

International approaches to high performance working

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Foreword

The UK Commission for Employment and Skills is a social partnership, led by Commissioners from large and small employers, trade unions and the voluntary sector. Our mission is to raise skill levels to help drive enterprise, create more and better jobs and promote economic growth. Our strategic objectives are to:

- Provide outstanding labour market intelligence which helps businesses and people make the best choices for them;
- Work with businesses to develop the best market solutions which leverage greater investment in skills;
- Maximise the impact of employment and skills policies and employer behaviour to support jobs and growth and secure an internationally competitive skills base.

These strategic objectives are supported by a research programme that provides a robust evidence base for our insights and actions and which draws on good practice and the most innovative thinking. The research programme is underpinned by a number of core principles including the importance of: ensuring '**relevance**' to our most pressing strategic priorities; '**salience**' and effectively translating and sharing the key insights we find; **international benchmarking** and drawing insights from good practice abroad; **high quality** analysis which is leading edge, robust and action orientated; being **responsive** to immediate needs as well as taking a longer term perspective. We also work closely with key partners to ensure a **co-ordinated** approach to research.

This research on international approaches to high performance working (HPW) was undertaken and the report written by Professor Ian Stone of Durham University. We define high performance working 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'. The report discusses how HPW is interpreted in different countries (Australia, Canada, Finland, Germany, Ireland, New Zealand and Sweden); identifies how HPW is supported and encouraged in different sectors and types of business; and draws attention to areas for policy learning, including successful models for supporting the implementation and raising awareness of HPW. The detailed country case studies are published in a separate volume (International approaches to high performance working: country case studies, available at: www.ukces.org.uk).

International Approaches to high performance working

Sharing the findings of our research and engaging with our audience is important to further develop the evidence on which we base our work. Evidence Reports are our chief means of reporting our detailed analytical work. Each Evidence Report is accompanied by an executive summary. All of our outputs can be accessed on the UK Commission's website at www.ukces.org.uk

But these outputs are only the beginning of the process and we will be continually looking for mechanisms to share our findings, debate the issues they raise and we can extend their reach and impact.

We hope you find this report useful and informative. If you would like to provide any feedback or comments, or have any queries, please e-mail info@ukces.org.uk, quoting the report title or series number.

Lesley Giles

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Executive Summary

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.

1. Introduction

1.1 Background to study

In seeking to support the development of UK employment, skills and productivity to achieve world-class standards, the UK Commission for Employment and Skills recognises the importance of both international benchmarking and learning from other countries. Where there is a disparity in a key performance measure between the UK and other countries, the Commission seeks to understand the source of the difference, including the role of policy. This is a challenging aspect of the Commission's work, as structural and cultural differences influence the context in which a particular policy is applied, and thus impact upon its implementation and effectiveness. Nevertheless, it is important to identify different approaches, and to assess (in a contextualised way) the potential for policy learning. The Commission seeks to use international case studies to help develop a more sophisticated understanding of how specific policy tools are designed and applied, and the scale and nature of the impacts of intervention.

This examination of policy approaches to High Performance Working (HPW)¹ aims to:

- (1) develop understanding of how HPW is interpreted in different national contexts;
- (2) identify different methods utilised to encourage and support up-take of HPW;
- (3) utilise the understanding of conditions that give rise to HPW being prevalent in some national contexts as a basis for policy learning.

This research builds upon existing research, including the UK Commission's previous work on HPW (see, for example, Belt and Giles, 2009; UKCES, 2010). This work drew attention to the research evidence on the positive association between HPW and organisational performance and focused on how HPW can be used as a mechanism to ensure that skills are better used in UK workplaces. The prevalence of HPW is both low and static in the UK, and there is growing interest in the concept amongst policy-makers. The present study is part of a systematic attempt to uncover ways of overcoming barriers to the broader application of HPW in the UK.

¹ While HPWP (high performance working practices) and HPWS (high performance working systems) are commonly used in the literature, in this study HPW is preferred. See section 1.2 on definition.

There is a range of possible policy instruments that might be used to encourage the spread of HPW practices. This report investigates the experience of other countries in order to assess the potential for policy learning. The study also addresses knowledge gaps by gathering together what is known about HPW and interpreting it in terms of UK policy context and needs.

1.2 Definition and conceptualisation of HPW

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.² (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. 'Workplace innovation' and 'organisational innovation' are commonly used, as is 'high commitment employment practices', while in a number of countries, HPW is also linked to 'quality of working life' (a related but distinct concept).

Mkamwa (2009) reviewed the widely used terminologies surrounding HPW systems and confirmed that there is no universally agreed meaning for the term 'high performance work system', 'due to its wide and varied usage'. Despite this, he argues that it can be described as a 'specific combination of human resource management practices, work structures and processes which maximise employee knowledge, skills, commitment and flexibility'. The concept crucially incorporates practices that increase the empowerment of employees and enhance the skills and incentives that enable and motivate them to take advantage of this greater empowerment. Moreover, it affords employees an opportunity for participation in substantive decisions, encourages development of worker skills, and provides them with incentives to participate in making decisions.

Different labels have been used to refer to (or are contained within) the HPW framework. Commonly used terms include:

² In this research it is recognised that the Commission's definition does not exclude the dynamic element of HPW: i.e. its effect in encouraging learning and the acquisition of additional skills.

- **High-Commitment Employment Practices** - Practices that affect employee commitment, which is, in turn, assumed to influence organisational performance (e.g. sophisticated selection and training, behaviour-based appraisal and advancement criteria, contingent pay systems, group bonuses and profit sharing).
- **High-Involvement Work Practices** - Practices that emphasise an orientation towards enlarging employees' skills and knowledge through more intensive commitment to and interaction within the workplace (e.g. team-working/self-managed teams, information sharing and flexible job designs).
- **Alternative Work Practices** - Participatory practices that constitute alternative job designs, or allow employees some freedom to design their work (e.g. work teams, job enrichment, job rotation, quality circles or problem-solving groups, cross training, and training in problem solving).
- **Innovative Work Practices/Workplace Innovations** - Practices that enhance discretionary behaviour among employees and thus lead to innovative work behaviour in the workplace (e.g. cross-training, flexible job designs, training in problem solving, decentralised decision-making, self-managed teams). (Mkwama, 2009).

In this study, the aim has been to identify relevant activities and interventions in the case study countries that are broadly consistent with the UK Commission's definition of HPW. The particular terms in use in specific countries are identified in the case studies to ensure clarity in discussion of practices and policy, but wherever appropriate 'HPW' is used.

A proper conceptualisation of high performance working, and full understanding of HPW policy activity in different countries, involves recognising the spectrum of how HPW is currently understood. This ranges from an emphasis on 'skills utilisation' (an HR management perspective) through to a concern for 'business enterprise' more generally, which focuses on productivity and innovation. This is a key source of differentiation with respect to the countries examined in this study. The extent to which these two elements are integrated results in varied conceptualisations and definitions of HPW, but can also lead to practical problems of policy formulation where government structures are compartmentalised (e.g. between departments concerned with labour relations and skills issues and those responsible for innovation). In many countries, policy-makers do not see their approaches to skills utilisation, productivity improvement and innovation as neatly fitting a HPW 'box'. However, HPW can be a useful conceptual framework for exploring the way policy seeks to bring about changes at the level of the workplace.

Indeed, there is an interesting example of different approaches to HPW in 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' (Payne, 2009, p91). Part of this process involves thinking about new policy interventions that 'reach inside the "black box" of the firm and encourage management to rethink the way they compete, design jobs and manage their employees' (ibid). This approach is consistent with: the increasing stress on the workplace context as a key factor in successful product and process innovation; and the need to achieve a better balance between programmes directed at technological or scientific innovation, and those concerned with strengthening innovation management inside organisations, including leadership and culture.³ This study identifies policy developments that link HPW and innovation and draws out lessons relevant to the UK.

1.3 Study purpose and methodology

Policy learning

The ultimate purpose of this report is to inform thinking on possibilities for learning from overseas experience in relation to encouraging HPW. Policy learning requires an understanding of the initial policy context, and of the circumstances around success. Issues that have informed the approach include:

- 1 ***There are various dimensions to 'policy'***. It is important to distinguish between goals and aspirations of the policy, and the specific instruments and administrative mechanisms for its delivery. Detailed examination of these different dimensions of policy has been undertaken with respect to each of the different countries studied.
- 2 ***Considerable variation exists between countries in terms of the context in which policy operates and has been developed.*** Different underlying country conditions exert an influence over both the nature and success of policy interventions. Distinct and relevant features include: political and institutional conditions; social partnership arrangements; labour market and sector characteristics and trends; preferred forms of intervention; and economic development performance and priorities.

³ See for example, 'Promoting Strategies to Support Workplaces', Review Paper for Australian Productivity Commission, 1999.

- 3 ***Policy experience in different contexts provides useful lessons.*** It is entirely feasible for policy learning to take place even where ideologies, institutional environments or sets of objectives differ. The more similar the context (in political, economic and institutional terms), the more likely it is that substantial learning is feasible. Accordingly, several of the countries chosen for investigation are similar to the UK in key respects, and thus potentially offer considerable scope for extensive policy learning. However, structural similarities to the UK are still conditioned by factors that differentiate conditions for adoption.
- 4 ***Policy learning does not require substantial duplication of policy.*** Other possibilities include adaptation in light of different laws and administrative structures, and the development of hybrid or synthesised versions of policy. Policies operating elsewhere may be reformed and repackaged in various ways to make them relevant to a different country context. Generally, it is helpful to have the benefit of experience from elsewhere; especially if it shows that benefits are achieved regardless of different environmental conditions and approaches in the countries examined. Moreover, experiences elsewhere may point to general ‘truths’ that need to be borne in mind. For example, in all the countries investigated, certain kinds of workplace were consistently more receptive to HPW ideas.
- 5 ***Negative lessons are also of value.*** It is important to identify those conditions or circumstances that are likely to militate *against* successful implementation. In the context of this study, some forms of approach to HPW are closely bound up with mandated roles for key stakeholders; these options are not relevant to the UK context in terms of the detail of policy engagement, but some other aspects may nevertheless be instructive.
- 6 ***Political and governmental structures influence policy and outcomes.*** The nature and impact of policy is likely to be affected by the government structures in individual countries. This, in turn, is likely to affect the degree of involvement and commitment from higher governmental levels, which may similarly influence outcomes. A particularly relevant issue here is the departmental structure within which such activity falls, and the extent to which cross-departmental cooperation allows workplace skills and innovation strategies to be integrated. A further issue of great relevance here, which was borne in mind throughout the study, is the nature and role of social partnerships. These vary substantially from one country to another, but appear to play a role in all of the countries investigated.

- 7 ***Engagement of key actors can be achieved through a variety of means.*** In the UK, voluntary approaches are more likely to be adopted, given cultural, institutional and political conditions. This puts greater onus on providing evidence of the benefits of HPW, in terms of productivity and competitiveness, and how these benefits are likely to be distributed at workplace level.
- 8 ***Delivery of policy can be through non-governmental agencies.*** Policy delivery does not have to be primarily a government responsibility. From a policy perspective, it can be expected that the report findings may be of interest to policy-makers operating outside central government, in business associations, training providers and other organisations functioning at different spatial scales or in varied sectoral contexts. Indeed, these may be the key or most appropriate agents for taking forward policy initiatives. Understanding the practical aspects of the activities of their counterparts in delivering best practice in other countries is an important policy lesson.

Study methodology

This report draws on seven country case studies. The key aim was to include countries that meet either of the following two criteria:

- (1) Those that have achieved success in HPW, either in terms of the general level of prevalence of HPW, or a high rate of adoption of HPW practices over time (indicating the presence of possible actions, intervention, or characteristics unrelated to policy that are effective in achieving that goal).
- (2) Those that have placed a significant policy emphasis upon encouraging firms and organisations to adopt HPW approaches, and have established supporting institutions and funding streams.

Given a lack of data and different conceptualisations of HPW, there was no definitive means of selecting countries that represent 'best practice' in relation to HPW. An initial 'horizon-scanning' stage was used to identify a range of potentially instructive case studies. Ramstad (2009) has identified Sweden, Finland, Norway and Germany as 'front runner countries in organisational innovation activities'. Other countries (Ireland, Canada, Australia and New Zealand) have investigated how they might intervene to encourage HPW, and piloted and introduced measures. These countries are interesting in that they exhibit similar features with respect to culture, economic development, approach to business, political systems and employment relations contexts to the UK.

The countries selected as case studies were as follows:

- **Sweden** and **Finland** - two contrasting examples from the Nordic countries, arguably the area of the world that has engaged most enthusiastically with policies to encourage practices closely associated with HPW.
- **Germany** – a highly successful manufacturing nation where small and medium-sized workplaces play a large role in world markets, and where there is a distinction between national and state level activity in relation to HPW.
- **Ireland** – known for its ‘Anglo-Saxon’ policy orientation, this case study offers insight into a country that, until the onset of the banking crisis, was highly successful in export-oriented growth, and recorded rising levels of adoption of HPW-related practices during the past decade.
- **Australia** - this case study reflects involvement at both central and state level in policy formation to support HPW.
- **New Zealand** - this country has based its policy development with respect to HPW upon an exhaustive research, information-gathering and consultation process.
- **Canada** - a successful high-skill economy, albeit one with problems in relation to productivity that it has been seeking to address through workplace focused initiatives.

Research questions

The following research questions have been used to structure the research and frame the country overviews (Section 2):

- How is HPW understood and conceptualised in different national contexts? How does the understanding of the concept vary between different types of stakeholder?
- In what ways has public policy encouraged and supported the uptake of HPW in different countries? How has the country reconciled the common ‘business enterprise’ versus ‘skills’ policy dichotomy?
- Why is the HPW approach particularly prevalent/successful/well-supported in some national contexts? How have these developed historically?
- What circumstances are needed for the widespread take-up of HPW? What barriers have been identified and specifically targeted in interventions?

- What different systems/institutions are used to support HPW? Through what agencies (public and private) has support for HPW been delivered, and how is this organised (and funded)? How has this system changed over time and for what reasons?
- What evidence is there of initiatives designed to encourage or support HPW being successful in practice? Have there been any evaluations of specific initiatives? Are there particular sectors, types of firms (size, ownership, product market), corporate or spatial networks of businesses in which HPW has been successful in different national contexts?
- What in terms of HPW are the 'hard to reach' sectors/employers, and are there examples of the concept being successfully applied/adapted to low skill workplaces?
- Is there any evidence of how learning between firms and organisations takes place with respect to HPW (e.g. within an area, network or supply chain)?
- What constitutes 'best practice' in HPW policy? How might best practice vary between countries and for what reasons? Are there different barriers and approaches with respect to the private and public sectors? How does the policy for HPW 'fit' within or alongside other policies affecting the workplace?
- What can policy-makers in the UK learn from other countries about potential ways of increasing employer uptake of the HPW approach? Are there new policy possibilities? What types of firm/organisation might be targeted?
- How is knowledge of the concept disseminated? What form of agency is best in supporting different kinds of firms to adopt HPW? What forms of leadership or role models might be helpful in generating interest? What sorts of experiments or pilots might be considered?

1.4 Report structure

Section 2 consists of overviews of the seven case studies, each of which is structured around the key questions identified above. Section 3 discusses findings with respect to UK policy learning. It draws some broad conclusions with respect to the character and effectiveness of the programmes to encourage HPW in the different countries studied, and discusses the relevance of international policy experience for the UK.

The full case studies for each country, references and case study bibliography are provided in 'International Approaches to high performance working: country case studies', available at: www.ukces.org.uk

2 Country overviews

2.1 Australia

2.1.1 Understanding of concept

How is HPW understood and conceptualised in this national context? Does the understanding of the concept vary between different stakeholders?

Australian policy makers and academics and, to some extent, businesses have been aware of international thinking and policy developments associated with HPW since the 1980s. Some commentators have argued that Australian businesses were (from the 1990s on) increasingly influenced by Japanese and US management theories, including those relating to HPW practices (Hartnett, 1994).

There has been relatively substantial government funding of research into HPW in Australia. This includes both purely academic research and state-sponsored policy-focused research. The term itself is in common use, and attempts in the past two decades have been made to develop a policy framework to encourage adoption of HPW methods. Current policy initiatives vary from state to state, which is operationally the main level at which policy delivery is organised. Generally the policies, such as those being pursued by the Victorian State government (arguably the most comprehensive among state approaches) are predicated on a notion of HPW consistent with the way the term is used in the UK.

2.1.2 Background circumstances

What are the circumstances behind the government's attempts to influence use of HPW through public policy?

Policy engagement with HPW has been driven by a perceived need to increase innovation and productivity, and thus enhance Australia's international competitiveness. This position has been held and promoted by all recent Federal governments and is consistently echoed at state level. A number of Australian policy initiatives have sought to promote best practice in this area, dating from the early 1990s (Best Practice Demonstration Programme), through to the Partners at Work Grants Programme, currently operated by Victoria.

2.1.3 Policy approach

In what ways has public policy attempted to encourage and support the uptake of HPW? How has the country reconciled the common business enterprise versus skills policy dichotomy?

A number of programmes have been introduced, at both federal and state levels, to promote HPW practices. These have typically been designed to develop successful case studies that can subsequently be used to demonstrate the benefits of such practices to the wider business population.

The Australian States vary in the extent to which they are actively promoting HPW practices. Some states, most notably Victoria, operate substantial programmes that are centrally and directly concerned with promoting HPW. Business Victoria currently provides a comprehensive range of advice and factsheets designed to promote HPW practice and support businesses in adopting such practices.

One feature that the UK and Australia have in common is that there are few legislative structures that mandate employee involvement, relative to some European countries. Indeed, EU directives on consultation mean that Australia's system has fewer legislative requirements with respect to employee involvement. Nevertheless, in both countries, HPW models can only realistically be promoted within a voluntarist framework.

There is no noticeable dichotomy in policy between pursuit of skills and business efficiency more generally; the strong focus upon both 'the workplace' and on productivity outcomes has helped to ensure this. In Victoria, the delivery of HPW policy through Business Victoria (part of the State of Victoria's Department of Business and Innovation) has helped in this respect; since the organisation has responsibility for innovation, it is also in a good position to exploit more fully the linking of workplace innovation with technical innovation (products and services).

2.1.4 Factors relevant to HPW take-up

Are there particular circumstances that have aided or obstructed the take-up of HPW? In the case of barriers, have these been identified and specifically targeted in interventions?

Approximately 58 per cent of Australians aged 25-64 have vocational or tertiary qualifications, and the tertiary graduation rate of 49 per cent is the highest among OECD countries (Department of Foreign Affairs and Trade, 2011). Although it has been subject to periodic reforms, the Australian VET system is well established and there are high skills

levels within the Australian workforce. This background situation could lead to a tendency for organisations to give particular emphasis to the utilisation of skills rather than their development. However, one recent study suggested that businesses' engagement with the VET system is patchy and found 'an orientation towards the short-term' (Kearns, 2002). This implies that necessary longer-term developmental objectives, related to building an enterprise culture that fosters innovation and adaptation to changing conditions and opportunities, have tended to be neglected. Certainly, evaluation has shown that the success and sustainability of projects to encourage HPW is associated with those workplaces that have a more sophisticated appreciation of HR practices.

2.1.5 Policy implementation

What different systems/institutions are used to support HPW? Through what agencies (public and private) has support for HPW been delivered, and how is this organised and funded? Has this system changed over time and if so for what reasons?

Australia has a well-developed system of business support that spans both federal and state levels. Substantive advice and support is generally provided through state level organisations. The extent to which individual states have explicitly promoted HPW systems varies. However, some states, most notably Victoria, do provide advice and support specifically designed to promote the development of High Performance Workplaces. Victoria's Partners at Work grant programme offers competitive grants to assist workplace changes that benefit all stakeholders, and is designed to encourage the development of cooperative practices in the workplace. It provides funding to support the appointment of consultants to work with organisations, and for relevant training investments. There are also attempts to capitalise upon the demonstration effects of successful case studies, as well as informative material available through Business Victoria's website. Perhaps the main challenge that has been identified is how to secure more widespread adoption following the funding of exemplar businesses.

2.1.6 Place within wider government structures and policy

How does the policy for HPW 'fit' within or alongside other policies affecting the workplace?

Since the mid-1990s there has been a series of (essentially neo-liberal) revisions to employment legislation in Australia. These changes have reduced the influence of the unions and heralded a shift from collective to individualised involvement in work organisation. Although these changes ostensibly supported a more direct relationship between employers and employees, opinion is very much divided as to whether they have led to more

progressive approaches to Human Resource Management (HRM) or increased the adoption of HPW practices. The considerable body of research that has been conducted with respect to this issue points to the variety of outcomes that are possible in workplaces, depending upon factors such as attitudes and relative power. This tends to underscore the finding, noted above, that some workplaces are more open to the process of accessing the potential of HPW than others. How to encourage a cooperative approach to this issue is an important consideration in policy design.

2.1.7 Policy impact

What evidence is there of success of initiatives to encourage HPW? Have there been any evaluations of specific initiatives?

Some analysts identified a shift in Australian HRM practices and models of work organisation in the 1990s and onwards. However, the extent to which the HPW models have actually been adopted by Australian businesses remains questionable. There is no definitive quantitative data on the extent of HPW in Australia. The evidence that is available questions both the extent of adoption and the validity of the practices employed. Certainly, HPW systems are not the norm in Australia.

There is only very partial evaluation evidence linking the present adoption of HPW to policy initiatives. There is evidence to show that some targeted firms have successfully adopted HPW and that these firms have experienced improved performance. What is lacking is clear evidence that this has underpinned more widespread adoption throughout the business population.

Are there particular sectors, types of firms (size, ownership, product market), corporate or spatial networks of businesses in which HPW has been successful in this national context? Are there different barriers and approaches for the private and public sectors?

One recent study of the adoption of HPW practices amongst SMEs in Australia found that such practices were not widespread in such enterprises, but their use increased with firm size and was closely associated with the existence of professional management and HRM functions (Wiesner et al., 2007). The research showed that HPW tends not to be prevalent among SMEs, where it can be particularly difficult to implement, not least because some SMEs tended not to value external knowledge. However, it also demonstrated that there are numerous examples of small businesses that have successfully adopted HPW practices.

Research focusing upon larger firms in Australia found that a majority claimed to operate at least some high commitment work practices and these were associated with positive outcomes for both employers and employees (Gill and Meyer, 2008). These practices were most prevalent in firms that had long-term business strategies and amongst those that focused on innovation and quality. There have been attempts to promote HPW within the Australian public sector. For example, a study of HPW within the Australian Health Service, embodied in the Queensland government's 'Smart State Strategy', found mixed outcomes (Behrens, 2008).

What in terms of HPW are the 'hard to reach' sectors/employers, and are there examples of the concept being successfully applied/adapted to low skill workplaces?

A recent study of HPW practices amongst family-owned firms in the Australian wine industry found that high-performance HR systems were taking root in family businesses operating in the Australian wine industry (Kidwell and Fish, 2008). However, not all businesses viewed them as important. Some of the businesses studied, in fact, had strongly resisted the adoption of more formal HR systems.

Australian researchers have distinguished between 'High' and 'Low Road' business strategies and associated approaches to HRM in Australia. Businesses with High Road strategies that emphasise quality and innovation of product or service are found to be more likely to adopt HPW practices than those with Low Road strategies emphasising cost control and competition strategies based around price.

Unions, which were increasingly marginalised by neo-liberal policy developments in the 1990s, have sometimes argued that engagement with HPW has been partial and selective. This suggests that some businesses have focused on particular components of the HPW model that were consistent with their more traditional HRM strategies.

Is there any evidence of how learning between firms and organisations takes place with respect to HPW (e.g. within an area, network or supply chain)?

There is little if any evidence of the dissemination of HPW through networking. There remains a lack of clear evidence relating the effectiveness of the strategy of using exemplar businesses to promote the wider uptake of HPW through a demonstration effect.

2.1.8 'Best practice' and learning

What constitutes 'best practice' in this approach to HPW? Is this country-specific or might it be transferred to the UK? What can policy-makers in the UK learn from other countries about potential ways of increasing employer uptake of the HPW approach?

Australia has much in common with the UK: neither the UK nor Australia has legislative structures that mandate employee involvement as found in some European countries. Accordingly, in both countries, HPW models can only realistically be promoted within a voluntarist framework.

The feature of the Australian experience that is most interesting within this perspective is the core strategy for promoting HPW employed by both the federal and state governments. This involves supporting the development of HPW practices in a limited number of businesses and subsequently using these businesses as case studies that can be deployed to demonstrate the benefits of HPWS to the wider population of businesses. The concern here is that, whilst the initial programmes to develop HPW practices in a limited number of businesses have been evaluated and shown to be successful, the extent of the subsequent demonstration effect has not been evaluated. That said, understanding how this approach has been articulated in practice and the resources that have been developed might well be informative and useful to policy makers in the UK.

2.2 Canada

2.2.1 Understanding of concept

How is HPW understood and conceptualised in this national context? Does the understanding of the concept vary between different stakeholders?

The federal government seeks to 'build knowledge and tools to develop high performance workplaces' (HRSDC, 2008) as a key policy initiative for improving Canada's productivity record. However, Canadian policy has tended not to focus directly on HPW approaches. It has been substantially focused on human capital and skill development, with an emphasis on training. While the policy emphasis is located very much within the workplace, in its earlier phases it did not substantially embrace the HPW concept as involving wholesale workplace innovation. Moreover, it is not explicitly set into the context of a national innovation strategy.

There are signs, now that the responsibility for HPW is being taken on by the Skills Councils (having previously been administered through the Human Resource and Skills Development department), that a more rounded business focus may be given to the programme. However, tight financial constraints and the more limited objectives of the federal administration in this area mean this has not happened to date.

2.2.2 Background circumstances

What are the circumstances behind the government's attempts to influence use of HPW through public policy?

Canada's workforce has a high level of skills by international standards, yet a poor record on productivity over the past decade, especially in comparison with the USA. It recognises that there are labour supply issues (such as an ageing population) that point to improving productivity as an appropriate means of making better use of available labour resources. There are also competitiveness problems associated with the relatively poor productivity performance. Better utilisation of skills in the workplace has been identified as a target by policy-makers.

2.2.3 Policy approach

In what ways has public policy attempted to encourage and support the uptake of HPW? How has the country reconciled the common business enterprise versus skills policy dichotomy?

Since 2005, the Government of Canada's Workplace Skills Strategy (WSS) has operated to: help build a labour market that is flexible and efficient; raise the level of skills; and respond to the needs of employers to make Canadian workplaces more productive and innovative. Its three priority areas for action are: workplace skills investment; skills recognition and utilisation; and partnerships, networks and information. WSS sought to engage businesses in the process, both directly in workplaces (via the Workplace Skills Initiative (WSI), the main element relating to HPW) and also through the formation of the Workplace Partnership Panel. The latter is a national, independent body made up of leaders from business and labour. Its aims are to: stimulate and support a new, industry-led dialogue on labour market and skills issues; and ensure that business and labour contribute to the workplace skills agenda (HRSDC, 2006). Both the focus of WSI policy and the work of the WPP have so far fallen short of a thorough attempt to bring about workplace innovation by embracing HPW. WSI has, however, exhibited clear movement towards encouraging change that conforms to a genuine HPW framework.

2.2.4 Factors relevant to HPW take-up

Are there particular circumstances that have aided or obstructed the take-up of HPW? In the case of barriers, have these been identified and specifically targeted in interventions?

The absence in Canada of the kind of structured systems through which decisions are made at the workplace level in Scandinavian countries has tended to limit the pressure exerted from the labour side for changes in workplace organisation. This contributes to the lack of awareness among some stakeholders of the potential for HPW policy, as well as a lack of knowledge regarding how it can be developed.

2.2.5 Policy implementation

What different systems/institutions are used to support HPW? Through what agencies (public and private) has support for HPW been delivered, and how is this organised and funded? Has this system changed over time and if so for what reasons?

The main element of the WSS (and the part that relates most closely to HPW) is the WSI, whereby partnerships bid to a pot of money for joint projects to develop workplace skills and their utilisation. The idea was to encourage new partnerships of businesses, either within the same sector or linked via supply chains or shared characteristics, working in combination with local development agencies, business associations or educational/training organisations. Both public and private organisations have coordinated bids and facilitated the projects. Only two calls for proposals were completed before budgetary problems

caused the Conservative Government to hold up the programme. The WSI was, however, relatively well funded (C\$70m [£45m] over three years), with up to C\$1m per project (providing up to 75 per cent of costs). Altogether, 29 projects were funded, involving over 200 private (mainly SME) and public sector organisations and nearly 80,000 employees (HRSDC, 2008a).

The urgent need to address workplace skills and productivity in Canada has tended to concentrate minds on this issue across government, employers and employees. However, the delivery of the programme through the Human Resource and Skills Development (HRSDC) department has not proved fully effective, given HRSDC's limited links with businesses and the business community. It also meant the focus tended to over-emphasise the skills development rather than organisational change aspects of workplace innovation. The WSS's home in future is to be with the Sector Councils, which are more embedded with business and at different geographical levels (and sectors), making this an outwardly more sensible arrangement. The nature of WSS is likely to change with this shift in administrative arrangements, although the present budgetary restrictions have meant that WSS implementation has effectively been on hold since late 2009.

The WSI system was evolving, through learning, and has gradually extended its ambition with respect to HPW. The main influence over its form and role in the future will be the availability of resources (still to be determined) and the approach taken within the different Sector Councils, which are to administer the programme in the future.

2.2.6 Policy 'fit'

How does the policy for HPW 'fit' within or alongside other policies affecting the workplace?

WSI was part of a wider programme (the Workplace Skills Strategy), all aspects of which were directed by a section within the HRDSC. Other elements included the Trades and Apprenticeship Strategy, Essential Skills and Foreign Credential Recognition Programme. The programme relating to HPW did not conflict with these in an administrative sense, but was insufficiently linked to relevant areas within Industry Canada, notably innovation. It was, however, a novel initiative and it was considered by some officials involved with it to be a potential bridge to other areas of government relating to businesses. It was arguably just reaching that stage when the financial situation interrupted its momentum. The notion of linking the workplace initiatives directly with 'hard' innovation is still some way in the future.

2.2.7 Policy impact

What evidence is there of success of initiatives to encourage HPW? Have there been any evaluations of specific initiatives?

The projects supported through WSI were evaluated internally on an interim basis within HRDSC (HRSDC, 2008a). Further evaluation is currently being conducted and will be made publicly available in due course.

The objectives of these programmes were limited in terms of HPW outcomes, and while they appear to have given rise to useful developments in terms of workplace practices for developing skills and capacity for analysis of skills needs, the achievements at this relatively early stage of the programme's development have been limited with respect to HPW objectives. Preliminary project assessment of a range of pilots confirmed the ways in which WSI can inform government policy and programmes with regard to institutionalising innovative approaches to skills upgrading and improved HR practices in SMEs. The 'Sector Skills Program' of HRDSC closely tracked the projects' human resource and skills development tools, given their relevance for the work of their Sector Councils.

Are there particular sectors, types of firms (size, ownership, product market), corporate or spatial networks of businesses in which HPW has been successful in this national context? Are there different barriers and approaches for the private and public sectors?

It is too early to determine this, except to observe that a wide variety of firms (mainly small) participated in the projects. This included public sector organisations and groups with representation from both small and large organisations. Leadership of the projects was similarly diverse. Given the large number of organisations involved (233), and their diversity, the detailed evaluation currently underway might be expected to provide useful information on these questions.

What in terms of HPW are the 'hard to reach' sectors/employers, and are there examples of the concept being successfully applied/adapted to low skill workplaces?

No evidence exists in relation to this aspect at this stage.

Is there any evidence of how learning between firms and organisations takes place with respect to HPW (e.g. within an area, network or supply chain)?

The WSI programme appears to have been successful in helping to develop new partnerships, of which some have survived beyond the duration of the project. There is also evidence of ideas piloted through the WSI project being subsequently disseminated to other similar organisations. These were largely in the public sector, often in organisations with already sophisticated approaches to training and HR. The projects also provide an indication of progression, from simple focused activities regarding skills, to more engagement in more extensive dimensions of workplace change.

2.2.8 ‘Best practice’ and learning

What constitutes ‘best practice’ in this approach to HPW? Is this country-specific or might it be transferred to the UK? What can policy-makers in the UK learn from other countries about potential ways of increasing employer uptake of the HPW approach?

Canada’s WSI was a phased programme, which deliberately allowed learning and progression of thinking, and encouraged follow-up bids in successive rounds from the same partnerships in order to consolidate and build upon progress already achieved. This learning approach applied to both the government running the programme (through evaluation of results) and to the participants themselves. There is some evidence (though largely confined to the public sector) of the new practices continuing after the end of the project, and of the transfer of new methods of working to other similar organisations.

Diagnostic capability is an important aspect of any attempt to promote workplace innovation. In this respect, recent work by the Sector Councils to develop a sophisticated diagnostic tool for assessing HPW in workplaces may have relevance to the UK context.

WSI is an instructive example of a policy mechanism to encourage piloting of ideas within a partnership framework. It operated as a fund to which bids could be made, allowing funding to be directed to the most interesting and innovative projects. It also gave rise to an interesting range of case studies that can be used to demonstrate different models through which organisations might work together to bring about workplace change.

Canada's cultural and employment relations environment is not dissimilar to that in the UK. The country's voluntarist approach to this policy is also likely to find favour in the UK context. Moreover, the UK also operates a comprehensive system of Sector Councils, analogous to those in Canada, and it is interesting that (following practical experience of implementing the workplace skills programme) the responsibility for policy delivery in this area has now been assigned to Sector Councils.

2.3 Finland

2.3.1 Understanding of concept

How is HPW understood and conceptualised in this national context? Does the understanding of the concept vary between different stakeholders?

The term HPW is not really used in Finland; instead 'workplace innovation' is used to refer to policy interventions for achieving high performance outcomes. This embraces many of the practices associated with HPW. Over time, the programme has developed from a series of project-based programmes to one that is fully integrated into a specialist national government research and technological development organisation. Importantly, ensuring quality of working life (an aim which recently gained legislative backing) is fully integrated into the programme. This is a highly consensual society, and, in common with other Nordic countries, Finland has developed a holistic and ambitious approach to achieving workforce change through cooperation and social partnership. The issue of workplace innovation, arguably, has been debated and discussed publicly to a greater extent in Finland than in any other country.

2.3.2 Background circumstances

What are the circumstances behind the government's attempts to influence use of HPW through public policy?

Finland, in spite of the high quality of its workforce (linked to an effective VET system and heavy investment in education and training) has recognised problems in the area of labour supply (including an ageing population and tendency to retire early) and declining rate of productivity growth affecting competitiveness. The latter, given the level of skills in the workforce, has been linked to inadequate utilisation of skills in the workplace. The numbers taking early retirement, it is thought, can be influenced by giving attention to the quality of working life. The particular approach to workplace innovation in Finland thus focuses on innovations both to improve workplace performance and to enhance the quality of working life (well-being at work).

2.3.3 Policy approach

In what ways has public policy attempted to encourage and support the uptake of HPW? How has the country reconciled the common business enterprise versus skills policy dichotomy?

HPW policy focuses upon team-based working, workplace development activities, co-operation between management and staff, and quality of products and services. The public policy role is to support, guide and facilitate organisations in devising their own solutions to their developmental needs.

Policy goals include: (1) to bring about sustainable productivity growth in Finland, with the support of effective public policy at a national level; (2) to create national competitive advantage by building networks of government and practitioner expertise in work organisation development; (3) to disseminate new work, organisational and management practices, and development methods, models and tools arising out of the funded projects; and (4) to develop the 'learning organisation' culture in Finland, thereby helping management and employees improve their ability to solve problems (NCP, 2005).

This has been described as a system of top-down support for collaborative activities initiated at the enterprise level, supported by significant levels of funding and multi-annual budgets. The programme is complex, with different types of projects. Initially it focused upon individual enterprises, but networks have played an increasing role, and there is also a strong emphasis on disseminating good practice and learning. (Oosi *et al.*, 2010). It is important to stress that the approach seeks to help the development of genuinely innovative solutions to workplace projects (there is a higher rate of support for more novel approaches), and is not in the mould of design-led or formulaic approaches simply being 'applied' to workplaces.

The learning strategy of the programme has moved away from the simple application of existing knowledge, transmitted via researchers and consultants; the emphasis is now one of joint learning among network actors and the creation of new knowledge. The programme deliberately seeks to create collective 'learning spaces' and to anchor the project in networks rather than single organisations, as well as networks that include individuals from outside the enterprises. The holistic emphasis of Finland's system avoids a skills vs business dichotomy.

2.3.4 Factors relevant to HPW take-up

Are there particular circumstances that have aided or obstructed the take-up of HPW? In the case of barriers, have these been identified and specifically targeted in interventions?

Finland subscribes to the notion that 'well-functioning labour-management institutions at enterprise level can be the key to building high-skill enterprises through effective work organisation' (Stone and Braidford, 2008, p79). This framework has been supportive of HPW policies: for example, in the way that works councils operate to give training a highly workplace-oriented focus. Finnish co-determination requires companies to submit annual training plans to the Joint Enterprise Committee and to negotiate 'reasons, effects and possible alternatives' (ibid, p56) with employee representatives. A national collective agreement also works to encourage the choice of training that promotes a co-operative outlook among workers and management. Businesses with less than 30 employees are not required to set up a works council; however, the workplace innovation scheme requires that participant organisations are genuinely collaborative in the way they intend to pursue the project.

2.3.5 Policy implementation

What different systems/institutions are used to support HPW? Through what agencies (public and private) has support for HPW been delivered, and how is this organised and funded? Has this system changed over time and if so for what reasons?

The TYKES programme, Programme for the Development of Productivity and Quality of Working Life, was launched in 2004 (Ministry of Employment and the Economy, 2011). A partnership between government, social partners and entrepreneurs' associations, it embraced earlier programmes focused upon productivity and wellbeing at work, and sought simultaneous improvement of both productivity and quality of working life.

Funding during the period 2004-10 was €15m per year, divided between a number of distinct activities: (1) projects of basic analysis of workplace needs; (2) development projects to bring about change in the workplace(s); (3) method development projects (e.g. diagnostic tools); and (4) projects to develop learning networks, involving research and R&D organisations, and for disseminating findings (Totterdill *et al.*, 2009).

The TYKES programme has been affected by recent changes making it even more closely linked to the national innovation strategy. The newly established Research & Innovation Council (chaired by the Prime Minister) has developed a new national innovation strategy that stresses the importance of horizontally-oriented innovation policy and includes organisational development among its 10 key themes. As part of the reorganisation, TYKES has been transferred to the Finnish Funding Agency for Technology and Innovation (TEKES). This has been interpreted as consolidating the importance of workplace innovation and development within public policy. Furthermore, legislation underpinning TEKES has also established the improvement of the quality of working life as one of its goals.

2.3.6 Place within wider government structures and policy

How does the policy for HPW 'fit' within or alongside other policies affecting the workplace?

TEKES sits within the Ministry for Employment and the Economy, the remit of which covers entrepreneurship, innovation, environment, labour markets, employability and regional development. Cross-departmental cooperation issues are consequently minimised to the benefit of policy and programme delivery, while organisational innovation would appear to be linked strongly to the other policy areas that relate to competitiveness.

2.3.7 Policy impact

What evidence is there of success of initiatives to encourage HPW? Have there been any evaluations of specific initiatives?

There has been a recent evaluation of the TYKES programme (Oosi *et al.*, 2010), and the way the programme has been delivered also benefited from findings from an earlier evaluation. The study, which was very much qualitative in nature, showed that over 80 per cent of respondents reported the workplace development project succeeded well or fairly well in its aims, and 75 per cent of managers considered that it had a positive impact on productivity. Positive results in relation to quality of working life were also achieved in many cases, alongside positive productivity effects. Commitment of both management and employees was found to be important to the success of projects, as were the skills and enthusiasm of the consultant. Numerous innovations in terms of workplace tools were developed, and successful networks formed (however, many of these struggled to survive after the project finished). Workplace expertise within different organisations was strengthened and new forums for interaction created.

Are there particular sectors, types of firms (size, ownership, product market), corporate or spatial networks of businesses in which HPW has been successful in this national context? Are there different barriers and approaches for the private and public sectors?

The TYKES programme targeted SMEs, which predominate in Finland, and has increasingly moved towards those firms within this grouping that are considered capable of achieving significant growth. The evaluation evidence available did not allow the differentiation of involvement and impact needed to answer this question.

What in terms of HPW are the 'hard to reach' sectors/employers, and are there examples of the concept being successfully applied/adapted to low skill workplaces?

Service sector organisations are included within the Finnish programme, as well as public sector ones. Developing working life was observed to have weaker results in the service sector than in other sectors, reflecting particular (but unspecified) 'challenges in those environments'.

Is there any evidence of how learning between firms and organisations takes place with respect to HPW (e.g. within an area, network or supply chain)?

Ways of establishing systematic engagement between approved consultants, researchers and actors at workplace level is more developed in the Finnish model than elsewhere. This was also an aspect of the programme that was relatively well funded relative to the other activities. The process has led to the development of expertise, genuine innovation and new networks, both of different firms and with outside organisations. In this sense, capacity was developed at national and local level, although it is recognised that this is often not likely to exist independently of the programme.

2.3.8 'Best practice' and learning

What constitutes 'best practice' in this approach to HPW? Is this country-specific or might it be transferred to the UK? What can policy-makers in the UK learn from other countries about potential ways of increasing employer uptake of the HPW approach?

There are numerous 'best practice' ideas embodied in the Finnish programme, including: its relationship to innovation; the way it is embedded within government structures (departmentally, and in terms of its place within innovation strategy); the support it enjoys from the top-level leadership; its research-led nature (close involvement of research

institutes) and the means by which expert networks have been developed; and the link it makes between workplace innovation and quality of work.

As a system, the workplace innovation strategy, with its HPW features, is highly specific to its national context, which is markedly different from that of the UK. Nonetheless, as a sophisticated and well thought-through approach, it has aspects that are relevant to any policy-maker designing such a programme. The role of networks, for example, would appear not to be culturally dependent, and these are shown to have played a valuable role. Finland's approach also offers a rare example of the way in which such a policy can be applied in relation to different sectors, including the public sector, and there may be important lessons that can be drawn from closer inspection of these aspects.

2.4 Germany

2.4.1 Understanding of concept

How is HPW understood and conceptualised in this national context? Does the understanding of the concept vary between different stakeholders?

The term HPW is not generally used in Germany. The following terms relating to workplace organisation and practices are commonly used:

- 'high efficiency work system'
- 'innovative labour organisation'
- 'conducive to innovation'.

At least some of the key elements of HPW systems (for example, high levels of employee involvement and teamwork) are widespread in Germany. Whilst these practices have not been understood in terms of HPW, and HPW has not been purposively promoted or adopted, the German experience does demonstrate that high levels of employee involvement and other HPW practices can be the normative model of work organisation in a western European country. In Germany HPW approaches are both widespread and generally accepted without question, by both managers and employees.

2.4.2 Background circumstances

What are the circumstances behind the government's attempts to influence use of HPW through public policy?

There is a history of productivity improvement and organisational development programmes in Germany going back to the 1970s. Productivity programmes have tended to focus on exploiting Germany's perceived technological advantages and on supporting high technology sectors. Indeed, there is broad political consensus that Germany can only preserve its competitiveness if it succeeds in offering high-quality technical products and services in the face of competition from low-wage countries in more traditional markets. This has underpinned a commitment to 'quality-leadership' and the maintenance of a situation of 'high skills equilibrium'.

Although there have been policy initiatives associated with various aspects of work organisation, for the most part these have not focused directly on HPW. However, a notable feature of the evolution of thinking and practice associated with work organisation in Germany is the way in which early programmes (predominantly concerned with employee well-being) have been progressively replaced by initiatives that emphasise the links between employee well-being and business success through technical innovation.

2.4.3 Policy approach

In what ways has public policy attempted to encourage and support the uptake of HPW? How has the country reconciled the common business enterprise versus skills policy dichotomy?

Although there was an increased academic and policy interest in innovative models of work organisation and high involvement work practices during the 1990s, there is little evidence of German policy initiatives specifically designed to promote HPW. Whilst there have been some initiatives designed to promote models analogous to HPW systems, and some evidence of firms being influenced by imported HRM theories, there is little doubt that the prevailing legislative and institutional context has been the key driver of German HRM strategy and practice.

The current model of workplace organisation in Germany has been fundamentally influenced by legislative structures and institutions, which mandate employee involvement in both strategic and operational decisions within businesses. Co-determination is probably the most influential labour market institution and has been crucial in shaping HRM strategy and practice (Giardini *et al.*, 2005). Worker participation is indirect in that it functions through employee representatives and formalised bodies such as works councils (required by law).

2.4.4 Factors relevant to HPW take-up

Are there particular circumstances that have aided or obstructed the take-up of HPW? In the case of barriers, have these been identified and specifically targeted in interventions?

Although individual components of HPW are mandated in Germany, the extent to which businesses have deliberately adopted practices beyond these obligations is questionable; certainly, engagement of this type is not widespread within the business community.

Some analysts have distinguished between a 'shareholder' model of business, dominant in countries such as the US and UK, and a 'stakeholder' model more commonly found in continental Europe, particularly Germany. The shareholder model is characterised by management control and tends to adopt a short-term perspective, whereas companies conforming to the stakeholder model take a more long-term perspective. This is important to thinking about HPW because, while the main objective of organisations in the US and UK 'Anglo-Saxon' systems is the maximisation of shareholder value, the primary goal of German companies is to balance the interests of a wide range of different stakeholder groups, including employees (Hoffmann, 2007). These differences are held to have an important impact on the orientation of organisations' HRM strategies, including that towards the adoption of HPW.

2.4.5 Policy implementation

What different systems/institutions are used to support HPW? Through what agencies (public and private) has support for HPW been delivered, and how is this organised and funded? Has this system changed over time and if so for what reasons?

The German constitution defines federal support for new and small ventures as a joint task of the federal and state governments. Responsibility for the delivery of policy resides predominantly at the Lander level and the actual delivery of advice and support is generally achieved through quasi-governmental or private sector organisations. This reflects the principle of subsidiarity and the associated strategy of decentralising SME support. The states have different approaches to business support, ranging from an uncoordinated approach, where a number of ministries and departments are involved, to the operation of 'one-stop shops' designed to meet all small enterprise needs (Achtenhagen and Welter, 2006).

One of the few well-documented examples of a policy initiative concerned with HPW is the Work-Oriented Modernisation programme in North-Rhine Westphalia. One of the project's objectives relates to achieving wide-scale dissemination of innovative workplace practices. The programme is delivered through an agency of the North-Rhine Westphalia regional government, GIB (Innovative Employment Promotion Company). Its role includes conceptual development, advising policy-makers, implementing and controlling labour policy programmes and various projects. GIB also acts as an interface between the regional government, delivery bodies and other stakeholders (Keuken, 2008). Although interim evaluations have shown positive results, the extent to which this ongoing programme has been successful in promoting the widespread adoption of HPW has yet to be determined.

2.4.6 Place within wider government structures and policy

How does the policy for HPW 'fit' within or alongside other policies affecting the workplace?

The most interesting feature of thinking and practice associated with HPW in Germany is the way in which the concept is being linked to and, tacitly at least, promoted within innovation policy. Current research in Germany is increasingly concerned with a 'holistic' notion of innovation policy and practice that is premised on the view that effective innovation requires not just technological development, but also appropriate skills and forms of work organisation that allow innovations to be successfully implemented and exploited. These 'innovation conducive' forms of work organisation are essentially consistent with HPW practices.

2.4.7 Policy impact

What evidence is there of success of initiatives to encourage HPW? Have there been any evaluations of specific initiatives?

The available evidence provides an inconclusive (and contested) picture regarding the extent and effectiveness of HPW practices in Germany. While specific HPW practices, such as high levels of involvement and teamwork, are clearly widespread, there is disagreement as to how closely German practice matches the pure conceptualisation that requires a coherent bundle of practices.

Totterdill *et al.* (2009) have argued that the succession of programmes concerned with quality of working life issues has had a considerable (though not always obvious) impact in terms of increasing Germany's knowledge and organisational capital relating to workplace innovation and working life. However, this conclusion is contested.

There have been few policy initiatives specifically designed to promote HPW. The limited evaluation evidence that is available for policy programmes that included elements of HPW, such as that currently operating in North-Rhine Westphalia, do suggest some success in targeted businesses, but it is not clear how extensive policy impacts have been.

Are there particular sectors, types of firms (size, ownership, product market), corporate or spatial networks of businesses in which HPW has been successful in this national context? Are there different barriers and approaches for the private and public sectors?

There is very limited evidence regarding the sectors and types of firms that are especially successful in terms of HPW adoption. Preliminary findings from the SMART innovation project, currently being operated by the University of Munich, show very positive findings relating to a sample of medium-sized businesses in the manufacturing sector. This is perhaps consistent with the wider finding that HPW systems are more easily adopted in firms that are large enough to have specialist HRM functions.

What in terms of HPW are the 'hard to reach' sectors/employers, and are there examples of the concept being successfully applied/adapted to low skill workplaces?

There is some evidence that developments in Germany over the past 10 years show evidence of a polarisation involving 'progressive' and 'conservative' work organisation strategies. There are examples of progressive strategies that encompass a more or less complete bundle of high performance work practices, as well as evidence of the selective and possibly unconstructive use of individual practices in the more 'conservative' strategies'.

Is there any evidence of how learning between firms and organisations takes place with respect to HPW (e.g. within an area, network or supply chain)?

Totterdill *et al.* (2009) have pointed out that an approach based on 'combined projects', involving research and enterprise partners, with the aim of promoting shared learning and innovation between different actors, is increasingly favoured within Federal government programmes. This feature is partly the result of recommendations emerging from evaluations of previous initiatives. In the North-Rhine Westphalia initiative, 'joint projects' are reported to involve between three and 10 companies in collaborative workplace innovation.

2.4.8 'Best practice' and learning

What constitutes 'best practice' in this approach to HPW? Is this country-specific or might it be transferred to the UK? What can policy-makers in the UK learn from other countries about potential ways of increasing employer uptake of the HPW approach?

Legislation that mandates high levels of job security, institutionalised collective bargaining and co-determination have constrained the ability of businesses to adopt other management strategies and, albeit by default, have resulted in high levels of employee involvement. However, this model clearly has very limited relevance to the UK. Leaving aside the fact that these institutions appear to have been progressively weakened in Germany over the last twenty years, the adoption of such a system would require profound changes to legislation and established patterns of industrial relations in the UK.

The German conceptualisation of innovation, which recognises the necessary association between technological developments and the systems of workplace organisation, is relevant to the development of policy in the UK. It can be a powerful driver for businesses within a voluntarist approach to promoting HPW. It also suggests that HPW systems could logically, and perhaps most effectively, be promoted through innovation policy.

2.5 Ireland

2.5.1 Understanding of concept

How is HPW understood and conceptualised in this national context? Does the understanding of the concept vary between different stakeholders?

In Ireland, HPW is pursued through policies to promote workplace change and innovation via increased levels of employee involvement and engagement. Ireland has long recognised the importance of workplace innovation as key to boosting productivity and competitiveness, and few other countries have developed as co-ordinated and focused a national approach to workplace development. It is one of a small number of countries that have been trying to develop strategically the connection between innovation activity and the development of working life. It regards this integration as essential, and its wide-ranging and integrated programmes are similar to the approach of some Nordic countries. There is a high level of agreement, expressed through the social partnership approach, with respect to the objectives of the workplace strategy; indeed this underpins the involvement of the various social partners in the process itself. At ground level, practical issues to do with realising benefits produce inevitable conflicts of view in some cases, making unions somewhat reluctant to engage on occasions.

2.5.2 Background circumstances

What are the circumstances behind the government's attempts to influence use of HPW through public policy?

Leaving aside the current financial difficulties, a large challenge facing Ireland is that a main factor in its growth - an expanding labour supply - has been diminishing, and its productivity performance (leaving aside foreign-owned exporting firms) is generally poor by international standards. The Irish government sees intervention support for workplace management as a logical extension of helping indigenous businesses become more competitive and grow their export markets, while also continuing to help in attracting investment from overseas firms.

2.5.3 Policy approach

In what ways has public policy attempted to encourage and support the uptake of HPW? How has the country reconciled the common business enterprise versus skills policy dichotomy?

Building on the successful experience of social partnership over the past two decades, the Irish Government and its social partners emphasise the potential for gaining significant competitive advantage through embedding workplace innovation as a critical component of the national system of innovation. Following a pilot programme (New Work Organisation) in the 1990s, a National Workplace Strategy emerged which gave rise to the Workplace Innovation Fund (from 2007) to channel €3m per annum to realise strategy objectives. The money is used for: (1) projects to support innovation initiatives in private sector transition (i.e. growing) SMEs, e.g. through appointing external consultants; (2) initiatives by social partners to undertake workplace innovation projects, including the development of knowledgeable partners in terms of workplace change; and (3) a public awareness campaign to highlight the potential value of workplace innovation and provide examples of success (see NCPP.ie for further details). The setting of the programme within the context of a national innovation strategy, and the involvement of Enterprise Ireland in the administration of the Workplace Innovation Fund, ensures that this approach operates to integrate skills and business strategy rather than focusing unduly on one of these aspects.

2.5.4 Factors relevant to HPW take-up

Are there particular circumstances that have aided or obstructed the take-up of HPW? In the case of barriers, have these been identified and specifically targeted in interventions?

Some evidence relating to the factors that obstruct the uptake of HPW systems was uncovered by Irish survey-based research (O'Connell *et al.*, 2010; Watson *et al.*, 2010). Public sector employers identified budget and recruitment constraints, and uncertainty about the future, as general barriers to change. More specifically, the study identified the main obstacles as: HR management and organisational structures, including the promotions process; lack of local industrial relations flexibility; hierarchical organisational structures; and management structures. The public sector, in spite of its perceived low productivity, is not specifically targeted within the Workplace Innovation Strategy (as is the case in most other countries).

2.5.5 Policy implementation

What different systems/institutions are used to support HPW? Through what agencies (public and private) has support for HPW been delivered, and how is this organised and funded? Has this system changed over time and if so for what reasons?

Ireland's model is distinctive, particularly in the sense that it is firmly set within a framework of social partnership, and incorporates support for developing the capability of the social partners to contribute to the process. The National Economic and Social Development Office Act (2007) established the National Centre for Productivity Performance (NCP) on a statutory basis as one of the three government institutions of social partnership within NESDO. The main focus of NCP's work programme centres on supporting the objectives of the National Workplace Strategy. These are implemented by the High Level Implementation Group (HLIG), operating under the Department for Enterprise, Trade and Employment. The HLIG has membership from across government and state agencies as well as the social partners.

The NCP delivers the key programmes within the Workplace Innovation Strategy, including the Workplace Innovation Fund, research and policy development, and communication and dissemination. Fund support for SME projects is administered in partnership with Enterprise Ireland. Another strand within the Fund provides support for social partners who initiate projects at workplace level. Applicants for WIF support have to contribute a portion of the costs, but that has been reduced to a relatively small share to encourage participation. The system is relatively recent and changes relate mainly to the detail of funding (especially in conjunction with other grants).

Finally, it should be noted that the programme enjoys strong political support, including a leadership role by the Prime Minister (NCP reports directly to the Prime Minister's Office, the Department of the Taoiseach).

2.5.6 Policy within wider governmental structures

How does the policy for HPW 'fit' within or alongside other policies affecting the workplace?

Ireland's WIS appears to be substantially embedded within the policies of different government departments. SKE (2009) reported 'wide and deep linkages at all levels of government' helping the strategy to gather momentum: specifically the involvement of the Departments of the Taoiseach, Enterprise, Trade and Innovation, Finance, Education and Skills, the Industrial Development Agency and the Employment Services Agency. For

example, the NCPP's work is used by the Industrial Development Agency in attracting companies to invest in Ireland, while national statistics collection has also been specifically adjusted to accommodate the data requirements of the strategy.

2.5.7 Policy impact

What evidence is there of success of initiatives to encourage HPW? Have there been any evaluations of specific initiatives?

This is a relatively new strategy in its present form, and not especially generous in terms of resources devoted to it. No evaluation is yet available specifically assessing the impact of the programme; indirect evidence (via the national workplace survey) indicates a spread of practices associated with HPW, although this does not necessarily constitute evidence of impacts from the programme itself.

Are there particular sectors, types of firms (size, ownership, product market), corporate or spatial networks of businesses in which HPW has been successful in this national context? Are there different barriers and approaches for the private and public sectors?

The programme targets primarily SMEs that are in a transition stage: that is, ones that are growing and either exporting already or seeking to do so. Further information is not yet available to differentiate beyond this with respect to participants.

What in terms of HPW are the 'hard to reach' sectors/employers, and are there examples of the concept being successfully applied/adapted to low skill workplaces?

No evidence exists in relation to this aspect at this stage.

Is there any evidence of how learning between firms and organisations takes place with respect to HPW (e.g. within an area, network or supply chain)?

This does not appear to be a prominent feature of the Irish system, unlike, for example, the programme in Finland.

2.5.8 'Best practice' and learning

What constitutes 'best practice' in this approach to HPW? Is this country-specific or might it be transferred to the UK? What can policy-makers in the UK learn from other countries about potential ways of increasing employer uptake of the HPW approach?

The co-ordinating role of NCPP combined with the availability of a specific strand of funding for developing awareness and understanding of workplace innovation has given rise to an impressive range of activities. There are sector-based projects, conferences and master-classes, along with strategic case studies, discussion documents and publications.

Policy-related activities of particular note are the Forum on the Workplace of the Future (including some novel devices for communicating the nature and benefits of workplace innovation in practice), and the National Workplace Survey, which provides information and insights relating to the extent and patterns of adoption of HPW practices. In contrast to the situation prevailing in other countries investigated, this survey system allows policy-relevant data on HPW to be collected on a consistent basis over time.

The way support for social partnerships is incorporated into the programme is also potentially a best practice approach. If social partners are to be involved in delivering policy, it makes sense for them to be properly supported to take initiatives in relation to workplaces, and to be able to operate as truly knowledgeable partners.

The highly targeted nature of the support for firms is an interesting feature, in that it seeks to capitalise upon dynamic and growing firms that inevitably need to embrace change management and are also more likely to be able to benefit from win-win possibilities from implementing HPW practices (for employers and workers). This might offer relevant lessons in the UK context, especially with respect to re-balancing objectives involving enterprising firms and exporting.

While the UK might find it difficult to achieve the same level of social partnership, this programme (like those of other countries studied) does draw attention to the importance of the different social partners in developing and delivering such as policy, and in achieving acceptance of the idea at workplace level.

Finally, Ireland has made deliberate attempts to integrate its policy for supporting HPW with its innovation strategy, recognising that there is 'more to innovation than R&D'. This aspect of its policy might also have relevance in the UK context, especially given that Ireland's employment and other institutions are not particularly dissimilar to those in the UK, and its policy regarding HPW is essentially voluntarist in nature.

2.6 New Zealand

2.6.1 Understanding of concept

How is HPW understood and conceptualised in the New Zealand context? How does the understanding of the concept vary between different types of stakeholder?

New Zealand faces a critical challenge in terms of improving its productivity performance and has singled out the poor utilisation of skills in the workplace as a key issue and policy area. The standard package of practices commonly associated with HPW has been identified, and its introduction is recognised as a crucial aspect of its attempt to improve workplace productivity performance. The trade union movement is broadly very supportive of this approach, subject to benefits being realised by its members.

2.6.2 Policy approach

In what ways has public policy attempted to encourage and support the uptake of HPW? How has the country reconciled the common business enterprise versus skills policy dichotomy?

Public policy in this area focuses upon social partnership, and derives its support both from the need for workplace productivity enhancement and the demonstrable benefits of HPW. Time and trouble has been taken to build consensus on this issue. The small size and relative homogeneity of the country have helped in forging a tripartite approach (government, employers and unions) in support of HPW. The policy itself has been especially focused upon increasing awareness and demonstrating how HPW can be applied in the workplace to achieve gains for both employers and employees, and only limited resources have been devoted to support for action at the workplace. Compared to some European countries the scope of policy action is limited.

The skills issue per se is of relatively limited importance in New Zealand, which performs well internationally in workforce skills league tables. It is the business context, within which skills can be both utilised more effectively and further developed in line with future needs, that is the focus of attention. There is thus no obvious dichotomy to be reconciled and this has not emerged as an issue.

The New Zealand approach to HPW has been developed over a number of years, through a painstaking process of research, information gathering and consultation. There has been a comprehensive approach, including extensive learning from overseas experience. Much attention has been given to building consensus and understanding, which has contributed to the strength of the social partnership in relation to this issue. It helps that HPW practices have been experimented with in New Zealand since the 1990s, thus giving unions and employers relatively long experience of the concept and its potential benefits.

2.6.3 Factors relevant to HPW take-up

Are there particular circumstances that have aided or obstructed the take-up of HPW? In the case of barriers, have these been identified and specifically targeted in interventions?

A particular issue affecting take-up in New Zealand relates to the predominance of small firms without specialist HR functions or expertise. This limits awareness and understanding of HPW and its potential benefits, and restricts the ability of firms to commence action towards their adoption. There are good examples of larger firms in the country that have developed sophisticated versions of HPW. Interventions have targeted the awareness problems through publicity and by developing case studies. New Zealand has also made available practical tools for diagnosis and funded the use of consultants at workplace level to help guide the process of identifying needed changes and the means by which they can be achieved. The latter element has involved only a limited number of firms, working in small groups.

2.6.4 Policy implementation

What different systems/institutions are used to support HPW? Through what agencies (public and private) has support for HPW been delivered, and how is this organised and funded? Has this system changed over time and if so for what reasons?

Specific tripartite arrangements have been developed to support HPW in New Zealand. The Workplace Productivity Agenda, which was formulated around 2005, has been incorporated into related policies. A Workplace Productivity Reference Group, with representatives of different areas of social partnership, oversees the implementation of the agenda through the Department of Labour. Other institutional developments support the process, including a Centre for High Performance Work established by two major unions. A Productivity Council is to be launched later in 2011, underlining the importance of the productivity issue (and thus workplace innovation) within public policy. Funding for the support scheme, organised through the Department of Labour, is modest and derives from government sources. The

scheme has now been in force for four years; the launch of the Productivity Council is likely to provide a context for the intervention measures to be reviewed at some stage.

2.6.5 Policy impact

What evidence is there of success of initiatives to encourage HPW? Have there been any evaluations of specific initiatives?

The 2009 evaluation revealed that around 70 per cent per cent of the 28 participant firms that had completed the programme reported a 'moderate to considerable' impact resulting from their involvement, and it was common for participants to continue to purchase consultancy support after the end of the project (Department of Labour, 2009).

Are there particular sectors, types of firms (size, ownership, product market), corporate or spatial networks of businesses in which HPW has been successful in this national context? Are there different barriers and approaches for the private and public sectors?

Participants were found to be generally small firms involved in production, either processing agricultural produce or as manufacturers in other fields. The programme is aimed very much at small private sector producers, specifically groups in specific localities of the country.

No evidence has been uncovered relating to links between firms' product market strategies and HPW that go beyond generalities regarding the likely interest in HPW of one type of business against that of another. The 2009 evaluation shows that a significant number of those firms receiving support within the programme were likely to be exporting and highly concerned with quality issues.

What in terms of HPW are the 'hard to reach' sectors/employers, and are there examples of the concept being successfully applied/adapted to low skill workplaces?

It is not possible to respond to this question at this stage, other than to observe that the limited scale of the programme is likely to result in a focus upon the more receptive workplaces. The evaluators observed that the programme results were less positive where workplaces lacked 'readiness to participate'. Given the need for the programme to provide examples of positive effects of HPW for demonstration purposes, it is possible that certain types of workplace will tend not to be recruited, at least initially.

Is there any evidence of how learning between firms and organisations takes place with respect to HPW (e.g. within an area, network or supply chain)?

The networking aspect of this programme is much more restricted than in other programmes (e.g. Ireland and Finland) and is limited to six or seven participant firms working together. Some interesting initiatives emerged through innovations developed by social partners as a result of their engagement in the programme.

2.6.6 'Best practice' and learning

What constitutes 'best practice' in this approach to HPW? Is this country-specific or might it be transferred to the UK? What can policy-makers in the UK learn from other countries about potential ways of increasing employer uptake of the HPW approach?

Best practice can be identified with respect to the process by which New Zealand has evolved a policy, through careful preparation and learning from experience elsewhere, and then full consultation and discussion to ensure the engagement of the different stakeholders. Ensuring all the parties involved are in agreement in terms of expectations, processes, outcomes and governance is a key aspect of its approach.

It is certainly good practice that a substantial evaluation has been undertaken into the effects of the programme and the way it operates. This evaluation provides insights into the process that are instructive in terms of future policy design, as well as providing the material for case studies to demonstrate the benefits. One strong conclusion from the evaluation is the need to focus policy efforts upon 'receptive' workplaces.

New Zealand's structures and institutions are relatively close to those of the UK, and it would be reasonable to assume that the policy initiatives that have been introduced there might provide learning for policy development in the UK. Legislation is weak in terms of protecting labour and designed to make it easy to do business; as in the UK, unions have restricted rights and there are no legislative structures that mandate employee involvement as in some European countries.

Partly as a reflection of this, New Zealand's policy approach is voluntarist in nature, which is also likely to be relevant to the UK situation. It combines the provision of information on 'best practice', and training and education available to managers and employers, with provision of benchmarking and diagnostic tools and financial support for advisory and consulting services. The nature of social partnership underpinning the Workplace Productivity Agenda, and limited extent of public funding devoted to the initiative, are also features likely to make this approach of interest in the UK policy-making context.

2.7 Sweden

2.7.1 Understanding of concept

How is HPW understood and conceptualised in this national context? Does the understanding of the concept vary between different stakeholders?

There is no specific Swedish term relating to HPW, and HRM strategy and practice are not generally considered in this way. Similarly, while policy has been concerned to promote progressive forms of work organisation for several decades, until very recently, these initiatives have seldom been categorised or articulated in terms of HPW per se. Despite this, the Swedish model, with its emphasis on trust, teams and empowerment, which results in non-bureaucratic and flexible organisations, clearly embodies many of the key features of the HPW concept. Indeed, Sweden is widely cited as having a highly developed and progressive system of work organisation that underpins high levels of innovation and productivity (Isaksson, 2008).

HPW practices are both widespread and largely unquestioned in Sweden. This shows that something at least close to the pure HPW concept can be the normative model of workplace organisation in a western European country.

2.7.2 Background circumstances

What are the circumstances behind the government's attempts to influence use of HPW through public policy?

Sweden is a developed market economy with a population of approximately 9.1 million. It is the highest ranked country in the European Union Innovation index, ahead of the UK and well above the EU27 average (PRO INNO Europe, 2011). The proportion of the population with tertiary level qualifications is high, as is the proportion completing vocational training. Sweden is renowned for having one of the most highly developed welfare states in the world.

Sweden is an export-oriented economy and maintaining international competitiveness through innovation and productivity gains has been and remains a central policy goal. Following a recession and quite severe economic problems, including a banking crisis, in 1990, Sweden adopted relatively neo-liberal policies. While there were, as a result, widespread cutbacks in welfare provision and changes to employment legislation, key aspects of the legislative framework that have shaped HRM practice and models of work organisation have remained largely intact, as has the established model of close cooperation between the government, unions and businesses.

Sweden's first innovation strategy 'Innovative Sweden' was instituted in 2004 with the goal of making Sweden 'Europe's most competitive, dynamic and knowledge-based economy' (Ramstad, 2009). The strategy focused on long-term growth and was concerned with both product and process innovation. Its organisational development objectives emphasised the importance of promoting flexible production, better skill utilisation, networks, workforce participation and dynamic labour markets. There was also the explicit suggestion that the development of new technology must be coordinated with the development of work organisation.

2.7.3 Policy approach

In what ways has public policy attempted to encourage and support the uptake of HPW? How has the country reconciled the common business enterprise versus skills policy dichotomy?

Although the Swedish model of workplace organisation embodies key features of the HPW concept, it has not been established through deliberate considered adoption of the HPW. For the most part, it has evolved in response to the prevailing legislative and institutional context. In Sweden, employee involvement in the management of businesses is mandated by legislation. Sweden's co-determination laws require employers to negotiate with unions at the workplace before making major changes to business strategy or practice. However, the Swedish system is less prescribed and more flexible than those in some European countries, such as Germany. For example, works councils are not legally required or indeed widely used in Sweden.

Historically, Swedish policy initiatives only promoted HPW practices in an incidental manner. However, there is some evidence that current initiatives are taking a more direct and explicit stance. For example, Vinnova's Organising Work for Innovation and Growth programme sponsors a range of projects intended to promote and support the adoption of what in practice are essentially HPW-type practices.

2.7.4 Factors relevant to HPW take-up

Are there particular circumstances that have aided or obstructed the take-up of HPW? In the case of barriers, have these been identified and specifically targeted in interventions?

It is possible to argue that a model of work organisation and employee involvement that is in large part mandated by legislation may not correspond to a notion of HPW that requires the implementation of a complete and coherent bundle of practices. However, an important

feature of the Swedish experience is that practice clearly extends beyond any minimalist compliance with employment legislation. Some commentators have argued that this reflects high levels of educational attainment, the 'high skills equilibrium' and an essentially equitable and classless society. Certainly, it seems likely that these features have underpinned the effective operation and enhancement of legislatively mandated employee involvement in Swedish businesses.

Both research and practice in Sweden has emphasised the 'high road' approach to HRM, which involves functional flexibility and greater employee autonomy and empowerment; it is increasingly seen as offering a win-win strategy for businesses and employees that can increase the level of innovation and thus raise competitiveness.

2.7.5 Policy implementation

What different systems/institutions are used to support HPW? Through what agencies (public and private) has support for HPW been delivered, and how is this organised and funded? Has this system changed over time and if so for what reasons?

There have been few attempts to implement HPW systems per se in Sweden. Certainly there are few, if any, examples of policy initiatives specifically described in this way. However, whilst they are not rationalised or described in the terms, there have been initiatives to promote progressive HRM strategies and practices which are akin to the HPW model.

Whereas policy initiatives in other countries, such as Australia, have typically attempted to promote HPW through a demonstration effect based around a relatively small number of exemplar businesses, a number of Swedish initiatives concerned with workplace organisation have on occasion taken a more extensive approach. For example, the Working Life Programme funded 25,000 projects and involved half of the total labour force.

As has been the case in some other European countries (such as Germany), policy programmes of the 1970s and 1980s, primarily concerned to promote employee well-being, have evolved in ways that increasingly emphasise the links between HPW-type practices and productivity, innovation and competitiveness. Current thinking and practice in Sweden is increasingly based on the recognition that the sorts of practices associated with HPW are conducive to effective innovation.

2.7.6 Place within wider government structures and policy

How does the policy for HPW 'fit' within or alongside other policies affecting the workplace?

Insomuch as there is a HPW policy in Sweden, the most interesting feature from a UK perspective is the increasingly close association with innovation strategy and policy. Vinnova, Sweden's innovation agency, was established in 2001. Its role involves increasing the competitiveness of Swedish researchers and companies and promoting sustainable growth in the country by funding needs-driven research and the development of effective innovation systems.

While many of Vinnova's research and policy development activities reflect conventional aspects of product and process innovation, its interpretation of innovation is much wider than this. It has increasingly adopted a broad and holistic view of innovation that encompasses issues such as HR management and workplace organisation. For example, its Organisation and Management work-strand incorporates 'strategic management and work organisation for well-functioning workplaces and thereby the efficiency and long-term development of operations' (Vinnova, 2010).

2.7.7 Policy impact

What evidence is there of success of initiatives to encourage HPW? Have there been any evaluations of specific initiatives?

Evaluations of programmes concerned with modernising work organisation suggest some successes. There are also numerous case studies of businesses that provide examples of successful development of HPW-type practices and associated positive impacts on business performance. In both cases, however, evidence regarding the wider uptake of HPW-type practices is limited.

Are there particular sectors, types of firms (size, ownership, product market), corporate or spatial networks of businesses in which HPW has been successful in this national context? Are there different barriers and approaches for the private and public sectors?

In recent years, some Swedish firms, notably large manufacturing firms, have moved away from high involvement work practices, sometimes reverting to previously used systems. In some cases this is seen to reflect increasingly severe competitive pressures; in others the considered adoption of different approaches. A number of commentators have identified a shift in interest to notions such as teamwork and project-based models of work organisation (Ekstedt *et al.*, 1999).

What in terms of HPW are the 'hard to reach' sectors/employers, and are there examples of the concept being successfully applied/adapted to low skill workplaces?

Although a 'high road' approach to HRM (embodying many features of HPW) is the norm in Sweden, some commentators have identified the use of 'low road' solutions that focus on traditional models of work organisation emphasising cost minimisation, flexibility and control.

Is there any evidence of how learning between firms and organisations takes place with respect to HPW (e.g. within an area, network or supply chain)?

According to Totterdill *et al.* (2009), a key feature of many projects in Sweden in the late 1990s was the integration of workplace development and regional networks, assisted by EU structural funding. However, they also point out that Sweden's prominent role in promoting new forms of work organisation has fallen away in the past decade or so. The current strategy for promoting workplace development relies more on a strategy of using exemplar businesses to demonstrate the benefits of HPW-type practices. How effective this will be in achieving more extensive adoption remains to be determined.

2.7.8 'Best practice' and learning

What constitutes 'best practice' in this approach to HPW? Is this country-specific or might it be transferred to the UK? What can policy-makers in the UK learn from other countries about potential ways of increasing employer uptake of the HPW approach?

The relevance and transferability of the Swedish model to the UK are questionable on a number of grounds. The institutional context is different and could not be replicated in the UK. And, while Sweden is widely cited as an exemplar of innovative and effective approaches to workplace organisation, some analysts have questioned the extent to which Swedish practice equates to the pure HPW model, while others have identified the tendency of some businesses to reject this model. This experience reflects the importance of customisation and experimentation with respect to workplace innovation more generally, and the likelihood that some variation in practice will result.

Even still, HPW practices are both widespread and largely unquestioned in Sweden. This shows that something at least close to the pure HPW concept can be the normative model of workplace organisation in a western European country.

There are also particular elements of the Swedish situation that may be relevant and useful in informing policy development in the UK. For example, Sweden's engagement with the 'high road' approach to HRM, and within this the notion of win-win strategies for employees and businesses, might well prove to be powerful levers within a voluntarist approach to promoting HPW systems in the UK. The nature and influence of Vinnova, and the way in which the agency increasingly sees workplace organisation as a fundamental and indispensable component of effective innovation, could be used as a model for the development of UK policy. Indeed, the perceived intimate association and functional interdependence of HPW and innovation that is increasingly prevalent in Swedish thinking and practice suggests a credible and potentially powerful location for HPW policy in the UK.

3 Policy learning

3.1 Themes and issues relating to policy

This section identifies emerging themes and issues, based on evidence from the seven country case studies, and considers aspects of policy learning for the UK. A summary table is provided at the end of the section to help in drawing together the various strands emerging from the case studies.

This section covers:

- legislative approaches;
- HPW and skills utilisation;
- social partnerships;
- HPW and innovation;
- learning from research and networking;
- building expertise;
- short and long term benefits;
- programme focus;
- adoption of HPW;
- approaches to encouraging HPW;
- central and decentralised delivery.

3.2 Legislative approaches

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 much of northern Europe, governments and social partners have developed a model of employee relations that, through collective agreements underpinned by legislation, delivers some elements of the Anglo-Saxon HPW model as the norm in many workplaces. Effectively, they create an environment that naturally encourages HPW. In the Nordic countries, especially, one of the key elements of this approach to employee relations is

centred upon 'flexicurity'⁴. In such countries the employee relations model forms a supportive backdrop to a set of workplace interventions associated with a broad concept of innovation. This covers not only technology but also process innovation, organisational development, and interventions around work organisation, job design and job content.

The report shows that, on the one hand, there is a northern European group of countries (arguably including Ireland) that have adopted an approach that has, as its starting point, a broad-based innovation strategy that covers technology, workplace design, organisational development and people. On the other hand, there is a group of countries, including New Zealand, Australia and Canada, which prefer a more HR-focused HPW strategy. It is very unlikely that the legislative and institutional arrangements that have underpinned the use of HPW in the northern European countries could be established in the UK. This does not mean, however, that the UK should only look for practical lessons from countries such as Australia, New Zealand and Canada, that do things in a similar way and have institutions that accord with those in the UK. They indeed offer examples of how HPW policy can be pursued through a voluntarist framework, which would be an acceptable approach within the UK. There are, nonetheless, lessons that UK policy makers can draw from each of the countries studied.

3.3 HPW and skills utilisation

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 increased productivity and innovation. Typically, the countries investigated possess a high level of skills and effective VET systems. In Australia, for example, research points to low levels of effective skills utilisation. The background to HPW policy in all of the countries investigated 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. Countries examined typically recognised the potential macroeconomic advantages that flow from action at this micro scale, in terms of overseas competitiveness, export growth, and higher labour participation.

⁴ 'Flexicurity' refers to a welfare state model characterised by a proactive labour market policy that seeks to combine labour market flexibility with security for workers.

Moreover, numerous technical studies relating to HPW in the countries studied have pointed clearly to benefits that can be derived from adopting these practices (such as increased staff retention, employee engagement and long-term organisational performance improvements). This provides a rationale for companies to adopt such strategies and for government to take a role in encouraging such adoption where market failures are identified, either generally, or with regard to some types of firms (especially small firms).

3.4 Social partnerships

A strong feature in all the countries studied is the commitment of social partners to programmes of support for HPW.

While government has a central role to play in bringing together employers and employees in constructive dialogue and action that results in innovative, productive workplaces, this is done within a social partnership framework. Such partnership is a central feature of all policy initiatives in the seven case study countries and typically consists of government, employers, unions, and (in some countries) research institutes. Those countries with less developed social partnership arrangements devoted considerable time and effort to ensuring that the different social partners are both supportive and fully engaged with the process. The endorsement of the partners would appear to be a pre-requisite for such a policy, which may explain why, in both New Zealand and Canada, considerable time and attention was given to building this broad base of support and involvement.

It should be noted that governments tend to take a leading role and unions and employers' associations tend to play a supportive role, typically being involved in an advisory capacity rather than in the recruitment of workplaces.⁵ There are exceptions, however: in the North-Rhein Westphalia region of Germany, social partners do help in recruiting businesses, while in Ireland there is specific provision for them actually to lead projects, and active attempts are made to support their involvement as 'knowledgeable participants'.

In each of the seven countries, as indeed in several others that operate HPW programmes, it is interesting to observe the way that support for this policy has spanned the political spectrum. There is also a noticeably prominent role played in the countries without legislated employee involvement by the Department of Labour or equivalent, both in terms of policy and programme design and partnership development. The absence of an equivalent to this in the UK can be seen as both a disadvantage and an opportunity with respect to

⁵ While, in terms of direct involvement, unions are potentially helpful with regard to facilitating HPW discussions/activities in larger organisations, and frequently play such a role, many of the participants in support programmes are small non-unionised organisations.

potential leadership of an HPW initiative. While this represents a disadvantage in terms of not having departmental expertise, focus and policy experience relevant to such an area of activity, it may be an advantage in that it opens up the opportunity for developing a policy that genuinely spans HR and business enterprise and innovation. This could be led by a partnership developed partially or wholly outside government.

The country studies suggest that the commitment of unions as a social partner is weakened where workplace innovation is perceived as resulting in intensification of work and uneven distribution of the benefits. There is a relatively widespread recognition that HPW can be understood and presented as a win-win option for both employers and workers, and that this is critical in achieving the level of cooperation needed for workplace innovation along the lines of high performance working. If the level of debate between employers and employees is unduly focused on basic pay levels, it is unlikely to be conducive to implementing more subtle concepts such as partnering agreements, profit sharing and employee quality forums. One of the clear findings from the case studies in relation to success of policy initiatives is that both employers and employees have to be receptive to the package of HPW practices, especially with respect to their willingness to cooperate and seek to generate workplace solutions together. This has proved easier to achieve in countries where employee involvement in workplace decision making is mandated through legislation, but also frequently occurs voluntarily in employment contexts that are not dissimilar to those prevailing in the UK. As examples of the latter situation, it is interesting to observe the positive engagement of unions in HPW in New Zealand in particular.

3.5 HPW and innovation

There are significant differences between the case study countries in terms of the scope of interventions relating to HPW, ranging from predominantly HR-focused workplace initiatives for raising skill levels and productivity, to more holistic initiatives linked closely to innovation strategy.

The interventions found among case study countries range from a primary focus upon improving and utilising skills within the workplace (which characterised the initial stages of the approach in Canada), and HR-focused initiatives to develop productivity (New Zealand), through to those programmes that seek to link such developments more concretely to innovation more generally (Ireland and Finland). Some countries (Finland and Sweden) have linked the process explicitly to improving quality of working life. Other countries have taken a somewhat different view: in Germany, for example, linkages between the

development of working life and innovation policy/activity are relatively weak, with more attention given to maintenance of labour force expertise and preventing unemployment.

International experience suggests, therefore, that there is a wide range of choice in terms of how to encourage HPW, accommodating different levels of ambition, and different policy mechanisms. Alongside the fairly straightforward attempts to address the market failures that operate in relation to HPW adoption (such as information deficiencies), there are examples of long-duration and holistic approaches, explicitly linked to a national innovation system and embedded across different departments with top-level political leadership. Finland is an example of such an approach, and Ireland exhibits a similarly comprehensive (if less intensive) approach.

The country case studies reveal the close relationship that has been developed between HPW-type initiatives at workplace level and innovation policies in some countries. In Germany, for example, this is an increasingly central tenet of thinking. This is relevant to the development of policy in the UK: not only can promoting HPW systems be a potentially powerful driver for businesses within a voluntarist approach, but HPW systems are also logically, and probably most effectively, promoted through innovation policy (in its funding provisions, provision of information, consultancy support, and so on). The 'conducive to innovation' aspect (i.e. the understanding that appropriate forms of work organisation are crucial to effective innovation) is a powerful argument in support of HPW, and assigns a further and more central role to the concept compared to its being envisaged as essentially a skills/HR issue. This has potential lessons for the UK: innovation in the UK continues to be conceived in relatively narrow terms and a benefit of exploring means of encouraging HPW may be found in terms of its relevance to innovation.

3.6 Learning from research and networking

There are examples of ambitious interventions relating to HPW that are research-led and based upon the development of learning networks.

The more holistic and ambitious HPW programmes tend to be research-led and seek to achieve genuine innovative solutions for sustainable workplace productivity through the development of learning networks that connect both firms and research or practice based external expertise. This opens up opportunities for more creativity in workplace solutions. Traditional approaches tend not to question sufficiently the fundamental norms and assumptions of organisations as an essential precondition for bringing about genuinely innovative workplace change. Certainly, there is some tendency for programmes to move

away from 'expert-designed' approaches towards more discursive methods, based upon dialogue and action research. The experience of Finland, Sweden and Germany points in each case to the conclusion that a 'one-size-fits-all' approach to formulating solutions at workplace level is not viable and design-led approaches will not enable the full benefits to be derived from the HPW concept. The Swedish Innoflex project, developed as part of a wider EU programme, is an example of good practice in the process of developing customised innovations at participating workplaces. The project emphasises the need for development of supportive expertise and creation of opportunities for learning through interactions within and beyond the firm.

3.7 Building expertise

Building an infrastructure of expertise and support is a relatively drawn out process – as is that 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 are enhanced by the development of such an infrastructure. Canada purposely built into its (bid-based) programme the opportunity for networks to engage in successive funded rounds of activity, each building upon the previous one. However, it remains a major challenge for policy to achieve and maintain momentum in relation to HPW interventions (as evaluation in Finland has shown). Embedding of HPW philosophy and understanding needs to occur both at firm level and in networks and support structures.

3.8 Short and long term benefits

Short-term returns can be achieved through highly targeted and strategic interventions, but generalised benefits through the embedding of such practices more widely are likely to take time to materialise.

A lesson from the countries investigated is that HPW projects need to be adapted to individual workplaces, rather than the routine application of a set of laid down practices. The type of support given to those organisations that have been targeted is usually financial backing to develop bespoke solutions, worked through in the individual workplace via experts skilled in facilitating this process of change. This requires complex support mechanisms and pools of expertise that can only be built up over time. This point was repeatedly made by officers involved in Finland's programmes, which have been in existence for many years. Research activity would help to build knowledge and understanding of the processes involved, and to develop a sufficient pool of expertise. There is also a need to build support

and awareness at the political level, and among employers associations and unions. Meaningful policy engagement with HPW calls for long-term action in order that an appropriate infrastructure can be developed to support it.

3.9 Programme focus

The targets of HPW programme interventions vary between countries. This reflects the fact that HPW outcomes vary between different kinds of organisations and also that available funding for programmes differs.

The focus of HPW programme interventions varies among the countries studied, reflecting attempts to reconcile issues such as the difference between organisations in terms of their strategic importance within broader economic strategies, their receptiveness and ability to benefit from HPW, and the relative returns to public expenditure. Measures of HPW adoption tend to be imperfect; schemes are relatively new, some have not been evaluated at all, and others have only been assessed on a preliminary basis. Data describing the extent and nature of HPW practices in different countries are, almost without exception, either completely lacking or partial. However, there is good evidence that larger businesses, particularly those with formal management and HR functions, are more likely than smaller businesses to successfully adopt HPW practices and to perceive those practices as linked to overall business objectives. Clear evidence exists, for example from Australia and Germany, that firms above the SME threshold are fairly self-sufficient in respect of using HPW methods, reflecting their access to information, internal HR structures, resources and so on.

Organisation size, therefore, does matter: larger businesses with management and HRM capacities are more receptive to HPW and more readily achieve better results than micro or small firms. Indeed, we know that many manufacturing small firms are not that small, which is why they may be quite receptive targets for HPW programmes. Moreover, there is evidence from Australia (relating to HPW in health sector workplaces) that performance gains in relation to investments were relatively high. This not only reinforces the issue of size, but also raises questions about how the performance returns in different sectors/economic activities are valued. These findings are potentially important from a policy perspective, especially where resources are constrained and there is a premium on obtaining the maximum effect from public expenditure.

Such arguments suggest the need to differentiate policy to focus more intensive support measures on the more receptive workplaces among those likely to be affected by market failure (e.g. within the SME category), while increasing awareness through less specific support (e.g. providing information and diagnostic tools) to organisations that fall outside the prime target groups. This is essentially what happens in all case study countries and reflects partly the fact that this is not a policy that can be delivered in a blanket fashion, since each organisation has to identify for itself how HPW can work its workplace context. Different forms of support are thus found to operate in relation to large and small firms (e.g. in Ireland). Similarly, HPW policy have been applied in a range of sectors: the services sector has received attention within HPW programmes in most of the case study countries (e.g. Germany and Finland), as has the public sector (e.g. Canada), but the latter is typically not the prime policy target in terms of resources allocated.

The main focus of policy in the countries examined is on SMEs, especially in manufacturing-related areas, and there is a tendency for the focus of financial support (e.g. for purchase of consultancy advice) to shift in favour of 'transition' SMEs with export potential (e.g. Ireland and Finland). The use of workplace innovation programmes in this way is interesting in the context of present UK policy towards re-balancing, which favours focused support for businesses with a growth record and/or expansion potential. Where assisted firms have benefitted from HPW interventions, this undoubtedly helps in publicising the value of HPW to a wider range of businesses and organisations, although there is a lack of firm evidence as to the scale of impact.

3.10 Adoption of HPW

Businesses that take the so-called '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.

Organisations that are receptive to HPW systems tend to have chosen the 'high road' approach to workplace innovation. The high road approach, which typically embraces many of the dimensions of HPW, might operate as an important driver of adoption in the UK. While it is particularly influential in relation to Nordic workplaces, researchers in Australia have drawn attention to high and low road business strategies and associated approaches to HRM. Businesses with high road strategies that emphasise product differentiation through quality and innovation are found to be more likely to adopt HPW practices than those with low road strategies that emphasised cost control and competition based primarily on price.

One of the clear findings from the case studies in relation to success of policy initiatives is that both employers and employees at workplaces have to be receptive to the package of HPW practices, especially with respect to their willingness to cooperate and seek to generate workplace solutions together. This has proved easier to achieve in countries where employee involvement in workplace decision making is mandated through legislation, but also frequently occurs voluntarily in employment contexts that are not dissimilar to those prevailing in the UK. As examples of the latter situation, it is interesting to observe the engagement of unions in HPW in New Zealand and in Ireland.

3.11 Approaches to encouraging HPW

HPW programmes consist almost entirely of awareness-raising, providing information, developing diagnostic tools and specific interventions at applicant workplaces. Most countries fund projects to develop HPW in a limited number of businesses, using case studies and role models to demonstrate the benefits of HPW more widely.

HPW programmes are often of relatively recent origin (in terms of full implementation) and tend to be marginal in terms of their call upon public sector budgets. The budgetary allocations for workplace innovation programmes are nowhere substantial, and typically amount annually to less than €1 per head of the population. HPW programmes typically consist of 'soft' interventions (raising awareness, providing information, and developing diagnostic tools), alongside funding specific interventions/ activities at workplace level. Most countries directly encourage the adoption of HPW systems through providing funding for 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 businesses population. Different organisations (unions, private organisations, as well as research institutions) are usually involved, working alongside the core activities provided by government (central and regional) or its agencies. There is good evaluation evidence, for example from Australia, that the first phase of this process can be accomplished successfully (and from North-Rhein Westphalia that even short and inexpensive interventions can have a sustained effect). Evaluations, where they have been conducted, show that tangible benefits are realised at workplace level. There is less evidence, however, with regard to the effectiveness of the demonstration effect, which would be hard to measure.

3.12 Central and decentralised delivery

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. This study also provides examples of well-developed resources and tools that have been used in policy programmes designed 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, and there are numerous ideas that can be drawn upon with regards to dissemination processes.

3.13 Practical lessons for the UK

This section draws together the various strands of the research and focuses on policy learning. The study has revealed a widespread interest in and attempts to encourage HPW systems internationally, although specific conditions and objectives in some countries have given rise to national variants in understanding of and support for HPW.

There is a large literature that supports a growing consensus that HPW systems can play an important role in underpinning productivity gains. In the foreseeable future, the UK will need to concentrate upon improving its productivity levels if re-balancing imperatives are to be achieved via growing competitiveness in both the domestic and global markets. An important aspect of competitiveness is innovation, both with respect to products and processes as well as in key areas of services. 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, but also to successful innovation within businesses.

This report identifies numerous examples of policies designed to promote HPW (and related) systems, and emergent evaluation evidence indicates that that these can be successful in generating business benefits through better utilisation of skills. These policies have in some cases been developed over a period of one to two decades, but are often relatively new, or have been revised and renewed in recent years. There is a risk that UK productivity and competitiveness will be compromised unless similar activity is developed in the UK. There are clear links to the current UK policy agenda for promoting growth and, in particular, for supporting businesses with high growth and export potential.

3.14 Next steps

The evidence contained in this report and associated appendices can inform the development of objectives for HPW in the UK. It shows what has been achieved in other countries and over what sort of timeframe. The research both allows the identification of a number of options for policy initiatives in this area, and provides the basis for assessing their relevance for the UK.

The 'do nothing' option would appear to have significant risks attached to it in the present budgetary and competitive environment. There are a number of options available with respect to a more active policy response. At one extreme is the creation of the type of legislative frameworks that have underpinned HPW, or workplace versions of it, in Scandinavia and Germany. However, such approaches are not a feasible option in terms of the conditions, structures and legislative frameworks prevailing within the UK. In other words, since these policies operate within a highly specific and mutually reinforcing system they are not relevant for adoption in the UK, where such conditions do not exist and are unlikely to in the foreseeable future.

However, this does not mean that specific aspects of policy are not potentially instructive, including those that are found to operate effectively in other (institutionally more similar) countries. One such area relates to the link between innovation and HPW systems present in policy and related structures. The important role played by employees in relation technological innovation, *vis-à-vis* the changes needed to develop and accommodate innovation in the workplace, is recognised as a vital underpinning to successful innovation. HPW systems have been widely seen as providing the means through which such change is facilitated within organisations. HPW systems can play an important role within a wider innovation strategy for the UK, and such a framework could be an effective means of developing a policy for HPW.

More specifically, active policy for encouraging adoption of HPW in the UK would need to be one that is operated according to voluntarist principles. While an extensive treatment model is a possible approach, such a policy is not feasible in the UK at the present time: a more limited programme is more likely to be favoured. There are examples of countries (e.g. Canada, New Zealand and Australia), which adopted variants of such an approach and which lean towards more specific (rather comprehensive or holistic) interventions. Indeed, while there are instances of well-funded interventions embracing a substantial number of workplaces, the typical policy approach in overseas countries is more modest, entailing limited allocations of public funding. All of the study countries engage in raising awareness

with respect to HPW, and most rely particularly upon interventions that work substantially to encourage a voluntarist response via role models and demonstration effects (i.e. mainly the information aspects of market failure). These are pragmatic and realistic in terms of the budgetary implications. However, as the study shows, there is a need for such a programme to be accompanied by a well-considered on-going strategy for dissemination and encouragement of wider uptake. Such approaches tend to be relatively inexpensive, and there are many good practice examples in case study countries that might be drawn upon in designing detailed policy for the UK.

While it would make sense for the UK to provide some form of support for individual firms to access expertise in workplace innovation, in light of budgetary constraints it may be most appropriate for this to be targeted upon particular organisations. The appropriate targets are likely to be organisations with potential for gains but subject to significant market failure (in terms of lack of information, and the costs of engaging in the process and uncertainty of outcome). This approach would have direct benefit for the firms involved, and would also provide case studies or models for purposes of disseminating information about HPW to other organisations.

There needs to be a clear and demonstrable economic return to public investment in such support, making it likely that the firms that are likely to benefit from HPW concepts (small to medium firms with management and HR capability, and a strategic interest in growth) would be the likely focus for such a programme.

There are several funding mechanisms in operation that could inform the development of a UK version of a HPW programme. Serious attention should be given to allocating funds for supporting workplace projects on the basis of small groups of firms, linked perhaps to an expert network (consisting of specialised consultants, researchers and model employers), in order to generate knowledge exchange. This would address the aspect of market failures relating to the transaction costs associated with network formation and of the lack of economies of scale encountered by small firms acting individually. Experience in the countries studied demonstrates the value of networks and the link between effective (product and service) innovation and social and organisational processes. Allocating funding for such interactions would both help to develop the knowledge base with respect to development and adoption of HPW systems, and also materially assist in the dissemination of best practice. Such activity would be an important complement to the generation of case studies.

This international review has shown that both network and 'casework' approaches are used in delivering HPW policy. In several countries specific and new networks have been constructed, some of which have been found to survive after the project has finished. Non-governmental bodies, too, have played a role in some countries. The present restructuring of business support in the UK raises opportunities for social partners (including Chambers of Commerce and trade unions) to provide support, including facilitation of networking, for businesses. In the absence of either a Ministry of Labour or a developed social partnership model, the ownership of policy interventions relating to HPW in the UK is open to question. 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, it would be hoped that they could work, wherever feasible, in partnership with unions or their representatives, as has been effectively achieved in some sectors in New Zealand and Ireland.

Another aspect of developing a policy in this field is the time dimension. Any UK initiative in this area should recognise that countries that have evolved such programmes have done so in a phased way, thus allowing the time needed for developing the necessary levels of awareness and expertise, not to mention support among stakeholders. A relatively slow 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. The pilot system introduced in Canada, proceeding via distinct stages, offers a good model for advancement in this way; New Zealand's deliberately steady progress is another good model in this respect.

Table 3.1: Summary findings from the country case studies

	Australia	Canada	Finland	Germany	Ireland	New Zealand	Sweden
Conceptualisation of 'HPW'	'Workplace productivity agenda'; better skills utilisation via HPW practices	Human capital and skill development in workplace	'Workplace innovation' integrated with quality of working life	'HPW' term not used; traditionally work organisation focused on employee wellbeing; recent initiatives linked to innovation and productivity	'Workplace innovation' integrated with development of working life	'Workplace productivity agenda'; better skills utilisation via HPWP	'Swedish system' does not recognise HPW; leads in reform of work organisation; increasing link to innovation strategy
Context	Federal/state system; skilled workforce; employment regulation similar to UK; predominately shareholder rather than stakeholder culture	Federal/states system; skilled workforce; employment regulation similar to UK; predominately shareholder culture	Co-determination; consensual approach to training; effective VET system and high expectations re- training; stakeholder industrial culture	Federal/state; co-determination; mandated high involvement (works councils); well-supported training culture; stakeholder industrial culture	National social partnership; employment regulation similar to UK; shareholder culture; skills slightly behind UK	Social partnership; skilled workforce; employment regulation similar to UK; predominately shareholder culture	Mandated involvement; co-determination; cultural context - flat hierarchies, training, consensus; stakeholder culture
Policy focus	Productivity improvement via improved workplace HR focused on HPW	Productivity improvement through enhancing/ making better use of skills in workplace	National innovation policy; workplace productivity; and well-being at work	National innovation policy; workplace productivity; and well-being at work	National innovation policy; productivity increase and competitiveness	Productivity improvement via workplace HR and enhanced management expertise	National innovation policy plus Quality of Working Life; increasingly seen as linked in terms productivity and innovation

<i>Social partner involvement</i>	Led by Federal (State) government with tripartite structures; policy encourages partnership	Advisors to programme (Workplace Partners Panel); projects based on partner networks	Consulted on projects and advisors to programme	Mandated involvement of social partners at enterprise/workplace level; at State level SPs involved as advisors and in recruiting organisations	Can initiate projects within programme; advisors to programme; consulted on projects	Advisors to programme; 'partner networks' used in delivery of projects	Mandated, but typically achieved to levels beyond legal requirement
<i>Key institution(s)</i>	Initially federal (Dept Industrial Relations and Manufacturing Council); now state level (BIIRD)	Workplace Skills initiative within Workplace Skills Strategy; initially HRSDC-led (now Sector Councils)	TYKES; now a section of TEKES, national innovation agency	Federal/Lander structure; most initiatives delivered by Landers via non-govt bodies	NCPP, with Enterprise Ireland	Tripartite 'Workplace Productivity Reference Group'; Department of Labour	Vinnova - Sweden's innovation agency
<i>Embedded in Government</i>	Decentralised to state level; Victoria - link to broader industry /innovation agenda	Relatively weakly embedded; no link to innovation policy	Fully embodied in wider policy and department structures; top level support	Concern for effective workplace organisation pervades system, if not specifically HPW objectives	Fully embodied in wider policy/ department structures; top level support	HPW incorporated within wider Productivity Strategy	Work organisation and related activities are well-embedded institutionally
<i>Form of support</i>	Diagnosis and change projects (via consultants); awareness-raising, guidance dissemination, toolkits	Fund innovative projects to enhance skills and improve HR practices in workplace	Diagnosis and change projects (via consultants); methodological innovations; network projects	Various initiatives for support at workplace level; network projects, including research institutes	Workplace change projects; raise project capacity of SPs; dissemination and awareness campaigns	Awareness raising, diagnostic tools, consultancy support for workplace change on a group basis	Large range of related initiatives (management, leadership etc), increasingly focused on innovation

Target organisations	Mainly manufacturing SMEs; other sectors eligible	Mainly SMEs, plus public sector organisations	All enterprises eligible; funding support differs; increasing focus on growth SMEs	SMEs, incl. medium-sized manufacturing firms	All Ireland's indigenous businesses; funding varies with size and type of firm	Mainly small private sector producers; information only for public sector	Wide range of workplaces, including banks and services
Scale of activity/budget	Limited resource; comparative data not available	C\$23m/year (\$0.60/person)	€15m/year. (€3.5/person)	Not possible to isolate HPW-related elements of spending	€5m /year (€1.2/person)	NZ\$1.2m/year (disbursements); plus inputs from Centre for HPW (c\$0.50/person)	Not possible to isolate HPW elements form wider innovation support
Dissemination and awareness raising	Case studies from funded workplace projects limited	Restricted - undertaken as part of individual projects	Academic and practitioner publications; website, case studies, learning/expert groups and conferences	Considerable emphasis upon role of networks; range of methods (guidance information, websites, workshops)	Awareness adverts (NCP); sector-based events; master-classes; research publications; case studies	Website, case studies	Large range of material, based on case studies and research; considerable use of networks
Evaluation	Initial evaluation undertaken as part of learning process	Evaluations undertaken as part of learning process	Periodic evaluation; qualitative and based on views from different stakeholders	Examples of interim qualitative evaluations to inform policy at State level	None specifically on programme	Recent evaluation of programme as part of learning process	Numerous case studies, some on specific sectors; no 'programme' evaluation

<i>'Best practice'</i>	HPW part of wider policy framework; business advisors have knowledge of HPW	Piloting ideas through bids to WSI pot; encouragement to bid in successive rounds to build on/consolidate learning	Link with innovation strategy; research-led and expert networks; link between workplace innovation and quality of working life	Notion of 'conduciveness to innovation'	Measurement of HPW adoption - national workplace surveys; case studies in different sectors; capacity building among social Partners	Policy based on lessons from overseas; extensive consultations to develop social partner consensus/ support; integration into broad strategy for productivity	HPW-related ideas are applied, and linked to innovation
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