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Voluntary Sector HRM: examining the influence of government.

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Abstract

Purpose: This paper is concerned with examining the practice of Human Resource Management (HRM) in the UK Voluntary Sector. In recent years many voluntary sector organisations have experienced a changing context, where they have become increasingly involved in contracting for the provision of publically funded services. This paper examines the suggestion made by a number of commentators that as a result the government has exercised influence over the way in which human resources are managed in this sector.

Design/methodology/approach: The paper uses data from the Workplace Employment Relations Survey 2004 (WERS 2004) to examine HRM practice in the voluntary sector and compares this with the public and private sectors.

Findings: The findings show that most voluntary sector organisations have adopted performance oriented HR practices, communication and involvement schemes, and welfare-oriented practices. This suggests a departure from the relatively unsophisticated HRM that has traditionally been found in the voluntary sector and which may be as a result of the influence of government on HRM standards in the sector.

Research limitations: Future research which adopts a longitudinal approach would allow the impact of government influence on HRM practices in the voluntary sector to be examined in more depth.

Originality/value: This paper represents a rare examination of HRM practice across a wide range of voluntary sector organisations and provides insight into the potential influence of government on HRM in the sector.

Keywords

Voluntary sector Human Resource Management Government influence

Background

The management of human resources is central to the voluntary sector, not only because labour costs represent a significant proportion of total costs (Passey *et al.*, 2000), but also because the staff play an important role in delivering the organisation's mission (Kendall, 2003; Ridder and McCandless, 2010). A number of authors have identified a characteristic approach to management in the voluntary sector and this has influenced the way in which people are managed (Armstrong, 1992; Billis, 1993; Lloyd, 1993). This distinctive approach has been attributed to the specific context in which the voluntary sector operates (Armstrong, 1992). First, voluntary sector organisations are likely to have a strong value orientation linked to the organisation's mission, which will inform the approach to managing people (Ridder and McCandless, 2010). Second, managers in this sector are often accountable to a number of different stakeholders with potentially conflicting interests (Armstrong, 1992). Third, people attracted to work for voluntary sector organisations frequently have a commitment to the mission (Ban *et al.*, 2003). Cunningham (2010: 701) uses the term 'voluntary sector ethos' to describe how employees often commit to an organisation, in order to be able to serve a social cause or mission and argues that the employment relationship is therefore characterised by a 'high level of mutuality between management and labour' (p. 699). In practical terms this may mean that employees are less concerned with extrinsic rewards because they also seek intrinsic ones, which may allow employers to utilise what Lloyd (1993) terms the 'ethos discount', offering inferior (to market) terms and conditions of employment. Finally, many voluntary sector organisations typically experience an irregular and unpredictable stream of funding (Armstrong, 1992).

In recent years several commentators have observed that approaches to the management of human resources in the voluntary sector have changed (Kellock Hay *et al.*, 2001; Parry *et al.*, 2005; Parry and Kelliher, 2009; Rodwell and Teo, 2004). Many explanations for these changes stem from the increased role of the voluntary sector in contracting for the provision of publicly funded services. For example, Passey *et al.* (2000) have argued that the development of a 'contract climate' has placed greater cost pressures on employers and has limited their ability to develop long term relationships with employees. Parry and Kelliher (2009) found approaches to recruitment and retention changed in response to the labour shortages brought about by the significant expansion in the provision of drug and alcohol treatment services. Cunningham (2010) suggests that the increasing involvement of the voluntary sector in the delivery of publically funded services may have implications for the nature of the employment relationship in two ways. First, that the sense of mission may be compromised when these organisations become dependent on state funding. Second, that the principles of New Public Management (NPM) may impact

employee loyalty if they serve to undermine pay and conditions for employees. These changes may not have occurred as a result of deliberate government strategies to shape HRM in the voluntary sector, rather they may be an unintended consequence of greater government involvement in funding voluntary services through contracting out and the service delivery standards contained within contracted these relationships. However, a number of commentators have argued that government may exercise *direct* influence over the way in which employees are managed, by using its power as a purchaser to require contracting organisations to adhere to certain standards (Alatrasta and Arrowsmith, 2004; Cunningham, 2008, 2010; Parry and Kelliher, forthcoming). This may be in part an attempt to propagate ‘best practice’ via government sponsored initiatives such as Investors in People (Paton and Foot, 2000), but may also be driven by a concern to ensure that government funding is spent effectively (Parry and Kelliher, 2009).

Much of the extant evidence in relation to these changes has been specific to particular publically funded services (Parry *et al.*, 2005 substance misuse treatment services; Baines, 2004; Cunningham, 2008 social services). Consequently, from this evidence it is hard to generalise and it may be that certain parts of the voluntary sector have been subject to greater direct or indirect intervention by government than others. In an attempt to take a broader look at the voluntary sector, in this article we examine the 2004 Workplace Employment Relations Survey (WERS) data. This allows us first, to examine practices across a broader spectrum of the voluntary sector and therefore make a more general assessment, and second, to make direct comparisons between the voluntary, public and private sectors. The WERS 2004 was the first time in the series that data from the voluntary sector was recorded separately from other sectors, therefore it is not possible to assess change by comparison with earlier datasets. In the light of this constraint, we assess change in two ways. First, we will explore whether these findings differ from the characteristic approaches to managing HR reported in the literature. Second, we will compare the findings on the voluntary sector with those of the public and private sectors. We argue that if government has exercised direct influence over the sector, we are likely to see some similarity with the approach adopted in the public sector and possibly the private sector. The private sector is commonly thought of as the source of pro-market public sector management models such as New Public Management (Baines, 2004; Cunningham, 2008) and hence is a useful comparator to the public and voluntary sectors.

The public sector itself has undergone significant change in recent years, driven by the NPM agenda (Pollitt & Bouckaert, 2004) seeking to cut costs and increase efficiency by introducing: competition in service provision; private sector style management; and more explicit measurement of performance (Baines, 2010; Hood, 1991). This has resulted in increasing

delegation of HR and employee relations matters to managers at local level; the spread of HRM techniques and reduced significance of industry level collective bargaining (Bach *et al.*, 2009). Up until the 1980s governments had attempted to adopt the role of the ‘model employer’, based on the principles of fairness, involvement and equity and acted as an example to the private sector. Bach *et al.* (2009) argue that since then, in a restructured public sector, successive governments have encouraged closer alignment of HR policies and local managerial needs in order to encourage greater efficiency, which have in some circumstances challenged the notion of the ‘good employer’. There has been some debate over the extent to which the public sector and public service employment in particular, have retained their distinguishing features (Bach 2002: Winchester and Bach, 1995), but for our purposes it is important to compare practice in the voluntary sector with contemporary approaches in the public and private sectors. If government has used the public sector as a venue for change and the implementation of desired policies, then it could be argued it will seek to use its purchasing power to influence practice in similar ways. In this context it is also relevant to compare the findings for the voluntary sector with those of the private sector. If the intention of NPM is to introduce private sector management practices into the public sector, then contracting power may be used as a direct means to influence management in the voluntary sector in a similar way.

Bach, *et al.* (2009) examined change in the public sector using the WERS data, focusing specifically on four areas: performance-oriented practices; welfare-oriented practices; pay determination; employee representation and union organisation. Bach et al 2009 define welfare oriented practices as those procedures designed to ensure that disputes and grievances are dealt with fairly, provide high levels of job security, a variety of equal employment opportunities and universal pension provision, as opposed to performance-oriented practices that that are designed to maximise the performance of employees. For the purposes of comparability, we adopt a similar approach in this paper, focusing on the two of these areas - – performance oriented and welfare-oriented practices. A performance-orientation is associated with NPM and a welfare-orientation with the model employer approach.

Method

The data presented here are drawn from the 2004 Workplace Employment Relations Survey (WERS 2004). WERS is an establishment-based survey that includes detailed information employment relations in UK workplaces. The survey has been conducted in one form or another five times since 1980. We will focus on the 2004 survey here since this was the first time that

voluntary sector organisations were identified as a separate group (previously included in the “other” category). Our analysis uses data from the cross-section management questionnaire where the principal unit of analysis is the workplace (a workplace is defined as comprising the activities of a single employer at a single set of premises). Data were collected through face-to-face interviews with the senior person in each workplace with responsibility for industrial relations, employee relations or personnel management. These included a series of questions about HRM and employee relations policies and practices as well as a number of questions about the nature of the workforce. Fieldwork for the WERS 2004 Cross-Section began in February 2004 and was completed in April 2005¹.

The scope of the WERS 2004 Cross-Section extends to cover all workplaces with 5+ employees, located in Great Britain (England, Scotland and Wales). The data is based upon interviews with 2295 establishments. These respondents were identified from the Inter-Departmental Business Register (IDBR) maintained by the UK Office for National Statistics. This represents a response rate of 64% (3586 establishments approached).

For the purpose of our analysis, we used the responses to questions in two areas: performance-oriented practices and welfare-oriented practices; in line with Bach *et al.* (2009) analysis of the public sector. These are all single item measures. Over recent years there has been some move away from the use of single item measures in HRM research, towards the use of bundles or “configurations” (Delery and Doty, 1996) of practices. Rather than follow this approach, we decided to retain the single item measures from WERS for two reasons. Firstly, this paper is based on the precedent of Bach *et al.* (2009) and therefore we have used the same single item measures. Secondly, the data does not lend itself easily to the creation of bundles. When bundles were created, based on the literature and a Principal Components Analysis, the internal consistency (Cronbach’s Alpha) within each cluster was low (under 0.70). In order to compare HRM and employee relations practices in voluntary sector organisations with those in public sector organisations and in private sector organisations, we conducted a series of two group chi-square analyses.

Findings

The sample consisted of 2051 organisations who indicated their industry sector - 92 voluntary organisations, 1370 private sector organisations and 589 public sector organisations. The mean

¹ Full details of the methodology used can be found at <http://www.wers2004.info/wers2004/wers2004.php>

number of employees in each sector was 402.99 for the voluntary sector, 276.18 for the private sector and 761.23 for the public sector. This suggests that, in terms of size, both the private and public sector organisations provide suitable comparators for the voluntary sector organisations. The industries represented in each sector are detailed in table 1 below.

(Take in Table 1)

It is noteworthy that health and education account for the majority of organisations in the voluntary and public sectors, whereas manufacturing and retail are more common in the private sector. Consequently, similarities and differences between the sectors may also be influenced by industry composition rather than sector per se.

(Take in table 2)

It might be expected that the impact of NPM would be a greater focus on performance related HR practices. Bach *et al.* (2009) have noted an increasing use of HRM practices in the public sector, essentially concerned with contributing towards organisational performance (Paauwe, 2009). The data show that the use of appraisals and off the job training is reported by a large proportion of voluntary sector employers, suggesting that a focus on performance is in place. Furthermore, employee appraisals resulted in an evaluation of the training needs in nearly all (96.5%) cases. The use of various communication and employee involvement schemes designed to improve organisational performance were also reported by many voluntary sector employers, in particular the use of briefing groups, dissemination of information about the financial position of the organisation and staffing plans. The common use of these communication tools in the voluntary sector may not be surprising, since voluntary sector employees tend to be committed to their organisations' cause and may therefore be both willing and interested in contributing to performance. Such mechanisms may also be seen as a means of supporting the mutuality of purpose (Cunningham, 2010).

Though the findings for the voluntary sector shows that performance oriented practices are widespread, the results do not show a clear cut relationship with either the public or private sectors. There are a number of practices where there is a high degree of uniformity across the sectors including the aforementioned performance appraisals for all non-managerial employees, the use of suggestion schemes and the provision of information to employees about investment plans, the financial position and the organisation's final position. Voluntary sector organisations

differed significantly from both the public ($p < 0.05$) and private sector ($p < 0.01$), in terms of providing information about staffing plans. Voluntary sector organisations were significantly different from the private sector in the provision of off-the-job training, and the use of briefing groups, though not significantly different from the public sector. Off-the-job training in the voluntary sector also indicates significant differences from the other two sectors though this may be explained by the predominance of health and education employers who tend to rely heavily on off-the-job training. For other practices, voluntary organisations were more similar to the private sector and were significantly different from the public sector – specifically, the use of problem solving groups, systematic use of the management chain for communication and the use of newsletters. It should be noted that in each case, other than for the use of performance appraisals and the provision of information on the organisation's financial position, the public sector organisations were most likely to use the performance model practices.

(Take in table 3)

Examining the welfare-oriented practices identified by Bach et al (2009), the picture was also mixed, with no consistent evidence of the voluntary sector organisations being more similar to the public than the private sector. Voluntary organisations were only similar to the public sector and significantly different to the private sector in the use of three practices – offering flexitime, offering home working and the existence of an individual grievance procedure. In each case the voluntary and public sector organisations were more likely to use the practice. Whilst the figures for flexible working practices suggest a greater welfare orientation, it should be noted that since the data were collected the legislative provisions concerning flexible working have been extended and as a result these figures may have changed in more recent times. Furthermore, studies from parts of the voluntary sector which have been subject to increasingly intense competition suggest that flexible working options have been used as a means of compensation for lower than public sector rates of pay, rather than a reflection of a welfare-orientation per se (Parry and Kelliher, 2009).

Voluntary sector organisations were similar to the private sector, but significantly different from the public sector, in their provision of sick pay over the statutory minimum, use of collective disputes procedures and disciplinary procedures. Voluntary and private sector organisations were more likely to offer sick pay over the statutory minimum but less likely to have a collective disputes or disciplinary procedure. For three practices, the voluntary sector organisations were significantly different from both the public and private sector organisations. These practices were:

having an equal opportunities policy, offering job-sharing and employer pension schemes. For equal opportunities policies and employer pension schemes the public sector was more likely to have adopted these policies, followed by the voluntary sector and then the private sector. Offering job share schemes was more prevalent in the voluntary sector followed by the public sector and then the private sector.

Discussion and Conclusions

WERS 2004 for the first time in the series separated out responses from voluntary sector organisations. This has allowed a picture of employee relations and HRM practices across the sector to emerge to emerge, complementing existing in-depth studies which have tended to focus on only one part of the voluntary sector. In this article we have used the WERS 2004 data to examine the use of HRM practices in the form of performance orientated and welfare oriented practices, mirroring the analysis of Bach et al (2009) for the public sector.

Overall the data present a fairly positive picture of HRM practice in the voluntary sector. Performance oriented practices such as performance appraisal and off the job training appear to be widespread. Equally, the use of communication and involvement practices designed to contribute to performance were all also reported by many employers, perhaps reflecting the mutuality of purpose between managers and employees and more participatory ethos in voluntary sector organisations (Cunningham, 2010; Van Til, 2000; Weisbrod, 1998). Welfare oriented HR practices, particularly those designed to ensure fairness such as equal opportunities practices and grievance and disciplinary procedures were reported by nearly all voluntary sector respondents. This would fit with the value-driven approach characteristic of voluntary sector organisations (Ridder and McCandless, 2010). Similarly, flexible working arrangements, although there were some variations between forms, were offered by the majority of employers. Employer pension schemes were also provided by most organisations.

With the introduction of NPM as the pivot point (Baines, 2004; Cunningham, 2001; Evans and Shields, 2002), HRM in the voluntary sector has been subject to far reaching change in recent years (Parry and Kelliher, 2009; Rodwell and Teo, 2004), however the lack of longitudinal data does not allow for comparisons to be made with earlier datasets that might track and confirm the depth of these changes. However, in an attempt to explore this change with a wider dataset and whether the nature of change has been shaped by increased involvement with government, we compared these findings from the literature concerning traditional models of HRM in the voluntary sector and with WERS responses from the public sector. In view of changes in the

public sector, driven by the NPM agenda, we also made comparisons with the private sector. Taken together, the HRM practices reported in the WERS data suggest a departure from traditional approaches in the voluntary sector that have tended to lack sophistication in the eyes of some (Lloyd, 1993; Butler and Wilson, 1990) and a more participatory, social-justice orientation in the eyes of others (Baines, 2010; Evans and Shields, 2002; Van Til, 2000). Our conclusions are also in line with the findings of recent studies that have identified change in HR approaches adopted in parts of the voluntary sector (see for example, Kellock Hay *et al.* 2001; Parry and Kelliher, 2009).

In comparison to the public sector there were many similarities but also differences. Performance oriented practices such as the use of appraisal and off the job training showed similarities. Though overall, the public sector reported greater use of communication practices designed to contribute to organisational performance than did the other two sectors. This may, at least in part, be explained by a higher degree of formalisation resulting from higher levels of trade union recognition in the public sector. There were also similarities in the use of welfare oriented policies, although the voluntary sector generally reported lower levels of adoption. This change might be explained by government using its purchasing power to require contractors to conform to certain standards (Alatrasta and Arrowsmith, 2004, Cunningham, 2008) as well as a time lag involved in their full implementation. When compared to the literature on traditional HR practices in the voluntary sector, the data suggest that government has had influence on practice within the voluntary sector and some similarities with public sector HR are evident (Leat, 1993)..

In contrast, the private sector reports overall; lower levels of adoption of both performance and welfare oriented HR practices than either the voluntary or public sectors. At one level this is surprising given and the widespread view that NPM principles are very compatible with the private market and therein found their origins and inspiration (Davies, 2008; Evans and Shields, 2002; McDonald and Marston, 2002). The WERS includes a range of private sector organisations, spanning HRM innovators to 'bleak house' employers (Sisson, 1993), representing a wide range of better and less desirable HR practices.

The data suggest some convergence with the public sector, which has itself undergone significant change (McDonald and Marston, 2002). at the 2004 WERS data and subsector specific studies (Baines, 2010, 2006; Brainard and Siplon, 2004; Cunningham, 2008; Parry et al, 2005), seem to confirm that many of the HR changes observed in this sector have been advanced through government contracting-out and the standards required of funded agencies and the larger influence of NPM. Ironically, while NPM may find its origins and inspiration in the private market, performance management practices are much more evident in the public and voluntary sectors

than the private sector itself, suggesting that government is leading this pro-market remake of the voluntary sector.

The generalisability of these findings may be limited by the small sample size of voluntary sector organisations. In addition, the lack of longitudinal data on the voluntary sector in the WERS series means that there are limitations on our ability to assess change over time in the voluntary sector.

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Table 1: Industry

	Voluntary sector (%)	Public sector (%)	Private sector (%)
Manufacturing	0	0.8	21.2
Electricity, gas and water	0	0.5	3.1
Construction	0	1.5	7.2
Wholesale and retail	1.1	0	21.2
Hotels and restaurants	1.1	0.3	6.3
Transport and communication	0	5.9	7.4
Financial services	0	0	8.9
Other business services	5.4	1.5	15.3
Public administration	0	22.6	0.2
Education	20.7	26.1	0.4
Health	53.3	34.0	4.0
Other community services	18.5	6.6	4.7

Table 2: Performance-oriented practices

	Voluntary sector (%)	Public sector (%)	Private sector (%)	Chi-square (public vs. voluntary)	Chi-square (private vs. voluntary)
Performance appraisals for all non-managerial employees	82	79	80	2.233 NS	8.232 NS
Off-the-job training for some employees in the largest non-managerial occupation	94	98	87	11.257 NS	28.256 p<0.01
Briefing groups	91	92	78	0.000 NS	9.211 p<0.01
Problem solving groups	28	43	32	7.457 p<0.01	0.672 NS
Systematic use of the management chain for communication	67	86	71	21.268 p<0.01	0.402 NS
Newsletters	64	77	57	6.548 p<0.05	1.802 NS
Suggestion schemes	40	38	36	0.187 NS	0.645 NS
Investment plans	56	60	49	0.529 NS	1.814 NS
Establishment's financial position	74	81	65	2.308 NS	3.168 NS
Organisation's financial position	59	63	67	0.234 NS	1.296 NS
Staffing plans	75	85	58	5.171 p<0.05	10.232 p<0.01

Table 3: Welfare oriented-practices

	Voluntary sector (%)	Public sector (%)	Private sector (%)	Chi-square (public vs. voluntary)	Chi-square (private vs. voluntary)
Equal opportunities policy	92	99	81	14.431 p<0.01	7.409 p<0.01
Work-life balance practices offered					
Flexitime	61	51	35	3.216 NS	9.350 P<0.01
Job-sharing	81	61	34	19.344 p<0.01	28.296 p<0.01
Home working	34	45	51	1.506 NS	4.491 p<0.05
Employer pension scheme	86	96	71	15.660 p<0.01	9.418 p<0.01
Extra-statutory sick pay for largest non-managerial occupation	27	18	34	3.955 p<0.05	1.700 NS
Collective disputes procedure	56	83	49	5.171 p<0.05	1.369 NS
Individual grievance procedure	99	100	93	1.013 NS	5.105 p<0.05
Disciplinary procedure	97	99	94	3.964 p<0.05	1.028 NS

