

**Is it Good to Talk? Information Disclosure and
Organisational Performance in the UK**

**Incorporating evidence submitted on the DTI
discussion paper ‘High Performance Workplaces –
Informing and Consulting Employees’**

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Abstract

The disclosure of information by management to employees varies significantly between workplaces. The effects of this variance on organizational performance are analysed using WERS98 data. The results show that the impact of information disclosure on organisational performance is more complex than is often assumed in the literature. Overall, there is a significant impact, both direct and indirect, and this varies depending on the level of employee organisational commitment, the type of information disclosed, and the performance outcome involved. On the whole, the positive effects are less in union settings and in situations where unions are strong.

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1. Introduction

Disclosure of information by firms to their employees and representatives is encouraged as good practice by academics focusing on voluntary behaviour and increasingly by policy makers focusing on legal requirement. For many of the former, information sharing or disclosure is seen as an element in management transparency yielding benefits in employee satisfaction, commitment, and motivation and thereby in organizational performance (Lawler, 1995; Pfeffer, 1998). For policy makers, particularly in the European Union (EU), disclosure of information, mandated through consultative or bargaining institutions, is part of the fabric of legislation underpinning human resource and industrial relations practice (EU Directive 2002; DTI 2002 and 2003).

Despite the growing interest on the part of both academics and policy makers in information sharing/disclosure, we still know relatively little about the effects of disclosure on organisational level outcomes. Empirical work focusing specifically on organisational, as opposed to individual, level outcomes is limited and existing findings in the area are variable. Research by Lawler *et al* (1992) on a sample of Fortune 1,000 companies in the US suggests, for instance, that information sharing is positively related to various overall measures of firm quality and financial performance. Other US research, however, shows disclosure benefits primarily for employees in the form of wage gains (Kleiner and Bouillon, 1988). Japanese research, on the other hand, shows benefits accruing to the firm in terms of process advantages in negotiation duration, as well as outcome benefits in productivity and profitability (Morishima, 1989; 1991). Some of these differences might easily be assigned to national cultural differences working through institutions, but equally, as suggested by Morishima (1991) it may be that different consequences reflect different forms of underlying 'game' - broadly either co-operative or conflictual - between employers and employees and the effect this has on the propensity to disclosure.

More generally, Kleiner and Bouillon's (1988) and Morishima's (1991) arguments direct attention to the possibility that the impact of information sharing on key organisational outcomes may vary depending on the specific context involved, so that, even within the same country, similar disclosure practices may generate different outcomes in different firms or workplaces. This contingency type argument in the Labour Economics literature is in direct contrast to the generic universalistic argument advanced in some of the Human Resource Management (HRM) literature which suggests that voluntary provision of information by

management to employees can be expected to have a consistently positive impact on organisational performance (Pfeffer 1994; 1998).

In this article, we use a large UK data set, namely the 1998 Workplace Employee Relations Survey (WERS98), to explore competing universalistic and contingency explanations of the impact of information disclosure on organisational performance which we operationalise in terms of labour productivity and product/service quality. Specifically, we develop alternative universalistic and contingency hypotheses in the area and then test them on the WERS98 data.

The structure of the article is as follows. Section 2 summarises the key arguments of universalistic and contingency perspectives on information disclosure and presents the main hypotheses to be tested in the study. Section 3 outlines the data set and the methods used in the analysis. Section 4 presents the key findings. Section 5 concludes by discussing theoretical and policy implications.

2. Theoretical Perspectives and Research Hypotheses

Universalistic approach

Central to the universalistic approach is the idea that it is good management practice – associated with benefits accruing to the firm – to keep employees informed on a range of issues relating to their jobs and broader organizational matters. Within the HRM literature, claims about the benefits of information sharing are often embedded in broader arguments about the impact of so-called ‘high commitment’, ‘high involvement’, or ‘high performance’ human resource (HR) practices on organizational performance. As noted by a number of writers, there is little agreement about which specific practices go to make up such work systems (Dyer and Reeves, 1995; Becker and Gerhart, 1996; Wood, 1999). However, the systematic sharing of information with employees is commonly regarded as a core practice that is central to such systems and that, either singly or in combination with other practices, is assumed to contribute to the achievement of positive organisational outcomes (Ichniowski *et al*, 1996; Ostroff and Bowen, 2000; Appelbaum *et al*, 2000; Guest *et al*, 2000).

A detailed review of the HRM literature dealing with the link between information sharing and performance is beyond the scope of the present study. Here it is sufficient to note two main points about this body of work and the universalistic perspective.

The first point concerns the way information sharing is conceptualised and operationalised. Studies in this area do not, by and large, make a clear distinction between the process and the content of information disclosure, between the various communication mechanisms that are used in organisations and the actual content of the information that is disclosed to employees. In practice, information sharing is often operationalised in process rather than in content terms, focusing on the extent to which organisations use a range of possible practices and mechanisms to communicate with employees, such as the management chain, team briefings, consultative committees, and so on (Fernie and Metcalf, 1995; Addison and Belfield, 2001; Forth and Millward, 2002). In some cases, information sharing is operationalised in both process and content terms (Appelbaum *et al*, 2000; Ramsey *et al*, 2000). However, few studies focus explicitly on the substantive content of disclosure practice, and those which do often treat disclosure as part of a broader bundle of HR practices, rather than looking at the impact which disclosure itself has on outcomes (Huselid, 1995; Guest *et al*, 2000).

Our interest here is in the substantive aspects of information disclosure. Specifically, our interest is in the extent to which management disclosure of different types of information to employees, either directly or through representatives, affects key aspects of organizational performance, including labour productivity and product/service quality. To this end, we focus on the disclosure of three main types of information to employees at the level of the establishment. These include the extent to which management provides information to employees on (1) various aspects of the overall financial and staffing position of the establishment, (2) more specific production, quality, and operational targets set at the establishment, and (3) gives feedback on the achievement of these targets. We refer to these three areas of disclosure as general information provision, disclosure of performance targets, and disclosure of performance results or performance feedback respectively.

The second point concerns the theoretical explanations of the link between information disclosure and performance outcomes, which are advanced in the HRM literature and underpin the universalistic argument. Central to this argument is the idea that information disclosure contributes to organisational performance by helping to align individual and organisational goals and by helping to enhance general levels of employee identification and integration at work (Guest, 1987; Pfeffer and Veiga, 1999; McElroy, 2001).

In other words, disclosure is hypothesised to contribute to the development of organizational commitment (OC), defined as the extent to which employees identify with their organisation and share its goals (Mowday *et al*, 1982; Meyer and Allen, 1991). In turn, OC is hypothesized to have a positive impact on organisational performance by increasing employees' willingness to exert effort on the job and to engage in various forms of discretionary behaviour at work that are of direct benefit to the organisation (Mathieu and Zajac, 1990; Meyer and Allen, 1997). Evidence of the link both between information disclosure and employee commitment and between commitment and organisational performance is mixed (Meyer and Allen, 1997; Patterson *et al*, 1997; Guest *et al*, 2000; Ramsey *et al*, 2000). Based on the available evidence and on the core commitment arguments outlined above, however, we expect information disclosure to have a positive impact on employee organisational commitment and employee commitment to have a positive impact on organisational performance. Hence we propose the following main OC mediated, or indirect, universalistic hypothesis.

H1: Information disclosure will have an indirect positive effect on organisational performance through its impact on employee organisational commitment.

Enhanced commitment is not the only mechanism through which information disclosure may have an impact on organisational performance. There are other factors that may help to account for the positive performance effects of disclosure. Goal setting theory, for example, suggests that providing employees with systematic information about performance targets and providing feedback on the achievement of goals can help to enhance performance by heightening motivation and focusing employee effort at work (Locke and Latham, 1990). Similarly, certain strands of job design theory suggest that providing employees with fuller information about their work environment, including the position and operation of the organisation, may help to enhance the experienced meaningfulness of work, thereby contributing to employee motivation and, ultimately, to performance (Hackman and Oldham, 1980).

To the extent that these or other mechanisms are operative and effective, information disclosure can be expected to have a separate additional impact on organisational performance which is not necessarily mediated by employee commitment. On this basis, therefore, we propose a second non-OC mediated, or direct, universalistic hypothesis.

H2: Information disclosure will have a direct positive effect on organisational performance, above and beyond any indirect effect through employee organisational commitment.

Contingency approach

Central to contingency arguments is the idea that the impact of information disclosure on organisational performance will not be constant. Rather, it is likely to vary depending on a series of other factors or contingencies that affect and moderate the relationship between disclosure and outcomes. Configurational perspectives on HRM (Becker and Gerhart, 1996; Delery and Doty, 1996) which focus on the synergistic effects of bundles of HR practices on organisational performance suggest, for example, that the maximum benefits of information disclosure are likely to accrue when other high performance practices are in place in the organisation. Similarly, various flexible specialisation and general contingency theories of task and organisational design (Piore and Sabel, 1984; Galbraith, 1977; Mintzberg, 1983) suggest that the impact of disclosure may vary depending on the complexity of the production process and the skill composition of the workforce, with the achievement of both production efficiency and employee cooperation requiring higher levels of disclosure in more complex systems employing a higher proportion of skilled labour. In other words, there are a number of factors that may moderate the impact of disclosure on outcomes. Here, building on the work of Kleiner and Bouillon (1988) and Morishima (1989; 1991), we focus on employee organisational commitment as a key moderator affecting the relationship between disclosure and performance.

As noted, Kleiner and Bouillon (1988) found that, in the US, voluntary information provision by firms was positively related to the level of employee benefits and wages, but unrelated to productivity, in both union and non-union settings. Japanese evidence marshalled by Morishima (1989; 1991), on the other hand, yielded very different findings. In his sample, information sharing was negatively associated with labour costs and positively related to profitability and productivity. In addition, firms sharing more information experienced shorter and easier negotiation processes and unions demanded and accepted lower wage increases.

These contrasting results may be attributed to differences in study methods or sampling, or to institutional arrangements, or to cultural differences between the US and Japan. However, following Kleiner and Bouillon (1988), Morishima (1991) formulates a theoretical explanation in the nature of the underlying negotiating game between employers and employees. A first game is goal alignment, in which disclosure operates to bring the parties closer together on the basis of shared understanding and information in what one might broadly characterize as integrative bargaining. A second game, in which the idea of

information asymmetry is central, is a residual claims one, in which essentially distributive bargaining takes place over rents. In the former case, which is seen to be characteristic of the Japanese system, one might expect higher levels of disclosure to have a positive impact on the negotiating process and, perhaps, on production and financial performance outcomes. In the latter case, deemed characteristic of the US, there are strong incentives for management to limit voluntary disclosure, because employees in possession of greater information simply use it to extract a greater share of residual rents; the outcomes are therefore higher wages but lower profitability and, possibly, also productivity. In the former game, therefore, disclosure helps to reconcile, in the latter it fuels employer-employee conflict. It is a case of ‘gifts versus hostages’ (Williamson, 1983). It follows from this that one needs to know the game before one can assess the implications of marginal disclosure for performance outcomes.

Here we build on these ideas and extend them to organisational commitment which, as we have seen, refers to employees’ sense of goal integration and identification with their organisation and is, therefore, closely related to notions of goal alignment. Specifically, drawing on the goal alignment arguments of Kleiner and Bouillon (1988) and Morishima (1991), we treat the extent of workforce commitment to the organisation as a key factor which may affect the impact of information disclosure on performance outcomes. There are, however, different ways in which OC may moderate the impact of disclosure on outcomes. Here we focus on two possibilities.

The first possibility is that information disclosure has a positive impact on organisational performance only, or primarily, when levels of OC amongst the workforce are high. This is because committed employees are more likely to use any additional information they obtain from management for the benefit of the organisation. Employees who are less committed are more likely either to ignore the information or to use it for their own benefit. When levels of commitment amongst the workforce are low, therefore, disclosure is likely to have either a negative or no effect on organisational performance. This is essentially the goal alignment argument of Kleiner and Bouillon (1988) and Morishima (1991) and suggests that OC has a positive moderating effect on the link between disclosure and outcomes. This positive moderator argument is captured in the following OC-based contingency hypothesis.

H3: Information disclosure will have a stronger positive impact on organisational performance when the level of employee organisational commitment is high than when it is low.

The second possibility is that the benefits of disclosure are greater in situations where the workforce is less rather than more committed to the organisation. In this view, committed

employees, unlike ones who exhibit low levels of OC, can already be expected to exert a high level of effort on behalf of their organisation, irrespective of the amount of information they are provided with by management. Hence, disclosure is likely to have less effect on their behaviour and performance than on that of less committed employees who may interpret the increased provision of information as a sign of management goodwill and cooperation and reciprocate accordingly. Following this interpretation, therefore, the marginal benefits of disclosure can be expected to be greater in relation to non-committed than to committed employees, suggesting that OC has a negative rather than a positive moderating effect on the link between disclosure and outcomes. We capture this negative moderator argument in the second of our OC-based contingency hypotheses.

H4: Information disclosure will have a stronger positive impact on organisational performance when the level of employee organisational commitment is low than when it is high.

Drawing on Kleiner and Bouillon (1988) and Morishima (1989; 1991), a final distinction may be made between unionised and non-unionised workplaces. To the extent that residual claims games and overt conflicts of interest are more likely in unionised than in non-unionised establishments, disclosure can be expected to have a generally more limited impact on performance outcomes in the former than in the latter settings. By the same token, in unionised settings, the impact is likely to be weaker where unions are stronger. Because of the exploratory nature of these union-related arguments, we do not present them here as formal hypotheses in the same way as we do with the other universalistic and contingency arguments. On balance, however, we expect support for both the main universalistic and contingency hypotheses identified above to be weaker in unionised than in non-unionised workplaces and, in unionised settings, to be weakest in establishments where unions are strongest.

In summary, a selective review of the relevant HRM and Labour Economics literature suggests four main hypotheses about the impact of information disclosure on organisational performance, two universalistic and two contingent in nature. Organisational commitment plays a central role in both sets of hypotheses. Its role, however, is fundamentally different in the two forms of explanation. In the main version of the universalistic argument, OC is assumed to mediate the impact of disclosure on performance, while in contingency models it is assumed to moderate the relationship between disclosure and outcomes. These differences are captured in the four main hypotheses presented above, and, in general terms, these are

expected to find stronger support in non-unionised than in unionised settings, especially ones characterized by a strong union presence.

3. Methods

The dataset used for the analysis is the WERS98 cross-section. This contains information on 2,191 British workplaces with 10 or more employees and consists of interviews with management, 918 workplace representatives, and a survey of 28,215 employees. By weighting the data, the sample can be made representative of the population of British workplaces surveyed (Cully *et al*, 1999). Data from both management and employees were used in the present analysis. The survey contains data on a wide range of workplace features and in carrying out a multivariate analysis of the link between the supply of information and workplace performance, we controlled for variations between establishments in terms of size, sector, and a range of other characteristics. The scope of the data sought in the questionnaires, the use of data from both management and employees, and the representativeness of the dataset, make WERS98 appropriate for this analysis.

Probit, ordered probit, and ordinary least squares models were fitted to the data, depending on the nature of the dependent variable under consideration, and probability weights were used throughout. For the latter part of the analysis, the sample was divided into union and non-union workplaces, depending on whether a union was recognized for the purpose of negotiating pay and conditions. Union workplaces were further subdivided into those where the unions were weak and those where they were strong. Union strength was measured by the number of issues over which union representatives negotiated with management at the establishment, out of a list of nine possible issues (pay or conditions of employment, recruitment or selection of employees, training, payment systems, grievances handling, staffing or manpower planning, equal opportunities, health and safety, and performance appraisals). The sample mean on this variable was used to distinguish between strong and weak union contexts.

Dependent and intervening variables

Two main dependent variables were used in the analysis. These were the overall level of workplace labour productivity and product/service quality. Both variables were derived from the WERS98 Management Questionnaire. This asked managers to rate the labour productivity of their workplace, and the quality of the product/service produced at the establishment, relative to the average on a 5 point scale ranging from 'A lot better than average' to 'A lot below average'. As management responses are not evenly distributed between the five categories, it was decided to consider whether the response was above-average, average, or below average. It was then possible to fit a probit model to these two dependent variables.

The main intervening variable used in the analysis was the average level of employee organisational commitment at the workplace. OC was measured with three items from the Employee Questionnaire. These asked respondents to rate, on a five-point 'strongly disagree' (1) to 'strongly agree' (5) Likert scale, the extent to which they shared the values of the organisation, their feeling of loyalty to the organisation, and the extent to which they felt proud to tell people where they worked. Responses to the three items were first combined into an overall OC scale (coefficient alpha = .83) and then aggregated across each workplace to give a measure of average employee commitment within each establishment. An ordinary least squares model was then fitted to this intervening variable. In separate analyses, this measure of organisational commitment was also used as a predictor of labour productivity and product/service quality.

Independent disclosure of information variables

The three main disclosure of information variables used in the analysis, namely, disclosure of general information, disclosure of performance targets and disclosure of performance results, were all based on data from the Management Questionnaire. Specifically, managers in WERS98 were asked whether they regularly gave employees or their representatives information about internal investment plans, the financial position of the establishment, or staffing plans. The disclosure of general information variable was based on the responses to these three questions and indicates the total number of issues on which management shared information with employees. The disclosure of performance targets variable measures the extent to which managers were prepared to supply operational-type information to employees

or their representatives and was derived using two questions on target setting and sharing from the Management Questionnaire. Specifically, managers were asked whether they set targets for sales/fees/budgets, costs, profits, labour costs, productivity, product/service quality, labour turnover, absenteeism, and training. They were further asked whether employees or employee representatives were informed of these targets. The targets disclosure variable was constructed to reflect whether employers who set targets shared information on any of them with employees. Two similar questions asked managers whether they kept records on the same set of nine issues listed above and whether they shared information on these records with employees. The disclosure of performance results variable was constructed from these two questions to indicate those establishments which kept records on at least one of these issues and shared the information which they collected with employees.

To test the contingency hypotheses, three composite multiplicative variables were constructed designed to capture the interaction between organisational commitment and each of the three independent information sharing variables outlined above. To reduce multicorrelarity, all the multiplicative interaction term variables were mean-centered (Jaccard *et al*, 1990).

Control variables

Three sets of control variables were included in the analysis. These were designed to capture key contextual, organisational and management factors that might have an impact on the performance outcomes, as well as on the information disclosure variables covered in the study. All control variables were constructed from information obtained from the management component of the WERS98 survey. The first set comprised a series of contextual variables including whether the workplace was in the private or public sector and the industrial sector in which the establishment operated. The second group comprised a number of key structural and industrial relations characteristics of the establishment, including its size and age, the gender and skill composition of the workforce, the extent of industrial conflict in the past year and whether a union was recognised for purposes of negotiating pay and conditions. The third group included a series of management variables covering key areas of human resource policy and practice. These included, for example, whether the establishment had a strategic HR plan, whether it had a range of contingent pay, selection, communications, equal opportunities and family-friendly practices in place, and

whether there was an emphasis on multiskilling and on decentralised job design. The specific control variables included in the analysis are listed in the note to Table 3.

Means, standard deviations, and correlations for the three information disclosure variables, organisational commitment and the two outcome measures are presented in Table 1. Relevant statistics for the control variables are available from the authors upon request.

4. Results

Descriptive results

Table 2 shows descriptive data for the core organisational commitment and information disclosure variables covered in the study, for the sample as a whole and for union and non-union establishments separately. As can be seen, across the sample as a whole, the extent of disclosure varied considerably depending on the particular type of information involved. Thus, management provided information on performance targets in 82 per cent of establishments. However, it disclosed general information on financial and staffing issues and provided feedback on the achievement of targets in only 40 and 19 per cent of establishment respectively. At the same time, as can be seen, management was significantly more likely to disclose all types of information in union than in non-union establishments. In contrast, average levels of employee organisational commitment tended to be significantly higher in non-union than in union workplaces.

Tests of hypotheses

The results of the regression analyses used to test the main universalistic and contingency hypotheses are shown in Table 3. To save space, the results for the control variables are not included in the table but are available from the authors upon request.

Equation 1 shows the impact of the three disclosure variables on organisational commitment, while equations 2 and 3 show the impact of both the disclosure variables and OC together on labour productivity and product / service quality respectively. Taken together, these first three equations serve to test our two universalistic hypotheses (H1 and H2). The last two equations are designed to assess the two contingency hypotheses (H3 and

H4) by testing for possible moderator effects in the data. This was done by adding the interactions between the three disclosure variables and OC as predictors in the analysis. The impact of the relevant interaction terms on labour productivity and product / service quality are shown in equations 4 and 5 respectively. Below we examine each set of results in turn, starting with those relating to the two universalistic hypotheses.

The first universalistic hypothesis (H1) states that the impact of information disclosure on organisational performance is positive, but indirect, mediated by OC. The second universalistic hypothesis (H2), on the other hand, states that disclosure has a positive direct effect of its own on performance that is not mediated by commitment. The results from equations 1, 2, and 3 are mixed, but provide at least partial support to both hypotheses. Specifically, contrary to the indirect universalistic hypothesis, equation 1 shows that neither the disclosure of general information by management nor the provision of performance feedback had a significant effect on employee commitment and that, in turn, commitment was not significantly related to product/ service quality (Equation 3). In line with the hypothesis, however, equation 1 shows that the disclosure of performance targets had a positive impact on employee commitment ($\beta = .277, p < .001$), and this, in turn, was positively related to labour productivity (equation 3: $\beta = .613, p < .01$).

Similarly, contrary to the direct universalistic hypothesis, equation 2 indicates that none of the information disclosure variables had a direct effect on labour productivity. In addition, equation 3 shows that neither the disclosure of general information nor the sharing of performance targets by management had a direct impact on product/service quality. In line with the hypothesis, however, management provision of performance feedback to employees was found to have a significant direct positive effect on product/service quality (Equation 3: $\beta = .688, p < .001$).

Turning to the two contingency hypotheses, the first of these (H3) states that the impact of information disclosure on organizational performance will be positively moderated by employee organisational commitment, while the second (H4) states that the moderating effect of OC will be negative. The results relating to these two hypotheses are also mixed but, once again, provide partial support for both hypotheses. As Table 3 shows, only two of the interaction terms in Equations 4 and 5 attained significance, and both were in relation to labour productivity. Specifically, the interaction between performance feedback and OC in equation 4 is positive and significant ($\beta = .145, p < .05$) suggesting that, in line with the first contingency hypothesis (H3), performance feedback had a stronger positive effect on labour

productivity in establishments where there were higher levels of employee commitment. The specific form of the interaction is shown in Figure 1.

In contrast, the interaction between management disclosure of general information and OC in Equation 4 is negative ($\beta = -.172, p < .05$). This suggests that, in line with the second contingency hypotheses (H4), general disclosure had a more positive effect on labour productivity in establishments where there were lower levels of employee commitment. However, as can be seen from the specific form of the interaction shown in Figure 2, the relationship between disclosure and productivity in this case was shifted in a negative direction. On the whole, therefore, management provision of general information to employees was found to be negatively, rather than positively, related to productivity. In line with the hypothesis, however, this negative effect was less pronounced in establishments characterised by lower levels of employee commitment.

In brief, the results of the regression analyses for the sample as a whole provided selective support for all four main universalistic and contingency hypotheses. The relevant results are summarised schematically in Figures 3a and 3b.

Union vs. non-union settings

As part of the analysis, we also tested the four universalistic and contingency hypotheses in non-union and union establishments separately. The results are shown in Tables 4 and 5 respectively and summarised in Figures 3c, 3d, 3e and 3f.

Two main points stand out from this analysis. First, the results for the sub-sample of non-union establishments are virtually the same as those outlined above for the sample as a whole (see Figures 3a and 3b vs. Figures 3c and 3d). Second, in line with expectations, the results for union establishments are generally weaker than those for non-union establishments. This is reflected in the fact that none of the contingency relationships found in the non-union sub-sample emerged as significant in the union sub-sample. Moreover, while the non-contingent effects found for non-union establishments were reproduced also in the union sub-sample, in the latter case the effects involved were significantly attenuated. Specifically, as can be seen by comparing Figures 3d and 3f, in union settings, the positive link between performance feedback and product/service quality was weaker than in non-union settings. Similarly, in both union and non-union establishments, disclosure of performance targets by management had an indirect positive effect on labour productivity

through its impact on employee commitment. However, as Figures 3c and 3e show, in union settings, this indirect effect was less pronounced since here the initial link between disclosure and OC was weaker. In addition, in union settings the disclosure of performance targets had a direct negative impact on productivity, thereby cancelling out its positive indirect effect through commitment (see Figure 3e). In other words, our results suggest that in union settings, unlike in non-union ones, the disclosure of performance targets by management did not have a significant overall effect on labour productivity.

Of all the effects examined, only one was found to be stronger in union than in non-union establishments. This was the impact of general information disclosure on labour productivity. In union workplaces, management disclosure of general information to the workforce had a direct positive impact on productivity, while in non-union establishments the effect was non-significant.

Strong vs. weak unions

For the union sub-sample, we also carried out separate analyses for establishments where the unions were weak and where they were strong. The detailed results are reported in Tables 6 and 7 respectively and are summarized in Figures 3g to 3j. As can be seen, in this case, the results are not as clear-cut in the sense that, contrary to expectations, the impact of information disclosure on outcomes was not consistently weaker in workplaces where unions were stronger. Specifically, where unions were weak there was, as in non-union settings, a direct positive link between performance feedback and product/service quality. On the other hand, where unions were strong, the impact of performance feedback was not significant. (The same applies in terms of the impact of OC on labour productivity.) At the same time, though, where unions were strong, general information disclosure by management was found to be positively related to labour productivity, while where they were weak, the relationship was, as in non-union settings, not significant.

Overall, therefore, our results suggest that information disclosure had a stronger impact on outcomes in non-union than in union settings, but that the pattern of impact in union settings more closely resembled that found in non-union settings in establishments where the unions were weak than where they were strong.

5. Discussion

Drawing on specific strands of both the HRM and the Labour Economics literature, we developed and tested a series of alternative universalistic and contingency hypotheses about the impact of information disclosure on organisational outcomes. The specific outcomes considered were labour productivity and product/service quality. The results of the analysis, based on the WERS98 data set, direct attention to a number of important points about the effects of information disclosure. These are highlighted below, together with the broader theoretical and policy implications of our findings.

However, it is important at the outset to note some limitations of the study. The problem of common method variance is reduced somewhat by using data from both management and employees. However, such problems are not completely obviated since both the disclosure and the performance measures are based on data provided by management. The cross-sectional nature of the WERS98 data makes it impossible to draw systematic causal inferences from the present analysis. A more rigorous test of the main universalistic and contingency hypotheses would require the use of longitudinal data designed to capture changes in the relevant variables over time.

Theoretical issues

Taken as a whole, our findings provide selective support for both universalistic and contingency arguments in that all four hypotheses tested received at least partial confirmation in the analysis. In other words, our results suggest that the impact of information disclosure on organisational performance is considerably more complex than is commonly assumed in the literature. Overall, the impact is both direct and indirect and varies depending on the level of commitment of employees, the type of information disclosed, and the performance outcome involved. It also differs between union and non-union settings. The specific pattern of results involved was outlined above and does not need to be described again. Here we focus on the main points to emerge from our analysis. We begin by looking at the results and implications of the overall analysis carried out across the full sample of WERS98 establishments.

In terms of the different types of disclosure examined, our results indicate that management's systematic sharing of information on performance targets relating to various

aspects of the operation of the organisation can help to enhance employee commitment and that this, in turn, has a positive impact on labour productivity. This finding is in line with standard universalistic OC-based mediation arguments found in the HRM literature. It suggests that, in general, the disclosure of operational performance targets to employees can have a beneficial effect on productivity, but that the impact involved is indirect, mediated by commitment.

The provision of feedback on the achievement of operational targets also has an impact on labour productivity. In this case, though, the impact is more complex in that it tends to vary depending on the level of commitment of employees. Specifically, in line with contingency-based goal alignment arguments derived from Kleiner and Bouillon (1988) and Morishima (1991), our results indicate that, across the sample as a whole, performance feedback only tends to have a positive effect on labour productivity where levels of employee organisational commitment are high. Where commitment is low, performance feedback has little or no effect on productivity. In other words, our analysis suggests that the disclosure of operational results by management can have a beneficial effect on labour productivity, but that this is likely to be the case primarily in situations where there already is a reasonable degree of alignment between individual and organisational goals.

The results relating to the disclosure of general information by management present a different picture. Our analysis suggests that, across the sample as a whole, the disclosure of general financial and manpower information tends, by and large, to have little or no effect on labour productivity. This is the case especially where levels of employee commitment are low. However, where commitment is high, general information disclosure tends to be negatively, rather than positively, related to productivity. One possible explanation for this unexpected result is that it simply reflects the fact that, other things being equal, management is likely to be more willing to disclose 'bad news' to employees who exhibit high, rather than low, levels of commitment to the organisation. This would help to account for the stronger negative relation observed between disclosure and productivity at higher levels of commitment. It would also suggest, however, that disclosure may be a function of organisational performance, rather than the other way around as originally hypothesised, thereby raising important questions about direction of causality.

In this context it is also worth noting that information disclosure tends, on the whole, to have a much weaker impact on product/service quality than on labour productivity. Specifically, our results for the total sample show that of the three types of disclosure examined, only the disclosure of information on operational performance outcomes has a

significant impact on quality. The impact in this case is positive and direct, thereby lending support to the idea that information disclosure, as suggested by alternative non-OC mediated universalistic arguments derived from the HRM literature, can have a beneficial effect on organisational performance independent of the impact it has on employee commitment.

Although important in their own right, the above findings may also be considered in relation to the more detailed analysis of union and non-union settings. The results of this more analysis contribute to a richer understanding of the effects of information disclosure by directing attention to the wider institutional conditions under which particular patterns of effects are likely to hold. As such, they serve to identify key boundary conditions of the main universalistic and contingency arguments.

As we saw above, information disclosure tends to be greater in union than in non-union settings. However, these higher levels of disclosure do not necessarily translate into higher levels of either employee commitment or organisational performance in union contexts. Our results suggest, in fact, that the general pattern of direct, indirect, and moderated benefits associated with disclosure, applies primarily to non-union rather than to union establishments. In the latter case, the overall pattern of effects is generally less pronounced. Thus, many of the direct, indirect, and moderated effects of disclosure observed in non-union establishments are either much attenuated or do not hold at all in union settings, especially in establishments where unions are strong.

The one major exception to this pattern of attenuated union effects is in relation to the disclosure of general financial and staffing information by management. In union establishments, unlike in non-union establishments, this form of disclosure has a positive direct impact on labour productivity. Apart from this, however, the results of our more detailed analysis support the idea, derived from residual claims arguments, that information disclosure in union settings is more likely to have a weaker positive impact on performance outcomes than in non-union settings, and that, within union settings, the impact is likely to be weakest where unions are strongest. The disclosure of performance targets was, in fact, actually found to have a negative impact on productivity in union settings, suggesting that in these settings labour may indeed use operational information provided by management in a more opportunistic way. For the most part, though, disclosure in union settings was found to have little or no effect on performance outcomes. On balance, therefore, our results suggest that there are greater direct and indirect benefits to be reaped from information disclosure in non-union than in union settings, but that in union establishments the impact of disclosure is likely to be more neutral than negative.

Equally important, our results indicate that employee organisational commitment plays a far more important explanatory role in non-union than in union settings, either as a mediator or as a moderator of the impact of disclosure on performance outcomes. Thus, in union settings, disclosure not only has a weaker positive impact on commitment, but OC, in turn, also has more limited direct and moderator effects on performance. Taken together these findings suggest that information disclosure is likely to produce a greater degree of alignment between individual and organizational goals in situations where management has a clearer monopoly of information and where, because of the lack of a union presence and voice, alternative sources of information and competing interpretations of events are likely to be less easily available to employees. In other words, in union settings, employees are likely to have access to a greater variety and diversity of information. As a result, management disclosure in these settings is less likely to lead to employee goal alignment and commitment and, hence, tends to have a generally weaker impact on performance outcomes.

In summary, the results direct attention to the fact that neither the main OC-based mediation arguments nor the main OC-based moderator arguments tested in the study necessarily apply across all institutional contexts. Rather, our findings suggest that both sets of arguments are more likely to hold in non-union than in union settings.

Policy implications

These findings have implications, for policy makers and legislators, for firms and their information practices, and for trade unions.

Currently, in the UK, there are no general legal requirements for firms to disclose to employees information such as we have discussed here. In specific areas, such as health and safety, there are broad requirements. Particular episodes, such as redundancy, may trigger disclosure of economic information to employees or their representatives. Collective bargaining may trigger disclosure to trade unions, but under rather restrictive conditions (Gospel *et al*, 2003).

The European Directive on Information and Consultation will introduce such a general requirement and will be introduced in the UK against the backdrop of a highly diversified institutional environment (Wood and Fenton-O’Creevy, 2001; Gospel and Willman, 2003). Our findings indicate that the performance impact of such a general requirement is highly likely to vary, depending on existing organisational and institutional conditions, specifically depending on existing levels of employee organisational commitment

and on the presence and strength of trade unions. They also suggest that different forms of disclosure are likely to be more important in some contexts than others. Overall, disclosure of operational information on performance targets and outcomes is likely to yield greatest benefits to the firm, especially in non-union settings. But general information disclosure is also likely to be important and have a positive effect, particularly in union settings.

An implication for management to be drawn from our findings may be that there is an optimal sequence to disclosure. Disclosure of performance targets enhances organizational commitment and has a positive impact on productivity, but it also affects how employees respond to other types of information disclosure. To maximize the impact of disclosure, firms might wish to consider initiating disclosure on performance targets, then expand the disclosure agenda to include information on performance outcomes. It may be that there is an underlying learning model here for employees based on goal setting establishing an appetite for firm performance information. However, in union settings, it may be best for management to focus directly on disclosure of general information. Likewise, for unions, the most obvious role is in terms of general information, and here disclosure can have a positive impact on organizational performance. However, the findings also suggest that there is scope for unions to play a positive role in the receipt of operational information which affects employee commitment and labour productivity.

Directions for future research

Future research should seek to overcome the limitations of this study by using longitudinal data obtained from both management and employees. Ideally, researchers should use more detailed measures of disclosure that would allow for a more refined analysis of the effects of information-sharing on organisational performance. They should also, where possible, seek to use objective, along with subjective, performance data.

Importantly, future research could also usefully extend the analysis to other performance outcomes and look, for example, at the impact of disclosure on various aspects of the financial and market performance of organisations. Even more broadly, future research might also explore the impact of information disclosure on a range of human resource, industrial relations, and employee-related outcomes, including, for example, levels of conflict, turnover and absence, and satisfaction and well-being at work. Finally, we also need to gain a better understanding of the impact of information disclosure in different institutional contexts. In particular, more work is required to examine the effects that the

disclosure of different types of information to both employees and their representatives can have in union settings, and at the way in which different forms of disclosure may interact in these situations.

Table 1

Means, Standard Deviations, and Correlations for Main Independent and Dependent Variables Used in the Analysis of the Total Sample

	Mean	SD	1	2	3	4	5
1. Organizational Commitment	3.62	.03					
2. Disclosure of General Info.	1.95	.07	.09				
3. Disclosure of Perf. Targets	.82	.03	.17	.34			
4. Disclosure of Perf. Results	.19	.02	.09	.27	.17		
5. Labour Productivity	.50	.03	.14	.08	.04	.04	
6. Product/Service Quality	.78	.02	.11	-.02	.02	.03	.21

Correlations > .07, $p < .05$; Correlations > .08, $p < .01$; Correlations > .13, $p < .001$

Table 2:
Descriptive Data

Percent of establishments where management disclosed:	Total Sample	Non-Union Subsample	Union Subsample
Full range of general information	40%	33%	60% ***
Performance targets info.	82%	78%	92% ***
Performance results info.	19%	14%	32% ***
Mean level of employee OC	3.62	3.64	3.57 ***
(N)	(937)	(444)	(493)

*** Difference between non-union and union subsamples significant at $p < .001$

Table 3:

Tests of Hypotheses for Total Sample: Regression Results

Independent Variables	1 OC	2 Labour Prod.	3 Prod./Serv. Quality	4 Labour Prod.	5 Prod./Serv. Quality
Disclosure of General Information	-.007 (.028)	.027 (.087)	-.094 (.089)	.046 (.085)	-.087 (.087)
Disclosure of Performance Targets	.277*** (.079)	.033 (.237)	.338 (.240)	-.028 (.246)	.347 (.247)
Disclosure of Performance Results	-.027 (.066)	-.053 (.181)	.688*** (.178)	-.095 (.183)	.689*** (.175)
Org. Commitment		.613*** (.199)	.113 (.203)	.624* (.199)	.160 (.194)
General info x OC				-.172* (.078)	-.079 (.084)
Perf. Targets x OC				.007 (.069)	.061 (.064)
Perf. Results x OC				.145* (.063)	-.064 (.068)
(N)	(937)	(937)	(937)	(937)	(937)

Standard errors in brackets

*** p < .001

** p < .01

* p < .05

Note: The model controls for the following contextual, organisational and HRM variables: workplace was in the private sector; industry sector; number of employees at establishment; workplace less than 10 years old; gender composition of workforce; more than half the workforce in managerial, professional or technical occupational groups; union recognized for purposes of negotiating pay and conditions; collective dispute in past year; number of topics on which management keeps records; establishment had a strategic plan covering employee development and staffing forecasts, with someone responsible for employee relations at the workplace involved in formulation; recruitment based on personality or performance tests, or ability, or motivation; most employees in largest occupational group trained to do jobs other than own; those in largest occupational group had a lot of variety in their jobs; regular briefings for any sections of the workforce as well as quality circles and a joint consultative committee which discussed a range of topics; deferred profit-sharing scheme; profit-related payments or bonuses; employee share ownership scheme or individual or group performance related schemes; formal written policy on equality of treatment on grounds of gender; non-managerial employees allowed to switch from full- to part-time employment; financial help with childcare for non-managerial staff; employees paid when need to take time-off at short notice; non-managerial employees on flexitime.

Table 4:

Tests of Hypotheses for Non-Union Subsample: Regression Results

	1	2	3	4	5
Independent Variables	OC	Labour Prod.	Prod./Serv. Quality	Labour Prod.	Prod./Serv. Quality
Disclosure of General Information	-.000 (.026)	-.044 (.103)	-.153 (.122)	-.030 (.100)	-.158 (.117)
Disclosure of Performance Targets	.215** (.080)	.216 (.282)	.427 (.288)	.080 (.290)	.414 (.292)
Disclosure of Performance Results	-.104 (.099)	.048 (.268)	1.59*** (.442)	-.332 (.303)	1.65*** (.375)
Org. Commitment		.699** (.236)	.367 (.263)	.803*** (.227)	.015 (.273)
General info x OC				-.226* (.099)	-.011 (.121)
Perf. Targets x OC				-.113 (.098)	-.082 (.087)
Perf. Results x OC				.441*** (.093)	-.227 (.120)
(N)	(444)	(444)	(444)	(444)	(444)

Standard errors in brackets

*** p < .001

** p < .01

* p < .05

Note: Same controls as in Table 3 (except for union recognition variable).

Table 5:

Tests of Hypotheses for Union Subsample: Regression Results

Independent Variables	1 OC	2 Labour Prod.	3 Prod./Serv. Quality	4 Labour Prod.	5 Prod./Serv. Quality
Disclosure of General Information	-.029 (.023)	.269* (.114)	-.052 (.108)	.264* (.117)	-.086 (.121)
Disclosure of Performance Targets	.199* (.079)	-1.16** (.344)	.423 (.327)	-1.33*** (.484)	.701 (.448)
Disclosure of Performance Results	.030 (.043)	.024 (.196)	.424* (.192)	.031 (.195)	.463* (.188)
Org. Commitment		.923** (.283)	.496 (.281)	1.04** (.311)	.520 (.320)
General info x OC				-.056 (.122)	.015 (.121)
Perf. Targets x OC				-.036 (.124)	.161 (.119)
Perf. Results x OC				-.069 (.087)	-.122 (.087)
(N)	(493)	(493)	(493)	(493)	(493)

Standard errors in brackets

*** p < .001

** p < .01

* p < .05

Note: Same controls as in Table 3 (except for union recognition variable).

Table 6:

Tests of Hypotheses for Weak Union Subsample: Regression Results

Independent Variables	1 OC	2 Labour Prod.	3 Prod./Serv. Quality	4 Labour Prod.	5 Prod./Serv. Quality
Disclosure of General Information	-.026 (.030)	.236 (.139)	.056 (.135)	.254 (.141)	.067 (.139)
Disclosure of Performance Targets	.129 (.108)	-1.06** (.406)	.336 (.404)	-1.31** (.498)	.650 (.507)
Disclosure of Performance Results	.007 (.049)	-.026 (.221)	.464* (.229)	-.022 (.222)	.539* (.226)
Org. Commitment		1.05** (.325)	.429 (.374)	1.08** (.347)	.531 (.398)
General info x OC				.037 (.122)	.086 (.138)
Perf. Targets x OC				-.111 (.129)	.191 (.123)
Perf. Results x OC				-.023 (.093)	-.178 (.102)
(N)	(319)	(319)	(319)	(319)	(319)

Standard errors in brackets

*** p < .001

** p < .01

* p < .05

Note: Same controls as in Table 3 (except for union recognition variable).

Table 7:

Tests of Hypotheses for Strong Union Subsample: Regression Results

	1	2	3	4	5
Independent Variables	OC	Labour Prod.	Prod./Serv. Quality	Labour Prod.	Prod./Ser Quality
Disclosure of General Information	.034 (.027)	.456* (.209)	.312 (.221)	.479* (.246)	.383 (.282)
Disclosure of Performance Targets	.159 (.121)	-1.52* (.588)	-.144 (.536)	-3.41** (1.09)	.185 (.767)
Disclosure of Performance Results	.113 (.069)	.139 (.403)	.393 (.354)	.015 (.406)	.459 (.348)
Org. Commitment		.763 (.489)	.314 (.482)	1.26* (.594)	.153 (.722)
General info x OC				.082 (.222)	.001 (.260)
Perf. Targets x OC				-.569 (.340)	.216 (.322)
Perf. Results x OC				-.167 (.164)	-.044 (.152)
(N)	(170)	(170)	(170)	(170)	(170)

Standard errors in brackets

*** p < .001

** p < .01

* p < .05

Note: Same controls as in Table 3 (except for union recognition variable).

Figure 1. Performance Feedback x OC Interaction For Labour Productivity

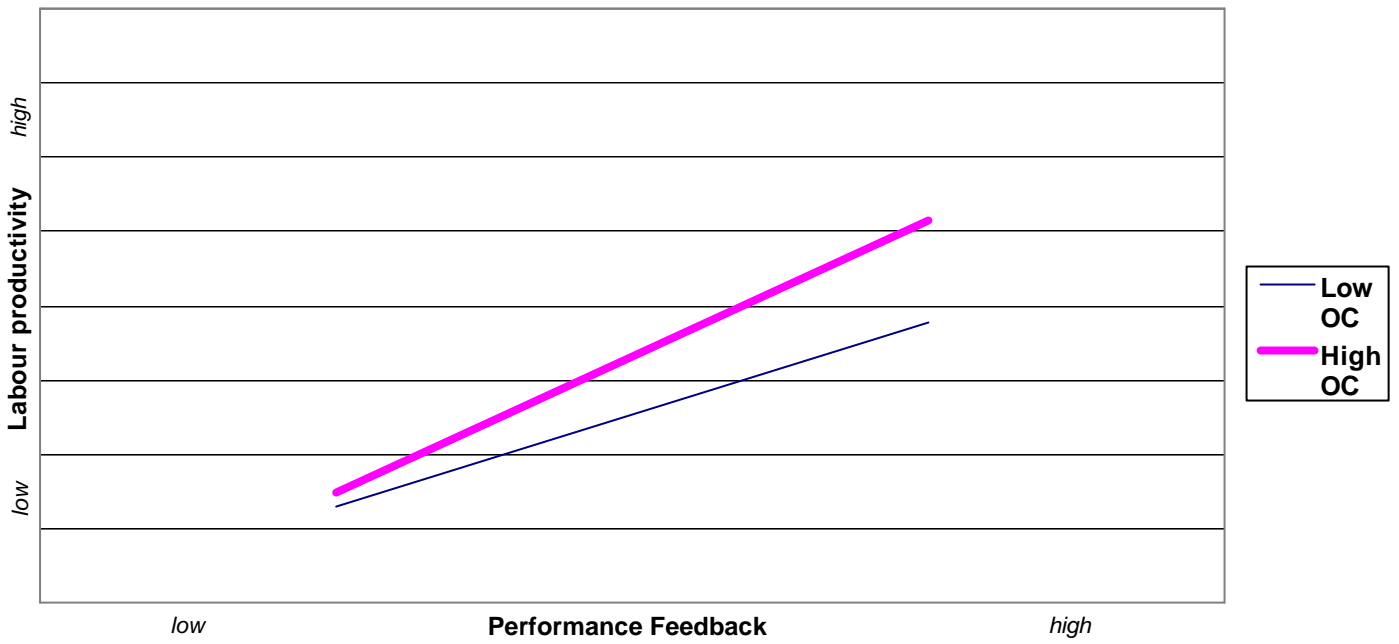


Figure 2. General Information x OC Interaction for Labour Productivity

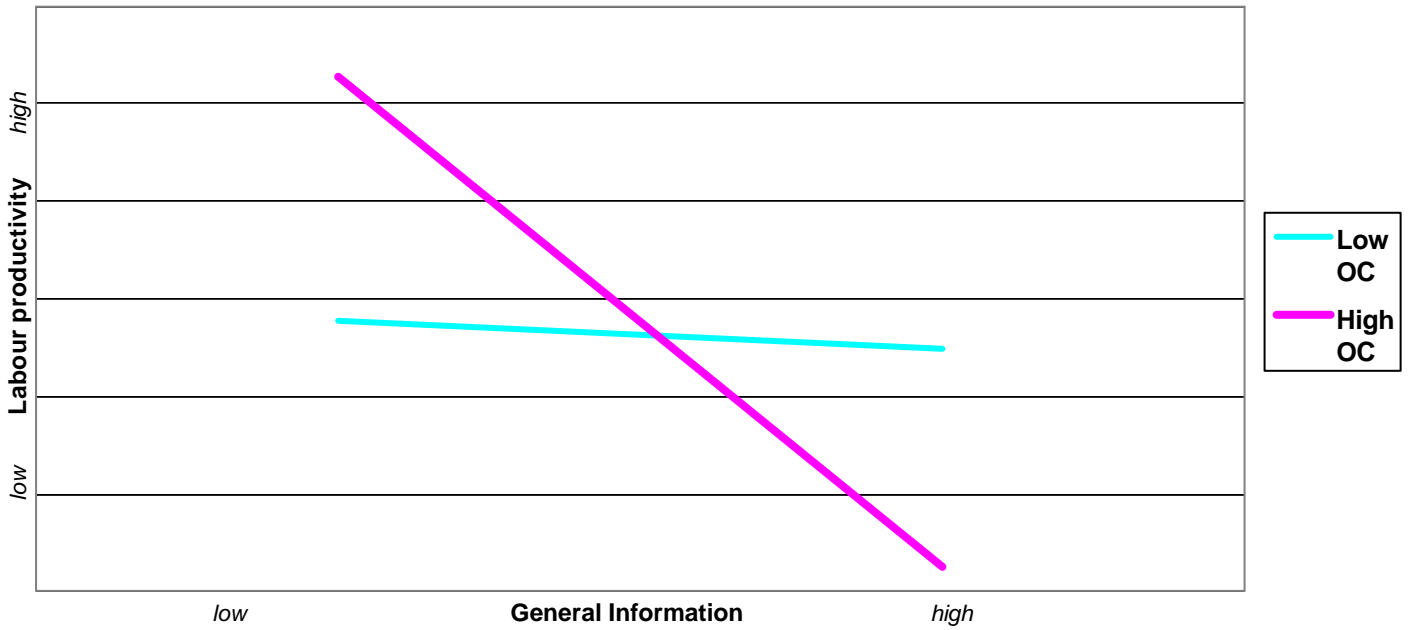
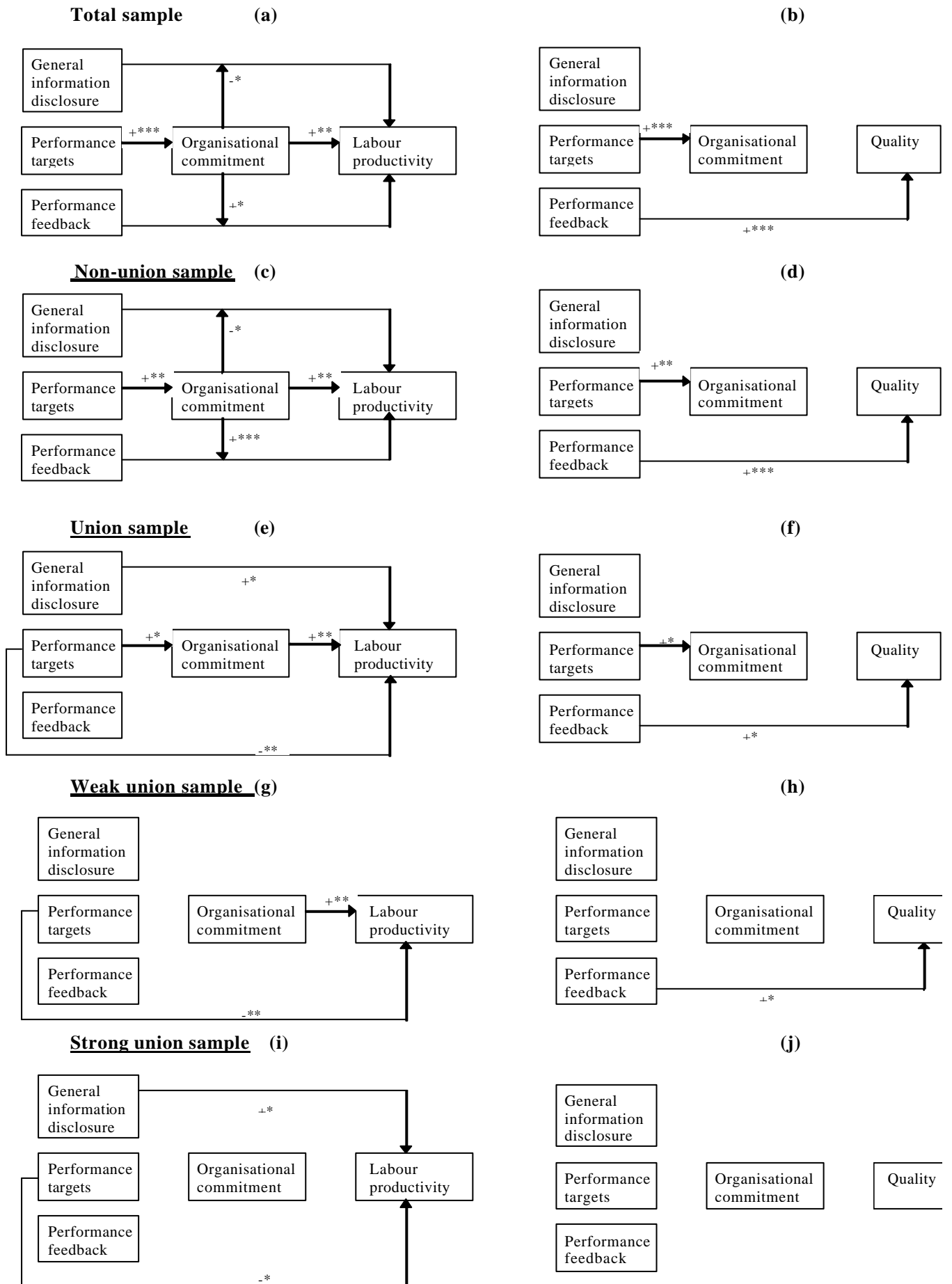


Figure 3. Schematic Summary of Regression Results



Appendix 1: Evidence Submitted on the DTI Discussion Paper ‘High Performance Workplaces: Informing and Consulting Employees’

The above paper was submitted as evidence to the Department of Trade Industry consultation process ‘High Performance Workplaces – Informing and Consulting Employees’. In addition, further evidence was submitted which dealt with separate questions posed in the consultation process. This evidence is outlined here.

Introduction

The evidence presented here is in three parts. Part 1 gives summary responses to three specific questions on which comments are invited in the consultation paper. Part 2, contains some broader comments on two more general questions posed about the proposed Regulations and the analysis which underpins them. Part 3 is the longest section and presents recent research findings on information disclosure and organisational performance in the UK.

A1. Responses to Specific Questions

In the first place, we respond to the three specific questions which are posed in the consultation paper (Chapter 3 and 4.47 – 4.53).

A1. 1. Should provision be made for information and consultation at the level of establishments, undertakings, and groups of undertakings?

We see a lack of clarity in the consultation document concerning the analysis of how modern organisations, in particular in the private sector, are organised. Basically, we believe that there should be the provision for representation at multiple levels.

The document outlines the formal position. This is that an establishment is a physical entity such as a plant, office, or retail outlet; an undertaking is a legal entity such as an individually incorporated company. An undertaking may carry on business at one or more establishments. A corporate structure could consist of several (or many) individual

undertakings (i.e. subsidiaries) formed into a group of undertakings connected by shareholding structures. The government intends that the Regulations will apply to undertakings with 50 or more employees. (As an aside here, it might be pointed out that the Regulations, allowing for part-timers to be counted as 0.5, may be discriminatory under EU law.)

In practice, the modern business enterprise is organised in more complex ways than the consultation document implies. Most large, and many medium sized, firms in the UK are multi-establishment and are usually multi-product. For a long time, this has led to firms being organised on a multi-divisional basis. In these cases, some key operational decisions are made at the divisional level. These may include decisions about middle-range investments and divestments, product research and development, and personnel issues such as the fixing of pay and conditions, the organisation of work, and decisions about employment levels. However, major decisions in most of these areas will still be made by top management at group or corporate level. To complicate the matter further, in recent years, it is sometimes suggested that there is a growing decentralisation in firms, with more and more decisions being pushed down to lower levels of management and with the growth of looser network forms of organisation, including aspects of outsourcing and joint ventures with other firms. In practice, there have always existed in the UK complex, holding-company type arrangements and there may indeed at the present time be some move in the direction of greater decentralisation and network type organisation. However, at the same time, these changes should not be exaggerated and key decisions are still made at overall group / corporate level.

We argue that employee representation needs to be able to operate at all these levels. At the present time, this is not the case. In terms of the distribution of consultative committees, in the private sector, in 1998, 26 per cent of all workplaces had such a committee. However, 16 per cent of workplaces had a committee at workplace level, 18 per cent had one at a higher level, but only 8 per cent had one at both levels (Cully *et al.* 1999: 99; Millward *et al.* 2000: 109). Our own research suggests that local managements may well not have crucial information and are therefore not able to share it with employees and properly consult until it is often too late. Moreover, if in the words of the Directive, information is to be provided at the 'relevant level of management depending on the subject under discussion', then in many instances, this must mean at the level not only of the establishment but also of the division or subsidiary and the corporate group.

Moreover, we would draw attention to the continental European evidence. In France, for example, the legislation on the *comité d'entreprise* allows that, in the case of large multi-plant enterprises and holding companies, where information received by any individual committee would be incomplete and where the decision-making centre is beyond the reach of any one committee, a central committee may be established. In Germany, there is also provision for works councils (*Betriebsrat*) to be established at a number of levels, including at the level of the division and the overall concern or holding company. This law has recently been strengthened. If British workers are not to be given a similar right, to establish information and consultation procedures at multiple levels, then they might be deemed to be disadvantaged in comparison to their continental counterparts and this might in turn become an issue for the European Court of Justice, given in particular the wording of the Directive quoted above.

It should be possible to make arrangements at multiple levels (establishment, undertaking, and group of undertakings) and the Regulations should facilitate this as being in the spirit of the Directive. The Regulations covering pre-existing, voluntary, and standard fall-back agreements should allow for this. The existence of a pre-existing, negotiated, or standard procedure at a lower level should not preclude higher level arrangements and *vice versa*.

A1.2. What should be the relationship with existing legal information and consultation arrangements?

The discussion paper refers to other legislation which imposes an obligation on employers to inform and consult employees. It refers specifically to obligations in the case of collective redundancies, transfers of undertakings, and where there is a European Works Council. In practice, there are other such obligations in UK law covering pensions, working time, health and safety. There is also an obligation, under the Trade Union and Labour Relations Consolidation Act, to provide information to a trade union without which it would be materially impeded in the conduct of collective bargaining and which it would be in accordance with good industrial relations practice to disclose. An Advisory Conciliation and Arbitration Service (ACAS) Code of Practice on Disclosure of Information has existed in this area since 1977 and stands unamended since then. Information and consultation committees, as constituted under the Regulations, would be eligible to use the provisions which relate to collective redundancies, transfer of undertakings etc. It is also arguable that, in the absence

of a trade union and if a committee was deemed to be the equivalent of a trade union, that it might also be eligible to use the latter provisions under the Trade Union and Labour Relations Act.

At first sight, it might seem that there is a case for tidying up and unifying the legal requirements in the area of information and consultation. These have developed in an *ad hoc* and piecemeal fashion. Consolidation would then provide a more consistent and more easily understood basis for informing and consulting employees at work. It would also alleviate some of the burdens on firms by rationalising existing requirements. However, there are a number of problems. First, the draft Regulations, following the Directive, refer to both specific instances and types of information and consultation (e.g. on anticipatory measures which may be a threat to employment) and to general instances and general types of information and consultation (e.g. on present and probable future developments of the undertaking). Both types of information and consultation might be too general and of insufficient value for employee decision-making in areas such as pensions, health and safety, and working time where it is necessary and possible to specify more detailed information and consultation obligations. Second, the law, as it has developed in the UK, has also come to provide a hierarchy of information and consultation mechanisms, in the area of collective redundancies and transfer of undertakings: in the first place, information and consultation should take place with a recognised trade union where such exists; in the second place, it should take place with a standing committee, where such exists; and in the third place, it should take place with a body elected specifically for the purposes where neither of the previous exist. This legal doctrine has developed in a complex manner, following judgements by the European Court of Justice. To depart from these arrangements might be seen to be a retrograde step which may prejudice effective worker rights. It should be noted that the Directive itself states that its implementation should not be grounds for any retrogression.

On the whole, therefore, we argue that from both a practical and legal point of view, already existing legal arrangements should for the most part stand. However, some uniformity could be introduced, such as in terms of penalties for non-compliance, though, to meet EU requirements, this would have to be based on a levelling-up and not a levelling-down. This would also allow for penalties to be introduced which are, in the words of the Directive, 'effective, proportionate, and dissuasive' which arguably the £75,000 fine in the Regulations is not. In addition, we have argued elsewhere, that there is a case for revisiting the arrangements under the Trade Union and Labour Relations Consolidation Act which

provide for the provision of information to trade unions and which are to be found in the relevant ACAS Code of Practice (Gospel *et al*, 2003). (As stated above, for good or ill, it might be conceivable that a standing committee or council could be construed by the courts as the equivalent of a trade union.)

A1.3. What should be the relationship between the information and consultation procedures under the Regulations and collective bargaining with trade unions?

The evidence from 1998 Workplace Employee Relations Survey (WERS98) suggests that information and consultation arrangements and trade unions tend to complement one another in a number of ways. Thus, union recognition and consultative committees appear to be associated. In 1998, 38 per cent of workplaces with a recognized union had a committee, compared to 20 per cent of those where there was no union presence. On the basis of this, the authors of the WERS98 summary volume conclude that 'union representation and indirect employee participation go hand in hand rather than being substitutes' (Cully *et al*. 1999: 100-1).

As an aside, we would add that there would also seem to be a link between union recognition, joint consultative arrangements, and various forms of direct participation and employee involvement (workforce meetings, briefing groups, and problem-solving circles). It would seem, however, that the causal link runs from representative to direct participation. Much academic research suggests that the latter is more likely to survive and be effective where indirect representation via unions or joint consultation is strong. This should be kept in mind, when, on one interpretation and we believe an erroneous interpretation, the Regulations seem to allow for direct forms of participation to suffice in terms of meeting the requirements of the Directive. Re-iterating our earlier submission to the DTI, the strongest case against direct participation sufficing is that, on our reading of the Directive, if challenged, direct forms of participation would not qualify, because they would not pass tests of independence, employee approval, dialogue with representatives, and permanency.

Our research on information disclosure shows that more information is provided to employees where there is a trade union (as cited below). Further ongoing research also suggests that, where there is a works council / consultative committee, more information is provided to employees, but not as much as where there is a trade union. Where a trade union and a works council / consultative committee co-exist, slightly more information is provided to employees than where there is just a trade union. It should be noted that forms of direct

participation do not seem to add significantly to the amount of information which is provided to employees. Moreover, it is also relevant that there is a hierarchy in terms of the survival of mechanisms, with direct participation the most fragile, works councils / consultative committees lasting longer, and trade union recognition being the most durable. Works councils / consultative committees are most likely to survive and function where there is trade union recognition (Cully *et al.* 1999: chapter 2)

There is also evidence that employees see trade unions and information and consultation committees as complementary. The relevant evidence is to be found in the British Workplace Representation and Participation Survey (BWRPS) (Diamond and Freeman 2001; Gospel and Willman, 2003). A majority (72 per cent) of employees polled think their workplaces would be better with some form of collective representation. This breaks down as 92 per cent of union members and 61 per cent of non-union employees. In the case of union members, it is striking that 74 per cent favour both a union and a joint consultative committee / works council. Non-union employees' wishes are more dispersed: 34 per cent want no form of representation; only 5 per cent favour a union on its own; 27 per cent favour a joint consultative committee on its own; and 29 per cent favour a joint consultative committee and a trade union. Workers in situations where there is already a union and a consultative committee are the most in favour of dual-channel representation (72 per cent), but it is also striking that workers in situations where there is a recognized union or a union presence are also well disposed to dual representation. There is little preference for a consultative committee / works council on its own, except where this already exists. All this suggests that many union and non-union members see trade unions and representative information and consultation institutions as complementary.

Joint representation by a trade union and a consultative committee / works council would seem to have some pay-off in terms of satisfaction with information disclosure. Again the BWRPS survey suggests that, in a situation where there is a consultative committee / works council, workers feel the best informed. This is followed closely by situations where there is both a consultative committee / works council and a trade union. Workers felt less well informed where there is just a trade union and least well informed where there were no representative arrangements.

Finally, in this section, we refer briefly to the experience in two continental European countries which we have studied. This suggests that trade unions and information and consultation committees tend to complement one another, albeit in complex ways. Our analysis of information disclosure and consultation in Germany (Gospel and Willman, 2002)

shows that works councils have benefited from their relationship with trade unions. Works councillors tend to be union members, the union provides advice to the council, and this in turn gives the council effectiveness. In law and practice, through their works councils, employees receive more information and experience more consultation than their British counterparts. However, this is not to say that there are no dangers for unions. In recent years, works councils have in some instances superseded unions, with more being discussed through the consultation process and with more deviations from union-bargained agreements being concluded by works councils. For unions, this has presented the challenge and opportunity of developing new coordinating and servicing roles (Turner, 1991; Thelen, 1991; Mitbestimmung Kommission, 1998, Frick and Lehmann, 2001).

Under the system in France, employers are legally obliged to inform and consult employees over a wide range of matters, including via the legally-based *comité d'entreprise* (Gospel and Willman, 2002). However, it is generally felt by commentators that the French system is less effective (Howell, 1992; Gospel and Willman, 2002). As a result, periodically French governments have chosen to intervene to reinforce the system. In part, the more limited success of the French system is because *comités d'entreprise* have less extensive rights and are more employer-led than their German counterparts. In larger part, however, it is because French unions are more fragmented, have less presence at the workplace, and consequently have been less able to support the institutions of information and consultation. In France, one might conclude that joint consultation and collective bargaining have complemented one another less well, the former has often come to substitute for the latter, and it may well be that in many instances the *comité d'entreprise* has supported the union as much as *vice versa* (Howell, 1992: 100-2).

In conclusion, union organisation and collective bargaining tend to support and complement information and consultation. Of course, it may be the case that, within an undertaking, a group of employees may make a request for information and consultation arrangements because they are not union members and are not covered by an existing collective agreement. It is also possible that a unionised workforce or a group of union members may request information and consultation arrangements because the collective bargaining process does not fully cover the subjects or provide for the type of information and consultation to which employees are entitled under the legislation. The former of these could be seen as a threat to collective agreements. The latter could be seen as an opportunity to extend the scope of collective bargaining. There would seem to be no way of gainsaying these possibilities under the letter and spirit of the Directive. It must be up to the trade unions

under the collective agreements which exist to prove in the particular circumstances the more general point which we are making here, viz that collective bargaining and joint consultation can complement one another. In practice, no doubt, different arrangements will develop which will extend from situations where all the information and consultation is carried out through trade union channels to situations where all the information and consultation will be carried out without trade unions. In between, there will be some situations where both union and non-union arrangements exist for different parts of an undertaking and situations where union and non-union arrangements exist in parallel for all workers.

A2. Responses to General Questions

In Chapter 3 of the discussion paper, two further questions are posed in the context of specific organisations. The first of these is very general but of fundamental importance, viz. will the Regulations work, and, if not, what changes would be needed to make them work? The second of these is rather more specific and operational, viz. what sort of guidance would be useful and where could advice be obtained? We deal with the second of these two questions first.

A2.1 What sort of guidance would be useful and where could advice be obtained?

We refer briefly to this question since it will be best answered by employers, employees, and their representatives who are responsible for operating the Regulations within undertakings.

Employers will undoubtedly look to their representative bodies to provide guidance on how the regulations will operate. It is known that a number of employers' associations are already providing such guidance in the form of training, auditing, and development of blueprints / strategy. In addition, the Chartered Institute for Personnel and Development (CIPD) is providing research and information for its members. Many other sources of guidance are available, from bodies such as the Work Foundation, the Involvement & Participation Association, lawyers, and consultants.

The main gap in guidance and training will undoubtedly be on the side of employees. To establish new or to dis-establish existing information and consultation procedures, employees will need to know their rights. To make the operation of such procedures effective and beneficial, representatives will also need to be trained and to have resources.

Where a trade union is involved, it may help trigger the mechanisms and will be able to provide training and resources for representatives. We have suggested above that this is vitally important in countries such as Germany and France where the works council has the right to request the presence of experts or the union to assist it in an advisory capacity (Gospel and Willman 2003). There is undoubtedly scope for government support with guidance and training packages for employees and unions in this area on the lines of some sort of Learning Fund. There is also a role for the TUC and trade unions to develop framework type agreements which can act as possible blueprints.

Guidance of a more impartial nature will also be available from the Advisory Conciliation and Arbitration Service (ACAS). In this respect, there is a strong case for the production of an ACAS Code of Practice. This would need to revisit the dated code of practice under the Trade Union and Labour Relations Act and draw lessons from that (Gospel and Lockwood 1999).

A2.2. Will the Regulations work, and if not what changes would be needed to make them work?

Whether the regulations will work and how effective they are likely to be may be adjudged in a number of different ways. They may be adjudged in terms of the information and voice they give to employees and the effect they have on the performance of the organisation and the consequent well-being of the various stakeholders in the enterprise.

In terms of the likely effectiveness of information and voice, we have already referred to the supporting role which trade unions may play and to the importance of training of employee representatives. Here we would like to draw on our ongoing research on information provision, using WERS98 data, to make a number of further points. We stress that the research mainly focuses on the amount of information provided by employers to employees and the effects of information provision.

Our research suggests that more information seems to be provided to employees where managements actually have information. This might seem to be obvious. But, it is important in the following sense and relates to the point made in 1.1 above. In large and complex companies, not all local managements have information on issues such as investment, finance, and the general state of the organisation. They are often not privy to major thinking on investment, divestment and closure, and the slimming down of the labour force. Thus, they are not able to meaningfully inform and consult their employees. This, as we have said,

is an argument for information and consultation arrangements existing at all the appropriate levels of the company so that the right kind of information can be provided at sufficient time for employee representatives to be able effectively to use it.

Our research also suggests that more information is provided where management believes that employees are committed to the values of the organisation. This is a measure of the extent to which managers believe that the goals of employees are aligned to those of the organisation. It might also be seen as a measure of the extent to which managers trust their workforce. Of course, trust runs both ways, and it obviously has to be something to be worked at and to be gained via a display of competence and a reduction of uncertainty. Our research also shows that many of the beneficial effects of information provision occur because of the effect they have on employee commitment. The development of commitment and trust within an organisation in turn depends on a large number of other management practices and relations with the labour force. It should not therefore be thought that the provision of information alone and the entering into consultation will in themselves have a beneficial effect; such arrangements will be mediated through the pre-existing institutions, practices, and resultant climate of the organisation.

A further point which emerges from our research is that information is more likely to be provided in situations where the financial situation of the establishment is poor. In other words, management is more likely to provide information in bad times rather than good times. Put in slightly different words, information is triggered by a specific event, such as poor performance leading to reorganisation or possibly redundancy. Of course, this finding is a rather disappointing and negative. Our interpretation of the Directive and the hope for the Regulations is that they will create standing procedures and institutions which will ensure that management provides information in both bad times and good and which allows for the development of an agreed agenda as part of a pro-active and on-going process.

We have referred above to how information provision interacts with the mechanisms which exist within the workplace. To restate the point slightly differently, our research suggests that, where there is a works council / consultative committee, more information is provided to employees, but not as much as where there is a trade union. Where a trade union and a works council / consultative committee co-exist, slightly more information again is provided to employees. It is noticeable that forms of direct participation do not seem to add significantly to the amount of information which is provided to employees (Peccei, Bewley, Gospel, and Willman, in preparation). Thus, information provision will only work where there are strong voice institutions to support it.

Our research findings also indicate that the performance effect of information sharing is likely to vary with different contexts. However, here we would simply state that the main impact of information sharing is on labour productivity and quality. The effect varies depending on existing levels of employee organisational commitment: sometimes information sharing increases employee commitment and sometimes it only has a beneficial effect where employee commitment (for whatever reasons) is already high. Our findings also suggest that different forms of disclosure are likely to be more important in some contexts than others. Overall, disclosure of operational information on performance targets and outcomes is likely to yield greatest benefits to the firm, especially in non-union settings. But general information disclosure is also likely to be important and have a positive effect, particularly in union settings.

An implication to be drawn from our findings may be that there are horses for courses. (1) Information on performance targets and performance outcomes will work best when it is provided via consultative committees / works councils or direct forms of involvement. The evidence here is that a trade union may not add much benefit and may indeed have a negative effect. (2) In the case of general information, for this to have a positive impact on performance, it is necessary that there be union involvement. This is arguably because the union can best help with the processing and interpretation of such information. If the first point is accepted, then there is a challenge for unions to play a positive role in the receipt of operational information. If the second point is accepted, the danger is that non-union employees will miss out on such information and the non-union firms will obtain little positive effect from its provision.

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