

High Performance Working: A Policy Review

Executive Summary 18
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Introduction

The UK Commission for Employment and Skills has been charged by the four governments of the UK to lead a major project looking at skills utilisation and its impact on productivity and performance. Skills utilisation is concerned with maximising the contribution that people can make in the work place, and therefore how well people's abilities have been deployed, harnessed and developed to optimise organisational performance. What happens inside the work place is therefore crucial to skills utilisation. This is why a key focus of the UK Commission's work is on understanding how organisations can be successfully run to achieve High Performance Working (HPW).

HPW encompasses the bringing together and implementation of a number of practices in a holistic way to effectively manage an organisation. As such it must provide an important means to stimulate businesses to: review their business strategies; move up the value chain (i.e. by delivering higher value goods and services); raise their demand for high skills; reorganise their work; and by so doing improve skills utilisation in the workplace and, hence, firm performance.

The study has therefore been concerned with HPW as a crucial means to achieve better skills utilisation, rather than seeing it as an end in itself.

This report is one of four research components of the UK Commission's skills utilisation project. It presents the results of a Policy Review that scopes the current field of the most relevant, core initiatives and support available to organisations in the UK, to promote and assist in the adoption of HPW.¹ The other projects published in separate reports include: a synthesis of the literature on HPW; the development of a measurement tool to monitor future HPW take up and benchmark variations in employer practices in future (both reported in 2009); and organisational case studies to develop understanding of how HPW is effectively implemented (published in parallel with this report).

Skills utilisation, and to a lesser extent HPW, have gained importance in academic and policy circles in recent years, alongside a growing interest in the route to securing improvements in productivity, economic

¹ See the UK Commission for Employment and Skills website for further information at www.ukces.org.uk

performance and competitiveness. Skills have played a central role in public policy for some time as a means to drive productivity improvements.² It has become increasingly clear, however, that steps to improve supply and raise the skills of the workforce are, whilst extremely important in themselves, not enough on their own. Indeed, this does not guarantee that those skills will be effectively deployed in the work place and therefore that productivity improvements will result.

As a consequence, this has led to a shift in policy debates and growing attention on the means to raise skills demand and achieve effective skills utilisation in the workplace as well as skills development. HPW has been identified as one key way in which employers can maximise the potential of their employees and ensure their effective development and deployment. However, despite this growing interest, it is not yet fully, and/or in many cases, *explicitly* reflected in existing policy commitments and strategies, or the delivery systems operating across the UK. The exception to this is Scotland which explicitly emphasises the importance of

² HMT (2001) Productivity in the UK: The Evidence and the Government's Approach. Find at: http://www.hm-treasury.gov.uk/ent_prodevi_index.htm

action to drive up skills utilisation through particular products and services for business and stimulate skills demand as well as tackling skills supply.

Our approach

Given this position, we have reviewed the existing public policy frameworks of the four governments with **a HPW lens**. The intention has been to explore how they support and promote the adoption of HPW and in turn skills utilisation and where there may be potential for further development. In practice this has meant that we have sought to review the range of core policy initiatives currently available, that might be relevant to HPW. We have not only been interested in the key initiatives and services relevant to this area but the strategies and broader frameworks to which they relate. In other words, we have sought to understand the policy framework strategically, as well as understanding its delivery by front-line staff. Given that the relevant policy areas are devolved, this has meant reviewing policy at a variety of levels nationally and regionally across the UK. Our approach has been to focus the review on initiatives principally targeted at the workplace where HPW is enacted; at a micro level. The Policy Review has been based on a

combination of desk research and interviews with key players involved in different parts of the system, whether in developing strategy, policy development or specific aspects of delivery.

The strategic overview section in this report seeks to examine the UK's overall policy framework in relevant areas in the four nations (including at a regional level in Scotland and England). It places a particular focus on the role of skills and enterprise policy, as these are deemed to be the most significant for HPW and skills utilisation in the workplace. A key objective has been to understand how the strategic aims in the skills and enterprise policy frameworks, which are contextualised in the separate national and regional strategies, have both driven and shaped as well as been informed by the scope and range of current provision and key services implemented in this area across different parts of the UK. As such the strategic overview has sought to provide the context and backdrop against which to consider the separate initiatives and hence to review the policy frameworks in action.

To identify and assess the relevance of the core policies and initiatives, we used a theoretical framework, derived from a

detailed exploration of the literature on HPW, which captures a sufficiently broad perspective of the core management and business practices relevant to HPW, known as the ‘4A model’ (see Belt and Giles 2009). We have mapped the individual policy initiatives against the 4A model to find out how far they impact upon the HPW system and which aspects of the initiative have this impact. We have sought to assess their level of impact in terms of both relevance and variations in the types of policy levers used.

Key findings

Our analysis of the existing policy framework suggests that HPW is currently an agenda without a clear home across the UK. At the time of commissioning the review in 2008, only Scotland had adopted a narrative on skills utilisation within its skills strategy and, although at that time it emphasised the importance of stimulating innovation in business practices within the workplace, HPW per se has featured less explicitly. More recently, there have been developments in skills strategies and policy debates which increasingly acknowledge skills utilisation and HPW (see for example, ‘Skills for Growth’ in England and recent developments in Northern Ireland, Scotland and Wales).

Yet if HPW is seen as having an important role within workplaces to enhance business effectiveness and performance, there is still the need to recognise this more strongly in policy terms. As such this strengthens the case for a stronger policy vision for the future for different parts of the UK, emphasising the value of HPW to business performance and which sets out a clear role for policy and delivery in supporting its take up. Such visions could then serve to inspire the development of key products and to drive and integrate all the various components of the system nationally and regionally. Our analysis also shows that there is room to enhance the analysis and understanding of the nature of the current HPW challenge in different parts of the UK – such assessments are hampered by a lack of common measures to aid a detailed understanding of labour market practices in this area and any variations spatially, as well as broader related issues.

At a strategic level, another element of the policy gap concerns the comprehensiveness of the policy offer in relation to HPW and how well what is available is aligned. The key issue here is that the most relevant ‘HPW’ policies actually originate from two distinct frameworks; one for skills policy and one for

business enterprise. Both frameworks, and their associated strategies and initiatives, focus on parts of the bigger picture. As such, a key risk is that instead of encouraging and promoting a holistic approach to HPW on the ground that drives up individual business performance, they operate in practice as two quite separate systems, with limited reference to the ‘bigger goal’. Whilst there may be varying moves towards greater alignment and integration, this is not happening consistently at the same rate nor in the same direction in different parts of the UK. This raises important questions about the ‘real’ influence and impact of policies on the ground and risks reducing the ‘sum total of the individual parts’ of the two systems in relation to HPW.

Our research for this Policy Review has also highlighted the existence of a **policy to implementation gap** at an operational level. This has raised questions about: clarity in understanding of HPW and skills utilisation amongst front-line staff; ownership of the agenda and how this might more effectively be shared (within and across areas) to secure a greater impact; how to ensure consistency in delivery; the comprehensiveness of the ‘HPW offer’ on the ground; the effective alignment of different initiatives relevant to

HPW; and the effectiveness of how HPW itself is promoted in its own right. The research draws out a number of possible developments for future delivery. In particular, the research has identified a demand for more *intelligence* that brokers and advisers can use to more effectively and convincingly make the business case for HPW and the need to change. Related to this, there is a need for more *information* and *insight* to highlight and illustrate ‘real-life’ practice of what works on the ground for different employers, what barriers have been faced and overcome, and to provide examples of best practice for brokers to use and share amongst each other, which can inspire more businesses to act. The benefits for adopting HPW must be clear to employers and publicised making the business case for change.³ This also raises issues about how existing products might be more effectively promoted and existing ‘sources’ of expertise more effectively deployed. This highlights too the need to think about how such information is stored, circulated and shared as well as updated. In this context, there is a case for cross agency working and developing

³ The UK Commission’s case study work published alongside this report and the Scottish Government’s Best Strategies Project (please see: <http://www.scottish-enterprise.com/publications/skills-utilisation-report-final.pdf>) are responding to this need.

effective networks for on-going sharing best practice and learning and directing employers to the business professionals, specialists and champions who are the leading experts. Clearly, there are also advantages to such networks operating vertically as well as horizontally to encourage information exchange, communication, and the sharing of insights between policy makers and front-line staff.

The Policy Review has also identified a measurement gap in that current measures of success and performance outcomes sought do not tend to capture the full effect of the initiatives in terms of HPW outputs and outcomes and/or objective measures of business performance outcomes and impacts. This may be for a variety of reasons; for instance, historically, many of the initiatives are not rooted in HPW and/or skills utilisation, and at most, HPW is often a second or third order issue (if mentioned at all) given the fact that initiatives may not have originally been specifically established to tackle it. However, if skills utilisation and HPW are genuinely to achieve greater importance within the policy agenda, this does raise questions about the focus of future measurement frameworks. Arguably, this will call for the need to take a more

strategic perspective. This would seek to capture different aspects of HPW, skills demand and skills utilisation which apply commonly to different areas of policy, as new measures distinct to each separate policy framework.

The Policy Review has also examined the type of **policy levers** already used in this area to enable a more complete assessment of the nature and influence of existing policy provision relevant to HPW. Most of the initiatives are arguably ‘light touch’ and focus on providing information and at most ‘incentives’ to gain employer interest rather than more ‘coercive’ measures which force or compel employers to act. This means the underlying policy principle is highly voluntaristic, individualistic and advisory in nature. Whilst there is a strong case for voluntarism and employers willingly buying in to the need to act rather than being forced to, there are questions about whether this sufficiently targets certain types of businesses and sufficiently supports the ‘hard to reach’ employers especially those who continue to maintain lower skilled, lower value operations. Therefore, a key question for policy makers and practitioners is whether there is room, albeit in carefully

targeted and exceptional circumstances, to use stronger policy instruments. In future, to support businesses to continuously improve, make better use of their staff and seek to be HPW organisations, these could seek to aim at a macro (economy-wide), intermediary (targeted at clusters of employers) or micro level (focused at individual firms). These could more strongly, and more widely incentivise, ‘nudge’ and stimulate specific hard to reach employers either individually or collaboratively to act, provided that this is based on a climate of trust within companies. This could provide an additional means to extend the take up of HPW.

Future action and recommendations

The report concludes by proposing a potential policy framework for action for policy makers and practitioners to deploy in different parts of the UK, to guide future policy development work and practice in this area. This has a number of components to it and some of the key ones are highlighted in the proposed policy framework:

- demonstrates the importance of first *understanding the broader context* in which the policy interventions are developed and delivered in different parts of the UK. This would seek to make sure that the rationale for action is strongly made, clear and appropriately focused, and based on a sound understanding of the challenge or problem being tackled. Ideally, this would share common core components as well as highlighting where challenges are distinct in different parts of the UK;
- illustrates the need for a *system-wide vision* on HPW albeit articulated differently in different parts of the UK. Clearly, this needs to be contextualised within separate national and regional strategies appropriately to meet local needs and varying spatial priorities, but arguably it should also support a broad HPW goal namely, what is the business case for HPW. Not only will this strengthen the policy gap on ‘what to do’ but it will also provide an important first step towards bridging the policy to delivery gap by more effectively integrating and aligning policy and practice within the system around HPW;

- demonstrates the need to *improve the existing systems to operate more holistically*, promoting a more comprehensive *HPW offer* at its core and learning from best practice. This should clearly communicate and embed the new vision in the enterprise and skills initiatives and services operating in different parts of the UK through tailored advisory material, information campaigns, communication and direct development of policy makers, staff, advisors and brokers. This is not about standardising delivery from the centre to all employers or removing local flexibility but being clearer about what *core* elements fall within the HPW approach, developing a clear narrative for employers presenting the business case for action, which shows the value of HPW and therefore allowing HPW to be more explicitly promoted as a whole. This includes making what is on offer more transparent;

- emphasises the need to *recognise and fully promote core existing HPW products and stakeholders' expertise*. This means acknowledging and effectively positioning key products in this area (such as liP) and working with wider recognised stakeholders to effectively harness a wider array of existing expertise and knowledge. A key intention here should be to create and promote broad 'communities of interest', which can optimise business to business learning, capability building, networking and the sharing of best practice for different groups of employers. Such networks clearly should also operate amongst practitioners and policy makers to enhance communication and best practice and continuous improvement;
- stresses the *importance of on-going monitoring and evaluation* which ensures that the full, long term impact and outcomes of initiatives and practices can be assessed, that benchmarking can be undertaken capturing key variations in practices and that future delivery can be adapted and enhanced to build on what works and promote more widespread take up of HPW. It should also provide the basis to continuously improve and tackle issues in service coverage;

- encourages *continuous research and development work, which progresses investigations into more innovative approaches and policy levers*. In particular, this should seek to draw from innovations abroad as well as within the UK. There is also arguably a need to consider what additional levers might be effectively deployed beyond the micro level, to encourage the take up of HPW more extensively across the economy in future albeit in carefully targeted situations. Further insight might also be drawn from effective collaborative, business to business approaches which encourage best practice amongst groups of employers operating together. The UK Commission's Collective Measures project provides a case in point, which may offer insights here.⁴ Such work needs to explore the special circumstances in which these additional levers might be best deployed. Future research should more actively consider the interplay of such new approaches with wider macro policy levers and how they could be aligned and used to best effect alongside on-going developments in wider national policy such as those in economic development and industrial policy.

⁴ See here: <http://www.ukces.org.uk/evidence-reports/review-of-employer-collective-measures-final-report>

Executive Summaries present the key findings of the research and policy analysis generated by the Research and Policy Directorate of the UK Commission for Employment and Skills. More detailed analytical results are presented in Evidence Reports and all outputs are all accessible on the UK Commission's website **www.ukces.org.uk**

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