour Costs Q12008).

examine whether such practices have a similar impact on the earnings of employees who are covered by a collective agreement compared to employees without coverage. Employees in the public sector are excluded from this analysis as the majority of workers below median earnings are in the private sector and the application of human resource practices such as performance related pay and profit sharing have limited coverage in the public sector.

We begin by addressing the definitional issues regarding the generic concept of high performance work systems, secondly the theoretical relationship between human resource practices and earnings, thirdly the survey and methodology used in the paper and fourthly the results are outlined. Finally the findings and implications of the paper are discussed.

High involvement work practices and theoretical links to earnings

In general there is no single agreed definition of what specific human resource practices constitute a high performance work system. In the absence of a consensus in the literature a wide variety of terms are used to describe these systems including 'high performance work systems', 'high involvement work systems', 'high commitment management', 'high involvement management', 'employee involvement' and so on (Handel and Levine, 2004; Lloyd and Payne, 2004; Butler et al, 2004; Bryson et al, 2005). Indeed, studies of high performance work systems vary significantly as to the practices included and sometimes even as to whether a practice is likely to be positively or negatively related to high performance (Becker and Gerhart, 1996:782). Thus, there are issues regarding the appropriate human resource practices or combination when testing for a relationship between these practices and organisational performance. In most studies the preference is for an integrated bundle of practices (McDuffie, 1995; Delery and Doty, 1996; Bryson et al, 2005: 463). Alternatively

Huselid (1995:666) argues that the ‘simple adoption’ of high performance work practices’ is more important than any efforts to ensure these policies are internally consistent.

In this vein Boxall and Macky (2009) suggest that instead of using the broad concept of high performance work systems more clarity can be achieved by reducing the focus to more specific and clearly defined subsets of practices. High involvement work systems (HIWS) is one such subset and usually refers to a bundle of practices that entail alternative job design practices such as creating communication channels to provide employees with information about the plans and goals of the firm as well as practices that give employees the chance to provide input on the decision-making process and to express their opinions to managers (Ollo-López et al, 2011). In a high-involvement organization information and decision making power are dispersed throughout the organization, with employees at all levels taking on greater responsibility for its operation and success (Wood et al, 2012). The measures used in this paper of consultation, employee participation and reward systems are more attuned to the high involvement model than the more generic high performance work system model.

Theoretical rationales for a proposed link between human resource practices such as HIWS practices and higher wages draw prominently on human capital theory, efficiency wage theory (Handel and Gittleman, 2004; Handel and Levine, 2004; Applebaum et al 2000). According to efficiency wage theory a positive relationship between HIWS and higher earnings derives from the productivity gains created by the large body of knowledge and skills acquired over time of an idiosyncratic nature that are specific to the firm pertaining to equipment, processes and communications that act to ensure efficient production in the firm (Williamson et al, 1975). Higher earnings minimizes labour turnover as workers are less likely to quit reducing the cost of replacement including search, recruitment and training

costs (Akerlof and Yellen, 1990; Gregory and Romer, 1991). Employers may also pay wages above the market clearing rate due to sociological factors such as norms of fairness, reciprocity, custom and practice, commitment and firm loyalty.

Human capital and efficiency wage theories suggest that the provision of information to employees, employee participation and consultation and performance related pay will generate mutual benefits for employer and employee through their potential to increase workers commitment to using knowledge and skills and increase effort levels in the service of the firm. Essentially these explanations are complementary and are based on the assumption that high involvement work systems increase firm productivity due to more efficient worker inputs and hence enhance the (capital) value of such workers to the firm. Collectively a firm's employees can provide a unique source of competitive advantage that is difficult for competitors to replicate (see Wright and McMahan, 1992; Leibenstein, 1988; Arthur, 1994). HIWS such as greater employee involvement generally augment workers human capital making them more productive and valuable to the firm. Experimental evidence supports the relationship between increased levels of reciprocity that comes from greater employee involvement and commitment, increased effort levels and consequent large efficiency gains (Fehr et al, 1997; Berg et al, 1995). Decision making by even lower-level employees may improve performance for various reasons: for instance, because it allows employees to use tacit knowledge which is not available to higher level managers, or because the freedom to make decisions (alone or associated with performance pay) provides motivation for greater effort (Guy, 2001:453).

Benefits for the employer can include increased productivity, lower and labour turnover and enhanced profitability and competitiveness. For employees the benefits from human resource

practices are likely to be the impact on earnings and in unionised firms the level of earnings inequality. In the latter case a more egalitarian wages structure tends to compress the lower paid closer to the mean reducing the proportion of workers on low pay. For example trade unions' reduce pay dispersion within establishments and industries by raising the wages of less educated and unskilled workers (Metcalf et al, 2001). To the extent that organisations are perceived to provide a supportive environment, employees develop positive perceptions regarding the organisations concern for their contribution and well-being (Eisenberger et al, 1986; Eisenberger and Stinglhamber, 2011). The more favourable the perception of organisational support the greater the likelihood that employees feel obliged to reciprocate with higher levels of effort and commitment towards achieving important organisational goals (Setton et al, 1996; Rhoades et al, 2001). In particular the extent to which employees engage in the workplace can be considered a strong indicator as to whether specific human resource practices provide mutual benefits as perceived by employees and how in general they shape their work experience (Goddard, 2010). Indeed Choi (2014) found that employee perceptions of the effectiveness of human resource practices explained more variance in the financial performance and productivity of firms than did managers corresponding perceptions.

Empirical evidence

Both the human capital and efficiency theses imply the possibility that the productivity and efficiency gains arising from more human capital and the possession of valuable idiosyncratic knowledge and skills will translate into higher earnings for employees. The literature also suggests that the application of high involvement work practices can have beneficial outcomes for companies and employees, with gains in productivity, competitiveness,

employee commitment, involvement and job satisfaction (Applebaum et al, 2000; Applebaum and Batt, 1994; Youndt et al, 1996; Guthrie, 2001). Moreover, a perceived advantage of high performance and commitment versions of human resource management is the emphasis on mutuality and gains to organisations and employees that can act to neutralise the conflictual elements traditionally associated with the employment relationship (D'Art and Turner, 2006; Watson, 1986: 173; Child, 1969: 22-3).

However, the empirical evidence of an association between an increased use of high performance and involvement practices and earnings are inconclusive (Sgobbi and Cainarca, 2015). While some studies indicate that such practices can lead to higher wages for workers (Applebaum et al, 2000; Bailey et al, 2001) a review of twenty studies by Handel and Levine (2004) concluded the majority of studies indicated no significant effect on earnings. In general results in the US and Canada on the relationship between high involvement systems and earnings are ambiguous depending for example on the particular industrial sector studied or the specific human resource measures used (see Osterman, 2000 and 2006; Batt , 2001). In the UK Forth and Millward (2004) found that high involvement management practices were significantly associated with higher pay but job security guarantees were a critical support for task practices to lead to greater rewards. Based on the same database (WERS98) Bryson et al (2005) found a relationship between high-involvement management practices and higher wages in the unionised sector but only a marginal affect in non-union firms. However, establishing the direction of causality is a major problem with cross-sectional surveys. Such studies make it difficult to conclude whether the increased incidence in high involvement practices leads to higher productivity and earnings or whether as in the WERS study by Bryson et al (2005:484) higher earnings resulted from union extraction of higher rents in return for the introduction of high-involvement systems. Alternatively, it may be the case that

HIWS provide employees with a greater range of skills that enhance the strategic role and hence power of employees (Osterman, 2006: 190). This enhanced employee power may be used to ensure that part of any surplus from productivity gains are passed onto employees in the form of higher wages.

Unions, high involvement practices and earnings

Traditionally, unions have generated a wage premium over non-union firms (Freeman and Medoff, 1984). Empirical studies in Anglo-Saxon countries such as the US, UK, Canada and Ireland show that employees covered by collective bargaining arrangements enjoy a positive wage premium over non-unionised employees (Hirsch, 2004; Hirsch and Schumacher, 2004; Blanchflower and Bryson, 2004; Fang and Verma, 2002; Walsh, 2013). In unionised firms employees are more likely to use their collective power to share any surpluses from productivity improvements resulting, for example, from the introduction of high involvement practices (Osterman, 2006; Forth and Millward, 2004). Alternatively in non-union firms even where high involvement practices improved firm performance management may choose not to share the additional surplus with employees (Forth and Millward, 2004). Indeed Bailey and Bernhardt's (1997) study of low wage service workers depicts a scenario where the implementation of 'innovative' human resource practices resulted in productivity gains but not higher wages. Consequently it may be the case that employees in unionised firms gain more in earnings from high involvement practices than employees in non-union firms. Based on the WERS98 database Bryson et al (2005) found a relationship between high involvement systems and higher wages in the unionised sector, but only a marginal affect in non-union firms. However, establishing the direction of causality is a major problem with cross-sectional surveys. Such studies make it difficult to conclude whether the increased incidence in high involvement practices leads to higher productivity and earnings or whether higher

earnings resulted from union extraction of higher rents in return for the introduction of high-involvement systems (Bryson et al, 2005:484)

The relationship between high involvement practices and earnings inequality is difficult to specify a priori. The sparse evidence available indicates that participatory work practises did not result in higher earnings dispersion in a study of US manufacturing firms (Applebaum et al 2000) or among core blue collar workers (Osterman, 2006). More certainty exists on the relationship between unionised firms and earnings inequality. Pay inequality has received significant academic attention with studies on the relationship between trade unions and earnings, the importance of institutions, comparative trends and on the effects of earnings disparity on employee and firm performance (Card et al, 2004; Wallerstein, 1999; Heyman, 2005). Generally the evidence indicates that trade unions act to reduce income inequality in firm and labour markets (Freeman and Medoff, 1984; Callan and Reilly, 1993; Gosling and Machin, 1995; McGuinness et al, 2010).

Research questions

While information/consultation and incentives schemes are HR practices that are designed to encourage employee effort and commitment, employee willingness to participate in the workplace can be considered a post hoc recognition of a supportive organizational climate. For employees the effect on earnings is likely to be an important valued outcome influencing their perceptions and hence willingness to participate. Our human resource measures in this study are sourced from matched employer and employee responses and include employer information sharing, financial incentives and employee involvement and participation. Low levels of employee participation are likely to be associated with lower effort levels and commitment to the organisation. An unwillingness to participate may be associated with an

unwillingness to use idiosyncratic knowledge and skills and to go beyond contract (Fox, 1974).

The central question in this paper is whether the presence of specific high involvement work practices are associated with higher earnings for employees both in the top and bottom half of the wage distribution in the Irish private sector. More specifically the paper explores the association between employer information sharing, incentive schemes, employee participation and levels of earnings. In particular employee willingness to participate is likely to indicate a perception of positive outcomes for workers particular in the form of higher earnings for workers in the bottom half of the wages distribution. Thus it can be expected that more extensive employee participation will be associated with higher earnings. Yet the direction of causality cannot be specified given the cross-sectional nature of the data used here and we can only examine relationships of association. It is more difficult to specify a priori the relationship between our human resource measures and earnings inequality. However, based on the extant literature employees covered by a collective agreement are more likely to have lower levels of earnings dispersion.

A secondary question is whether high involvement practices have a complementary, neutral or negative effect on earnings for employees covered by a collective agreement. A complementary affect would occur where the presence of the higher performance practices have similar effects for both employees covered and not covered by a collective agreement. Such higher earnings will be additional to any existing union wage premium. Any earnings premium for those employees covered by a collective agreement will remain relatively stable regardless of the extent of the human resource measures. Alternatively, a neutral or negative affect would occur where the measures have a different asymmetric effect on the earnings of

covered and non-covered employees. Where there is a negative effect on covered employees then the more extensive the human resource practices the lower the union earnings premium.

A weakness of many of the studies of HPWS practices in the US and UK is a reliance solely on employer provided information to construct the measures of high performance systems (examples include Cappelli and Neumark, 2001; Collins and Smith, 2006; Forth and Millward, 2004; Brown et al, 2008). Few studies include the views and experience of human resource practices from the employee perspective (Choi, 2014). A significant problem afflicting the measurement of high performance systems is the reliability and validity of the measures used (see Wood, 1999; Butler et al 2004). Reliance solely on employer/management completed questionnaires potentially biases results in the absence of any employee perspective (Butler et al, 2004; Handel and Levine, 2004: 10-15; Applebaum et al, 2000). While UK studies based on the national workplace employee relations survey do use matched employee and employer responses they still depend on information collected from the employer/senior manager responsible for HRM in the workplace to construct the high performance measures (see White and Bryson, 2013; Bryson et al, 2005). The strengths of this study lie in the matched employer employee responses from a national level survey that allows for an employee perspective. It is important consider workers' perceptions of HRM practices (see for example, Wright & Nishii, 2013).

Data and measures

Our analysis is based on the 2008 National Employment Survey (NES) carried out by the Irish Central Statistics Office (CSO) with the reference month for measures such as earnings and hours of work being October 2008. The NES was a biennial survey but was essentially discontinued after the 2009 survey. We choose to use the 2008 survey because it provides relevant human resource measures as well as measures of individual characteristics such as

union membership, collective bargaining coverage, sector, occupation, age, sex and educational attainment. However, there are limitations for our purposes as the measures of consultation and participation in the survey are not designed and tailored to specifically examine high involvement practices but have been adapted to fit with the research questions.

Sample

In total 9,002 enterprises were sampled and 4,395 enterprises responded - a response rate of 49 per cent while 72,712 employees were sampled and 65,535 completed the questionnaire – a response rate of 83 per cent. Approximately 26 per cent (14,619) of respondents worked in the public sector and 74 per cent (50,916) in the private sector. A survey weight is provided by CSO that allows the NES to be grossed up to the employed Irish labour force of approximately 1.8 million employees in 2008. Our focus here is on all employees in the private sector (approximately 50,916 respondents) and excludes all public sector employees. The employer completes a questionnaire with basic organisational details, management practices and specific earnings details for the random sample of employees chosen from the payroll. These details relate to gross earnings including overtime and shift allowances in a pay period together with hours worked in that period for all employees sampled. Each employee in the sample chosen completes a questionnaire, providing information on age, gender, educational attainment, nationality, length of time in paid employment and other job-related characteristics.

Procedures

Statistical procedures used include means and standard deviation, T-tests and analysis of variance and linear regression. Our critical dependent measure is hourly earnings and earnings dispersion measured by the standard deviation of hourly earnings. Given the skewed

nature of earnings per hour for all employees we have chosen to use the natural log of hourly earnings in the multivariate analysis. While earnings per week is also available we believe that earnings per hour is a more appropriate measure given the extent of part-time and short time working among low pay workers.

Measures

The dependent variable in this study come from the employer survey response dealing with earnings and weekly hours worked for the sample of employees chosen (table 1). A crucial question is whether high involvement practices increases the earnings of employees in both the top and bottom half of the earnings distribution. Employees are divided into two groups using the median hourly earnings of €15.60. The legal national minimum wage in Ireland in 2008 was €8.65. The unionisation measure is sourced from the response of the employer to the following: ‘Does your business have a collective agreement dealing with pay and conditions with trade unions?’. Measures of human resource practices that come from the employer survey cover information sharing and financial incentive schemes. Measures of participation, consultation and partnership are sourced from the employee survey. Finally a number of control measures that include individual and firm level characteristics such as age, occupation, firm size and industrial sector are used in the multivariate analysis.

Insert table 1 here

Results

Employer provided data indicate that nearly 50 per cent of employees receive extensive information on business and work related issues. In contrast the proportion of employees in firms covered by performance type incentives is low. Employer respondents indicated that for almost 60 per cent of employees surveyed there are no individual incentives schemes in

place. Only 13 per cent of employees work in firms with a group incentive scheme and 9 per cent in firms with a profit sharing scheme. Individual participation according to the employee responses is quite extensive with 37 per cent reporting moderate levels of participation and 38 per cent extensive levels of participation. A majority (63%) indicate being consulted about decisions affecting their workplace and 40 per cent report the presence of a specific arrangement for workplace partnership in their firm. Employees above median hourly earnings score higher on all the measures compared to those below median earnings and these human resource practices are present to a greater extent among employees covered by a collective agreement than those not covered. The differences in all cases are statistically significant.

Higher levels of employer information sharing, availability of financial schemes and individual employee participation are consistently associated with higher hourly earnings for all workers (table 2). This association between the presence of human resource practices and higher earnings remains true for both employees below and above median hourly earnings and for workers covered and not covered by a collective agreement. Based on Analysis of Variance (ANOVA) and T-tests, the differences are statistically significant in all cases². The more extensive the employer provision of information on work and business issues the higher the mean hourly earnings of the employees covered. Firms that provide schemes of individual, group and profit sharing incentive schemes appear to be associated with higher earnings. Increased direct employee participation, the presence of an arrangement for partnership and being consulted about decisions are all associated with higher mean hourly earnings.

² The ANOVA and T-test results are not reported in table 2 due to space limitations but are available from the author.

With regard to earnings dispersion with the exception of the presence of partnership in a firm the increase or presence of information sharing, individual incentives, group and profit sharing and employee participation consultation are associated with higher standard deviation scores and hence with increased levels of earnings dispersion for all employees. Although the earnings dispersion associated with more extensive human resource practices is smaller for employees covered by a collective agreement compared to those not covered, even in the former increased dispersion levels are associated with the presence of more human resource practices. In all instances, apart from individual incentives, workers covered by a collective agreement have statistically significant higher mean hourly earnings than comparable non-covered workers and thus the HR measures appear to have a complementary effect in that the earnings effect of the measures are most likely additional to the existing union premium.

The evidence here indicates that for all employees both below and above median hourly earnings employer information sharing, employee consultation and participation and financial incentives are significantly associated with higher earnings. These results tend to confirm our central contention that the presence of the HR practices used here are associated with higher earnings. However such practices also appear to be associated with increased levels of earnings dispersion.

Insert table 2 here

It may be the case that the relationships between our dependent measure (hourly earnings) and independent measures of consultation and employee participation outlined in tables 2 are significantly influenced by individual and firm level characteristics of the employees sampled. Firms with higher level occupations may be more likely to provide business

information and encourage employee participation. Large firms compared to small firms may also be more likely to provide their employees with information and opportunities for participation. Earnings levels in both these cases are likely to be higher with the possibility of greater dispersion levels. To control for the possibility of such affects a number of individual, job and establishment measures are introduced in the following multivariate analysis. In table 3 the dependent variable of the natural log of hourly earnings is regressed on the independent measures of information sharing, employee participation and consultation along with the control variables. Information sharing, financial incentives and participation are entered as dummy variables with the reference category indicating the absence of these practices. Where a measure is statistically significant, the earnings premium or percentage difference is calculated from the exponential of the unstandardized regression coefficient for the significant variables. Equations are run for all workers and then separately for employees above and below median earnings.

In equation 1 there is a positive association between human resource practices and higher earnings for all employees except in the case of the presence of partnership. The earnings premium is high where there are individual incentives for more than 50 per cent of employees (but only 15% of workers are covered) and particularly high for individual participation. Controlling for the human resource measures and the various other controls there is an 8.5 per cent premium for employees covered by a collective agreement. This earnings premium shrinks to 6.9 per cent when the human resource measures are omitted from equation 2. Consequently it appears that the human resource measures are complementary to collective agreement coverage as the premium increases with the presence of these practices.

A similar pattern for employees above and below median earnings is generally evident in equations 3 to 6. While all the human resource measures have a positive association with earnings for employees with below median earnings, moderate participation and the presence of partnership have a negative effect on earnings for employees with above median earnings. For both groups the earnings premium associated with collective agreement coverage is higher (albeit marginally) when the human resource measures are included in the equation. These results when controlling for the various individual and job characteristics in the main confirm the effects reported in table 2 that the presence of specific HPWS practices are associated with higher earnings.

Insert table 3 here

Turning to the impact of collective agreement coverage there is essentially a negative relationship between coverage of individual financial and group incentives and earnings for employees covered by a collective agreement and a positive relationship for employees not covered. The existence of individual incentives for over 50 per cent of workers has the strongest positive association with earnings for those not covered by a collective agreement while individual incentives are associated with a decrease in the earnings premium (4.5%) for employees covered by a collective agreement. Alternatively the presence of a profit sharing scheme is strongly positively associated with earnings for employees covered by a collective agreement.

Individual employee participation, consultation and partnership are all positively and statistically associated with earnings for both employees covered and not covered by a collective agreement. Extensive individual participation and consultation in firms not covered are associated with a higher wage premium than covered employees while perhaps

predictably partnership arrangements are significant only in firms covered by a collective agreement.

In summary, the findings here indicate a statistically significant association between employee involvement practices and employee earnings among workers in the Irish private sector. While the measures examined are far from a comprehensive test of employee involvement work practices the results are nevertheless striking for their consistently positive association with employee earnings when controlling for individual characteristics of age, gender, education, occupation and job tenure and firm level characteristics of size and Industry.

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Conclusion

In the context of long term union decline in most developed industrial countries and a growth in precarious and low pay work (Lucifora et al, 2005) it is opportune to examine whether human resource practices like high involvement systems can add to employee earnings, particularly in the lower paid and less skilled part of the labour force. Little is known about the impact of the various human resource practices on employee earnings (Applebaum et al, 2000, Batt, 2001). This is a relatively under researched but important theme absent from the main stream human resource management literature. Overall, our results indicate a positive association between increased employee participation, consultation and financial incentive schemes and earnings for all employees. This relationship holds for employees both above and below median earnings when considered separately. These results show that with regard to our central research question that there is a positive association between employee involvement and higher earnings for all employees across the wage distribution. In the main such human resource measures also appear to have a complementary effect in that the

associated higher earnings are additional to the existing union premium. Given the substantial size of the sample in the NES covering the private sector of the labour market in Ireland we would argue that the positive association detected here is a noteworthy addition to the HRM literature.

The results appear to provide some support for the proposed link between high involvement work practices and employee earnings based on the logic of the effects of human capital theory and efficiency wages (Handel and Gittleman, 2004, Handel and Levine, 2004). However, it is not clear whether high involvement practices lead to higher productivity and earnings, or higher earnings result in increased employee effort that enhances productivity. With cross-sectional data it is difficult to establish definitive causal and directional linkages between human resource practices and levels of earnings. Yet, in the case of the independent measures, apart from employee participation, the direction of causality is unlikely to be from higher earnings to measures such as the provision of information, types of reward system and the presence of consultation and partnership structures. However, employee willingness to participate may be motivated by higher earnings, rather than the reverse, with a feedback loop from higher earnings (mutual gains) to a greater willingness to participate in the workplace that translates into effort levels and productivity gains.

Nevertheless, the paper provides an important insight into the possible linkages between high involvement systems and employee earnings and the complexity of the relationship with employee earnings. At the very least studies of high involvement work practises need to incorporate an employee as well as employer perspective. The inclusion of an employee perspective can bring a more critical perspective to our understanding of the process and outcomes of high involvement practices and separate avowed managerial policy from

employee experiences. In the absence of any employee viewpoint, the findings of many studies of high involvement work systems are likely to be partial. Equally, the results here require further interrogation from research in other locations and countries.

These results appear to be good news for the proponents of high involvement work practices as systems that potentially provide mutual gains to employers and employees through productivity gains and higher earnings (Applebaum et al 2000; Kochan and Osterman, 1994). For employees there appears to be ‘hard’ gains in the form of higher earnings (Glover et al, 2014: 895). Unfortunately, our data lack measures of productivity capable of testing this mutual gains relationship. Moreover, not all the high involvement practices used in our study have an equal impact on earnings. Consequently, though the empirical bundling of human resource practices is conceptually attractive and parsimonious, it may be an oversimplification, as different practices such as the provision of information to employees may be associated with different outcomes, depending on the context, scope and depth of such practices. Our results more likely indicate the complexity of the relationship between specific HR practices and earnings.

Implications for practice

There are practical implications of our findings for firms and trade unions. For trade unions and their members the results imply that high involvement practices as measured in this study are unlikely to substitute for the earnings premium associated with collective bargaining coverage. Such practices appear to be complementary and additional to the traditional union premium. To the extent that mutual benefits for firms and employees flow from high involvement work practices it seems plausible that union members and their unions actively support the implementation of innovative work practices with the proviso that employees benefit from the gains. For human resource managers the challenge is to ensure that the

mutual benefits of high involvement work practices addresses the material interests of employees' in the form of higher earnings. Increasing the earnings of low paid employees may carry relatively marginal costs but the benefits maybe considerable in the form of employee engagement, increased effort levels and productivity gains. In general marginal increases in earnings may be good value for the organisation encouraging organisational citizenship and enhancing the firm's reputation as a good employer.

Limitations and future research

Some caution is required in the interpretation of our results given the cross-sectional nature of the data and the issue of causality. A second weakness is that the unit of analysis is only available at the individual employee level and not at the firm level. It is not possible to site respondents in specific firms aside from broad categories like industrial sector and firm size. Thus we lack more refined information on a firm's HR strategy including its particular culture, business strategy, product market and country of origin. Thus, future research at the firm level could examine if such factors are mediators affecting the relationship between high involvement work practices and earnings with matched employer and employee data. More substantively studies of the relationship between high involvement work systems and performance need to address the impact on earnings if employees are to be considered as an important stakeholder in the organisation.

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