

The sound of silence: which employers choose no employee voice and why?

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Whether employees have ‘voice’ at work is determined, in large part, by employers’ decisions as to whether to adopt a ‘voice’ regime. In Britain during the 1980s and 1990s, the employer’s decision was largely unconstrained by the law. Under these conditions, we argue that whether an employer adopts a voice regime turns on employers’ perceptions of the net benefits of worker voice to the firm. This is confirmed in empirical analyses that point to independent associations between ‘no voice’ and workplace size, organizational complexity, industrial sector and workforce composition. We show that the size and composition of the ‘no voice’ sector has remained constant over the past two decades.

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1. Introduction

The modern conception of ‘voice’ originated with Hirschman (1970) who envisaged consumer collective action as a form of voice that, under certain circumstances, generates benefits for the firm in terms of a reversal of product quality decline. Applying Hirschman’s concept to employment relations, Freeman and Medoff (1984) viewed voice as one of two faces of union activity in which the benefits of voice (for employers) are contingent on the returns to unionization exceeding the costs of the monopoly face of union activities.¹

The recognition that employee voice may be beneficial to the firm, net of other union effects, has led to a wider conception of voice that embraces circumstances

¹ Some maintain that the concept of voice was applied to the employment relationship many years earlier by John Commons and Sumner Slichter in their conceptions of unions’ roles in workplace governance (Kaufman, 2005).

where unions are absent. These non-union alternatives to voice provision mean that in the absence of statutory prescription, there exist a variety of voice mechanisms that employers may choose from in order to optimize the management of employees. However, despite the apparent ubiquity of voice-related benefits, there remain ‘no-voice’ firms—defined as those where neither union-initiated nor employer-initiated voice mechanisms exist. This paper tries to account for the lack of ubiquitous voice adoption by (i) identifying which workplaces choose a ‘no voice’ regime and (ii) explaining why this might be the case.

The structure of the paper is as follows. Section 2 outlines the relevant theory. Section 3 presents the model and identifies likely correlates of no voice. Section 4 describes the data. Section 5 presents findings and Section 6 offers conclusions and directions for further research.

2. Theory

The argument as to why firms choose to remain voice free centres on the costs of governance and the returns to voice as determined by the costliness of worker exit and organizational complexity. As noted above, such a choice framework is ideally suited to environments like the UK² where no statutory provision is in place forcing firms to adopt a specific voice regime (union or non-union). In this sense, the results obtained in this paper may be generalized to other voluntary systems such as those found in many English-speaking countries (e.g. Australia, Canada, New Zealand and US).

For Hirschman (1970), consumers who experience falling product or service quality will act collectively to form consumer groups where their exit costs—i.e. their costs of switching to another product—exceed the costs of collective action. Producers [firms] will encourage such groupings to reverse quality falls where they, in turn, experience losses through consumer exit greater than the costs of such encouragement. These considerations generate two uncontested cases: voice mechanisms will emerge where (i) exit is more expensive than voice for both parties, and voice will be absent where (ii) exit costs are less than the voice benefits for both parties.

When the relationships between exit and voice differ for the two parties, outcomes are indeterminate. For instance, where the firm wants voice, but the consumer does not, the firm may lower the costs of collective action for the consumer. Where the consumer wants voice but the firm does not, voice is

²This will change with the adoption of the European Union Directive on Information and Consultation. From 2008 onwards, the directive will require many UK workplaces in the no-voice sector to establish two-way mechanisms of communication with employees under financial penalties for non-compliance.

probably least likely to emerge. Two-way communication between the firm and the consumers is central to the theoretical underpinning of this original consumer-based model, as opposed to one-way transmission of information by the firm only. Parallel considerations obtain where the relationship is between the employer and employee.

In transferring the model to employment relations, Freeman and Medoff (1984) equated voice with union presence. A similar argument has subsequently been developed for non-union voice by Kaufman and Levine (2000). They argue that transaction costs arise in the employment relationship due to three sorts of market failure. First, incomplete contracts create the potential for opportunistic behaviour and a need for joint problem solving. Second, at-will employment contracting (as exists in most Anglo-American economies) creates uncertainty for employees. Third, authority relations operate within the workplace, leading to employee vulnerability. With perfect markets there would be perfect information and no costs to entry and exit, mobility would be costless and job search costs would be negligible. Labour markets, however, are far from perfect. As a consequence, the introduction of employee representation (as a form of voice) generates efficiency effects (Marsden, 2000), which lower transaction costs as follows:

- (a) By improving organizational coordination though improving information flows to decision makers. The information needs to be strategically important to overcome significant costs of collection and transmission. Voice also helps to overcome framing effects of bounded rationality by ensuring employees' views are factored into employer decision-making.
- (b) By reducing the costs of motivation. For example, increasing the generation of public goods by collectivizing the costs of their production, leading to employees revealing their true demand for the public good. This will benefit the employer if savings (through lower wages or turnover costs) outweigh higher costs from rectifying the public goods problem. Voice can also reduce the costs of motivation by raising trust, which results in optimal effort. The room for cooperation rises where there is a two-way information flow and there is an increased incentive for long-term fair dealing in expectation of a repeat game, i.e. if employment is long term.
- (c) By reducing supervisor moral hazard. Because of imperfect information, top executives cannot see middle managers deviating from firm policy in pursuit of their own interests. The chances of middle managers getting away with this decline with an increase in the information flow from employees.

This is only one formulation of the possible benefits of employee voice to firms. Using a very different set of arguments, Hammer (2000) is able to depict the benefits of voice in terms of improved motivation, commitment and team

working. The HRM literature emphasizes the benefits to the firm of direct two-way communication between management and employees, which involves no mediation by worker representatives (Storey, 1992).

Although these direct forms of voice may be less costly to set up and maintain than representative voice, they, nevertheless, entail significant sunk costs that would be avoided if the employer chose to maintain a 'no voice' regime. Thus, any voice mechanism generates costs of provision. These may, following Williamson (1991), be considered as *transaction governance costs*, which tend to rise with the specificity of the assets engaged in the transaction. Costs rise in the above formulation because greater investments are justified by the opportunity costs of exit, such that parties with high exit costs will, other things equal, endure higher governance costs. However, governance costs may not vary with exit costs. Kaufman and Levine (2000) recognize three discrete sets of costs associated with voice provision: first, the direct costs of providing time off and training; second, the indirect costs of slower decision making; and third, the potential that voice may raise the bargaining power of employees.

Similar arguments have also been noted in the personnel economics literature, whereby employers grant employees a certain degree of voice and empowerment in order to secure 'employee buy-in and compliance' during times of crisis. But voice, in the above conception, provides net benefits only up to a certain point. Too much voice ultimately lowers firm profitability because employee bargaining power has been raised beyond a level that is optimal for the firm (Lazear, 1999).

A further set of considerations applies primarily to the employment relationship. In Freeman and Medoff (1984), voice benefits emerge net of the effects of monopoly wage bargaining. This might appear to make unionized voice less attractive than non-union voice unless the latter involves higher wages paid to keep unions out (Flood and Toner, 1997).

In summary, then, we reason that in the absence of statutory voice provisions, voice at work emerges under specific conditions that, while widespread, are not universal. It is most likely where there are net benefits for both parties and least likely where costs exceed benefits for both. Where there are differences (one party finds voice of net benefit and the other does not), employer choice is the primary determinant of whether or not voice exists at the workplace. Finally, there are likely to be scale effects, with voice being a more affordable benefit when spread over a large number of transactions.

3. The model: why do some workplaces choose to be voice-free?

There are three sets of actors relevant to the voice choice decision: workers, unions and employers. Whether voice emerges at a particular workplace is a

function of the costs and benefits of voice generation faced by each of these three parties. Although there is a sizeable literature on worker demand for voice (Freeman and Rogers, 1999) and the supply of voice by unions (Willman, 1982), there is little consideration of the employer perspective even though, as we have argued, the employer's choice is often a major determinant.

We can formalize some of the arguments discussed above by modelling the employer's decision about whether to adopt a formal voice regime or not. Let each workplace i have an expected return from voice provision of Y_i^v and an expected return from no voice provision of Y_i^n so that the advantage of providing voice to employers is $V_i = Y_i^v - Y_i^n$, where superscripts v and n denote voice and no-voice provision respectively. Given some positive fixed cost of formal voice provision $C_i^v > 0$, workplace i provides voice only if $V_i > C_i^v$ and offers no formal voice otherwise. We assume that providing no voice is administratively costless for employers, i.e. $C_i^n = 0$.

Following Farber (2001), we consider the voice-choice decision in terms of a simple cost-benefit framework:

$$Y_i^v = R_i^v - C_i^v \quad (1)$$

where R_i^v = gross return or benefit from formal voice regime adoption, C_i^v = the administrative cost of setting-up a formal voice regime.

A rational employer will adopt a voice regime only where the gross benefits of voice outweigh the costs of its provision $R_i^v > C_i^v$ and where the expected net benefit is greater than that of remaining 'voice free' $Y_i^v > Y_i^n$

This simple model has direct implications for the type of employee management regime chosen and the composition of workplaces that decide to become formal employee-voice providers or to abstain.³ Below we develop three hypotheses drawn from our discussion of theory and the simple cost-benefit model that have implications for when and where voice is provided.

The first concerns scale. Since there is some positive set-up cost to providing formal voice $C_i^v > 0$, there may be a minimum efficient establishment scale below which voice mechanisms are not feasible.

H₁. In small establishments, particularly in small single establishment workplaces, where $V_i < C_i^v$ there will be a higher proportion of no voice firms.

Second, we hypothesize that the presence of formal voice will depend on variations in the nature of the underlying employment relationship. As noted, where exit costs are low for both employer and employee, voice is less likely to emerge (Kaufman and Levine, 2000). Exit costs for employees may be lower where they have made few firm-specific human capital investments. Similarly,

³ We deal with the choice *between* voice regimes elsewhere (Bryson, Gomez and Willman, 2004).

the costs of employee exit for employers may be lower for low-skill employees since the employer experiences no substantial exit costs in replacing them. At the same time, the value of information sharing with these workers is low, so the employer will not be able to generate high enough returns from voice to endure the sunk costs. We thus hypothesize that

H₂: Because asset-specificity generates voice, no-voice workplaces will more likely be associated with a high percentage of less-skilled employees because $R^v < C^v$ for both employer and employees.

Our third hypothesis centres on potential benefits R_i^v as they relate to network externalities and the influence of parental firm networks in voice adoption. There may be considerable added benefit in adopting voice to a workplace that is part of a parental firm network. Formal voice may allow valuable information about workplace practices to be standardized and, thereby, permit less costly interchange of employees between workplaces within the same parental firm. Conversely, in a single firm establishment, the benefits of voice may not be as valuable given the lack of convertibility of information between employees from outside the workplace. The actual mechanism could be as follows: to the extent that a voice regime is shared by up-stream and down-stream establishments in the same firm network, this makes employee hiring and training easier and less costly. As a consequence, the spillover benefits of voice adoption across workplaces in a multi-establishment firm (e.g. through staff fluctuation) or through the dispersion of economy-wide information (e.g. through the training of HR consultants who then work in several different workplaces within a firm network) could be significant.

Under these conditions one would expect returns to voice R_i^v to be higher in workplaces that are part of multi-establishment enterprises. Such a conjecture may be useful in explaining why no voice workplaces are much more prevalent in the private than in the public sector (with no voice virtually non-existent in the public sector). The largest multi-establishment network is in fact the public sector, so workplaces in this sector are likely to have the greatest network externalities from voice provision and, hence, other things equal, the lowest probabilities of remaining voice-free. More generally we thus hypothesize that:

H₃: In workplaces where the network benefits of voice are perceived to be low, there will be a greater likelihood of no voice provision.

4. Data

We use the British Workplace Industrial Relations Surveys (WIRS) to test the three hypotheses. WIRS consists of a repeated survey of industrial relations in British establishments in the public and private sectors that has been conducted on four occasions—1980, 1984, 1990 and 1998. The key features of this data set

are described elsewhere (Millward *et al.*, 2000, pp. 3–10, 248–55). Our analysis is based on data collected from Human Resource managers responsible for the workplace industrial relations in the 1984, 1990 and 1998 surveys, which contain the voice-related variables needed for the empirical analysis. All analyses are weighted by the inverse of the workplace's probability of selection for the survey. With these weights, our analyses provide a representative portrait of workplaces in Britain with 25+ employees at the time of the surveys. The data on asset specificity are richer in 1998, so we confine some of our analyses to that single year. The size threshold for inclusion in WIRS was dropped to 10 employees in 1998, so, when analyses are confined to this 1998 survey, we include all workplaces with 10 or more employees.

No voice workplaces are defined by the absence of two-way forms of communication, rather than as a single response about the presence or absence of voice. To be counted as a 'no-voice establishment' the workplace must lack two-way communication (representative or direct) between workers and management. We discount two-way communication that is used very infrequently or not at all. Specifically, in our data, to be considered a no-voice establishment a workplace must lack the following:

- union recognition
- union representatives on or off site
- a joint consultative committee meeting at least once a month
- non-union representatives on site*
- problem solving groups*
- regular meetings between management and employees that allow for two-way communication
- team briefings that occur at least once a month and devote time to employees' questions/views.

The starred items indicate measures available in the 1998 survey. In the time-series analysis that follows we employ a *narrow* no-voice definition (lacking in the additional 1998 measures) to make 1984–98 comparisons. When analyses are confined to 1998, we consider sensitivity of results to the use of the *broad* definition that includes them.

5. Results

5.1 *The Distribution of 'Silence'*

Table 1 presents descriptive data over time (1984–98), the figures being the percentage of workplaces in each category with the narrow no-voice

Table 1 Incidence of no voice by selected workplace characteristics (%), 1984–98

	Whole economy			Private sector only		
	Pooled data: 1984, 1990 and 1998	1984	1998	Pooled data: 1984, 1990 and 1998	1984	1998
(1) By sector						
Public	2	a	1	NA	NA	NA
Private services	24	28	19	24	28	19
Private manufacturing	27	22	35	27	22	35
(2) By establishment size (employees)						
25–49	22	22	21	31	34	28
50–99	16	14	18	22	20	24
100–199	10	9	10	14	15	14
200–499	5	6	5	8	11	7
500–999	4	3	5	7	6	7
1000+	2	0	3	4	0	7
(3) By ownership						
Foreign	25	20	27	25	20	27
Domestic	17	16	16	25	26	23
(4) By establishment						
Single	36	40	29	37	41	31
Multi	12	11	12	19	20	19
(5) By set-up date						
<1980	16	16	11	24	26	19
1980–89	22	17	22	27	23	27
>1990	21	NA	21	25	NA	25
(6) By year						
1984	16	16	NA	26	26	NA
1990	19	NA	NA	25	NA	NA
1998	17	NA	17	23	NA	23
<i>N</i> = sample size	5,575	1,879	1,810	3,654	1,105	1,245

Source: WERS/WIRS data, 1984, 1990, 1998.

Note: Cell percentages. Whole economy and private sector only cell entries are identical for private services, private manufacturing and foreign because these types of workplace are only found in the private sector.

^a<1%.

definition. In 1998, 17 per cent of all establishments were no-voice on this definition. The size of the sector is broadly stable over the period. If one switches to the broad definition of ‘no voice’ available in 1998, the percentage

with 'no voice' falls to 12 per cent. If one includes establishments with 10–24 employees, the respective no voice figures for all establishments in 1998 would be 22 per cent with the narrow definition and 17 per cent using the broad definition.

From Table 1, it is evident that no-voice is a private sector phenomenon in that fewer than 2 per cent of public sector workplaces are lacking in formal voice. This might be accounted for by scale effects (hypothesis 1), differences in workforce composition that proxy asset specificity (hypothesis 2) or network effects (hypothesis 3). Within the private sector there has been a substantial decline in the incidence of no-voice in private services contrasted with a big rise in private manufacturing, something not readily explicable by our three hypotheses. There appears to be a substantial establishment size effect, with no-voice less likely in larger establishments, as scale effects would predict. No voice is also more prevalent in single establishment organizations than in multi-site organizations, as scale and network effects would predict, though the gap has diminished somewhat over time. There is also a higher incidence of no-voice among foreign workplaces and in firms set up post 1980.

Taking a closer look at the no-voice sector two related questions arise. First, what sorts of communication arrangements between management and employees do in fact take place in the no-voice sector—are they different from those in the voice sector? Second, are these forms of communication substitutes or complements to formal voice-based arrangements? We address these questions in Table 2, which compares the incidence of all forms of communication in the voice and no-voice sectors for 1998 using the broad definition.

The 'silence' in workplaces without formal two-way voice is not total: no-voice establishments do use other techniques to communicate with employees, particularly one-way downward communication through the management chain. However, employers with 'voice' regimes tend to use more of every type of communication. That is to say, workplaces with no formal voice do not have an increased likelihood of using methods such as newsletters or suggestion schemes as substitutes for formal voice. Though only a partial view—since there may be omissions from the WIRS data—these results do support the notion that the no-voice sector is characterized by a generally 'thinner' communicative relationship rather than an abundance of one-way communication techniques.

The analysis so far offers some support for the contention that 'no voice' may be chosen by workplaces that are unable to benefit from scale or network effects. However, a priori, it is uncertain whether these factors, or indeed asset specificity, will be independently associated with 'no voice' once other variables have been taken into account. To establish whether there are any independent associations between these factors and 'no voice' we run multivariate analyses estimating influences on 'no voice'.

Table 2 Incidence of communication practices by workplaces with and without formal voice (%), 1998

Communication practice	Formal voice present at workplace?	
	No	Yes
(1) Management chain	35	56
(2) Suggestion schemes (including channels for suggesting improvements to work methods)	12	37
(3) Newsletter	16	47
(4) European Works Council	2	6
(5) Any joint consultative committee, including those meeting less than once a month	2	23
(6) Consultative committee above workplace level	7 (19)	40 (63)
(7) Any two-way team briefings	43	89
(8) Two-way team briefings for an identifiable group of workers	8	54
(9) Two-way team briefings for an identifiable group of workers with briefings at least once a month	0	49
(10) Problem solving groups	0	38
(11) Regular meetings between senior management and workforce	0	50
(12) Union recognition	0	41
(13) JCC meeting at least once a month	0	19
(14) On-site union rep	0	23
(15) Off-site union rep	0	6
(16) Non-union rep	0	14
(17) Other methods for consultation not elsewhere specified	16	14
<i>N</i> = sample size		2074

Notes: The broad definition of 'voice' is used. Rows 9–16 contain those measures that constitute 'voice' on the broad definition. Figures in parentheses are based on workplaces belonging to a larger organization.

5.2 Multivariate results

Table 3 estimates the probability of 'no voice' over the period 1984–98 in the whole economy and private sector. In both cases we run a pooled regression for all three data points and separate regressions for each year. Given that no-voice in Britain is mainly a private sector phenomenon, we focus on the latter columns. These are probit models (with marginal effects reported) for the (0,1) outcome

of no-voice using the narrow time-series definition. Robust z-statistics are in parentheses, a z-stat above 1.75, 1.95 and 2.10, respectively, indicating significance at the 90, 95 and 99% confidence levels.⁴

Before turning to our hypotheses, it is worth commenting on other features of the time-series results. Although the coefficient on the date of establishment set-up is more positive over time, it is never statistically significant, suggesting no effect of workplace cohort. Nor is real time significant in the pooled regression. Private manufacturers are increasingly likely to have no-voice relative to the omitted reference category of private services, the difference becoming statistically significant in 1998. If we decompose overall changes in the predicted no-voice incidence based on the 1984, 1990 and 1998 models, we find a predicted 3 percentage point increase in no voice implied as arising from compositional change along the dimensions in our model. In fact, no-voice only rose by a single percentage point from 16 per cent to 17 per cent in 1984–98, indicating that changing employer responses within sectors accounted for the 2 percentage point gap between prediction and outcome. There is a small but significant shift away from the no-voice preference. In the private sector, no-voice has actually fallen by 3 percentage points between 1984 and 1998 (26–23%), whereas compositional change would have predicted the rate to be constant. This implies that it is the responses of firms rather than their characteristics that explain this change.

Turning to our hypotheses we find that, in all periods, the probability of no-voice decreases significantly with establishment size and is higher for single-establishment vs. multi-establishment organizations.⁵ Both of these findings are consistent with the first and third hypotheses, indicating the importance of fixed costs and network externalities in voice provision.

We also hypothesized that workforce composition (our proxy for asset specificity) would affect the probability of no-voice provision. In Table 3 this hypothesis is tested with the proportion of employees at the workplace who are non-manuals, which is expected to be negatively associated with no voice. However, this proxy is not significantly related to no-voice provision. This may

⁴ Since the dependent variables are binary-coded (i.e. one if in that category, zero otherwise) probit analysis is performed. The probit coefficients themselves do not provide the information of interest—the effect of a unit change of each explanatory variable on the probability of being in a particular type of response category. Such changes in probabilities or marginal effects are calculated based on the mean values of the explanatory variables (they differ depending upon the probability levels themselves). The calculated marginal effects are very similar to those based on the ordinary-least-squares estimates; hence we report the marginal effects based on our probit results.

⁵ The single-establishment effect weakens noticeably in 1998 and is statistically non-significant in the private sector regression for that year.

Table 3 The determinants of no-voice at the workplace, 1984–98

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Whole economy				Private sector			
Dependent variable: no voice at workplace [†]	Pooled	1984	1990	1998	Pooled	1984	1990	1998
(1) [Private service]								
Public sector	-0.183 (8.41)***	-0.220 (6.93)***	-0.160 (4.14)**	-0.168 (4.66)***	-	-	-	-
Private manufacturing	0.035 (1.60)	-0.008 (0.40)	0.025 (0.70)	0.093 (2.01)**	0.042 (1.27)	-0.018 (0.37)	0.010 (0.22)	0.131 (1.96)**
(2) Size [25–49]								
Size 50–99	-0.053 (3.62)***	-0.043 (2.67)***	-0.067 (2.53)***	-0.037 (1.38)	-0.078 (3.12)***	-0.120 (2.93)***	-0.070 (1.74)*	-0.055 (1.21)
Size 100–199	-0.084 (6.07)***	-0.051 (3.29)***	-0.104 (3.74)***	-0.080 (3.48)***	-0.139 (5.57)***	-0.145 (3.42)***	-0.133 (3.08)***	-0.141 (3.46)***
Size 200–499	-0.106 (8.27)***	-0.055 (3.52)***	-0.138 (5.99)***	-0.102 (5.07)***	-0.185 (7.70)***	-0.158 (3.51)***	-0.197 (5.24)***	-0.185 (4.92)***
Size 500+	-0.108 (7.40)***	-0.068 (4.74)***	-0.131 (5.07)***	-0.097 (3.84)***	-0.195 (6.86)***	-0.217 (4.76)***	-0.187 (4.19)***	-0.179 (3.73)***
(3) Ownership [Domestic]								
Foreign	0.073 (2.47)**	0.016 (0.50)	0.100 (1.79)*	0.060 (1.31)	0.105 (2.45)**	0.040 (0.55)	0.124 (1.78)*	0.088 (1.30)
(4) [Multi-establishment]								
Single	0.116 (5.69)***	0.101 (4.10)***	0.165 (4.49)***	0.059* (1.72)	0.162 (5.59)***	0.198 (4.07)***	0.205 (4.51)***	0.084 (1.61)

Table 3 Continued

Dependent variable: no voice at workplace [†]	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Whole economy				Private sector			
	Pooled	1984	1990	1998	Pooled	1984	1990	1998
(5) Proportion part-timers	-0.001 (0.03)	0.017 (0.44)	0.053 (0.89)	-0.053 (1.15)	-0.020 (0.40)	0.057 (0.61)	0.026 (0.30)	-0.086 (1.15)
(6) Proportion non-manuals	0.001 (0.05)	0.043 (1.07)	0.004 (0.10)	-0.047 (0.97)	-0.019 (0.54)	0.063 (1.01)	-0.036 (0.66)	-0.079 (1.20)
(7) Set up date [<1980] Set-up post 1980	0.017 (1.00)	-0.017 (0.59)	0.017 (0.58)	0.037 (1.49)	0.028 (1.01)	-0.041 (0.54)	0.016 (0.40)	0.059 (1.46)
(8) Year [1984] 1990	0.006 (0.33)				-0.019 (0.68)			
1998	-0.027 (1.40)				-0.051 (1.58)			
Observations	5575	1879	1886	1810	3654	1105	1304	1245
Pseudo- R^2	0.13	0.17	0.13	0.14	0.07	0.09	0.09	0.08

Notes: Marginal effects estimates of probit models run on no voice using establishment survey weights and with robust z-stats in parentheses. Excluded reference categories in [].

[†]Narrow definition of voice employed.

*Significant at 10%, **Significant at 5%, ***Significant at 1%.

Table 4 The determinants of no-voice (broad definition), 1998

Dependent variable: no voice (broad definition) at workplace	(1) Whole economy	(2) Private sector
(1) Establishment size (10–24)		
25–49	–0.048 (1.79)*	–0.087 (2.02)**
50–99	–0.036 (1.40)	–0.063 (1.54)
100–199	–0.063 (2.71)***	–0.112 (2.94)***
200–499	–0.065 (2.57)**	–0.109 (2.58)***
500+	–0.058 (1.48)	–0.098 (1.51)
(2) Single [Multi-establishment]	0.073 (2.20)**	0.117 (2.17)**
(3) Public sector [Private Sector]	–0.137 (4.80)***	
(4) Over 25% workplace employees are part-time	–0.056 (2.14)**	–0.084 (2.07)**
(5) Per cent of employees in top 3 SOC codes (managers, professionals, technical staff)	–0.002 (4.21)***	–0.004 (4.27)***
(6) None of experienced largest occupational group had formal off-job training in last 12months	0.086 (2.75)***	0.117 (2.58)***
(7) Establishment sets targets for labour turnover or absenteeism	–0.046 (1.46)	–0.068 (1.30)
(8) Establishment operates system designed to minimize inventories, supplies or work in progress, known as JIT	–0.051 (1.99)**	–0.081 (1.99)**
(9) Workplace has individual or group performance-related pay	–0.065 (2.26)**	–0.103 (2.22)**
(10) Establishment has targets for quality of product or service	–0.035 (1.22)	–0.052 (1.14)
Observations	1933	1400

Notes: Marginal effects estimates of probit models run on no voice using establishment survey weights and with robust z-stats in parentheses. Excluded reference categories in [].

*Significant at 10%; **significant at 5%; ***significant at 1%.

be because of the weakening of this distinction in explaining skill levels across jobs, as many non-manual jobs in the service sector are as unskilled as the conventionally viewed unskilled assembly line work. Fortunately, in the 1998 data, we have a more discriminating set of variables that may better capture this distinction in asset specificity.

In Table 4 we test our three propositions with a probit model using the broader definition of no-voice for all workplaces with 10+ employees in the 1998 data. As in our previous estimates, all cell entries represent marginal effects and can be interpreted as the effect of a unit change of each explanatory variable on the probability of being in a particular type of response category. As noted above, given the richness of the 1998 data in comparison to previous surveys, we have also included better measures of asset specificity. The percentage of high occupational status employees and the incidence of off-the-job training are both direct indicators of the amount of asset specificity in the human capital at the workplace. Three other measures—setting targets for absenteeism and turnover, use of just-in-time (JIT) systems and the use of variable performance pay—are all indicators of employer reliance on employee commitment, and are thus measures of asset specificity.

As predicted by transaction costs theory, the absence of training and a lower percentage of high occupational status workers are correlated with no-voice. Also, as anticipated, JIT and performance-related payments are associated with a lower likelihood of no-voice. The use of targets for absenteeism and turnover point in the expected direction, but the effect is not statistically significant.

Finally, scale effects are apparent in the increasingly negative coefficients as establishment size increases. Network effects are also confirmed in that the single establishment dummy is positive and significant and also (albeit indirectly) by the negative coefficient attached to the public sector dummy in row 1 of the whole economy model. The public sector dummy, among other things, may be picking up the effect of being part of a very large network having many establishments.

6. Conclusions

Employer choice is an under-theorized area in industrial relations and, in particular, in the emergence of voice regimes within the workplace. We have taken a transaction cost approach to modelling employer choice with specific reference to the choice between voice and no-voice provision. We argue employers might avoid investments in voice where the costs exceed the returns. Where asset specificity is high, the returns to voice should also be high so, for a given level of costs, asset specificity should induce voice. However, there may be no voice firms with non-transferable employee assets but no firm resources to invest in voice mechanisms to enhance their performance. Where the costs of voice provision are too high, no voice will result.

We used time-series and cross-sectional data for Britain to identify the chief characteristics of the no-voice sector. We found a 'no voice' sector that is stable in size and in composition. It seems to have a thinner set of

employer-employee communication channels rather than one different from the voice sector; i.e. the no-voice sector seems to do less communicating on every dimension (formal and non-formal). We confirm that smaller scale, lower network externalities and lower asset specificity work against the adoption of a voice regime. Overall, this seems to tell a story about the returns to voice (net of costs) being an important determinant of voice adoption.

In Britain, there are few external compulsions to invest in voice in what is essentially a 'voluntaristic' industrial relations system. However, this will change with the adoption of the EU Directive on Information and Consultation. From 2008 onwards, the directive will require many UK workplaces in the no-voice sector to establish two-way mechanisms of communication under financial penalties for non-compliance. Eventually, this could lead to enhanced performance if the voice mechanisms generate valuable information sharing. The evidence here, however, is that the set-up costs may be both significant and unwelcome to the affected workplaces. The no-voice sector in Britain may be an example of a low-investment equilibrium, vulnerable to the effects of legislation, which alters the costs and benefits of voice provision.

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