

**11th CONFERENCE OF THE INTERNATIONAL ASSOCIATION
FOR THE ECONOMICS OF PARTICIPATION (IAFEP)**

'PARTICIPATION WORLD-WIDE'

**Katholieke Universiteit Brussel – K.U.B.
(Catholic University of Brussels)
Brussels
4-6 July 2002**

FINANCIAL PARTICIPATION IN THE NETHERLANDS

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Paper for the 11th Conference of the International Association For the Economics of Participation, 4-6 July 2002.

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1. Introduction, Central Question, and Method

As mentioned in the announcement of the 11th Conference of the International Association For the Economics of Participation (IAFEP), “[f]orms of workers’ participation are expanding all over the world, and thus seem to have a role in the highly competitive global economy”. However, “varied strategic choices set within heterogeneous cultures and ideologies, political and economic conditions, industrial relations institutions and power distributions have occasioned a rich array of global outcomes”, as Michael Poole already wrote in 1986.¹ Within the broader Conference theme of workers’ participation as a world phenomenon and its social and economic effects, we have the intention to show the Dutch empirical developments in financial participation. The central question is: what are, roughly, the empirical outcomes of the Dutch culture and industrial relations institutions in terms of financial participation?²

The motive for this central question is twofold. First, there is a growing body of research on financial participation with the outcome that there are large differences between countries in the nature and spread of this phenomenon.³ Studies try to explain these differences and point towards the influence of differences in tax favorable regimes, to possible

¹ : 3.

² We refrain from discussing other aspects of nationality, like the political situation. The political situation in the Netherlands has been quite constant over the period 1996-2002, although recently much consternation was raised surrounding the elections on May 15th.

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societal patterns of HRM practices linked to differences in institutions and regulations that covers the employment relationship.⁴ In this paper we take the endeavor to link financial participation to differences in national culture. Second, recently a study is published by the Dutch Participation Institute, an interest group in the field of workers' participation, in cooperation with PS Participation Solutions B.V., a consultancy firm.⁵ This study is the successor of a more or less comparable study in 1996.⁶ Both studies discuss the results of a telephone survey, among a random sample taken from the Chamber of Commerce database of 1000 and 1574 companies respectively. Both samples differentiate between sectors and company size. The response rate is 36% (361 companies) and 25% (402 companies) respectively. Both studies, and some other studies with data relating to the Netherlands, make possible a comparison in time, which enables us to recognize possible developments in financial participation in the Netherlands. These outcomes are roughly compared with the surrounding culture and industrial relations institutions, the Dutch approach. We discuss the Dutch approach firstly, the developments in financial participation secondly and the comparison of both lastly, in the conclusions.

2. The Dutch Approach: Culturally Embedded

In a paper that discusses the question how “shifts in firm’s financial structure and corporate governance can be related to comparable shifts in labor management practices and manifest (...) [themselves] in the Netherlands”⁷, Poutsma and Braam show that the “Dutch interpretation of corporate governance reveals to be an interesting mix between Anglo-Saxon and German and Latin translations (...). On the one hand (...) [Dutch organizational practices show] an increasing importance of short-term shareholder value and, as a consequence, more focus on costs and flexible work practices, and increasing performance related pay and financial participation. On the other hand, a low mobility and long tenure in relationship with high investments in human capital, covered by collective agreements and preventive systems of dismissal, are interpreted as characteristics of the German (...) system”⁸.

The Dutch organizational practices are embedded in the national culture. The essence of culture has been specified by Hofstede as “*collective mental programming*: it is that part of our conditioning that we share with other members of our nation, (...) but not with members of other nations”⁹ “Within a nation or part of it, culture changes only slowly. This is the more so because what is in the minds of the people has also become crystallized in (...) institutions”, for instance industrial relations systems. “The institutions constrain and

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9 : 76. Italics in the original text.

reinforce the ways of thinking on which they are based”.¹⁰

Several researchers have tried to conceptualize and measure national patterns of culture.¹¹ The research by Hofstede is probably the most famous and, of course, criticized by others. Nevertheless, as a first start in a study on linkages between financial participation and national-cultural patterns we will use this research as a point of departure. In a follow-up we may repeat this endeavor for other and/or extended measurements of culture from other authors.

In the quoted research, Hofstede uses collected data on employees’ attitudes and values in fifty countries¹². Employees’ attitudes indicate their perceptions of what actually went on, employees’ values indicate their desires. It appeared that employees’ values showed “remarkable and very stable differences” between countries, while employees’ attitudes did not, so that Hofstede concludes: “values, not the attitudes, reflect differences in mental programming and national character”.¹³ From the collected data, Hofstede has abstracted four dimensions of national culture. The fifth dimension is derived from a later study.¹⁴ Each dimension is “conceptually linkable to some very fundamental problem in human societies, but a problem to which different societies have found different answers”¹⁵. These dimensions are:

1. Collectivism vs. individualism;
2. Small vs. large power distance;
3. Weak vs. strong uncertainty avoidance;
4. Femininity vs. masculinity; and
5. Confucian dynamism.

It is necessary to reflect for a moment on the meaning of these dimensions, the “value” construct, and the “financial participation” construct and how all these relate to each other. We do this by deepening our insight in the value construct. What is exactly meant by “value” and by “valuing something”? Is individualism a value, or is it something that can be valued? Is financial participation, for instance employee share ownership, a value, or is it something that can be valued? We first define value, which goes one step further than stating that value indicates *desire*. Value can be defined as the *worth of something*. Four main forms of value can be discerned: intrinsic, instrumental, inherent, and contributory value. Intrinsic value is the basic form, the other three forms are defined in terms of this basic form.

¹⁰ : 76.

¹¹ Cf. ; ; ; .

¹² No data on Eastern European countries are available, the data were collected in the Cold War period. It is of course an interesting question how far data have changed since then and what data on Eastern European countries would look like.

¹³ : 77-78.

¹⁴ Cf. : 166; : 288-289.

¹⁵ : 78.

The concept of *intrinsic value* can be approached in two ways. The first view holds that the intrinsic value of something is the value that this something has solely in virtue of its intrinsic nature. E.g., the experience of equality, as opposed to the experience of authority. This experience of equality has intrinsic value, provided it has value solely in virtue of its intrinsic nature. The second view approaches intrinsic value in terms of the sorts of emotions and desires fitting or appropriate to a thing in and for itself, or for its own sake. According to this approach, the experience of equality has intrinsic value if and only if this experience of equality is worthy of desire in and for itself, or, alternatively, it is fitting or appropriate for anyone to favor this experience of equality in and for itself.

Something has *instrumental value* if and only if it is a means to, or causally contributes to, something else that is intrinsically valuable. E.g., the experience of equality is intrinsically valuable and a financial participation scheme is a means to, or causally contributes to, this experience of equality, then this financial participation scheme is instrumentally valuable or valuable as a means. Something has *inherent value* if and only if the experience, awareness, or contemplation of this something is intrinsically valuable. If the experience of equality is intrinsically valuable, then the equality has inherent value. Something has *contributory value* if and only if it contributes to the value of some whole, e.g. the partnership company¹⁶, of which it is a part. If the whole of the partnership company consists of forms of direct participation, forms of indirect participation and at least one financial participation scheme, then this financial participation scheme contributes to the value of the partnership company, and this financial participation scheme has contributory value.¹⁷

This exposé enables us to sort-out the confusing jumble of concepts. We asked if individualism is a value, or if it is something that can be valued? Is financial participation a value, or is it something that can be valued? Individualism, or collectivism, can have inherent value to someone if she values its experience, awareness, or contemplation as intrinsically valuable, which is culturally determined. Thus, individualism, or collectivism, is a value in so far as it is valued. Financial participation can form a means to reach – the experience of – collectivism, in which case it represents an instrumental value. Or financial participation can, among other possible contributors, be said to contribute to the whole of – the experience of – collectivism, in which case it should be a part of – the experience of – collectivism to have contributory value. In this case financial participation is no means to reach – the experience of – collectivism, it only contributes.

Having clarified how the value construct, the financial participation construct, and the five dimensions of national culture developed by Hofstede relate to each other, we are ready to start discussing these dimensions very briefly. The discussion of these dimensions results in rough indications of the scores of the Anglo-Saxon, Scandinavian, German-speaking, and Latin European (Belgium, France, Spain, Italy) countries and especially of the scores of the Netherlands on these dimensions. After discussing these dimensions we come to speak about the industrial relations systems.

With regard to the first dimension, the collectivism vs. individualism dimension,

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¹⁷ For the preceding exposé on the value construct, we made use of : 829-830.

individualism indicates an individual's inclination to look after her own self-interest and maybe that of her family on the one hand, while collectivism indicates an individual's inclination to look after the interest of the collectivity or group to which she belongs and by which she is protected. Measured on an individualism index scale, ranging from low individualism/high collectivism to high individualism/low collectivism (the higher the numbers, the more individualistic), the Anglo-Saxon countries score approximately 90, the Scandinavian and German-speaking countries score between 60 and 70, and the Latin European countries show a mixed picture with Italy and Belgium scoring approximately 75, France about 70, and Spain about 50. A rough conclusion is that the Anglo-Saxon countries are the most individualistic, and the Latin European countries a slightly less, with the Scandinavian and German-speaking countries in between. The Latin European, Scandinavian and German-speaking countries don't evade each other much. Where are the Netherlands placed on the above-mentioned scale? The Netherlands score approximately 80, thus between the Anglo-Saxon and Scandinavian/German-speaking countries.¹⁸

The second dimension, the power distance dimension, refers to the fundamental question "how society deals with the fact that people are unequal". Do societies let these inequalities grow over time into inequalities in power and wealth, or do they prevent this from happening? "Societies in which power tends to be distributed unequally can remain so because this situation satisfies the psychological need for dependence of the people without power. We could also say that societies and organizations will be led as autocratically as their members will permit. The autocracy exists just as much in the members as in the leaders: the value systems of the 2 groups are usually complementary"¹⁹. Measured on a power distance scale, ranging from small to large (the higher the numbers, the larger the power distance), Anglo-Saxon countries score between 30 and 40, the Scandinavian and German-speaking countries a little lower. The Latin European countries score between 50 and 70. Where are the Netherlands placed on the above-mentioned scale? The Netherlands score approximately 40, thus the same as the Anglo-Saxon countries and a slightly higher than the Scandinavian and German-speaking countries.²⁰

The third dimension, the uncertainty avoidance dimension, refers to the fundamental question "how society deals with the fact that time runs only one way; that is, we are all caught in the reality of past, present and future, and we have to live with uncertainty because the future is unknown and always will be"²¹. In some societies people accept this more than in other societies. In weak uncertainty avoidance societies, people acquiesce in uncertainty and take risks more easily. In strong uncertainty avoidance societies, people are more nervous about uncertainty and try to avoid risks through technology, law, and religion. Measured on an uncertainty avoidance scale, ranging from weak to strong (the higher the numbers, the stronger the uncertainty avoidance), Anglo-Saxon countries score between 35 and 50, the Scandinavian

¹⁸ : 79-81.

¹⁹ : 81.

²⁰ : 82.

²¹ : 81.

countries Denmark and Sweden between 20 and 30, and Norway and Finland between 50 and 60, and the German-speaking countries between 60 and 70. The Latin European countries score between 75 and 90. Where are the Netherlands placed on the above-mentioned scale? The Netherlands score approximately 50, also more or less between the Anglo-Saxon and the German-speaking countries.²²

The fourth dimension, the femininity vs. masculinity dimension, refers to “the division of roles between the sexes in society. (...) We can classify societies on whether they try to minimize or to maximize the social sex role division”²³. Societies that allow both men and women to take many different roles have less sex role division and are called more feminine. Measured on a masculinity scale, ranging from feminine to masculine (the higher the numbers, the more masculine), Anglo-Saxon countries score between 60 and 70, the Scandinavian countries between 5 and 25, the German-speaking countries between 70 and 80, and the Latin European countries between 40 and 70, with Spain and France approximately 40, and Belgium and Italy about 55 and 70 respectively. Where are the Netherlands placed on the above-mentioned scale? The Netherlands score approximately 15, also higher than Sweden, Norway and Denmark, but lower than the other countries.²⁴

The fifth dimension, the Confucian dynamism dimension, opposes “a long-term to a short-term orientation in life and work”²⁵. A long-term orientation in life and work represents an “acceptance of the legitimacy of hierarchy and the valuing of perseverance and thrift, all without undue emphasis on tradition and social obligations which could impede business initiative”²⁶. This dimension appeared notably in studying an East Asian context. Measured on a Confucian dynamism scale, ranging from a short-term orientation to a long-term orientation (the higher the numbers, the more long-term), Anglo-Saxon countries score between 20 and 30. The only Scandinavian country for which data are shown on this dimension, Sweden, scores 33. The only German-speaking country for which data are shown on this dimension, (West) Germany, scores 31. No data are shown on this dimension for Latin European countries. Where are the Netherlands placed on the above-mentioned scale? The Netherlands score 44, which is higher than the scores of the countries mentioned so far, but much lower than for instance Hong Kong, which scores 96, or Japan, which scores 80.²⁷

3. The Dutch Approach: Industrial Relations Institutions

Considering the preceding discussion on national culture, how can the Dutch culture be characterized compared to other cultures? And secondly, how has “what is in the minds of the

²² : 81, 83-84.

²³ : 83, 85.

²⁴ : 85-86.

²⁵ : 289.

²⁶ : 167.

²⁷ : 168.

people” become crystallized in the Dutch industrial relations institutions? Table 1 gives a summary of the preceding discussion.

Table 1. Country scores on cultural dimensions, rank-ordered

Dimension Countries	Collectivism vs. individualism 1-5	Small vs. large power distance 1-5	Weak vs. strong uncertainty avoidance 1-5	Femininity vs. masculinity 1-5	Confucian dynamism 1-5
Anglo-Saxon	1 (ind.)	3	2 (weak)	4	4 (short)
Scandinavian	3	1 (small)	varied	1 (fem.)	3
German-speaking	3	1 (small)	4	5 (masc.)	3
Latin European	5 (coll.)	5 (large)	5 (strong)	3	NA*
The Netherlands	2	3	3	2	2 (long)

*NA = Not available.

The Anglo-Saxon nations can be characterized as individualistic, with a fairly equal distribution of power. Individuals only seek their self-interest. There is a greater willingness to take risks and a greater emphasis on challenge, achievement, individual performance and assertiveness (masculinity). The focus is mainly short-term. How has this become crystallized in the industrial relations system? Nagelkerke and De Nijs posit that the industrial relations system in the UK, as an instance of an Anglo-Saxon nation, follows a “logic of contract”²⁸, in which the countervailing powers of managers and workers’ representatives together regulate the employment relationship without intervention from the government. Their opposing interests are a source of conflict, but these are channeled through a reciprocal recognition of, on the one hand, the managers’ right to manage, and, on the other hand, the workers’ right to participate in decisions that affect their interests.²⁹ The short-term perspective expresses itself in the creation of shareholder value as the most important objective of the company. In creating shareholder value, risks are taken and individual performance is stressed.

²⁸ ; .

²⁹ :186.

The Scandinavian and German-speaking nations can be characterized as less individualistic, and with a more equal distribution of power than the Anglo-Saxon nations. On average, Scandinavian countries are less risk-averse than are the German-speaking countries, with Denmark and Sweden even less than the Anglo-Saxon nations. German-speaking countries are rather risk-averse: people are “very willing to perform if they are offered security in exchange”³⁰. Another difference is that the Scandinavian countries are very feminine in nature, stressing the importance of interpersonal relations and aversion of mutual competition, while the German-speaking countries are very masculine in nature, which is coupled with an emphasis on performance, as in the Anglo-Saxon nations, although in the German-speaking countries this performance is directed at the collective. For the Scandinavian as well as for the German-speaking countries the perspective is more long-term than for the Anglo-Saxon nations. All this correlates with the stakeholder model that holds in these nations, which contrasts with the Anglo-Saxon shareholder model. How has this become crystallized in the industrial relations system? Nagelkerke and De Nijs posit that the industrial relations system in Germany (they don’t posit anything for the Scandinavian countries, but these don’t deviate much from the German model), as an instance of a German-speaking nation, follows a “logic of cooperation”³¹. In this logic, the opposing interests of managers and workers are not the only point of departure in the regulation of the employment relationship. There is a well-developed system of industrial democracy, with short lines between managers and workers. Much is regulated at sector level. Relations within the firm are “less based on hierarchical authority than on differences in the level of technical expertise”³². All this is conditioned by the government and by labor law.

The Latin European nations can be characterized as the least individualistic or most collectivistic of the considered countries. Furthermore, these nations are the most unequal and the most risk-averse, while on the femininity vs. masculinity dimension they score in between the other nations. On the Confucian dynamism dimension no data are available, but we expect the Latin European countries to abide on the long-term perspective side, considering the very strong propensity towards uncertainty avoidance. How has this become crystallized in the industrial relations system? Nagelkerke and De Nijs posit that the industrial relations system in France, as an instance of a Latin European nation, follows a “logic of opposition”³³. In France, the opposing interests of managers and workers’ representatives are a source of conflict that is central to the employment relationship. These opposing interests are “not put in economic or contractual terms but (...) [are] mainly interpreted as an ideological and political controversy”³⁴. On the company level the managers have a dominant influence over the workers, the latter group is hardly organized. Industrial democracy is hardly paid attention

³⁰ : 88.

³¹ ; .

³² : 190.

³³ ; .

³⁴ : 188.

to, employers have no incentive to involve workers in governance, not to mention the unwillingness of the workers to take any responsibility. “Inspired by the idea of protecting dependent workers against the economic logic of the market, government and labor law play a very important role in regulating the employment relationship”³⁵. Against our expectations, at first sight we don’t see here any collectivistic propensities like the German stakeholder model. An explanation can be found in the work of D’Iribarne, in his introduction of the “logic of honor” as distinctive peculiarity for the French situation³⁶. In the French tradition managers and workers have diverse open conflicts, in accordance with their ranks. Groups of workers of the same rank form the collectivities. But as conflicts are generally ideological and political in nature, these conflicts are set-aside in economical crisis situations, according to the typical French principle of “moderation”³⁷.

Finally, how can the Dutch culture be characterized, given the preceding discussion? In figure 1 we can see that the Netherlands cannot be placed on any extreme side of any dimension: the Netherlands are rather individualistic, but not as much as the Anglo-Saxon nations, though more than the other countries. The Netherlands are characterized by a fairly equal distribution of power, which is comparable to the Anglo-Saxon countries, but not as equal as the Scandinavian and German-speaking countries, though more equal than the Latin European countries. The Netherlands cannot be featured as strikingly weak or strong uncertainty avoiding, the Anglo-Saxon countries are less risk-averse, as are certain Scandinavian countries, but other Scandinavian countries are more risk-averse, as are the German-speaking and Latin European countries. Except for the Scandinavian countries, the Netherlands are most feminine. Finally, the Netherlands have the most long-term perspective of the here-considered countries.

How has this become crystallized in the industrial relations system? In the Netherlands, a “logic of consensus” appears dominant³⁸. The stakeholder model is more dominant than the shareholder model. The Netherlands have a history of seeking consensus between parties under a flexible legal framework that demarcates the borders of what is and what is not allowed and leaves the parties free within these demarcations, the so-called polder model. Managers and workers’ representatives negotiate labor terms in collective labor agreements, which have to be accorded by the government and which are binding on a sector level.

However, in recent years the Dutch approach seems to have moved in the Anglo-Saxon direction, which could be caused by the “increasing importance of the stock markets and shareholder value”³⁹. In trying to classify industrial relations systems, researchers have

35 : 189.

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37 .

38 Cf. .

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developed different dimensions.⁴⁰ Poutsma and Bruin have used some of these dimensions to classify the industrial relations system in the Netherlands and some developments that took place in the 1990s. This is summarized in table 2.⁴¹

⁴⁰ Cf. ; Van .

⁴¹ .

Table 2. Classification of the Dutch IR system and some changes in the 1990s⁴²

Aspect	Dutch traditional IR system	Changing into...
Typology of system of Industrial Relations	North-type Corporatist tradition	Liberal pluralism/social democracy
Description of system of industrial relations	Tripartite with strong government regulation and General Binding Declaration (GBD) of Collective Labor Agreement (CLAs) by the government	More responsibility of social partners to arrange topics in framework agreements under the guidance of minimum regulations by government. GBD of CLAs by the government still existing.
Interaction between parties	Consultative	Consultative
Levels of collective bargaining	Centralized National tripartite sector	Decentralized sector within a central framework
Influence of parties in bargaining	Trade unions and employer organizations mainly Membership trade unions gradually decreasing	Still mainly trade unions but works councils negotiations on aspects with individual employers increases
Main issues drawn up by parties related to financial participation in last 5 years	Wage differentials Savings schemes Wage flexibility	Profit related pay Options and shares Pay flexibility Wage flexibility
Range of state regulation/intervention in industrial relations concerning financial participation	Voluntary; no regulation	Voluntary arrangements within regulation via framework laws
Degree of institutionalization of bargaining on related issues	Practically no bargaining issue	Becoming bargaining issue
Coverage of collective agreements	Extensive sector by General Binding Declaration	Still extensive sector but slight increase in company level agreements
Income policy trends of parties concerned	Employee risks savings	Trade unions: savings Employers organizations: flexibility

⁴² , slightly adapted.

Relationship with industrial democracy	Labor terms the sole responsibility of trade unions and employer organizations Industrial democracy regulated through law for works councils	Since financial participation is generally an employers' initiative and undertaking talking and negotiations with works councils in stead of trade unions: no relationship with industrial democracy
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Table 2 shows an increase in voluntary agreements within margins and more emphasis on flexibility in wages and performance related remuneration. We may interpret these as changes in the Anglo-Saxon direction: a little more logic of contract, a little less logic of consensus. Coherent with the shown developments are the following tendencies: a decreasing acceptance of the legitimacy of hierarchy, a slackening valuing of perseverance and thrift, an increasing emphasis on individual performance and an increasing pressure for the slackening of laws that protect employees, for instance the preventive system of dismissal, to the advantage of employers. Moreover, the polder model has recently come to be exposed to severe pressure, as shown by the tense situation surrounding the 2002 elections for parliament. What are the consequences for the dispersion of financial participation schemes in the Netherlands?

As said, each dimension of national culture is conceptually linkable to some very fundamental problem in human societies, but a problem to which different societies have found different answers. An example of such a problem is the hiring and inspiring of employees⁴³. Regarding the latter, financial participation could be a vehicle for inspiration. But why then isn't it universally accepted as a form of remuneration? It is clear that within the above formulated frame "it is to be expected that workers and employers in different countries will have a different attitude towards participation in general and towards financial participation in particular"⁴⁴. The question now is how the scores of the national cultures of different countries on the five discussed dimensions correlate theoretically with the dispersion of financial participation schemes, especially profit sharing schemes and employee share ownership schemes, as concrete instances thereof.

First, regarding the collectivism vs. individualism dimension, we posit that financial participation is correlated with the degree of individualism. The higher individualism is valued in a national culture, the more individualistic the workers, the more financial participation schemes will be present. On the one hand, profit sharing schemes are a form of remuneration that can be linked to group performance or to individual performance. On the other hand, employee share ownership schemes are introduced for stimulating identification with the firm, among other things. In collectivistic cultures, this identification is already present, for the worker belongs to the ingroup that the firm represents and by which she is protected.

⁴³ Cf. : 7.

⁴⁴ : 176.

Second, as regards the power distance dimension, we posit that more financial participation schemes will be present the less value power distance is granted. On the one hand, through profit sharing schemes workers are generally considered to have more influence on their own remuneration, at the expense of managements' influence over a part of the surplus. On the other hand, workers and managers in cultures with a larger power distance, or a more unequal power distribution, value more autocratically relationships, so that the siphoning of a part of the ownership of the firm through employee share ownership schemes is very unlikely.

Third, with regard to the uncertainty avoidance dimension, we posit that the less uncertainty avoidance is valued in a national culture, the less risk-averse the workers, the more financial participation schemes will be present. Through profit sharing schemes as well as through employee share ownership schemes a part of the risks of the employing company are siphoned to employees.

Fourth, in reference to the femininity vs. masculinity dimension, we posit that the higher masculinity is valued in a national culture, the more the importance of performance is stressed and workers are allowed to achieve, the more financial participation schemes will be present. Profit sharing schemes as well as employee share ownership schemes form a motivator and a challenge for the workers and are introduced for these, and other, reasons.

Fifth, with respect to the Confucian dynamism dimension, we expect different correlations for profit sharing and employee share ownership respectively. We posit that the higher a long-term perspective is valued in a national culture, the less profit sharing schemes will be present on the one hand, and the more employee share ownership schemes will be present on the other hand. Employee share ownership schemes are in most cases spread out over a long-term, with many schemes accommodated in a trust with certain restrictions on withdrawal. Workers are not paid-out immediately in cash, but reap the fruits of their share ownership on a later moment if the value of their employing enterprise has grown, and to which growth they have contributed themselves. The average profit sharing scheme pays out shortly after profits are made.

Summarizing, financial participation is expected to be present mostly in national cultures characterized by individualism, small power distance, weak uncertainty avoidance, and masculinity, while the valuing of a long-term perspective is favorable for the presence of the concrete instance of employee share ownership schemes, and the valuing of a short-term perspective is favorable for the presence of the concrete instance of profit sharing schemes. Tables 3 and 4 give an oversight of the country scores on the five dimensions of national culture in terms of the chance that employee share ownership schemes and profit sharing schemes are present, respectively. For example: in case a country scores high on a dimension in these terms, it is given the score 4. In case it scores in between, it is given the score 2, and in case it scores low, it is given the score 0. The two other intermediate scores are 3 and 1, respectively.

Table 3. Country scores in terms of the chance that employee share ownership schemes are present

Dimension Countries	Individualism	Small power distance	Weak uncertainty avoidance	Masculinity	Long-term perspective	Total scores
Anglo-Saxon	4	2	3	3	1	13
Scandinavian	2	4	varied (4 and 2)	0	2	10-12
German-speaking	2	4	1	4	2	13
Latin European	0	0	0	2	2-3*	4-5
The Netherlands	3	2	2	1	3	11

*NA = Not available, but estimated to be on the long-term side, score 2-3.

Table 4. Country scores in terms of the chance that profit sharing schemes are present

Dimension Countries	Individualism	Small power distance	Weak uncertainty avoidance	Masculinity	Short-term perspective	Total scores
Anglo-Saxon	4	2	3	3	3	15
Scandinavian	2	4	varied (4 and 2)	0	2	10-12
German-speaking	2	4	1	4	2	13
Latin European	0	0	0	2	1-2*	3-4
The Netherlands	3	2	2	1	1	9

*NA = Not available, but estimated to be on the long-term side, score 1-2.

Tables 3 and 4 convey in a playful way what developments in the dispersion of employee share ownership schemes and profit sharing schemes in the Netherlands we can expect to find through the comparison of the in the introduction mentioned studies. From the figures we conclude that financial participation schemes are present with a higher probability in the following order: in the Latin European countries the probability is the least, while in the Netherlands and the Scandinavian countries the probability is much higher. In the German-speaking and Anglo-Saxon countries the probability is the highest. For profit sharing schemes the differences are a little more pronounced. These scores only serve as an indication and no more than that. The importance of the different dimensions need not be equal, so that different scores actually should be weighted. Moreover, the scores themselves are derived from a rough

index and only placed in a rank-order, which is a very rough method of approach.

However, the following conclusions seem to be justified. If the Dutch approach has indeed moved in the Anglo-Saxon direction, under the influence of the increased importance of the stock markets and shareholder value, we expect that a comparison of the mentioned studies will show a growth in the dispersion of employee share ownership schemes as well as profit sharing schemes in the Netherlands. This could then be interpreted to display a better fit between the national culture and the industrial relations system, in which forms of financial participation represent appropriate human resource management technology. We now turn to the comparison of the two mentioned studies on the developments in financial participation in the Netherlands and some other studies with data relating to the Dutch situation.

4. The Developments of Financial Participation in the Netherlands

In this section, we compare the study by the Dutch Participation Institute, in cooperation with PS Participation Solutions B.V.⁴⁵, with the study by Poutsma and Van den Tillaart in 1996.⁴⁶ Both studies discuss the results of a telephone survey, among a random sample taken from the Chamber of Commerce database of 1000 and 1574 companies in 2001 and 1996 respectively. Both samples differentiate between sectors and company size. The response rate is 36% (361 companies) and 25% (402 companies) respectively. Both studies make possible a comparison, which enables us to recognize possible developments in financial participation in the Netherlands. Besides this comparison, which forms the kernel of this section, we show some other data relating to the Netherlands.⁴⁷

The survey research by Poutsma and Van den Tillaart in 1996 on the nature and number of financial participation schemes shows the following results:

- Stock(option)plans are a limited but fast growing phenomenon;
- On average 4% of companies had a stock(option)plan;
- About 125.000 employees were involved in these plans;
- Another 3% of the companies intend to introduce such a plan in the next three years;
- Stock option plans are mostly set up for management and staff;
- Only one third (32%) of the plans are open for all employees;
- The greater part (three quarter) of are stock-option plans;
- Stock(option)plans occur most often in medium- and large-sized enterprises, and in the service sector;
- 2% of the companies with 10 to 49 employees had a stock(option)plan;
- 15% of the companies with 50 to 99 employees had a stock(option)plan;
- 13% of the companies with 100 or more employees had a stock(option)plan;
- On average 27% of companies had a profit sharing scheme;
- About 500.000 employees were involved in these schemes;
- Another 4% of the companies intend to introduce such a plan in the next three years;

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- Two thirds of the profit sharing schemes are open for all employees;
- Profit sharing schemes occur most often in large-sized enterprises, and in the service sector;
- 26% of the companies with 10 to 49 employees had a profit sharing scheme;
- 22% of the companies with 50 to 99 employees had a profit sharing scheme;
- 42% of the companies with 100 or more employees had a profit sharing scheme.

The survey research by the Dutch Participation Institute in 2001, in cooperation with PS Participation Solutions B.V., shows the following results:

- On average 9% of companies had a stock(option)plan;
- Another 3% of the companies with 10 to 50 employees intend to introduce such a plan in the next three years;
- Another 1% of the companies with 50 to 200 employees intend to introduce such a plan in the next three years;
- Another 16% of the companies with more than 200 employees intend to introduce such a plan in the next three years;
- Stock option plans are still mostly set up for management and staff;
- 62% of the stock(option)plans are open for all employees, while 73% of the share plans are broad-based;
- The dispersion of broad-based stock(option)plans is highest in large-sized companies, and in the service sector.
- Stock(option)plans occur most often in large-sized enterprises, and in the service sector;
- 7% of the companies with 10 to 50 employees had a stock(option)plan;
- 6% of the companies with 50 to 200 employees had a stock(option)plan;
- 29% of the companies with more than 200 employees had a stock(option)plan;
- About a third of companies had a profit sharing scheme;
- Profit sharing schemes occur most often in large-sized enterprises;
- 28% of the companies with 10 to 50 employees had a profit sharing scheme;
- 40% of the companies with 50 to 200 employees had a profit sharing scheme;
- 64% of the companies with 200 or more employees had a profit sharing scheme.

With regard to fiscal possibilities, one of the conclusions of the 1996 study is that many companies are ignorant of these. In 2001, 83% of the larger companies are not, or not entirely, informed on fiscal benefits that can be obtained through stock(option)plans. However, larger companies are generally better informed than smaller companies. Companies in the service sector are best informed on possible fiscal benefits.

Some considerations appear to give rise to resistance to stock(option)plans. In 1996, 71% of the companies without an employee stock(option)plan, notably the smaller companies, expect resistance from incumbent shareholders to the introduction of a stock(option)plan. In 2001, more than half of the respondents maintain that the introduction of a stock(option)plan has no priority. Smaller companies mention their size as an argument against the introduction of a stock(option)plan. Other arguments are that stock(option)plans don't fit within the organizational culture, or that an extension of the workers' voice is

undesirable. These considerations don't vary with sector.

From the comparison of both studies we derive the following rough conclusions. Both studies are not entirely comparable, because different categories are used, especially regarding company size. In the second study, absolute numbers are lacking, so that we cannot make adaptations. Nevertheless, tendencies are clear. In the Netherlands, the number of companies with stock(option)plans has grown from 4% in 1996 to 9% in 2001, and this number is expected to grow further. The relative growth has been greatest for small-sized companies. Furthermore, the stock(option)plans have become more and more broad-based in nature. The number of companies with profit sharing schemes has grown from 27% in 1996 to 33% in 2001. Overall, financial participation schemes still occur most often in large-sized enterprises. Do these data differ much from other available data?

Table 5 presents data on financial participation for different categories of personnel in business units with more than 200 employees in the Netherlands of the Cranet survey.⁴⁸ In accordance with above-mentioned tendencies, participation in both the management category as well as the non-management categories appears to increase.

Table 5. Development of proportion of business units (with more than 200 employees) with stock(option)plans for different categories of personnel (%)

	Share schemes			
	Management	Professionals	Clerical Personnel	Manual Personnel
1992	19	12	10	10
1995	20	14	13	12
2000	43	27	21	20

Research that was focused only on companies listed at the Euronext Amsterdam (formerly the Amsterdam Stock Exchange) also shows evidence for the presumption that the proportion of business units with stock(option)plans and profit sharing schemes increases rapidly in the Netherlands, especially during the late 1990s (table 6).⁴⁹

Table 6. Financial participation for companies quoted at the Euronext Amsterdam

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	1995	2000		
	number	%	number	%
Number of Amsterdam Stock Exchange listed companies	144	100	165	100
Number of these companies with financial participations:	99	69	146	88
Employee options	94	65	136	82
Stock ownership of employees	14	10	64	39
Profit sharing			8	5
Convertible employee debentures			4	2
Stock appreciation rights			8	5

An increasing number of listed companies offer opportunities for financial participation. This development is most probably also supported by new legislation in 1994 and subsequent years and by the booming capital market. Financial participation in the Netherlands happens significantly more frequently for companies quoted at the Euronext Amsterdam than for firms not quoted, as shown in table 7. The most important reason for this difference appears to be the availability of an independent external stock 'market price'. This is in accordance with the tendency of financial participation schemes to occur most often in larger-sized enterprises.

Table 7. Proportion of companies with type of schemes in private business and in companies listed on the stock exchange (1996-1997)

	Number of companies	Any scheme	Share schemes
			Narrow based
All private business (> 10 employees) (1996)	401	51%	3%
Listed companies (1997)	144	69%	55%

Dutch research focused on the kind of firms quoted on the Euronext Amsterdam which introduce financial participation shows that these companies are – large – multinationals and/or firms that can be characterized as young, knowledge and labor intensive and operating in the service sector, as shown in table 8. Apparently the advantages of financial participation, such as greater involvement of employees, better motivation and greater satisfaction at work, fit these kinds of companies well. Relating to this point, different developments indicate that in the coming years firms increasingly will need autonomous, well-educated and independent employees. The information and communication technology sector is illustrative for this development. Financial participation schemes fit these developments well. Stock(option)plans are believed to improve commitment and retention. Although in the beginning of the 1990s there was hardly any interest in the Netherlands for stock(option)plans, the developments show an increasing interest to study and implement such plans for employees, especially in the medium- and large-sized companies.

Table 8. Proportion of categories of companies listed on the Euronext Amsterdam with schemes (1997)

	N	Any scheme	Stock options scheme	Allocated share	
			Management and higher staff	All employee	
All companies	144	69%	51%	10%	10%
Large companies	72	76%	60%	13%	11%
Young companies	18	89%	44%	39%	17%
Knowledge intensive	20	76%	35%	35%	10%
Service companies	71	76%	54%	14%	7%
Labour intensive	72	69%	49%	17%	6%
High turnover of sales	72	81%	61%	11%	14%

Individual stock ownership of employees in particular has a financial meaning but is also interesting from a control point of view. If employees acquire an interest of 5% or more in the company via collective stock ownership, share participation clearly has the character of co-ownership. In this situation the management of the company also has to involve this group of shareholders-employees as a discussion partner. In practice, in the Netherlands in a number of companies the employees have collected their shares in an association, foundation or trust. The intention is to increase control. The management of this separate legal person consists of employees. And dividends, which the company pays out to shareholders, are benefits for the legal person and the legal person can distribute these amounts over the participating employees. However, recent research shows that the substance of employee share ownership is generally low and far below 5%, on average less than 1%⁵⁰. In other words, the impact on changes in the ownership structure and hence a possible impact on corporate governance is limited. Besides, in quite a number of cases employees receive shares with limited voting rights.⁵¹

5. Conclusions

⁵⁰ Poutsma et al., forthcoming.

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In section 4, it appeared that between 1996 and 2001 the percentage of companies with a stock(option)plan in the Netherlands has more than doubled: from 4% to 9%. A further growth is expected. Small companies grow faster, but these companies were behind. Thereby, the stock(option)plans are more and more broad-based in nature. All in all, the number of stock(option)plans is growing and inclined to grow further. Furthermore, the percentage of companies with a profit sharing scheme has grown from 27% to 33%. These data are not contradictory to our discussion in section 3. The dispersion of financial participation schemes in the Netherlands has grown. The application of financial participation schemes, especially stock(option)plans by – notably small – companies is still very modest, as might be expected culturally. If our playful model is correct, we cannot preclude the possibility regarding the polder model moving toward the Anglo-Saxon model. Apparently, the values that form the groundwork for the developments in the dispersion of financial participation schemes in the Netherlands are changing in such a way that a better cultural fit becomes within reach.

In the Anglo-Saxon regime stock(option)plans have become a normal attribute of the employment relationship. The Netherlands cannot be compared with such an Anglo-Saxon situation, but the increasing attention for stock(option)plans invites an increasing number of companies to implement these plans. Besides, the Dutch government stimulates this development by a favorable fiscal system.

Increasing financial participation of employees implies a shift in the relationship between owners, providers of finance, and management. Stock(option)plans reduce the distinction between employees' and shareholders' interests and can be situated in the shifts in labor management practices towards more involvement of employees and more responsibility for employees. However, in the Netherlands the practical effects are still limited.⁵²

After all, the simple model seems roughly in accordance with the developments in the Netherlands in the sphere of financial participation. Of course, the results of this playful exploration should be approached cautiously. The results should be interpreted as a rough indication for the fruitfulness of the further development of this line of reasoning. As a first start in a study on linkages between financial participation and patterns of national culture we think the results are fruitful indeed. In a follow-up we may repeat this endeavor for other and/or extended measurements of culture from other authors, with the development of a sophisticated model on the correlation between financial participation and patterns of national culture as objective.

References

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