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# International approaches to high performance working

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# International approaches to high performance working: executive summary

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## Introduction

This report was commissioned in response to research evidence showing a positive association between high performance working (HPW) and both skills utilisation and performance at an organisational level. The UK Commission's previous work on HPW shows that the prevalence of HPW is both low and static in the UK, and the present study is part of a systematic attempt to uncover the means by which broader application of HPW might be encouraged in the UK. Specifically, in order to learn from experience internationally, the research sought to: (1) develop understanding of how HPW is interpreted in different national contexts; (2) identify the different methods utilised to encourage and support up-take of HPW; and (3) utilise the understanding of conditions that give rise to HPW being prevalent in some national contexts as a basis for policy learning for the UK.

The UK Commission defines HPW as:

> A general approach to managing organisations that aims to stimulate more effective employee involvement and commitment in order to achieve high levels of performance... designed to enhance the discretionary effort employees put into their work, and to fully utilise the skills that they possess. (Belt and Giles, 2009, p3)

Not all of the countries studied actually use the term HPW in referring to practices that relate closely to the above definition. In this study, the aim has been to identify relevant activities and interventions in the different countries examined that are broadly consistent with the UK Commission's definition. Conceptualisation differences exist with respect to HPW, with some countries focusing upon skills utilisation, and others adopting a more holistic view which embraces workplace productivity and innovation. Indeed, there is an interesting example of difference in approaches to HPW emerging within the UK. Scottish policy-makers, seeking to address the problem of how to ensure that skills are developed and put to effective use within innovative workplace environments, are moving towards linking skills policy to a wider economic development, innovation and business improvement agenda.

Following horizon scanning, seven countries were selected as case studies for the research. The chosen countries had either achieved success in widely adopting HPW or placed a significant policy emphasis upon encouraging firms and organisations to adopt HPW approaches. Sweden, Finland and Germany were selected as acknowledged front runners in organisational innovation activities, along with Ireland, Canada, Australia and New Zealand, all of which have recently investigated how they might intervene to encourage HPW, and piloted and introduced relevant measures. These latter countries exhibit relatively

similar policy contexts (culture, business, political institutions, employment relations and so on) to those found in the UK.

## Findings

The main findings are as follows:

**Two broad 'regime' types can be identified relating to HPW and its encouragement at workplace level: one founded on legislation; the other more voluntarist in nature.** The division among countries studied is broadly between northern Europe (arguably including Ireland) and a group of other western countries. In the former bloc, governments and social partners have developed a model of industrial relations that, through collective agreements underpinned by legislation, has created an environment that naturally encourages adoption of HPW practices, and frequently links such activity to broader attempts to encourage innovation within the workplace. In countries such as New Zealand, Australia and Canada, the preference is for a more Human Resource (HR)-focused HPW strategy, and these case studies offer examples of how HPW policy can be pursued through a more voluntarist intervention framework, such as that operated within the UK.

**In most of the countries investigated, skills utilisation is more of a concern than skills development per se**. A strong message from the countries studied is that skills development alone is not guaranteed to result in innovation and increased productivity. Typically, the countries investigated possess a high level of workforce skills and effective VET systems. The background to HPW policy in all case study countries was recognition that a stronger focus on leadership, management and culture at the workplace level provides opportunities to better utilise existing skills and that productivity gains can be achieved by engaging workers in realising their greater potential.

**A strong feature in all the countries studied is the commitment of social partners to programmes of support for HPW**. A social partnership framework (typically, government, employers and unions, but sometimes including research institutes) is a central feature of policy initiatives in the case study countries. Indeed, those countries with less developed social partnership arrangements devote considerable effort to ensuring that the relevant social partners are both supportive and fully engaged with the policy process relating to HPW (New Zealand). Unions and employers' associations tend to play a supportive rather than leading role, while support for HPW programmes typically spans the political spectrum. Presenting HPW as a 'win-win' option for both employers and workers is widely seen as critical to achieving the level of cooperation needed to institute HPW systems. Both

employers and employees at workplaces have to be receptive to the package of HPW practices, and willing to cooperate in seeking workplace solutions. While such cooperation is easier where employee involvement in workplace decision making is mandated through legislation, it also occurs voluntarily in employment contexts more similar to those in the UK.

**There are significant differences between countries in terms of the scope of interventions relating to HPW.** Interventions range from those with a primary focus on improving and utilising skills within the workplace (Canada), and HR-focused initiatives to develop productivity (New Zealand), through to programmes linking such developments to innovation more generally (Ireland, Finland). Some countries (Finland, Sweden) have also linked the process explicitly to improving the quality of working life. Thus, alongside straightforward attempts to address market failures affecting HPW adoption (such as information deficiencies), there are examples (Finland) of long-duration and holistic approaches, explicitly linked to the national innovation system, embedded across different departments and with top-level political leadership. Linking HPW initiatives at workplace level with those encouraging innovation is an increasingly central tenet of thinking (Germany); other case study countries (Ireland, Finland, Sweden) explicitly recognise this in their workplace innovation programmes. The consensus that appropriate forms of work organisation are crucial to effective innovation is a powerful argument in support of HPW. It has resonance in the UK, where innovation continues to be conceived in relatively narrow terms.

**There are examples of ambitious interventions relating to HPW that are research-led and based on the development of learning networks.** The more holistic and ambitious HPW programmes tend to be research-led. They seek to achieve genuine innovative solutions for sustainable improvements in workplace productivity through the development of learning networks connecting both firms and research and/or practice-based external expertise. Experience in Finland, Sweden and Germany suggests that a 'one-size-fits-all' approach to formulating solutions for workplaces is not viable, and design-led approaches will not enable the full benefits to be derived from adopting HPW. This underscores the importance of developing supportive expertise and creating opportunities for learning through interactions.

**Building an infrastructure of expertise and support is a relatively drawn out process, as is the process of building awareness, understanding and stakeholder support for HPW**. While short-term gains can be made through highly targeted and strategic interventions at an early stage, generalised benefits from the spread of such practices take time and are enhanced by the development of a specialised infrastructure of support. Germany and Finland have both sought to develop substantive research communities with sustainable networks of research and enterprise partners, including links between the networks of different projects. It is recognised that it is a significant policy challenge to achieve and maintain real momentum in relation to HPW adoption, since the necessary philosophy and understanding needs to be embedded at firm level, and in networks and support structures. There is also a need to build support and awareness at the political level, and among employer associations and unions.

**The targets of HPW programme interventions vary between countries, but tend to focus upon SMEs with growth potential.** This reflects the fact that HPW outcomes vary between different kinds of organisations, and also that available funding for programmes is particularly restricted in some countries, leading policymakers to target the resources narrowly. Larger firms are generally found to be more self-sufficient with regard to adopting such systems, so different forms of support can operate in relation to large and small firms (Ireland). While the services sector has received attention within HPW programmes in several countries (Germany, Finland), manufacturing and exporting SMEs are widely and increasingly favoured; often because of budgetary restrictions and the strategic importance of such firms.

**Businesses that take the 'high road' approach to production tend to be associated with higher rates of HPW adoption, and more creative use of such practices at workplace level.** Experience consistently points to the fact that some types of workplace are more receptive than others to the potential for employers and employees to work together on HPW issues. Businesses with high road strategies that emphasise quality and innovation of product or service are more likely to adopt HPW practices than those with low road strategies emphasising cost control and competition based primarily on price. In particular, highly selective use of individual HPW techniques within low road strategies is sometimes associated with intensification of work processes and uneven distribution of the benefits, weakening the commitment of unions (and employees generally) as important partners within these programmes.

**HPW programmes consist almost entirely of awareness-raising, providing information, developing diagnostic tools and specific interventions at workplace level.** The programmes typically deploy 'soft' measures, such as raising awareness, providing information, and developing diagnostic tools, together with funding for specific interventions or activities at workplace level. Most countries directly encourage the adoption of HPW systems through funding projects in a limited number of businesses (often working in groups), and then use the resulting case studies to demonstrate the benefits of HPW to the wider business population. While the projects undoubtedly lead to individual workplace benefits, there is a lack of evidence as to the overall scale of impact associated with this approach.

**In budgetary terms, HPW programmes tend to be modest, especially in countries operating less intensive programmes, and evaluation evidence suggests that the workplace projects yield real results.** The budgetary allocations for workplace innovation programmes are nowhere substantial, and in most countries annually amount to less than one Euro (€1) per head of the population. Evaluation evidence, where it exists, points to real benefits to the organisations themselves. This is consistent with the findings of quantitative research.

**HPW programmes can be devised and operated at different levels of government, in combination with social partners playing a variety of roles.** While some countries operate their programmes centrally, both Finland and Germany offer examples of the way in which a national policy goal of modernised work-practices is pursued through regional coalitions of social partners. There are also examples of well-developed resources and tools that have been used in policy programmes to promote HPW, both at a central and decentralised level. In Australia, for example, Business Victoria has developed a comprehensive range of advice and factsheets designed to promote HPW practices and support businesses in adopting such practices. Sophisticated diagnostic tools have been developed in a number of countries, as have dissemination strategies.

## Implications for policy in the UK

There is a large literature that supports a growing consensus that HPW systems can play an important role in underpinning productivity gains. This study shows how different countries have responded in terms of encouraging HPW. Research findings and policy practice point to increasing evidence that HPW systems can be fundamentally important, not only to better utilisation of skills in the workplace and associated productivity gains, but also to successful innovation within businesses. This is highly relevant to the UK's present need to raise competitiveness both in domestic and overseas markets and achieve growth.

The evidence contained in the report can inform the development of objectives for the wider adoption of HPW in the UK. It shows what has been achieved in other countries and over what sort of time frame. The research both identifies a number of options for policy initiatives, and provides the basis for assessing their relevance for the UK. In the present budgetary and competitive environment, the 'do nothing' option would appear to have significant risks attached. That said, the creation of the type of legislative frameworks that have underpinned HPW, or workplace versions of it, in Scandinavia and Germany are not a feasible option, given the conditions, structures and legislative frameworks prevailing within the UK. However, this does not mean that specific aspects of policy in such countries are not potentially instructive, while useful lessons may be drawn from policy experience in other (institutionally more similar) countries.

Bearing this in mind, the following points can be made regarding HPW policy in light of the UK's present situation and the lessons of the study:

1 Active policy for encouraging adoption of HPW in the UK is likely to be one that is operated according to voluntarist principles, consisting of a limited programme, such as those found in Canada, New Zealand and Australia. Such a programme would engage in raising awareness of HPW, and rely upon interventions that encourage a voluntarist response via role models and demonstration effects (i.e. mainly addressing deficient information aspects of market failure), accompanied by an ongoing strategy for dissemination and encouragement of wider uptake. Such an approach would be pragmatic and realistic in terms of the budgetary implications. There are many good practice examples in case study countries that might be drawn upon in designing policy for the UK.

2 The UK could provide some form of support for individual firms to access expertise in workplace innovation. In light of budgetary constraints, this could be targeted at particular organisations; specifically those with potential for gains but subject to significant market failure in terms of HPW adoption. This would have direct benefits for the firms involved, and would also provide case studies or models for purposes of disseminating information about HPW to other organisations. Given the need for a clear and demonstrable economic return to public investment, programmes could focus on firms that are most receptive to HPW concepts (small to medium firms with HR capability and a strategic interest in growth).

3 There are a variety of funding mechanisms operating that could inform the development of a UK HPW programme. Attention might be given to allocating funds to support workplace projects on the basis of small groups of firms, linked to an expert network (specialised consultants, researchers and 'model adopters'), in order to generate knowledge exchange. This would address market failures relating to the transaction costs associated with network formation, and lack of economies of scale for small firms acting individually (as elaborated in the UK Commission's Collective Measures research programme). Supporting such interactions would help to develop the knowledge base regarding development and adoption of HPW systems, and also assist in dissemination of best practice.

4 Support of HPW in businesses may offer an appropriate niche for key social partners, especially given the present restructuring of business support in the UK. In the absence of either a 'Ministry of Labour' or a developed social partnership model, the ownership of policy initiatives relating to HPW in the UK is a relatively open one. Joint working between BIS and DWP might be investigated, and the way may be open for employers to take a lead on this issue. Given the essentially collaborative nature of HPW systems at workplace level, such bodies would be wise to work, wherever relevant and feasible, in partnership with unions.

5 The link between innovation and HPW systems in policy and related structures in some case study countries raises an important point relative to the UK. The key role played by employees in relation to adopting new process and product technology is widely recognised as a vital underpinning of successful innovation. HPW systems have been widely seen as providing the means through which such change is facilitated within organisations, and current thinking in Scotland regarding HPW and innovation reflects this position. An HPW initiative would offer an opportunity for UK policy-makers to consider widening their perspective on encouraging innovation.

6 Countries that have evolved HPW intervention programmes have done so in a phased way, allowing the time needed for developing the necessary levels of awareness, expertise and support among stakeholders. A measured start to such a programme would be both practical, given present funding constraints, and also strategic. It would also avoid generating unrealistic expectations that might result in disenchantment with the programme. Again, there are examples among the case study countries of how such phasing can be achieved.

A bibliography with full details of the references in this Executive Summary is available in the corresponding Main Report, International approaches to high performance working, available at: www.ukces.org.uk.

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