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Financial Participation – Some Economical Aspects

Abstract

The financial participation is one of the forms of industrial democracy in an enterprise, but - the controversial forms because of their part in the development of workers' participation. The instruments of financial participation, or retirement and pension funds, leave many doubts about their part in the growth of workers' participation in making decision (or in general understanding the participation) both on the enterprise level and on the level of workshop. Among western economists there is not a divergence according to the meanings of instruments of financial participation in achieving different aims, namely the economic aims and aims of social character. The division of premises into economic and social is not sharp however, as they often dovetail themselves or overlap.

This paper is to set off the most popular forms of financial participation, its potential advantages for employers and employees as well as macroeconomic advantages in economy.

1. The principles of workers' participation development

The history of workers' ownership and participation in decision-making processes dates back to the 16th century and is connected with the utopian socialists' views, who also attempted to propagate such ownership. Since then workers' ownership has been received with moderate interest which came more from ideological premises rather than economic ones. More serious changes took place in the 20th when the governments of individual countries began to

engage in supporting both workers' participation in decision-making and distribution of ownership.

These processes of changes were accelerated shortly after World War I when nationalization processes appeared in some countries. Further and this time more serious changes in the growth of interest in workers' ownership took place after World War II. Such forms of workers' ownership as: employees' share-holding¹, programmes of workers' share ownership (so called ESOPs), workers' co-operatives and the like. There were also other solutions emerging, for example, pension funds, profit sharing, constituting one of the forms of workers' participation.

It should be considered what premises brought about the interest in workers' ownership, as well as, what factors contributed to the sudden increase in the interest over the last decades. The premises can be divided into these of economic character and social ones. However, this division is not clear-cut as these premises often intertwine or overlap themselves (Ludwiniak 1989, s. 72-73).

Among economic premises there was one which should be mentioned: first of all it is the need of growth of workers' motivation to work. Intensifying competition places before enterprises more and more difficult tasks that even the most efficient management can not deal with. Only these enterprises can measure up this competition, in which workers will show a creative commitment in the processes of production (Juchnowicz 2002, s. 138) and as a result the efficiency of work and discipline will increase. Liberation of such commitment is not easy and it can be attained by the distribution of ownership among workers.

It is also a step towards a more equal distribution of income or capital. It seems a much more efficient solution than social protection or state intervention in the relations between employees and the enterprise.

¹ A major development of distribution of shares began in the 1950s, particularly in Germany and the USA. The processes initiated a lot of theoretical concepts of the ownership distribution, among other things, the theory of social capitalism. The principles of establishing social capitalism were put forward in the most systematic way by an economist R.S. Hartman (see: R.S. Hartman, *Die Partnerschaft von Kapital und Arbeit*, Koeln und Opladen 1958, in: J. Meisner, *Teoria ludowego kapitalizmu*, „Śląsk“ Publishing, Katowice 1967, p. 13). The concept made use of changes taking place in contemporary ownership relations in economies of many countries, as well as, the first attempts of handing over assets to the workforce took place. This concept tried to indicate that the changes happening in the economy lead to ownership diffusion among all the working people (see: W. Drechsler, *Volkskapitalismus*, Baden-Baden, Frankfurt/Main 1957, p. 23). The concept was based, among other things, on such premises as: undergoing processes of capital democratization and ownership diffusion, workers' profit-sharing programmes, growing role of workers in enterprise management (see: J. Meisner, *Teoria ludowego...*, op.cit., p. 22). See also M. Nadler, *People's Capitalism*, New York 1956, p. 30.

New forms of involving employees in the company's affairs and widely understood workers' participation takes place at different levels and in a different range (Armstrong 2000, s. 635-637). However, the general concept was based on the realisation and development of mutual commitment, rights delegation and direct communication in co-operation, which required a partner-like approach based on the idea of equality and common responsibility (*Przywództwo* 2001, s. 19-21).

Employees' rights and interests are also protected by participation through promoting a more democratic system as opposed to arbitrary management. Participation can give some employees a chance for social approval and self-realisation in the workplace, a fact that should not be underestimated. For some workers it makes a huge difference if they can influence the way in which they do their work.

E. McKenna and N. Beech describe the benefits of group payments systems (McKenna, Beech 1999, s. 179-181). Those benefits can also be regarded as the advantages of financial participation schemes. Firstly, such systems identify the success of employees with the success of the company which of course causes increased effort from the workers. Secondly, a barrier between "us" and "them" (management and employees) is brought down which results in better communication and thus increased efficiency. Also, cooperation and teamwork are encouraged which also influences productivity in a positive way. Thirdly, financial participation schemes result in greater awareness of the relationship between the work of an individual and the financial results of the company.

These plans are set up to encourage employees to become interested in company's success which itself is a factor of great importance in the age of global economy. A feeling of a common interest and belonging to the company enables not only a much smoother functioning of an enterprise but also improves the relations between management and workforce. Achieving the goal of encouraging employees to become involved in company's affairs improves the quality of jobs and staff satisfaction. Furthermore, these plans directly benefit the employees either by directly increasing the amount of money they earn (cash-based profit sharing schemes) or by supporting the formation of future wealth (deferred profit sharing, ESOPs). Such schemes are also a factor of great weight when it comes to recruiting and retaining staff, especially in a situation of workforce shortages. They might be a distinctive element of a wider benefit package. Financial participation plans can help to sustain employment in time of economic downturn, as certain schemes are related directly to the company profitability. If the profit is low, the company's contributions also decrease, which allows greater wage flexibility without having to resort to dismissals of

employees. E. Poutsma also describes one of the reasons for financial participation schemes being a take-over defense, especially in public and unsuccessful companies. Mostly, however, the plans are used by successful enterprises (Poustma 2001, s. 5).

A premise related to the need of growth of workers responsibility is therefore important as it is partly connected with capital participation of employees. A worker who at the same time is a co-owner of a company feels more responsible for operating machines or devices than if he did not own shares or stocks. It should be taken into account that the key role plays here nationalization of production facilities (distribution of ownership through participation in company's capital). More comprehensive motivating of workers through the integration of personal, corporate and social aims, appealing to the needs of workers' self-realisation, necessity of using greater knowledge and skills by employees in conditions of uncertainty and changing environment as well as establishing a natural process of economic education of the staff (Borkowska 1990, s. 4-6; Sikorski 1986, s. 137-147).

It is an undoubted fact that companies long for employees whose enthusiasm, motivation, professional skills and knowledge are above average. This is becoming increasingly important as today's economy evolves towards a knowledge based and skill driven system. Enterprises that do not succeed in fully utilizing their workers' potential will play a marginal role or even perish. Therefore, participation has to be viewed as a significant competitive advantage which increases organizational efficiency by improving communication between employees (while also creating so-called "team spirit"), allowing an easier flow and exchange of ideas, self-supervision of the staff, improving the workforce – management relations and developing new skills.

Thus, workers participation creates new kinds of relations between employees and a company. Other situations can be pointed out apart from the above- mentioned, in which a company is undergoing serious difficulties, or faces a bankruptcy. In such situations workers/ co-owners try to save the company by resigning from the planned pay rises, giving consent to a temporary pay reduction or even co-financing of the necessary tasks. Profit sharing results in more flexible wages. Therefore, in times of economic downturn, the payments are automatically decreased. It is a much better solution than dismissing a part of the staff. McKenna and Beech point out that there might be some "peer pressure" on those who do not work hard enough from the majority of those who are interested in increased bonuses.

E. Poutsma stresses some additional reasons why employee participation is becoming increasingly popular, one of them being "a management fad" (Poustma 2001, s. 8). According to Poutsma, different forms of participation

may be implemented because they are popular and favoured by consultants. This might be dangerous because managers can adopt participation programs as a “quick, low-cost solution to organizational problems, without recognizing that these programmes require substantial changes in day-to-day behaviour, heavy investment in training and often considerable reduction in managerial discretion” (Poustma 2001, s. 5).

Again, from the company's point of view, there have to be some extra benefits of implementing financial participation schemes. Such schemes may have advantages over other, performance-related remuneration systems. It is not feasible to monitor individual employees for performance due to high costs of such actions, rewarding groups or the whole staff of the company can be much more cost-efficient. This means that financial participation schemes would most probably exist in larger, often publicly traded companies. What is more, the insufficient number of high skilled workers may cause companies to offer financial participation schemes as a tempting benefit in order to attract and keep the most valuable workers, thus reducing the rotation of the staff and increasing competitiveness.

Among other economic premises there is a necessity for achieving new sources of finance to develop the enterprise (resources for accumulation) as well, which results in the growth of salaries in national income. Workers' ownership or profit sharing can turn out to be the cheapest source of capital for an enterprise, in addition the capital which releases mentioned growth of commitment in manufacturing. Distribution of ownership often shapes long-term programmes of stocks sale to workers. Sometimes installments can be arranged for such sale. These kinds of programmes are very popular in western companies.

In the light of presented arguments it is easier to understand numerous initiatives of employers intending to implement the distribution of ownership among workers. The ownership does not have to be fully workers' property. Even a small share in this ownership is enough in the form of share package or in the profit sharing programme. Usually this premise is strengthened by different means of motivating workers.

Among the premises of social character the most conspicuous is the rising level of education and qualifications, as well as, economic awareness of workers. The recent years have brought about great changes in this sphere. There are more and more workers with higher education working in manufacture. They want to treat their workplace not only as a source of good earnings but a place where they can fulfil their needs and aspirations, such as: fulfilment, the need of participation and the like. The workers search for new kinds of jobs which will provide them with work-team, wide range of autonomy and so on. Only such

work will give them satisfaction. Among social premises the theory of social peace should be included, which lies at the basis of governments' initiatives and acts issued by them supporting employees' participation in capital and profits of their enterprises. The initiatives in this field are taken not only by governments but also by political parties, owners/entrepreneurs and trade unions as well as other workers' organizations (Jacukowicz 1984, s. 4).

The fulfilment of these needs becomes easier in case of workers' ownership. To some extent employees holding shares in a company feel more than workers in a traditional sense. Co-ownership means for them greater possibilities of participation in decision-making processes, either directly or by means of representative bodies. In such a situation they possess greater opportunities in creating their own work environment. It is worth mentioning emotional ties that can connect workers with the company. A complex character of the above mentioned premises makes the workers' ownership take up different forms. They are the answer to a varied character of needs reported by workers on the one hand. On the other hand, they cover existing relations in enterprises.

2. Determinants of the employee share ownership

In literature, one can encounter the division of determinants creating a field (range) of realization of financial participation forms, which include (Jacukowicz 1984, s. 3): a type of business activity (production, trade or services), a type of technology (traditional or modern), the amount of capital engaged in the company, the number of employees and the company's localization (clustered or scattered in many places). The employees' participation in profits (financial participation) may be introduced (Jacukowicz 1984, s. 3-4):

- a) without separate legal regulations (the state stimulates the financial participation development through specific tax and credit policy),
- b) on the government's initiative (the state introduces separate legal regulations in this aspect),
- c) on the workers' unions initiative (to create new sources of financing investments owing to the employees' shares).

Due to the determinants and legal forms of the employees' financial participation, four possible situations can be enumerated (Jacukowicz 1984, s. 5-6):

- a) lack of financial and legal norms,

- b) simplified and elastic legal norms,
- c) obligatory and semi-obligatory legal norms,
- d) social-legal scope of participation.

The above factors can be described as *factors establishing* the introduction of the employees' participation. Apart from the determinants of the participation development may be divided into internal and external. The external factors include, among others: a concept of participation included in legal regulations and literature, as well as the state's social and economical policy and the activity of economical organizations. It is important to consider previous experience of the employees' participation. They are vital as they influence the institutional solutions and create the atmosphere of practical implementing specific participation enterprises (Kulpińska 2001, s. 15). The *external factors* determining the implementation of the participation solution are mostly outside the range of at least their direct influences. They are (Jędrasik, <http://www.kns.gower.pl/praktyczne/przeslanki.htm>):

- a) various cultural and political traditions in a country,
- b) various economical situation and political forces in a country.

These factors create in any country a combination of conditions determining about the possibility of functioning of the specific forms of the employees' participation concerning employee share ownership. The external factors, creating favourable or unfavourable conditions for implementation and development of the employees' participation are (Błaszczuk 1998, s. 162-64):

1. Political and social situation in a country. It is a factor having a basic meaning, as a preferable political atmosphere encourages the development of participation. In this context, the way of understanding by the government its role of mediator between the capital and the employees becomes important. A direct state intervention and extortion of specific solutions does not bring expected results comparing with indirect state intervention, which should be based mainly upon: conducting a proper social and economical politics and creating specific legal conditions and preferable social atmosphere (Ludwiniak 1989, s. 105-107).
2. A good economical situation and stable development. Such situation favours the development of the employees' participation creating feedback. A high level of participation, through assuring of social security in companies along with the raise of motivation and the employees' innovation, stabilizes a general social situation, as a rule improving an economical situation (Ludwiniak 1989, s. 98-102). It was stated, that where participation is more developed, economical crises are more gentle.

3. Traditions and a present state of workers' unions. The political force of the workers' unions (depending on their commonness, number and unified organization) decides on effectiveness of introducing the participation solutions. On the other hand, ideological traditions and political solutions create a participation model and organizational forms possible to introduce. Still, the basic meaning is in the worker's unions, their inner discipline and a possibility of adjusting to the actual situation (Ludwiniak 1989, s. 103).
4. Political culture traditions in a given country. The employees' participation finds an advantageous ground in countries of big social discipline and high level of social activities self-organization. A typical characteristic should be a tendency to prefer actions requiring consequent stepping forward with little steps to spectacular actions with, however, short-term results. Cooperative thinking rather than conflict one is also important; a positive 'organic work' in a society (Jędrasik, <http://www.kns.gower.pl/praktyczne/przeslanki.htm>).

Internal determinants are connected with a company and social partners' relationship in a company. They concern mostly power and relationships at work as well as organizational culture and psychosocial characteristics of the staff (Kulpińska 1992). Internal determinants of participation include (Jędrasik, <http://www.kns.gower.pl/praktyczne/przeslanki.htm>):

1. the accordance of actions with general rules, which are to be proposed and realized in the capital plan of the employees' participation in a company,
2. the achievement of a specific level of the organizational culture of a company.

Radical ownership transformation into the employee company should create an environment favouring raised productivity and competition. It should also raise the importance of the crew's voices concerning the construction of *The Employee Capital Ownership Programme*. Realization of the above *Programme* suggests conditions necessary for it to succeed. These are (Kurland 1989, s. 144-150):

1. describing the ownership parameters of participation systems in management;
2. drawing up of the company's development strategy after the ownership transformation, in which an important role have the following factors:
 - a. creating a reliable and experienced group as a managing body;
 - b. conducting detailed research which objectively describe chances of economical success of the company and its future development;
 - c. agreeing by the workers' union to adapt a new work contract;

- d. possibility of accessing the necessary investments credits of moderate percentage rate.
- 3. acquiring and understanding basic rules governing ownership and responsibility connected with it by the employees;
- 4. designing a specific model of ownership and participation mechanisms allotted to the company based on negotiations;
- 5. improving the employee ownership awareness by a system of monthly or quarterly bonuses dependant on the employees' productivity and the company's profits;
- 6. creating a just payments division among the best and the worst earning employees;
- 7. creating and supporting structures ensuring the continuation of a dialogue among every interested employee on the subject of the company's ownership and connected topics;
- 8. the role of the management towards the employees-owners should be transformed in the direction of becoming animators of the participation system;
- 9. the issue of the company's control should be based upon the rule: one share – one vote;
- 10. the strategy and programmes should be publicly known, allowing the employees to adjust to the new technology and changes in employment.

Apart from drawing up and realizing *The Employee Capital Ownership Programme*, creating the external construction for the realization of the employee share ownership, it is no less important to create a specific organizational culture, which should fill in the structure of the employees' company and allow full participation. It creates a space filling the outer structure with a layout or a system of interpersonal effect in the company. It is important as in participation it is not enough to accept a certain method of management, it is often vital to make a revolutionary *re-orientation of organizational culture and people's attitude* (Mendel 2001, s. 97). Basic indicators of this re-orientation and attitude are (Rosen, Young, parts I-IV, 30.06.2000, 07.07.2000, 14.07.2000, 21.07.2000):

- a) personal engagement of a person managing the company – as a basic element,
- b) drawing up written rules describing an engaged attitude,
- c) using various types of symbols stressing the fact that every employee is an owner as well,

- d) stating that as a principle in every field (job post) a possibility of making decisions should be given to the most competent employees,
- e) participation in a decision-making process involves acquiring the necessary qualifications through training,
- f) information should flow not only from top to bottom but also from bottom to the top,
- g) common decisions are made longer but implemented faster,
- h) there is no universal rule of implementing the employees share ownership. What is good for one company does not have to work well in other or even in the same but at a different level of development.

3. Comments on benefits from the employees' participation

Financial participation has emerged as a major issue for European Union institutions, Social Partners, and member governments. The involvement of employees in the profits and ownership of enterprise has been recognised as a potentially major contribution to major social-economic goals of entrepreneurship and adaptability. At the level of the enterprise, participation of employees in profits and ownership appears likely to promote motivation, commitment, and good performance. It also facilitates the establishment of reward strategies that are linked to the particular circumstances and performance of the enterprise, and in this respect it is consistent with the devolution of pay determination systems that is occurring throughout Europe. For these reasons, many of the member states are engaging in active debates on the merits of financial participation. Several governments have taken action to promote the use of financial participation. These developments have been mirrored by developments at EU level such as the publication of the two Pepper Reports and the passing of the Community Recommendation on this topic in 1991. Financial participation is also seen as important since it represents a means of promoting social dialogue and employee involvement (Poutsma 2006).

Judging from the employees' point of view, financial participation seems to be all about benefits. It is source of additional income, a new way to invest and a chance to learn about the financial market and a perfect way to save for retirement. What financial participation also does, is that it – to some extent – redistributes the wealth among wider groups of people, thus fulfilling the ideas of “social justice”.

Probably the most important factor for the employer would be increasing productivity of the company. This will also benefit employees, as the increased ability to compete directly follows higher productivity. Financial participation schemes make the expectations of management and employees meet.

Communication within a company is also very likely to improve after implementing financial participation schemes. By enhancing the motivation, loyalty, commitment and satisfaction of employees, financial participation schemes can allow the company to increase the productivity. In general, the rewards in a regular wage system are guaranteed, irrespective of the effort of the employee. However, discussed schemes are designed to connect the employee income to company performance. This results in greater commitment of the workforce. The atmosphere in the workplace may also be affected for the better, which is important when it comes to productivity. Teamwork and cooperation systems can only be successful if employees truly work with each other, not against each other. It is also believed that it is important for a financial participation plan to be followed by greater involvement of the staff in decision-making and organizational changes.

E. Poutsma also stresses the “environmental pressures to conform” (Poustma 2001, s. 8) as another reason for participation programmes. He regards these pressures as a sort of peer-pressure situation in which an organization is forced to implement an innovation which is not necessarily efficient, only to gain credibility and trust. Legislative arrangements - laws and rules of a given country - are not to be neglected as they often enable the participation programmes to grow and evolve.

Financial participation schemes at a macroeconomic level also influence the division of global income, towards a more equal system, where the profit is shared with the ones who helped to make it. This decreases the need for social policies, regulations and state interventionism. This argument is frequently brought up by the trade unions. Their interest in implementing financial participation is based on ensuring that workers can benefit directly from the generated profit. The unions also see financial participation as a means of developing a better employee-management relationship.

Financial participation depends mostly on the will of the employer. The main drawback of financial participation schemes is that the sharing may be unequal, which can be criticized because it defies the very reason a financial participation plan is set up for - a more reasonable division of income. The policy may not be negotiated but pre-determined. With the help of creative accountancy, profits to be shared may be lowered deliberately, only to decrease the amount of money paid to the workforce. As for ESOPs and share options, a lot depends on uncertain factors which employees cannot influence.

Risk aversion is one of the main factors when it comes to financial participation schemes. Because of the financial flexibility of the schemes, employees are subject to increased risk. In the case of profit sharing, no money may be paid out when a company does not make any profit. This issue is even more serious with employee ownership plans, because as share prices decrease, employees quickly lose their accumulated savings. According to a recent Working Paper of the European Parliament, employees do not want to increase the risk they are subjected to and therefore the issue of increased risk should be compensated by higher average total pay with profit sharing schemes than without them (Perotin, Robinson 2003, s. 13). The pressure for higher total wages might be stronger in the case of employee ownership than with profit sharing, as the risk concerned with employee ownership is even greater.

4. Final conclusions concerning Poland

Employee share ownership and participation should be highly placed in a European strategy for employment. This is still not the case. There is an awakening which still has not reached the political decision makers. Indeed the development of employee share ownership and participation positively influences economic and social dynamics and employment. This is not negligible, since it is estimated at 1% a year additional growth of the GDP. In terms of employment in Europe, that potentially represents a million additional jobs after a few years. However much remains to be done to carry the conviction of governments and European decision makers in this direction and to incorporate the general principles into national policies (Opinion... 2001).

In the other hand during last years can be observed more and more interest in employee share ownership and participation in western countries (Perry, Kegley 1990, Maaloe 1998). There are a lot of different financial participation schemes set up in Europe and USA. In Poland, there is rather very poor quantity of different forms of it. Some additional remarks are as follow:

- a) In the context of Polish economy, as shown in statistic data, the employees' companies in Poland prove decidedly better economic relations when compared to the companies participating in The National Investment Funds Programme. In the marker of the cost level and the markers of turnover profitability they only yield to companies subject to capital privatization and companies with foreign capital (*Mały Rocznik Statystyczny Polski* 2002, s. 461; Goralewski 23.01.2002, s. 4; Goralewski 29.01.2002, s. 3), which proves the positive side of participation solutions.

- b) Companies using various employees' participation programmes constitute an important contribution in a practical development of the ownership system and supervision, the so-called "*corporate governance*" in Poland. This system constitutes one of the elements of the *economical order* in any country. The employees' company is an example of a legal-formal solution on the border of two widely known and used models: continental and Anglo-Saxon one. Constituting a solution between the two, the employees' company may successfully use the merits of the two and eliminate the vices. The influence of the employees' directly interested in the company's strategy and its management, through the shares concentration on their hands, makes it impossible for a "hostile take over" or ineffective exploitation of the corporation (company) by the dominant investor (Bossak, Zelega 2001, s. 3-26). On the other hand corporate governance, as a "collection of good practice" gives the basis for effective action through enhancing the transparency of the management system, engagement and responsibility of the participants of the management process (Niewinowska 2002, s. 17).
- c) In most of the companies the employee share ownership becomes a management shareholding, while in companies, in which the employees seized up to 15% of shares, most of them sold the shares at first occasion (Błaszczak 2001, s. 1). The research show that most Poles are for share ownership in their companies, however lack of longer traditions and not so positive experience of the last few years do not guarantee a fast development of the employee share ownership in Poland². It is mainly connected with the perspective of acquiring profits by the employees, which, as suggested by the majority, are too far ahead, while the responsibilities are present at the very beginning of introducing specific participation programmes. The largest percentage of participation solutions supporters are among people with vocational and secondary education (87% and 84%), a little less (80%) people with higher education among respondents with higher education. Most commonly (87%) for shareholding by the employees are those employed in national companies (here the cause may be the 15% free share pocket with company's privatization), although a similar percentage are the employees of privately owned companies (86%). For the shareholding are often skilled labourers (88%) and management (82%), rarer – the companies' owners (62%). The supporters of owning shares in companies often stress that the employees owning shares will be able to feel the connection between the effectiveness of their work and the company's

² Research conducted for "Rzeczpospolita" by The Social Research Study (Pracownia Badań Społecznych) in Sopote on 12-13 May 2001 on 1122 representatives for the adult population of the country, Błaszczak 2001, p. 2.

results, and thus with the shares' value (46% of questioned are of this opinion). In a group of people who claim that the employees should not own their companies' shares, it was often stressed that the employees should be granted adequately high wages not given bonuses. This opinion was very often expressed by the company's owners (90%) and employees of privately owned companies (73%) along with the representatives of management (61%). Almost 33% of respondents who claim that the employees should not own their companies' shares think that they will not be allowed to decide about the company's fate anyway. As a reason for lack of support for the employees' participation was the diversity between the goals of the company's workers and its shareholders. It was often mentioned by the unskilled labourers (42%), rarely the management (12%) (Błaszczak 2001, s. 7).

- d) Companies with exclusive or partial employees' participation, without strategic outside or inside investor are rather a temporary form, therefore it seems they will undergo further transformation in the direction of various systems of the employees' share participation and company's profit participation, what involves at the same time specific tax preferences.

SUMMARY

The financial participation is one of the forms of industrial democracy in an enterprise, but - the controversial forms because of their part in the development of workers' participation and the instruments of financial participation leave many doubts about their part in the growth of workers' participation in making decision. There are no doubts about meanings of instruments of financial participation in achieving different aims, namely the economic aims and aims of social character. The economic aim was the need of growth of workers' motivation to work. Among other economic premises there is a necessity for achieving new sources of finance to develop the enterprise. Workers' ownership or profit sharing can turn out to be the cheapest source of capital for an enterprise, in addition the capital which releases mentioned growth of commitment in manufacturing.

Among social premises the "theory of social peace" should be included, which lies at the basis of governments' initiatives and acts issued by them supporting employees' participation in capital and profits of their enterprises.

Among determinants which create the form of the employee share ownership can be mentioned: a type of business activity, a type of technology,

the amount of capital engaged in the company, the number of employees and the company's localization.

Financial participation seems to be all about benefits. It is source of additional income, a new way to invest and a chance to learn about the financial market and a perfect way to save for retirement. What financial participation also does, is that it – to some extent – redistributes the wealth among wider groups of people, thus fulfilling the ideas of “social justice”. Probably the most important factor for the employer would be increasing productivity of the company. This will also benefit employees, as the increased ability to compete directly follows higher productivity. Financial participation schemes make the expectations of management and employees meet.

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