**International approaches to high performance working: country case studies**

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Overview

This work 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.

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.

The Main Report, International approaches to high performance working, contains summaries of the case studies, discusses findings with respect to UK policy learning, draws broad conclusions with respect to the character and effectiveness of programmes to encourage HPW in the countries studied, and discusses the relevance of international policy experience for the UK. It is available at: [www.ukces.org.uk](http://www.ukces.org.uk).

The full case studies are presented in alphabetical order by country below. The case study bibliography lists sources of particular relevance to the country case studies. A general bibliography is provided in the main report.

Appendix A: Australia – country case study

Background

Australia has a population of approximately 22 million and ranks as the [world's thirteenth largest economy](http://en.wikipedia.org/wiki/List_of_countries_by_GDP_(nominal)); in terms of GDP it stands in eleventh position (higher than that of the UK and similar to the USA) (Australian Government, nd). Australia scores well in international comparisons of national performance relating to human development; quality of life; health and life expectancy; public education; and civil liberties/political rights (Victoria Group, 2011). It has a modern diversified economy and was one of the few OECD nations to avoid recession in the recent global financial downturn.

The country has high levels of educational attainment and skills development. Approximately 58 per cent of Australians aged 25-64 have vocational or tertiary qualifications, and at 49 per cent, the tertiary graduation is the best among OECD countries (Department of Foreign Affairs and Trade, 2011). Australia’s ranking in the INSEAD Global Innovation Index improved from 22nd to 18th in 2010/11, which places it slightly lower than the UK and US (14th and 11th) (Dutta, 2011).

Conceptualisation

Australian policy makers, academics and (to an extent at least) Australian businesses have been aware of thinking and international policy developments associated with HPW since the 1980s, when Japanese and US management practices, including those relating to HPW practices, grew in popularity. There were also government-sponsored initiatives, such as the Best Practice Demonstration Program, designed to promote at least elements of HPW systems during the 1990s. Some analysts suggest that there was widespread engagement with HPW models and practices at that time. However, others argue that what occurred in practice was the partial and selective adoption of particular HPW practices. For example, according to the Australian Community and Public Sector Union, interest in HPW has focused on those elements of the system that can enhance the value of the employee’s contribution to the business, and ‘high performance’ has been synonymous with ‘de-unionisation strategies and the use of Australian Workplace Agreements’ (CPSU, 2009, p9).

More recently, there have been attempts to promote the HPW model in a ‘purer’ form. Although the extent of this promotion varies, there have been significant policy measures in some states, most notably Victoria. As the Business Victoria website puts it: ‘Developing a high-performance workplace depends upon, among other things, smart strategies for managing change and increasing flexibility’ (Business Victoria, 2011b).

Some authors have distinguished between ‘High Road’ and ‘Low Road’ business strategies and associated approaches to HRM in Australia. High road business strategies typically emphasise quality and innovation of product or service and tend toward HPW practices, while more traditional human resource management approaches are more likely in firms employing low road strategies emphasising cost control and market strategies founded primarily upon price. Research by Gill and Meyer (2008) found that ‘high road’ organisations were more likely to adopt HPW practices, because can more readily benefit from them and/or find it their implementation easier; whereas the more short-term horizons of ‘low road’ organisations tend to discourage them from investing time and resources in implementing such practices. The research also found that, where they are operated, HPW systems tend to produce benefits in businesses following both high and low road strategies.

Adoption of HPW in practice

Some analysts identified a shift in Australian HRM practices and models of work organisation in the 1990s and 2000s. However, the extent to which the HPW models have actually been adopted by Australian businesses remains questionable. There is little definitive quantitative data on the extent of HPW in Australia. The evidence that is available is for the most part limited to relatively small scale, often qualitative, studies which tend to question both the extent of adoption and the validity of the practices employed.

Probably the best available recent assessment of the extent and impacts of HPW practices is found in the Wiesner *et al*. study (2007) of high performance management practices in Australian SMEs. This was based on a survey of 1,435 businesses with 20-200 employees. It found only ‘a moderate level of adoption of high performance management practices’ (p236), although high levels of adoption were found for 14 of the 47 high performance practices (more than 70 per cent of SMEs) and low levels for 9 practices (adopted by less than 30 per cent). Martin and Healy (2008) came to a similar conclusion, finding that there is little evidence to suggest there has been a general rise in number of firms adopting the full suite of HPW human resource practices.

Whilst the Wiesner *et al*. study (2007) identified only moderate levels of adoption generally, within this the authors found that the propensity to operate HPW practices increased with firm size and was most common in businesses with formal strategic HR functions, with ‘a significant relationship between the existence of a strategic plan and the adoption of high performance practices’ (p242). They also concluded that ‘a high level of leadership commitment to the change process is a key for implementation of effective organisational change’ (p236). However, the researchers are clear that whilst the effective adoption of HPW practices may be in some respect more problematic for smaller businesses, it can be achieved in practice. As they put it: ‘the number of business success stories of organisations of this size suggests that small companies can undertake fundamental changes successfully in their management practices’ (p241).

Wiesner *et al*. (2007) concluded that, while the imperatives for HPW practices were no less significant for SMEs than for larger firms, it is ‘the specific needs of SMEs [that] should drive the forms of high performance management practices’ (p244). Given that large firm solutions, or change models, might not be appropriate in a small firm context, the researchers conclude that ‘what the HR profession needs, is a more balanced approach to prescribing and researching management solutions; an approach with a greater emphasis on the SME sector’ (p244).

Analysis of High Commitment Work Practices in 179 large Australian firms (defined as those with more than 500 employees), conducted by Gill (2007), showed that a majority of large Australian firms claimed to operate at least some high commitment work practices, and that these were associated with beneficial outcomes for employers and employees alike. The majority of workplaces believed that Strategic Human Resource management was in place and that this generally involved the use of high commitment work practices. These practices were most prevalent in firms that had long-term business strategies and amongst those that focused on innovation and quality. There was no significant correlation between workplace size (employee numbers) and adoption of high commitment work practices. According to Gill (2007), ‘this research found that High Road organisational policy translated into practice which refutes the critical literature that proposes there is a gap between rhetoric and reality because HRM is ineffective or manipulative’ (p26).

A study of HPW practices amongst family owned firms in the Australian wine industry (Kidwell and Fish, 2008) found that high-performance HR systems are becoming more common in family businesses, but that ‘such systems are not seen as universally important or necessary by operators of family businesses’ (p1). The results identify a link between using structures that enhance employee involvement and/or motivation and: (1) overall perceived effectiveness of HR practices in the organisation; (2) consistency of HR strategy within boarder company strategy; (3) effectiveness of company leadership; and (4) firm profitability relative to the industry. While some family owners were found strongly against adopting more formal HR systems, the study supports the view that, in these businesses, a greater focus on ‘people practices’ contributes to operational/financial success.

Finally, a 2002 survey of 800 employers for the State of Working Victoria Project found that, although a majority of businesses had adopted *some* high performance work practices, there was little evidence of the systematic adoption of *bundles* of such practices (Government of Victoria, 2002). As the report notes, such practices have not been adopted in a uniform way. For example, 45 per cent of workplaces had implemented Quality Circles and 59 per cent had a high proportion of their employees involved in teams, but only a third had staff committees and less than one in seven had profit-sharing or share ownership schemes. The survey found a positive association between the use of HPW practices and firm size, and significant differences in adoption rates between sectors. Businesses with high levels of HPW practices were more likely to be profitable and less likely to have downsized than those without. These patterns were held to be broadly consistent with evidence reported from the AWIRS survey of Australian workplaces conducted in 1995.

Developing context for HPW systems

Labour-management co-operation in the traditional Australian workplace context was limited relative to the situation in comparable countries. Hartnett (1994) observed that, before the 1990s, a much-travelled path towards labour-management co-operation could be discerned in Europe that was ‘not even a bush track in Australia’. He contrasts this with continental Europe’s longer experience with ‘joint Works Councils, Board representation and other formal, mandated structures’ (p3) which provide employees and unions with the ‘right to participate in decisions’ affecting businesses.[[1]](#footnote-1)

During the late 1980s and early 1990s, Australian management became increasingly influenced by management ideas from Japan and USA. Hartnett (1994) describes how issues of employee involvement and empowerment, harnessing the cooperation and commitment of the workforce, and labour cooperation to develop new products and services rapidly became common themes: ‘Four years ago the issues involved in shifting from control to commitment in the workplace were radical. Now it is the conventional wisdom’ (p9). The change is seen in terms of: job design principles (e.g. move from separation of doing from thinking towards integration of the two, emphasising the whole task, not fragmented processes); management and organisation (e.g. from top-down controls and prerogatives to flat structures, mutual influence systems and problem-solving emphasis); and labour management relations (e.g. from adversarial approaches to cooperation based upon mutual interests).

Hartnett (1994) identified a number of features or developments affecting Australia’s labour market and employment context that contributed to greater interest in and adoption of HPW practices. These are summarised as follows:

* Accord between the Federal Government and the Australian Council of Trade Unions - which set a ‘conceptual and practical framework’ and provided the context for other developments (both independent and interdependent).
* Australian Best Practice Demonstration Programme - which aimed to facilitate and assist firms to make the complicated transition to new models of work organisation.
* Occupational Health and Safety - Occupational Health and Safety Legislation which aimed to ‘influenc[e] attitudes of management, unions and the workforce and with creating a framework for self-regulation’.
* Award Restructuring and Enterprise Bargaining - the then prevailing legislative arrangements that underpinned Australia's ‘unique system of centralised wage determination’.
* Industry Training - Australian industry training that had in the period up to the 1980s focused on the UK model of apprenticeships.
* Legislative Protection for Employees **-** which at that time protected employees in Australia in areas including: unfair dismissal; discrimination on the grounds of sex, race, religion, marital status and age; sexual harassment; minimum wage levels; and minimum standards on parental leave, annual leave and sick leave.

In the last decade or so, a series of revisions to Australian employment law has significantly transformed aspects of the regulatory framework. Most noticeably, neo-liberal employment laws introduced from the mid-1990s onwards have removed most of the established protection for employees and collective bargaining rights.

Alongside these contextual developments, there has also been a number of policy initiatives specifically designed to promote HPW models over the last two decades. These include:

* Best Practice Demonstration Programme (BPDP) - established by the Australian federal government in response to mounting perceptions that new approaches were needed to increase Australian productivity and export performance.
* Partners at Work Grants Programme (Victorian State Government) - provides funding to promote workplace change for the benefit of all stakeholders in an enterprise; and encourages the development of workplace partnerships between employers, employees, unions and other stakeholders.

Legislative and institutional context

Australia is a federal state with responsibility for both skills and enterprise policies split between the Commonwealth government and the six state and two mainland territory governments. Its Workplace Relations Act 1996 fundamentally changed the industrial relations system throughout the country.[[2]](#footnote-2) The Act established a framework that ostensibly supported a more direct employer-employee relationship, with a much more limited role for third party intervention. The Act was intended to provide a basis for improvement in productivity, competitiveness and economic growth through its focus upon the needs of enterprises or workplaces. Effectively, it altered the role of the stakeholders of employment relations, including employees, employers, trade unions and the state, emphasising stability and respect for workplace agreements.

In 2006, the Australian federal government implemented its radical industrial relations reform legislation, the Workplace Relations Amendment Act (known as ‘Work Choices’). The aim was to support economic growth through increased labour market flexibility. The Act limited protection against unfair dismissal, and restricted union activity in workplaces as well as the right to take industrial action.

The then Liberal government subsequently introduced the Australian Workplace Agreements, which were intended to promote the opportunity to agree contracts directly between employees and employers. Assessment of the workings of the AWA process (Mitchell and Fetter, 2003) showed that it failed to give rise to employment systems that corresponded to ‘high trust’, high commitment workplaces or HPW models. Moreover, they failed to bring about meaningful ‘workplace partnerships’: unions were not included, and there was limited ‘information sharing, consultation, joint decision making and team work, producing devolved responsibility and worker ‘empowerment’’ (Gollan and Hamberger, 2003). While some commentators argued that there were indeed examples that showed the system could produce high trust HR outcomes (ibid), it nonetheless proved to be highly contentious and new agreements were banned under the Fair Work Act 2009.

The Fair Work Act was introduced in 2009 ‘to provide a balanced framework for cooperative and productive workplace relations’ (Section 3, Fair Work Act 2009), including: fair workplace relations laws, national employment standards and minimum wage, and protection against discrimination. It represents a substantive change in bargaining arrangements in the Australian context in allowing collective bargaining at the enterprise level, as opposed to previous emphasis upon individual agreements. The new legislation is founded upon the principle of ‘good faith bargaining’, and the need for particular behaviours on the part of bargaining parties in negotiations (World News, 2011).

Opinion is divided as to the effect of regulatory change in Australia in terms of the adoption of more progressive approaches to HRM, and HPW practices in particular. Mitchell and Fetter (2003) point out that the empirical evidence is unclear with respect to types of work systems that organisations are introducing, and the links between individualisation, de-unionisation and the HPW model. They cite Wooden’s (2000) conclusion that employers opting for ‘individualistic employment arrangements’ were more likely than ‘non-individualising employers’ to operate high commitment workplaces with ‘consensus decision-making, team working and information sharing’. Patrickson and Hartmann (2001) draw similar conclusions, arguing that:

globalization, together with economic and political developments internal to the country, has resulted in deregulation of the former institution-based system of industrial relations. Human resource practitioners have responded by placing greater emphasis on aligning HR strategy with corporate strategy, devoting greater effort to performance management and exploring new forms of flexible work arrangements. (p198)

However, there are also analyses suggesting that, although regulatory changes ostensibly created a basis for greater individual-level involvement in work organisation issues, the outcomes produced have not tended towards HPW practices. Indeed, some point out that many of the measures introduced have been contentious, unpopular and have created tensions rather than heightened involvement and commitment.

One case study-based investigation (Jones *et al*., 2008) found that the ‘most decisive and profound change’ affecting employment systems was ‘the rise of managerial prerogative and the corresponding decline of union power’ (p147). In considering emerging types of employment relations systems, they ‘found little’ evidence of new ‘workplace cultures’ involving employees, as reflected in workplace agreements. This conclusion is backed up by a study of ‘individualised’ workplaces (Deery and Walsh, 1999). This research discovered that: negotiations over workplace issues were not common amongst ‘individualising’ employers; that most such firms had not been involved in such negotiations during the previous 12 months; and that fewer than a third had negotiated staffing levels, wage rises, health and safety, technology, and work practice change. Only a minority of ‘individualising’ workplaces had adopted quality circles, semi-autonomous groups and continuous improvement methods. They found scant evidence of a causal connection between ‘individualisation’ as a process and the adoption of HPW; where such a connection occurred, they considered it unlikely to have arisen ‘as a result of bargaining between the employer and individual employee or collective agent acting on behalf of that employee’.

While employee involvement in businesses has not been prescribed by Australian law, there are examples of more or less formal systems for ensuring involvement; most noticeably Joint Consultative Committees (JCCs). Forsyth *et al*. (2006) emphasise how, in the absence of European-style ‘legislatively mandated systems of works councils or permanent consultative mechanisms with employees’ which ‘have not traditionally featured as components of Australian labour law or labour relations systems’ (p147), - joint employee/employer committees, developed voluntarily at workplace level, have become more important. However, the JCCs do not appear to be working as a ‘significant mechanism for extending employee power’ (ibid.). Given the wider employment relations context, it is difficult to envisage Australia introducing mandatory consultative structures.

Skills development system

Australia has a well-established system for Vocational Education and Training (VET) that has been periodically reviewed and is subject to on-going development. Reviews of the VET system (e.g. the Skilling Australia report, by the Department of Education Science and Training, published in 2005) contain a range of objectives, issues and policies that fairly closely correspond to those occurring in the UK. Skills and training in the small business sector have been a specific policy concern for some years. There has been a continuing effort to engage with businesses, typically through their peak (representative) bodies, in order to identify skills shortages and gaps and to develop the supply side in line with these. Confirming a situation widely found in other countries, a study of SMEs and the Australian VET system found that participation by small businesses in formal training remained ‘low and patchy’ (Kearns, 2002). It was also found to be orientated towards the short-term – implying neglect with respect to the longer-term developmental objectives involved in building an enterprise culture that fosters innovation and adaptation.

Business Support

Australia has a well-developed system of business support that spans both federal and state levels. The Government’s website, business.gov.au, provides links to events, mentors and Business Enterprise Centres (BECS). However, for the most part, the support provided through the website and BECS relates to information and transactional needs rather than in-depth advice on innovation or HRM strategies. More substantive support is generally provided through state level organisations. While the extent to which individual states have explicitly promoted HPWS varies, some (most notably Victoria) do provide online advice and support specifically designed to promote the development of high performance workplaces (Business Victoria, 2011).

Industrial Relations Victoria (IRV), based in the Department of Innovation, Industry & Regional Development, plays an important role in monitoring industrial relations. It aims to ‘build high performing workplaces and minimise the impact of industrial disputes’ by supporting and protecting workers, developing sustainable approaches to employee relations and leading on industrial relations issues (Australian Competition and Consumer Commission, 2011).

Research into HPW

There has been quite extensive research into HPW systems in Australia. This includes both purely academic research and state-sponsored policy focused research. Awareness of the international literature and policy initiatives is high amongst academics and policy makers. For example, the Partnerships at Work project,[[3]](#footnote-3) undertaken by the University of Melbourne, was supported by A$640,500 [£415K] of ARC funding. The project aims to: ‘examine the interaction between several key factors in the creation and sustainability of partnerships at work’, including employment systems, corporate governance and ownership structures, and identify how these influence the development of ‘high performance’ partnership-style working environments. The project generated a significant number of publications including a number of detailed case studies.

Policy initiatives

A number of policy initiatives have been developed specifically to promote HPW practices in Australia. Typically, the strategy has been to support development in a relatively small number of businesses so that these can subsequently be used as studies of best practice in order to demonstrate the benefits of HPW throughout the business population.

**Australia’s Best Practice Demonstration Programme (BPDP)**

The BPDP was established by the Australian federal government in 1991, in response to mounting perceptions that new approaches were needed to increase Australian productivity and export performance. The programme was organised through a tripartite structure, constructed around government, trade unions and business, and funded through project grants from the federal government (Spagnola, 1996). It was administered by the Department of Industrial Relations and the Australian Manufacturing Council.

The programme reflected recognition of the need for ‘new workplace cultures that would encompass flatter organizational structures, continuous improvement, team-based problem solving, support for skill upgrading, and closer links with suppliers’ (Healy, 2003). The programme aimed to develop ‘best practice firms’, which could serve as demonstrations to other organisations of how best to implement new forms of work organisations.

Programme objectives included:

* stimulating Australian enterprises to adopt international best practice;
* identifying methods and approaches for the implementation of international best practice;
* promoting understanding of international best practice and the benefits of adoption by Australian enterprises.

Healy (2003) notes that ‘financial assistance was offered to organisations willing to adopt best practice principles, through two rounds’ (p13), in 1991 and 1992. Through a competitive tendering system, 43 firms were awarded funding totalling A$18 million [~£12m]. Project proposals consisted of a detailed costed plan for implementing ‘some (but usually not all) of the 12 elements of “best practice” identified by the Program’ (p13). Healy (2003) emphasises the developmental aspect of the programme, noting that ‘funding was allocated not to firms claiming to have already achieved best practice, but to those with plans for achieving it’ (p13), as well as those with ‘written commitments from relevant unions to support the best practice plan’ (p14).

The programme also included a media campaign to ‘raise industry, media, and public awareness’ (p14) of their projects and examples of best practice. In addition, ‘manuals and videos, curriculum materials, and formal training programmes’ were developed to facilitate sharing of information and examples of how best practices approaches could be adapted and adopted by other firms.

**Partners at Work Grants Programme (Victorian State Government)**

In 2002, the Victorian Government launched Partners at Work, a programme awarding grants on a competitive basis. It was designed to ‘promote workplace change to the benefit of all stakeholders in an enterprise’ (business.gov.au, 2011). The programme sought to encourage co-operation and partnership between employers, employees, unions and other stakeholders, providing funding to support workplaces developing cooperative practices (ibid).

Partners at Work projects were expected to have benefits in terms of employee participation, working relationships and organisational efficiency. Targeted project topics and organisations varied over time, but the majority of grants were for projects that encouraged:

* business literacy among employees and management;
* workplace change and continuous improvement programmes;
* innovative forms of employee participation;
* sustainable stakeholder relations between management and unions;
* new approaches to workplace flexibility (Schneider Australia Consulting, 2008).

The programme provided funding for consultancy support for workplace change and training programmes, organised through Industrial Relations Victoria. Firms that were successful in a competitive application process received up to 50 per cent of the total project cost (up to A$50,000). The Partners at Work grants programme was evaluated in 2006. The findings suggest that the programme was highly successful. It found ‘unanimous endorsement by grant recipients of the benefit of participating in projects, with participant organisations reporting a range of outcomes and outputs’. These outcomes included:

* improved communications and trust between management and staff;
* successful introduction of a culture of consultation and participation;
* the introduction of more effective management practices;
* the improved negotiation of new Enterprise Bargaining Agreements;
* the introduction of new training programs;
* the formalisation of previously *ad hoc* working arrangements through the development of policies and procedures;
* improved productivity;
* improved occupational health and safety (ibid).

According to the evaluators, over the life of the projects, participants were increasingly inclined to consider their stakeholders as project ‘partners’ - evidence of an increasingly mature approach to workplace partnership and the mutual nature of the gains. Successful projects consistently exhibited a range of features, including:

* alignment with organisation’s strategic planning;
* thorough approach to development and planning;
* engagement with partners and stakeholders;
* appropriate allocation of internal and external resources in support of the process (ibid).

Project sustainability was found to be associated with the degree of alignment between the project and other organisational practices. A comparison of research on the adoption of HPW in general with that of programme participants, revealed that participant workplaces in the Programme were more sophisticated in their Human Resource practices than typical workplaces in the state.

Current initiatives operated by Business Victoria

Business Victoria’s business support programme currently includes initiatives concerned with Better Performing Workplaces and Managing a High Performance Workplace. The support provided includes a High Performance Toolkit, subtitled ‘Your Guide to Managing a High Performance Organisation’ (Business Victoria, 2011b). The toolkit includes a set of 12 factsheets developed by Industrial Relations Victoria in 2003. Each factsheet is designed around a three-stage process: starting out; moving forward; and new horizons; and includes examples of how these have been used by business in Victoria**.** The factsheets are brigaded under five themes:

* Enterprise Bargaining Agreements (EBAs)
* Workplace change
* Workplace consultation
* Workplace flexibility
* Organisational diversity.

Business Victoria is unequivocal in promoting HPW systems to businesses:

Strategies to encourage employee involvement through participatory, consultative and cooperative workplaces have been widely promoted since the 1970s. High performance workplaces promote employee participation in decision-making because they understand that employees have a legitimate right to be involved in decisions that affect their working lives and that positive gains also accrue to the business. (Business Victoria, 2011c)

The gains identified include:

* improved employee performance resulting from greater motivation;
* a positive workplace culture as an outcome from greater information sharing;
* improvements in productivity (ibid).

The website also provides detailed case studies to ‘highlight high performance organisations that have developed innovative industrial relations practices’, as well as case studies of businesses which received grants through the Partners at Work grant programme and have made improvements (Business Victoria, 2011d).

**Assessment of policy impact**

There is no reliable evidence documenting either the extent of adoption of HPW practices throughout Australia or the overall impacts adoption has had on innovation, productivity or competitiveness. The available evidence concerning the extent of adoption of HPW practices is inconsistent and contested; some analysts suggest that HPW systems are relatively widespread whilst others disagree. As is the case in other countries, in part at least, this inconsistency reflects the relatively common adoption of individual HPW practices and the much less frequent use of the complete *bundle of practices* that constitute a ‘system’.

There is, however, evidence that some Australian businesses have successfully adopted HPW methods and that this has generally been associated with performance improvements. A key finding here has been that larger businesses with formalised management and HRM functions have been more successful in adopting such practices than smaller businesses.

**Learning**

Australia has much in common with the UK: there are no legislative structures that mandate employee involvement, as there are in some other 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 from a UK policy development perspective is the core strategy for promoting HPW employed by both the Commonwealth and state governments in Australia. This involves supporting the development of HPW systems in a limited number of businesses and subsequently using these businesses as case studies that can be used to demonstrate the benefits of HPW 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.

Other more specific outputs from Australian initiatives such as the High Performance Toolkit currently being disseminated by Business Victoria may also be of interest to UK policy-makers.

Appendix B: Canada – country case study

Background

Canada (population 34 million) has a federal government structure, within which there is a mix of provinces and territories with considerable local autonomy (individually and in partnership) in the areas of innovation, business development and community economic development. Authority over labour and employment law is divided between the federal government and the provinces. The government establishes minimum standards for employment through its Labour Code: ‘to foster a positive labour environment, employers and unions are encouraged to establish favourable rights and agreements and employer policies; provincial arrangements therefore vary somewhat between each other’ (Human Resources and Skills Development Canada, 2011).

Just prior to the global crisis Canada occupied 11th position in the OECD world rankings of output per head. Its productivity growth record over the past decade has been poor, averaging just 0.7 per cent - about half the rate over 1980-2000 - causing it to fall to 15th in the OECD list (Bank of Canada, 2010). Significantly also, between 2000 and 2008, Canada’s labour productivity growth rate was much lower than that of the US, by 1.9pp per annum (Baldwin and Gu, 2009). In a 2010 speech to the Ottawa Economics Association, the Governor of the Bank of Canada argued that this signals a workplace productivity issue (i.e. the better utilisation of skills within organisations) rather than representing a shortage of skills (Bank of Canada, 2010). In fact, Canada has a very skilled labour force, with over 46 per cent having tertiary level qualifications, and is placed 2nd on the OECD education and skills list.

Available statistics for the period just before the global crisis suggest that, while Canada’s workplaces exhibit some of the features that are associated with application of HPW (69 per cent provide training, 36 per cent have some form of employee involvement and 33 per cent operate flexible hours systems), it scores less well in others, such as the use of problem-solving teams (18 per cent), flexible job design (13 per cent) and joint labour-management committees (15 per cent) (Department of Labour, New Zealand, n.d.) It cannot be said, from these statistics, that HPW is a widespread phenomenon within Canadian workplaces.

At the heart of Canadian policy to develop higher performance workplaces is the **r**ecognition that the country’s future competitiveness depends on a highly skilled, productive, and flexible labour force. This not only applies with respect to international competitiveness, but also as part of the solution to labour market projections indicating labour and skills shortages. While encouraging greater participation in the workforce by women, older workers, and Aboriginal people can increase labour supply, raising productivity levels will permit higher production without the need for a proportional raise in numbers employed.

In 2004, Human Resource and Skills Development Canada (HRSDC) conducted a pan-Canadian consultation among ‘employers, unions, provinces and territories’ on the state of workplace skills in Canada (HRSDC, 2004). This consultation mirrored attempts in other countries to address the issues including emerging skills gaps, lack of innovation, inadequate productivity, and changes in demographic trends. In light of the fact that Norway, Ireland, Australia, the UK, and New Zealand were among the countries to ‘put national strategies into place to deal with such issues, and inform public policy by engaging in partnerships and collaboration with all sectors in their respective societies’, Canada recognised the need for a similar response (HRSDC, 2005).

As a result, the Government implemented a Workplace Skills Strategy (WSS), a key component of which was a Workplace Skills Initiative (WSI).The WSI concept emerged out of changes at HRSDC, which saw the creation of a Workplace Skills Branch within the department. This development reflected awareness that more attention needed to be given to workplaces and the people working in them. The WSI was designed to make available federal government funding to help mobilise employers and employees to ‘transform workplaces so that they become more competitive, productive, and more highly skilled on an ongoing basis’ (HRSDC, 2005, np). It funds projects that ‘respond to a range ofskills-related challenges in Canadian workplaces, in order to improve productivityand position... [Canada] effectively to compete in the global knowledge-based economy’ (HRSDC, 2008).

HRSDC identified‘building knowledge and tools for developing high performance workplaces’ as a key initiative in improving Canada’s productivity record (Stone, 2009). However, Canadian policy in this domain, across both federal and provinces, is not centrally positioned with respect to HPW approaches. Rather, it would appear to be heavily focused on human capital development, with an emphasis on training - albeit located very much within the workplace context.

The approach

***Workplace Skills Strategy (WSS)***

From 2005, the Government of Canada’s Workplace Skills Strategy operated to help build a flexible and efficient labour market; to raise the level of skills; and to assist employers in making Canadian workplaces more productive and innovative.[[4]](#footnote-4) To advance these objectives, the Workplace Skills Strategy initially focused on promoting progress in three priority areas for action:

* workplace skills investment;
* skills recognition and utilisation;
* partnerships, networks and information.

The first phase of the WSS thus translated into three new key initiatives, which were allocated the sum of C$125m [£81m]: (1) Workplace Partners Panel (WPP); (2) Workplace Skills Initiative (WSI); and (3) Trades and Apprenticeship Strategy (TAS).[[5]](#footnote-5) These initiatives are bundled together with other elements: Essential Skills; the Sectoral Partnerships Initiative; and the Foreign Credential Recognition Program*.*

The second phase of the WSS aims to ‘reinvigorate and refine existing programs to align them with WSS objectives, thus ensuring a more coordinated, coherent and holistic approach to developing workplace skills in Canada’ (HRSDC, 2007).

The following descriptions of programme activity are largely drawn from the HRSDC website.

***Workplace Partners Panel (WPP)***

The WPP, established in 2005, was a ‘national, independent and arm's-length body, comprising leaders from business and labour’ (HRSDC, 2006). Its role was 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’. It aimed to: foster awareness; build a sense of ownership of the skills agenda; and leverage increased commitments to skills development by industry partners. Regional WPP task forces (co-chaired by a senior business and labour leaders) were established to ensure that businesses, labour leaders, educators, community groups and government representatives had an opportunity to contribute to the work, and identify solutions for addressing skills issues. This constitutes a relatively limited mobilisation of social partners in comparison with corresponding political arrangements in most of the other case study countries; social partnership is, however, central to the delivery of the projects themselves (see below). Federal for WPP funding was withdrawn in 2006.

***Key initiative: Workplace Skills Initiative (WSI)***

The Workplace Skills Initiative, launched in 2005, was intended to ‘promote and test new approaches to skills development, encourage employers to invest in the skills development of their employees, and inform Government of Canada labour market policy and programmes’ (Kok, 2008, np).

The WSI was, in Canadian terms, a novel initiative to deal with employer needs relating to HR and skills issues. It consisted essentially of a pot of money (C$78m [£50m] overall) covering the initial three - and subsequently five - year period of its currency (Kok, 2008). The fund was open to organisations *outside* government for specific projects relating to Canadian workplaces. The parameters all relate to the firm and ways of addressing specific issues and objectives, and although the fund is not specifically confined to SMEs, the wording in the policy document does put great emphasis upon this target group.

The funding was made available through specific calls for proposals. The terms on which the support has been available has changed from one call to another. As described by an HRSDC official, there was a sense of progression in the successive calls towards projects that accord more closely with notions of HPW, as opposed simply to skilling at the level of workplaces.

The 1st Call Objectives included:

* supporting adoption and sharing of improved HR practices;
* sharing of best practices;
* demonstrating new and innovative approaches to workplace skills development;
* piloting new and/or innovative approaches to promoting partnerships, networks;
* piloting new and/or innovative skills identification, recognition and utilisation (HRSDC, nd).[[6]](#footnote-6)

These were designed to address the ***WSI Themes*** of:

* workforce development for SMEs;
* SME workforce integration;
* new sectoral up-skilling models;
* improved HR practices;
* income support for up-skilling.

The First Call for projects went out in 2006; the Second Call (2007) was deliberately targeted more specifically upon older workers and low skilled newcomers to Canada. The originators of the proposal had to cover 25 per cent of the cost. The proposal also had to be partnership-based, demonstrating strong partnership roles in the execution of the project. The fundamental idea behind the WSI was to offer the opportunity for testing of ‘innovative ideas’ (First Call) and ‘promising ideas’ (Second Call). Those successful in the first call are invited to apply to the second, since taking ideas forward is deliberately included within the scope of the Initiative.

In essence, the WSI offered some federal money to help partnerships in trying out new approaches in the workplace. The WSI provided up to 75 per cent of the total value of a project’s eligible costs. The recipient organisation and its partners must contribute at least 25 per cent of the eligible project costs, in the form of cash or in-kind contributions. It differs from other schemes in that it has to be focused upon individuals who are already in employment (whereas most government schemes focus upon the unemployed). It must be stressed that this initiative is concerned more to test ideas than to implement them in full: the WSI is looking for innovations, including trying an established idea in a different context (or sector) (ibid). The need for this activity to be generative is implicit within the programme.

The Workforce Skills Initiative was unique among programmes operated by Industry Canada, but the government department had difficulty in spending all its allocation for employer training, and by October 2008 had spent only $38m out of the then funding envelope of $67m [£25m out of £43m] (HRSDC, 2008a). This shortfall in spending substantially reflected difficulty in accessing employers. As a departmental official noted in an interview:

* ‘For 20 years, HRSDC has been focused upon the individual; switching the focus to employers has not been easy from a departmental perspective’.
* ‘Industry Canada as a whole (of which HRSDC is a part) itself struggles as a department to move beyond innovation and technology.’

However, 32 projects were operational in 2008-09, typically of $1m [£650K] each in value and running over two to three years. The projects all required partners (to indicate buy-in, and to help sustainability); a position filled mostly by not-for-profit organisations, including colleges.

There have been three Calls for proposals within the WSI. It is particularly interesting to observe how the programme evolved:

* *First Call* - addressed new ways of enhancing skills in workplace and improved HR practices in workplace.
* *Second Call* – reflected the same priorities, but sought proposals addressing specific groups (older workers, newcomers to Canada, low-skilled workers).
* *Third Call* – consistent with the phased approach of WSS, the programme shifted its focus towards innovative HR practices, and, more broadly, workplace environments as a driver for workplace productivity. Thus, this Call (April 2008) allowed applicants to capture other ways that employers can affect productivity based on work design and other changes.

For projects that were to be funded in the Third Call (maximum grant C$3m [£1.95m] per year), one of the following priorities had to be met (details from presentation by Kok, 2008):

* To identify, test and demonstrate innovation in employee skills development in Canadian workplaces with a view to addressing skill shortages. This could include: innovative management and leadership practices; vertical mobility and lateral experiences/opportunities; and/or working with employees to identify and upgrade skills and knowledge. Approved projects will contribute to the body of innovative models that provide Canadian employers with a range of approaches to improving their HR practices and the skills of their employees.
* To identify, test and demonstrate innovative approaches to organisational changes to workplace environments that contribute to the improved productivity of Canadian firms. This could include employee engagement and decision-making; teaming and/or other collaborative work design processes; management/leadership practices; and/or scheduling or organisation of work. Approved projects addressing this priority will form the basis of a body of best practice models contributing to the impact on workplace productivity achieved through organisational changes in management culture, human resource practices and work structure and organisation.

This Third Call was in fact cancelled soon after it was issued, ostensibly because of the financial constraints arising out of the global crisis. While there is clear evidence here of HPW elements within WSI, especially in the latest call, links with innovation *per se* are not really in evidence – as perhaps would be expected of a programme being delivered by an department focused upon human resource development and in a country that does not have an explicit national system of innovation into which such initiatives could be integrated.

**Administration of programme**

The WSI provides federal government funding for specific projects, to a maximum of 75% of total eligible cost. Recipients (businesses and their partners) are expected to fund the remaining 25% of costs (either in cash or in kind, including services and staff time). There is also a system of accountability review and audit (HRSDC, 2005). Official attitudes regarding this project have been affected by the federal government’s need to deal with the recession, including the budgetary implications. Beyond that concern, however, the WSI sits somewhat uncomfortably within its current division of Industry Canada, in the sense that the HRSDC does not tend to deal with *employers*. The result, with respect to WSI, has been the restricted involvement of small business networks, such as Canadian Federation of Independent Businesses, Chambers of Commerce, and Sector Council memberships. Some initiatives have thus been forced to rely upon a restricted range of ‘usual suspects’ – businesses, business associations and other organisations - rather than drawing in new ones. Indeed, in interviews conducted in 2008, one official expressed surprise at the lack of links in relation to WSI forged between HRSDC and the Sector Councils, which had more engagement with relevant stakeholders from the business community. This problem is especially pronounced in Canada, with its Federal/Provincial split of responsibilities, exacerbated by the huge geographical scale, but it remains an aspect of the programme that would have benefited from a more strategic approach.

The decision was taken in 2009 that ongoing policy support in this area and of this nature would be incorporated into the work of the Sector Councils. While such a reorganisation could be expected to result in some loss of momentum for the WSI, the spending constraints of recent times have brought the WSI to a virtual standstill. Since funding 29 projects in the first two Calls, the Government of Canada's priorities have shifted towards short-term stimulus initiatives, which has meant there are no longer funding resources to support new projects under the Third Call for Proposals.[[7]](#footnote-7)

However, completed projects are being evaluated (results expected 2012) to inform future implementation of the WSI. For the time being, there are indications that elements related to the WSI package are likely to be pursued in some initiatives at sector council and provincial levels. For example, in relation to the Mining Industries Sector Council, a basic diagnostic tool has been developed that can be used to develop strategic HR both within the sector and more generally (see section below). In addition, some sector councils began taking initiatives even before the re-assignment of responsibility for WSI took place. For example, the Printing Industries Sector Council (2009) produced an informative publication for firms in the sector, explaining the importance of HPW, providing case studies to demonstrate how it might be applied, and providing guidance to firms on how to adopt such a system. Case studies are also becoming available related to other sectors.[[8]](#footnote-8)

Examples of WSI projects

***Mining Industries - High Performance Index Tool***

HRSDC identified **‘**building knowledge and tools for developing high performance workplaces’ as a key initiative in improving Canada’s productivity record. To that end, a research project by the Conference Board of Canada (2009) was initiated to examine thesuccessful strategies, techniques and tools used by a select group of Canadian organisations to enhance organisational productivity and performance.[[9]](#footnote-9)

Researchers working at the Conference Board have developed a model of organisational high performancebased on extensive and rigorous review of the literature related to strategic human resources management (SHRM), high performance work systems, and organisational performance. The model was then translated into a prototype High Performance Index for organisational self-assessment (Conference Board of Canada, nd). This allows the placing of participating organisations along a continuum of high performance systems implementation, and helps in selecting a cross-section of organisations for case study based on the results from the self-assessments using the Index.

The objectives of this project were to: (1) develop a comprehensive model of organisational high performance based on the findings from the literature review; (2) develop a glossary that clearly defines key organisational performance concepts and terminology; (3) investigate how selected organisations differ along a continuum of implementation of the strategies and practices that support high performance (systems, processes, and/or practices); and (4) develop brief case descriptions that illustrate the various levels of success that Canadian organisations have had in implementing high performance strategies and practices.

***Steps for Success – Cultivating a Learning Culture (Newfoundland, Labrador)***

Canadian Manufacturers and Exporters Newfoundland Labrador (CME) launched *Steps for Success: Cultivating a Learning Culture (SFS),* in March 2007. The first phase (which ended in March 2010 and was funded through the Workplace Skills Initiative, aimed at improving the competitiveness and productivity of 25 SMEs in the manufacturing sector through building the Human Resources Management (HRM) capacity of each (Canadian Manufacturers and Exporters, nd).

The aim was to help firms effectively manage differing HR needs and issues within their businesses while continuing to manage day-to-day operational matters, which typically take precedence over managing employee needs.  SFS was a means of developing tailored HRM systems which met specific needs ‘through the transfer of knowledge and skills to company representatives’ (ibid).  SFS seeks to engage people, enhance companies’ competitiveness, strengthen communities and the manufacturing industry, and help the province thrive by developing people and companies; ‘it is about cultivating a learning culture, which is the pinnacle of HRM success’ (ibid).CME developed a programme of tailored workshops, using a facilitator team and external HR consultants to deliver workshops on topics including employee development, HR planning, performance management and employee relations. The HR facilitators then worked with individual companies (via a designated representative) to develop individual and appropriate HR systems.  As part of the programme, there are regional ‘best practice groups’ where SMEs can share knowledge about HR issues, discuss HR challenges and identify solutions. These groups have proved to be popular with the participant firms.  Based upon this work, an HR Model has been developed which sets out steps for SMEs in becoming a learning organisation. The facilitators also provide access to information and to useful networks for the participant SMEs (ibid). 

It is anticipated that Phase II of the project will build on and support the HRM systems that have been implemented as part of Phase I, and that through linking these HRM systems to business strategy, companies will become more strategic in attracting and utilising skilled staff.

Evaluation findings

An evaluation was conducted relating to the earlier stages of WSI (HRSDC, 2008a). Survey responses were received from 27 of 29 active projects, indicating that the project involved 233 partners and 77,400 participants (including employees). More than half of WSI projects had resulted in the development of new partnerships and/or the addition of unexpected stakeholders not included in the original proposal. The C$38m of WFI finding was found to have leveraged a further $18m from project partners (excluding the contributions from partners in the form of physical facilities, project promotion, computer software and so on).

In terms of sustainability, a number of the projects, especially those in the public (mainly health) sector, are being continued after the WSI finding ends.

Key themes of the projects were as follows:

* workforce development in SMEs - four projects;
* improved HR/Skills Tools – five projects;
* new Sectoral up-skilling models – seven projects;
* SME workforce integration – six projects;
* income support for up-skilling - three projects.

The interim summary of WSI impacts stated that the programme was achieving real change at workplace level, in a range of aspects connected with skills: both in increasing skills levels and in terms of how they are used to enhance organisational performance. It also recognised the key role WSI could play in informing federal, provincial and territorial government policy and programmes, and in institutionalising innovative approaches to skills upgrading and improved HR practices in Canadian workplaces (and, in particular, SMEs) (ibid).

With regard to specific types of impact, results have been gathered under three headings:

Up-skilling

Twelve recipient ‘groups’ reported that their projects led to improved technical and non-technical skills among participants; others thought this was likely but were too early in their project implementation to fully assess outcomes (HRSDC, 2008a and Kok, 2008).[[10]](#footnote-10)

A project led by *Canadian Federation of Nurses Unions* tested different approaches to workplace skills development/upgrading in rural settings. In the Regina Qu’Appelle RHD, Ontario, a Knowledge Transfer and mentorship scheme was tried for novice nurses to develop the skills needed to make the transition into critical care and emergency care areas. This is reported to have been successful, with additional impacts in terms of ‘softer’ skill development (teamwork and self-confidence). In a similar vein, *Vancouver Coastal Health Authority*, through partnering with local universities, used the WSI project support (C$3m funding support out of total cost of C$5m) to shift the balance from college- to workplace-based training for nurses, via mentoring schemes. Dissemination of these new practices to similar organisations in Alberta and other provinces followed this pilot.

*Niagara College* worked with a coalition of business and sectoral partners to test the development and provision of a series of needs-based managerial counselling services (such as workforce planning) to 165 participating local SMEs in manufacturing, agri-business and tourism. Participants reported improvement in HR capacity, plus enhanced problem-solving, teamwork, leadership and communication skills among employees. It is also reported that productivity has been positively affected, and that management time has been freed up to allow focus upon more strategic functions.

HR Practices and workplace environments

Some 45 per cent of projects reported improvements in this area resulting from WSI, including better employee-management relations and enhanced support for employee career development.

*Manitoba Food Processors Association* tested an innovative approach to training delivery that integrates training decisions with employee performance and business objectives of the firm/organisation. The 140 participating SMEs worked with training and development coordinators, mentors and business advisors to identify workforce skills gaps and training needs, and to develop a tailored training programme. This gave SMEs access to assessment tools, training programmes, peer support and networking, mentoring and business advisory networks. Several SMEs, as a result, re-evaluated their compensation and benefits structure and improved wages beyond the statutory minimum; many reported a significant improvement in employee-management relations resulting from new communications practices.

Assessment tools

WSI supported the development of some 100 innovative tools, especially appropriate to SMEs, which address a range of skills development, human resource-related activities and workplace change interventions. It would appear that the uptake of these tools among both partners and participating businesses was strong.

*The Information and Communication Technology Association* of Manitoba has developed a Market Access Program (MAP), which aims to help more mature SMEs to enhance their market readiness capabilities. This programme includes a process of diagnosis and assessment by both firm and MAP staff to identify market-place learning needs. This information is then used to design tailored programmes for firm-based skills development, systematic competitive and market intelligence efforts, networking support and information sharing, through meetings, seminars and access to a skills-based network of experts.

Learning

Canada’s approach to developing skills and greater utilisation of labour at workplace level has been through the Workplace Skills Initiative. It has been heavily weighted towards HR approaches and has not sought to link this effort to innovation more generally. It has been introduced by means of 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. It clearly showed increasing focus upon workplace change that corresponded to HPW, although its progress was halted in 2010 as a result of budget cuts.

Canada’s cultural and employment relations environment is not dissimilar to that in the UK, making this a relevant case study in terms of the methods it has sought to apply. In particular, its voluntarist approach to this policy is likely to find favour in the UK context. 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 through a labour-focused federal department), the responsibility for policy delivery in this area has now been assigned to the Sector Councils, on the grounds that these are more readily able to engage with workplace and business contexts.

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 bids. It deliberately allowed for further bids to successive Calls, to maximise learning possibilities and achieve real momentum for change. It also gave rise to a range of case studies that can be used to demonstrate different models through which organisations might work together to bring about workplace change.

Diagnostic capability is an important aspect of any attempt to promote workplace innovation. Recent work by the Sector Councils to develop a diagnostic tool for assessing workplace HPW, although still in the development phase, would appear to be a sophisticated tool that may have relevance in terms of application in the UK context.

Appendix C: Finland – country case study

Background

Finland is a small country: its population is less than one-tenth the size of the UK (5.4 million with a labour force of around 2.5 million). It has a high average income level by international standards and operates a distinct model of social partnership in the Nordic mould. It has a strong export-oriented manufacturing and refining sector. The country has an established tradition in product innovation, and ‘relies heavily on its ability to deploy new technologies, and to innovate its business and organisational processes’ (NCPP, 2005).

However, it has experienced problems. In the first place, productivity has been falling. Figures for *Statistics Finland* show a fall in the long-term growth trend in labour productivity, which slowed down strongly from around 1994 (when it was 3.5 per cent), exhibiting much lower growth rates recently (e.g. 1.7 per cent in 2008). The country has also experienced particularly large changes in the population’s age profile, causing labour force shrinkage. This has made the raising of participation rates particularly important, particularly for those aged 50+ (Finns, it seems, have shown a distinct proclivity for taking early retirement). The challenges of encouraging people to stay on at work, and of achieving sustainable productivity growth, are thus key issues. The productivity issue is one facing not just the Finnish private sector, and SMEs in particular, but larger organisations in the public sector also – especially with respect to health and social welfare services.

The country is generally near the top of the range in measures of continuing education and training, in terms of participation and days’ duration (Stone and Braidford, 2008). While it is on a par with the UK in terms of participation rate in continuing vocational training, it is noticeably better in terms of intensity of training (hours per worker), in which it is ranked among the best European countries. This reflects less specific measures favouring such firms than the country’s social, cultural and political conditions that produce a *generally* high commitment to training. Finland was an early adopter of lifelong learning objectives, and is recognised for its ‘well-developed culture of learning and for an education and training infrastructure that is well adapted to meet the needs of working life’ (Stone and Braidford, 2008).

The national competitiveness strategy is of central importance in Finland, and the country has adopted ‘a significant cross-governmental approach to the workplace and its role in sustaining national competitiveness’ (NCPP, 2005). The specific nature of its problems have not only encouraged the development of workplace-focused polices, but have conditioned its approach, thus producing a specific conceptualisation of HPW and its role in organisations, which is widely recognised and represented in the literature.[[11]](#footnote-11) The Finnish approach to HPW is embedded in a comprehensive national system of policy and support for organisational change and innovation. The government established a public administrative body, under the responsibility of the government’s funding agency for technology and innovation (TEKES), to take this agenda forward at workplace level.

HPW strategy within the national innovation system

The strategy in Finland relating to HPW is intricately bound up with the country’s innovation system, and its policy towards innovation. This has recently been the subject of substantial reform (described in Ramstad, 2009). The Science and Technology Policy Council was superseded in 2009 by the Research and Innovation Council. Ramstad (2009) interprets these developments as indicating the heightened importance of a ‘horizontally-oriented innovation policy’. The Research and Innovation Council committee (chaired by the Prime Minister) advises the Council of State and its ministries on research, technology and innovation, operating through a subcommittee structure which divides responsibility between: (a) science and education; and (b) technology and innovation (ibid).

These changes occurred in the context of a new National Innovation Strategy (NIS), introduced in 2008, which provides a framework for a broad-based innovation policy (Ramstad, 2009). This is highly relevant to the this HPW research project, despite the fact that the term itself is hardly used, since a notable feature of the new NIS is the inclusion among its 10 key themes of ‘organisational development’. Within this framework, it targets raising management training standards and capabilities, particularly in the area of change management. The strategy incorporates important aspects, such as: work assignments and processes; staff rewards; working hours; health and safety; participation systems; and methods and tools for supporting the development of staff (Ramstad, 2009). These plainly relate closely to HPW.

Organisational development, within NIS, is regarded as an important element of a broader innovation policy, and the strategy specifically allows for the following:

* Provision of financing for research, development and innovation activity that take into account new methods of work organisation.
* The need for new techniques whereby organisational innovations for companies and other organisations can be disseminated.
* The need to promote the Quality of Working Life (QWL) agenda.

New Government Structures and TEKES

The new National Innovation Strategy is set in the context of ministerial reorganisation, specifically the merging of the Ministries of Labour, Trade and Industry, and the Interior (Regional Development Unit) into the new Ministry of Employment and the Economy. The latter’s agenda includes entrepreneurship, innovation, environment, labour markets, employability and regional development. In the process, the Workplace Development Programme (TYKES[[12]](#footnote-12)) was transferred from the Ministry of Labour to the Finnish Funding Agency for Technology and Innovation (TEKES), the main organisation for directing public financing to research and technological development (Ramstad, 2009; TYKES, 2011; www.tykes.fi).

During negotiations regarding long-term funding for this programme, and in spite of severe budget pressure, the workplace productivity programme had the advantage of being regarded as a means by which Finnish organisations can innovate and recover more quickly. Totterdill *et al.* (2009)[[13]](#footnote-13) point out that organisational change in government, as well as legislative change, has not only ‘consolidated the position of workplace innovation and development [in Finland] by establishing it as a permanent research and technology area within TEKES’; but it has ‘also established the improvement of Quality of Working Life (QWL) as one of its goals’ (p100). Improving productivity and QWL have been made statutory goals of TEKES, and legislation has reinforced the status of TYKES.[[14]](#footnote-14) While TYKES, a relatively small programme, was vulnerable in the larger TEKES framework, its position appears to have been consolidated. TYKES staff have been granted permanent contracts, project funding was given an interim extension to 2011, and beyond that is expected to be maintained or even increased (Totterdill *et al*., 2009). The indications are that workplace development will be closely integrated into future mainstream innovation policy, with sufficient financial resources for its promotion and dissemination.[[15]](#footnote-15) Funding prospects, which in the past were on a project-by-project basis, appear to have improved under the centre right administration (from 2007 onwards). TEKES’ funding activity now extends from pure technology development and innovations to promoting more broad-based concepts of innovation that embrace organisational development and QWL (Alasoini, 2009). ‘Workplace Innovation and Development’ has been established as a new technology and research area within TEKES, with a successor TYKES programme currently being introduced.

Institutional context

Finland’s industrial relations model is one of ‘high union density, centralised bargaining, tripartite machinery, and consultation structures and procedures’ (Stone and Braidford, 2008, p56). Cooperation is essential to improving competitiveness, thus helping to explain why it shares with other Nordic countries a long-standing interest in workplace development as a route to improving organisational performance: part of the ‘high road’ strategies for achieving competitiveness (Payne and Keep, 2003). It also has ‘an embedded social sentiment that views the development of workers as being socially desirable and not simply in the interests of employers alone’ (Smith and Billett, 2006), which helps underpin high participation rates in training.

The Finnish example shows 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). Statutory works councils have the right to participate in areas such as introduction of new technologies and continuous training, and help give training policy a highly workplace-oriented focus. The long-standing Finnish Co-determination Act ‘requires companies to submit annual training plans to the joint enterprise committee and to negotiate ‘reasons, effects and possible alternatives’ with employee representatives’ (ibid, p56). Further, through a national collective agreement, co-determination in deciding which workers receive training is intended to promote a co-operative outlook among workers and management (Ok and Tergeist, 2003). It should be noted that businesses with less than 30 employees are not required to set up a works council.

According to Ramstad (2009), the Government promotes improved work productivity and occupational competence through training, targeting older and lower skilled workers specifically as a route to keeping them in employment. Major reforms were instituted in the 1990s to increase the responsiveness to labour market requirements of education and training provider/structures. A system of polytechnic institutes provides more practical vocational training (particularly with respect to management education and technology), and its remit has been extended as part of a wider attempt at regional development through supporting SMEs.

Relevant programmes

***Workplace Development Programme******(TYKE) 1996-2003***

The TYKE programme was the first of a number of inter-ministerial programmes aimed at developing workplaces in Finland. Initiated by the Finnish Economic Council in 1996, TYKE was designed as a partnership of government, union, employers and municipal organisations led by the Ministry of Labour. Developed by the Ministry of Labour and social partners, its introduction followed on from the development of working life programme in 1993 (Arnkil, 2003). The working life programme formed part of the Ministry of Labour’s national productivity programme, other elements of which included the national age programme (1998) and the research and action programme for wellbeing at work (2000). TYKE was initially intended to run for four years, but it was subsequently extended for a further four years.

TYKE focused upon three main activities, summed up by Totterdill *et al.* (2009) as: (1) promoting change leading to improved productivity and quality of working life in the workplace; (2) dissemination of information on workplace development; and (3) capacity building in terms of expertise in the field of working life and workplace development.

Total official funding for TYKE over 1996-2003 was €45m, with a further contribution by employers of €70m (Hytti *et al*., 2003; Arnkil, 2003). Altogether, evaluation showed that financial support was provided for over 660 projects involving 1,600 workplaces. The activities were mostly development projects, lasting up to three years, and focusing upon practices in the workplace, plus some smaller research and network projects. Expert support came mainly from consultants and research institutions, supplemented by specialists from within the organisations themselves (around 10 per cent). Most of the workplaces were in the industry (especially metal processing firms), construction and municipal sectors, with private services accounting for just 10-20 per cent of the participants (though showing a tendency to increase over time). While at first larger organisations predominated, in the four years to 2003, SMEs, from all parts of the country, accounted for nearly seven out of 10 participants (Arnkil, 2003).

Stone and Braidford (2008) note that evaluation survey respondents considered the NWDP ‘enhanced significantly the production and dissemination of knowledge and competence’, and strengthened the working life development structures; and that ‘positive outcomes were recorded for impact on productivity (66 per cent of respondents), and for ‘opportunities for staff to develop their skills’ (74 per cent)’, although the evaluation methodology may have exaggerated these effects.[[16]](#footnote-16)

***Well-Being at Work Programme 2000-03***

This programme operated as a partnership of the Ministries of Trade and Industry, Labour, Health, and Social Affairs and other stakeholders, before being drawn within the New Workplace Development Programme from 2004 onwards (see below). Motivations for the programme included: ‘changes in the external environment and their implications for working life - including the need for new skills and constant learning... the need to confront high stress levels in the workplace, the tendency of Finns to retire at a relatively early age and the adaption to the workplace of young adults’ (Stone and Braidford, 2008, p57). The programme aims were to: provide information and disseminate good practice; utilise existing and initiate new research; support development projects; and monitor content of legislation from workplace perspectives (ibid).

All types of employee and workplace could apply, and funding was given to 173 development projects (which involved 35,000 employees in seminars) and a wider programme of research projects.

Stone and Braidford (2008) note that interest in the programme was particularly high among municipal and service sector organisations, with relatively fewer applications emanating from industry and SMEs (Hytti *et al.*,2004). Political support for the programme, as well as union support, were important in supporting its aim of ‘increasing awareness of wellbeing at work’. The programme extended the concept of wellbeing at work, placing emphasis upon the ‘team spirit’ of work communities and on people’s capacity to cope psychologically with demands (ibid). It further recognised that a number of factors contribute to well-being including: supervisory and management practices and interaction; the transfer of tacit knowledge; people’s control over their own work; the organisation of work; and working time arrangements (ibid). However, Stone and Braidford (2008) also note that findings from evaluation suggested that the one-year duration of the individual projects was too short, ‘given the radical nature of the content and the long-term implications of the changes identified’ (p58).

***New Workplace Development Programme* (*TYKES) 2004–10***

The new Workplace Development programme (TYKES), Programme for the Development of Productivity and Quality of Working Life, launched in 2004, continued the work of TYKE, while at the same time grafting on two other programmes, the above-mentioned National Productivity Programme (running since 1993) and the Wellbeing at Work programme (2000 onwards). Importantly, it reflects a shift in the emphasis since the 1990s away from a prime focus on technology, in favour of work organisation and development of human resources (TYKES, 2011; Oosi *et al*., 2010).

A partnership between the Ministry of Labour, social partners, and entrepreneurs’ associations, the overall aim of the new TYKES was to develop more effective ways of operation for Finnish companies and other work organisations, through fostering cooperation between management and staff, and enhance the innovation environments of workplaces. The programme aimed at qualitatively ‘sustainable productivity growth’, i.e. simultaneous improvement of both productivity *and* quality of working life.

The broad goals of the new programme were:

* ‘to bring about sustainable productivity growth in Finland, with the support of effective public policy at a national level;
* to create national competitive advantage by building networks of Government and practitioner expertise in work organisation development;
* to disseminate new work, organisational and management practices and development methods, models and tools arising out of the funded projects;

to develop the ‘learning organisation’ culture in Finland, thereby helping management and employees improve their ability to solve developmental problems in a collaborative way, utilising networks of expertise’ (NCPP, 2005, p111; see also Alasoini, 2008). The New Workplace Development Programme promoted modes of operation in organisations that would allow the achievement, simultaneously, of enhanced productivity and improved quality of working life (referred to as ‘qualitatively sustainable productivity growth’).[[17]](#footnote-17) As described in Stone and Braidford (2008):

it was based upon the notion that firms can achieve competitiveness by engaging in a complex learning process through long-term multi-dimensional interaction and networking. Generating new innovative solutions for working life is considered to arise out of close cooperation and interaction between workplaces, researchers, consultants, public authorities and social partners (p56).

Development activities through the programme typically stressed close collaboration between workplaces, R&D centres and policy makers, including labour market organisations.[[18]](#footnote-18)

Development work in the funded projects was based on co-operation between management and employees. The programme also ‘invested in the dissemination of projects’ results and methods used, as well as strengthening of expertise related to development of work organisations’ (Oosi *et al*., 2010, p18).

The TYKES budget was €15m per year (€87m 2004-09), with the maximum funding support available for a single workplace project €100,000, and workplaces participating in the programme were expected to invest up to double that amount. The target over 2004-09 was to run 1000 projects (involving 250,000 employees). The programmes were popular, with more applications received than could be supported, and some 1,164 projects actually funded (ibid).[[19]](#footnote-19) Development projects focused on work processes, HR management and organisation of work. Altogether, some 207,000 people in 4,000 workplaces participated in the projects.

Toterdill *et al.* (2009) provide a useful overview of the four types of projects contained within the TYKES programme, summarised as follows:

* *Basic analysis -* Grant funding (up to €10,000) to organisations for short projects to identify development needs in their workplace, ‘possibly leading to a larger development project’.
* *Development projects -* Funding (up to €100,000) to promote changes in practice at one or more workplaces that will both improve business performance and enhance the quality of working life. Performance improvement covers productivity, quality of product or service, customer services, and efficiency of operations. The enterprise has to demonstrate that both management and employees are committed to the project.
* *Method development -* Funding to support the development of ‘tangible methods, practices and solutions’ matching the requirements of an ‘increasingly knowledge-intensive and networked economy’, and which are both generally applicable and suitable for dissemination. A plan is needed showing how results will be disseminated ‘for use by workplaces, educational institutions and consultants’.
* *Learning networks -* Funding was included in the TYKES programme, from 2004, for a new and innovative type of project activity. The idea behind the joint learning forums of workplaces and relevant R&D units is to increase the generative effect of projects (Alasoini *et al*., 2006). Oosi *et al.* (2010) note that ‘the method development projects are required to produce concrete results that can be disseminated for wider use’ (p20), e.g. through networks of consultants, educational institutions, R&D units and regional actors, using written or electronic materials. Developmental expertise is thereby increased among participants, and new innovative solutions thereby created. Applicants for network funding (average disbursement €500,000) are usually R&D units, which have to include a development plan for short- and longer-term developments, embracing additional active participants.

Administration of programme

The administrative body, TYKES, processes the funding available through its programme. It has around a dozen staff, distributed around regional offices, and organised according to industrial categories (Totterdill *et. al*., 2009). The staff members work with applicants, helping to identify suitable consultants, providing feedback on proposals (which helps ensure that they fully incorporate important aspects of staff participation and QWL), and monitoring those in progress. Structurally, according to the description in Totterdill *et al.*, there is: a Project Team that coordinates the work of TYKES; a Management Group, made up of stakeholder representatives, which plans activity and sets targets, and has responsibility for evaluation of the programme; an Expert Group (which provides advice to the Management Group and in relation to applications); an Exports Scientific Forum (advisory body made up of specialists from the R&D Units); and finally a network of regional contacts, who are available to comment on project applications in their region. Each project has its own steering group, with representatives from unions, management and other stakeholders.

To obtain approval as a TYKES project, a project of organisational development must fulfil six conditions set by the programme (listed in (Oosi *et al.*, 2010, p19)):

1. The project furthers *both* productivity and the quality of working life

2. The project develops the workplace’s ways of operation in a wide-ranging way

3. The management and employees of the workplace are committed to the project’s aims and realisation

4. The project has concrete aims and methods of evaluation

5. The project is viable

6. The applicant accepts the methods of the programme.

Funding levels are governed by strict criteria, depending on size of enterprise, innovative nature of the proposal, and so on. Putting in a project proposal is an interactive process, with feedback supplied by TYKES, as well as assistance in identifying consultants and R&D units. Generally, TYKES covers half the total cost for workplace projects, although applications from consultants and researchers can receive 100 per cent (Totterdill *et al*., 2009). A large number of such people engage with the programme, many of them small operators who are experienced in working with SMEs. One significant challenge, according to SKE (2009), has been ensuring that the projects are genuinely collaborative in nature, rather than ‘a unilateral imposition of new work practices or innovations in the workforce’ (p52). SKE note that ‘the TYKES office believes that this basic requirement has been met, but it has required careful scrutiny’ (p52) for its achievement. If projects are only novel/relevant to one particular firm, a maximum of 35 per cent of the expert costs is provided, compared to up to 50 per cent if the project is both novel and exploitable by other firms (Oosi *et al*., 2010).

Experience shows that the QWL concept presents some issues of understanding for applicant organisations. In practical terms, many businesses in Finland already deal with issues that affect QWL. It is not, as Totterdil *et al*. (2009) point out, however, part of ‘normal managerial vocabulary’, and Finnish experience suggests it needs to be clarified. Firms generally welcome the QWL concept and recognise how it links to business interests ‘once firms understand that QWL is about opportunities for learning, team working, renewing work processes, [and] re-organising the way supervisors work’ (Totterdill *et al*., 2009, p109). Policy-makers recognise that, in this sphere, ‘transparent and precise language’ is needed (ibid).TYKES applications must address QWL, and identify related indicators, in order to be funded, and many applicants are from municipal organisations, where QWL issues are of key concern (e.g. in the health care sector)[[20]](#footnote-20). Most of the funded projects (996) were development projects. Of the others, 126 involved basic preparatory analysis for development projects, 25 were research-oriented method development projects, and 17 experimental learning network projects, which included workplaces and research units as participants (Oosi, 2010).

Around 75 per cent of the projects funded are in SMEs and about 35 per cent of funding goes to public sector organisations (SKE, 2009). Following earlier criticisms that the funding was largely going to large companies, SMEs applied in greater numbers. Although these mostly focused on domestic markets, TYKES has helped them to raise horizons and seek to export. Indeed, the policy direction has tended to move in favour of supporting growth-oriented SMEs, and larger companies seeking money have needed to ensure their projects are highly innovative. Around half of development projects are undertaken by private consultancies, a further third by HEIs, and a fifth by research centres and educational institutes (Ramstad, 2009). The programme also aimed to fund 70 postgraduate degrees on workplace development during 2004-09, a target that was duly achieved (Oosi *et al.,* 2010).[[21]](#footnote-21)

Expert Inputs - Finnish Education System

As noted, building a national innovation system has been a high priority, and ‘policy has sought to coordinate the activities of different agencies that interact crucially in this sphere, including R&D, higher education, technical training and funding’ (Stone and Braidford, 2008, p58). Central to the Finnish approach is the role of experts, from universities and other R&D units. In substantial part, this comprises the following sectors:

(1) The 20 state-owned institutions in the university sector, which are linked to further education institutes which offer support to workplaces.

(2) The 29 regional polytechnics, which specialise in vocational education and professional first degree studies (Ramstad, 2009).

Following the granting of autonomy to universities (1980s), and subsequent reforms (early 1990s), Finland’s adoption of a national innovation system approach in its science and technology policy has meant universities have been actively encouraged to cooperate with the private sector (Ramstad, 2009). With respect to the non-University element, some 215 vocational schools and colleges were amalgamated to form 29 polytechnics providing degree-level courses (ibid). These have a statutory duty to ‘support working life and regional development’.

The network of polytechnics has a practical focus that complements universities by undertaking applied research. In respect of R&D, their role is to support both new hi-tech SMEs and more traditional small enterprises that have not normally engaged in R&D. Thus, apart from offering an alternative route into HE, they are play an important role in strengthening regional development and supporting SMEs, including helping SMEs to integrate into the innovation system. Polytechnics provide expert help specifically for such firms through ‘participation in regional clusters that bring together local businesses and other sources of expertise and resources’ (Stone and Braidford, 2008, p58). Other R&D units provide expertise, including governmental research institutes, educational and training organisations, and research centres. These play an important role in relation to organisational innovation. Altogether, there are some 220 units with around 3000 experts engaged in organisational R&D (Ramstad, 2009). In terms of specialisms, academic R&D units focused on *research-based* development, QWL development, building broader networks, and the public sector, while training and educational institutes emphasised ‘workplace learning, wellbeing and the QWL, quality issues and the learning environment’ (Ramstad, 2009, p16). Consultancies have tended to be more customer-oriented and they focus more on practicalities, management techniques and performance (Alasoini, 2008).

Evaluation of impact

Given the nature of the projects, there is much to be learned from case studies of participant organisations. Ten such studies of TYKES projects are available for inspection. (Ministry of Employment and the Economy, 2010).

A comprehensive evaluation of the TYKES programme was published in 2010 (Oosi *et al*.), based on a survey of interest groups, case studies, project evaluations and interactive workshops. The following sections rely substantially on this source, supplemented where relevant with observations draw from other authorities.

***1. Development projects***

These aimed ‘to help workplaces develop the[ir] productivity ... in a way that improves the quality of working life’ (p19). Funding was used to obtain advice from outside experts with respect to the organisation of work, work methods, cooperation and interaction within the workplace, the working environment, wage systems, working time and so on.

Evaluation showed that development projects were heterogeneous, and that over 80 per cent of survey respondents reported the project succeeded ‘very or fairly well’ in its aims. Around 75 per cent of management respondents reported that ‘the project also had a positive effect on labour productivity’ (p19). Some 50 per cent ‘reported improvements in labour productivity, customer service and the quality of products, services and activities’ (p19). Nearly all interviewees indicated that TYKES had resulted in numerous changes in the workplace’s ways of operation. Examples given included ‘new types of feedback discussion; the adoption of a new quality handbook; the improvement of meeting practices; and the clarification of the employees’ role’ (p19). Development projects tended to focus on solving specific challenges, rather than ‘significant innovations’. Employees’ representatives were often not certain, however, as to whether some new practices were outcomes of the TYKES project.

For almost all interviewees ‘the commitment of employees and management to the project was recognised as the most important requirement for success’ (p19); and where employee commitment was limited, project results ‘were often superficial and short-lived’ (p19). In addition, it was noted by several respondents that having a ‘skilled, enthusiastic consultant ...was crucially important for the successful realisation’ (p20) of project aims.

***2. Method development projects***

The focus of these projects was found to include: the use of new technologies (e.g. ICT) in developing management practices and forms of work organisation; systems for collaborative product/service development (i.e. between the organisation and its clients); changes in the business model (e.g. a shift from production to service role); and cross-sectoral collaboration for the development and delivery of a service. The projects also developed tools for employees to improve their control over their work and their understanding of productivity and its measurement, as well as associated training.

The applicants were largely university research centres, and hence the results of the projects included completed doctoral dissertations, packages of methods and tools, and guidebooks for management, employees, and consultants. Oosi *et al.* note that, ‘as a whole, the channels used by the projects in disseminating the results were varied’ and included ‘websites, training, seminars, participation in fairs and conferences, printed and electronic publications, press releases, workshops..., and articles in scientific and non-scientific publications’ (p20).

Although not as ‘future-oriented’ as intended, projects generally achieved the R&D aims they had set for themselves, including the improvement of employees’ participation in developing the activities. The projects resulted in numerous product innovations, many of them internet-based tools. They enhanced the ability of workplaces independently to solve their problems and respond to their developmental needs. The programme also helped create a network of expertise on work organisation development to further national competitiveness.

***3. Learning network projects***

The learning networks were experimental in nature and characterised by continuous development of their aims and working methods during the activity (Alasoini *et al.*, 2006, 2008). Typically, there would be half a dozen launched in the course of a year, most of which survived beyond the period of funding. Challenges were encountered with respect to: securing the involvement of the right parties; getting them to commit themselves to the project; ensuring even activity levels among network members; and building trust. Several networks ‘experimented with the use of network environments based on the Internet’ (p21), usually with only limited success. Finding ‘suitable supplementary expertise’ was also sometimes difficult.

Learning networks varied greatly, as reflected in the aims, practical activities, mechanisms, results and effects. Overall, however, the operational model of the learning networks was thought to be a good way of creating generative processes. With few exceptions, the aims were met well or very well, although the vagueness of the aims often made evaluation of success difficult. A few projects were considered to be ‘clear failures’, often because ‘critical mass’ was not achieved. The amount of learning as a network was only modest in some projects, and interaction with other networks was often only weakly developed. This reflects a general finding for the TYKES programme, namely that the aims ‘closest to the respondents’ own workplace’ were ‘better fulfilled than the aims related to the more general development of working life and to the improvement of co-operation between different parties’ (p21). Disseminating the knowledge developed through the programme has posed a challenge, given the number and diversity of projects. TEKES attempts to identify and publicise those that it finds particularly innovative or interesting, through seminars and case studies on the website.

**General observations**

* The report notes that ‘the most important programme-level effect of the TYKES programme was increased development activity at target workplaces and strengthened expertise in developing working life’ (p24).[[22]](#footnote-22) The programme resulted in an increase in the development activity of SMEs and ‘the emergence of new kinds of co-operation between the participant companies and the developers of working life (consultants, researchers)’ (p23). It also helped increase the stock of expertise relating to working life, especially in research and expert organisations and the target work organisations.
* Measures were intended to affect productivity and QWL simultaneously. While productivity changes in workplaces were difficult to gauge, ‘clear positive results were achieved’ in developing the QWL, with evidence of ‘attitude change’ in relation to both development itself and ‘the understanding of connections’ between QWL and ‘development of productivity in work organisations’.
* Projects sought to create interaction (seminars, events and networked projects between work organisations and other entities), while experts in the development of working life were also involved in scientific expert fora. These structures of interaction were praised in interest groups evaluations.
* Few organisations attempted to measure or trace the effectiveness of activity (although where they had done so results were positive).
* ‘Examined at the generative level, the programme did not succeed as expected in producing platforms for dissemination and distribution of expertise’ (p24). In only one-third of method development and learning network projects did platforms survive the end of the project and relatively few people involved in development projects learned from other companies in the project or benefited from TYKES programme events.
* In addition, measures taken through the TYKES programme/team ‘to disseminate the results had been significant both quantitatively and in the view of the interest groups’, but many work organisations indicated they had no time to interest themselves in the dissemination of results.
* In method development and learning network projects, workplace expertise was clearly strengthened; this also applied with respect to development projects, which promoted expertise among ‘central actors’ within companies. Also, ‘the research-oriented project instruments of the TYKES programme (method development projects and learning network projects) also facilitated doctoral dissertations and publications. In addition, the TYKES programme supported research work on the development of working life’ (p25). Some of the method development projects and learning network projects were mainly research-oriented.
* The programme successfully created new forums for interaction, including for projects (learning networks) and programmatic structure (scientific expert forum). The TYKES programme was successful in actively involving nearly every important expert organisation on the development of working life.
* Bringing ‘developing working life into innovation policy and innovation activity was seen as particularly successful’ (p25).
* Development of the service sector is part of the strategy and programme activity, but developing working life has had weaker effects in the service sector compared to others – reflecting the particular challenges posed in relation to such activity in many services.
* Utilisation of employees’ innovative potential, by involving them in development activity, was closely correlated with the success of activities.

Learning

The term HPW is not used in Finland; instead ‘workplace innovation’ is used to refer to policy interventions for achieving high performance outcomes. The policy approach is wide-ranging and fully incorporated into the broader frameworks of institutions and innovation policy. Indeed, Finland’s approach, which has evolved since its experimental beginnings, and is closely connected to its specific cultural and institutional context, is based upon a vision of developing a network of experts around the topic of work organisation development to establish a national competitive edge and effectively promote the objective of ‘qualitatively sustainable productivity growth’. Finland is consistently cited as possibly the leading example of workplace innovation policy within Europe (see, for example, NCPP, 2005).

It useful to consider those aspects of Finland’s policy that might be taken into account from the perspective of designing a policy to encourage HPW in the UK. Most important here is the issue of how workplace innovation to improve utilisation of skills, and indeed the enhancement of those skills, might be combined with policy to promote innovation. This aspect of joined-up thinking is recognised as important in a number of countries, apart from Finland, since it is widely recognised that ‘soft’ factors associated with workplace innovation play a significant role in determining success in adopting and developing technical innovation within organisations.

Another area where the UK might learn from Finland’s experience relates to the building up of expertise and interactive networks around organisational innovation, and particularly the involvement within these networks of smaller firms, for whom networks are especially important as an extension of their ‘resource base’. Given that there is no simple formula for adopting HPW, Finland’s concept of ‘collective learning spaces’ that embrace other firms together with individuals from outside the enterprises, may offer a means of developing important learning opportunities for certain kinds of organisations.

Appendix D: Germany – country case study

Background

Germany is a developed market economy with a population of approximately 81 million (Eurostat, 2009). It is a leading exporter of machinery, vehicles, chemicals and domestic equipment based upon a highly skilled work force (Index Mundi, 2011). It ranks in the top category of the European Union Innovation index; one place ahead of the UK but below Finland, Denmark and Sweden, with a score well above the EU 27 average (PRO INNO Europe, nd). The proportion of the population with tertiary level qualifications is high as is the proportion completing vocational training (Eurostat, 2009).

Conceptualisation and extent of adoption

The term ‘Hochleistungs Arbeit System’ (loosely translated as high efficiency work system) is used in Germany, but not in a way that corresponds directly to UK conceptions of HPW systems. Other terms such as ‘Innovative Arbeitsgestaltung’ (Innovative Labour Organisation) and ‘innovationsförderlich’ (conducive to innovation) have a wider currency and are more closely related to the HPW concept.

There are, however, some examples of the English terminology being used in the German literature. For example, Kirchner and Oppen (2007) use the English term when considering why there is so little analysis of HPW in Germany

In his analysis of the numbers of ‘high performance workplaces’ in Europe, Bauer (2004) found that when such systems are quite rigidly defined as particular ‘bundles’ of practices, these are less common in Germany than many other European countries. According to Bauer, Scandinavian countries, Austria, Ireland, Holland, Luxembourg (and even the UK), show values on the work-system index that are above average, while in southern European countries (Spain, Portugal, Greece and Italy) the index shows a relatively low involvement, with Germany actually tending to fall in the latter rather than former group.

However, several other analysts suggest that HPW practices are relatively common in Germany. Osterman (1995) has claimed that there was reasonable evidence that high performance work systems were widespread in Germany and that their incidence was increasing. Research by Sadowski and Ludewig (2009) found that HPW practices were part of ‘organisational capital’ in Germany and that this had a ‘substantial’ impact on performance. Similarly, according to Doellgast (2008), high-involvement management practices have been widely adopted throughout the German economy. A plausible explanation for this difference in interpretation is provided by Schulze-Bentrop and Schneider (2011), who point out that whilst it is clear that German industry has moved away from Tayloristic work practices, it is not necessarily true that the utilisation of individual practices such as teamwork is the same as the adoption of the congruent *bundle* of practices that constitute a HPW system. As Germany’s Friedrich Ebert Foundation (2000) put it

research findings confirm that businesses only implement HPWS and achieve real economic gains ... when they have succeeded in putting together an effective combination of new forms of work organisation, employee participation systems, motivational incentives and job security measures. this case the worker and the employer both gain from innovations in work organisation and the enhanced company communications and decision-making structures’ (quoted in Cochrane *et al*., 2005, p14).

Kirchner and Oppen (2007) make a similar cautionary point. Their analysis of developments in Germany over the previous ten years finds evidence of a ‘polarisation of work organisation strategies’ emerging in the course of organisational change, with both ‘progressive’ and ‘conservative’ strategies present. Although there are examples of progressive strategies that encompass a more or less complete bundle of high performance work practices, there is also evidence of the selective use of individual practices in the more ‘conservative’ strategies.

Hoffmann (2007, np) suggests that there are important international differences in approaches to corporate governance and these significantly determine human resource strategies. He distinguishes between the ‘shareholder’ model (dominant in countries such as the US and UK) and the ‘stakeholder’ model (more common in continental Europe, particularly in Germany). Hoffmann argues that ‘the main objective of US organisations is the maximisation of shareholder value’, whereas the main goal of German companies is to achieve balance between the interests of different stakeholder groups, including owners, investors, employees, and customers. The shareholder model, by contrast, is ‘characterised by management control’, and is ‘denoted by its short-term orientation’, while companies in the stakeholder model are more oriented towards long-term decision-making. He concludes that these differences ‘have an important impact on the orientation of organisations’ HRM strategies’.

Development of policy over time

The question as to whether HPWS can be achieved through an evolutionary process shaped by national contexts has been posed by a number of authors, including Boxall and Macky (2009). While some analysts have argued that HPW systems necessarily require the purposive adoption of a complete and congruent bundle of practices, the situation in Germany, and some other countries, casts doubt on this. What has emerged in Germany is a model that clearly embodies most of the key features normally associated with the HPWS bundle. And, importantly, whilst causality might not be proven, in Germany at least, the evolved model is closely associated with high levels of innovation and productivity.

A key theme in the literature is that the adoption of high performance work practices in Germany owes much more to the prevailing legislative and institutional context than to the endogenous characteristics or management strategies of individual businesses. Giardini *et al*. (2005) emphatically support this view: ‘the concept of Strategic HRM in Germany may only be fully understood against the background of labour market institutions’ (p63). Similarly, a study of firms operating in Germany has found that institutional aspects of the German system encourage adoption of some ingredients of HRM, while inhibiting others (Muller, 2002). The latter concludes that, although there are constraining influences, ‘a pluralist version of HRM appears to be quite compatible with the highly regulated German context’ (p30).

A notable feature of the evolution of thinking and practice associated with work organisation in Germany is the way in which early programmes that were predominantly concerned with employee well-being and health and safety matters subsequently evolved to become more concerned with issues such as high involvement work practices. For example, the Humanisation of Working Life programme, launched in 1974, was centrally concerned with occupational health and safety issues. Whereas the New Quality of Work Initiative, launched in 2002, was still concerned to provide ‘practical solutions for a safe, healthy and competitive world of work’, it also specifically sought solutions that are conducive to ‘creativity, efficiency and motivation - and therefore a condition of increasing value added.’ (INQA, nd).

According to Lucey (2007), Germany has a ‘long history’ of national productivity improvement and organisational development programmes that started in the mid 1970s. Ramstad (2009) similarly observes this pattern, but also points out the complex nature of the government structures involved in formulating and delivering policy and the pre-eminence of programmes associated with high technology.

The ‘Humanisation of Working Life’programme was funded by the Federal Government and operated during 1974-89 (Eurofound, 2009). Its objective was to support investigation into the possibility of altering working conditions to suit human requirements. The programme included projects on the automation of dangerous work, machine determined pace of work, forms of self-regulation in relation to the work process and practical aspects of making working time more flexible. Between 1989 and 2001, similar projects were been supported under the ‘Work and Technology’ Action Programme (ibid).

Subsequent programmes concerned with innovative approaches to work organisation have included:

* ***Innovative Arbeitsgestaltung – Zukunft der Arbeit*** - In 2001, the Federal Ministry of Education and Research (Bundesministerium für Bildung und Forschung, BMBF) launched the ‘Innovative Development of Work – The Future of Work’ framework programme to address new demands caused by demographic, technological and organisational changes (BMBF, nd). The programme aimed to ensure that: (i) people utilise their knowledge, creativity and energies at the workplace and also engage in skill development; (ii) companies create the conditions for skills development, which is regarded as a source of new ideas, products and jobs; and (iii) development is supported by effective networking and communication. This initiative was evaluated in 2006 (Informations- und Technikmanagement (IMTM) am IAW, 2010). In 2005, the BMBF established a new five-year €70m programme to research and promote innovative models of work organisation. This programme built on the Innovative Arbeitsgestaltung – Zukunft der Arbeit initiative that had just been completed. An interim evaluation of the programme showed that after four years, 434 projects had been supported (ibid).
* ***Neue Qualität der Arbeit (INQA)*** - The New Quality of Work Initiative was launched in 2002 by the former Federal Ministry of Labour and involved federal and regional governments, social partners, social security organisations, foundations and businesses. It was intended to provide ‘practical solutions for a safe, healthy and competitive world of work’. According to INQA (nd), such solutions are conducive to ‘creativity, efficiency and motivation - and therefore a condition of increasing value added’; however, the development of enterprise modernisation strategies requires that ‘employers and employees work hand in hand’. A significant proportion of the work carried out within this initiative was concerned to promote and support the adoption of innovative systems of work place organisation. Relevant projects included:
  + **Verbesserung der Arbeits und Organisationsgestaltung** (Improvement of industrial and organisational design). This project, designed to identify and disseminate good practice in work and organisational design and staff development, was well received by SME owners and managers. The project involved the strengthening and expansion of existing networks and customised consulting and training programmes.
  + **Aufbau eines Kompetenznetzwerks zu Arbeitsqualität und Mitarbeiterengagement für KMU.** (Formation of a competence network around work quality and employee engagement in SMEs, Lower Saxony). This project brought together the Federal Institute for Occupational Safety and Health, the Federal Ministry of Economics and Labour, employer organisations and professional bodies, and was designed to impart practical skills in relation to employee engagement, quality of work, safety and employee health and well-being in SMEs. It involved all sectors of the economy but focused on SMEs because it was believed they lacked the resources to develop such systems for themselves.
  + **Projekt zu Human Capital Management** (Project on Human Capital Management). This project was designed to promote and support the adoption of systematic approaches to human capital management. It documented good practice and guidance on how to implement integrated human resources management with strategic links to corporate goals, and the creation of appropriate structures including worker participation. (See INQA, nd, b and c).
* ***Arbeitsgruppe Lernen Kompetenzen entwickeln: Potential für Innovationen in einem modernen Arbeitsumfeld -*** The BDMF initiative, ‘Working group: Learning Developing Skills: Potential for innovation in a modern working environment’, aimed to develop and support the implementation of new models of workplace organisation in a knowledge-based and service-oriented economy. Important themes within the programme include: promoting competences, health and employability, sustainability in corporate development, equal opportunities and demographic change, new implementation methods and interregional collaborations/alliances (BMBF, nd b). By end 2006, the programme had provided funding of over €26 million to a total of 350 work-oriented projects. Most of the projects were based on collaboration between businesses and research institutes.
* ***Gesellschaft für innovative Beschäftigungsförderung -*** In North-Rhein Westphalia, the GIB (Innovative Employment Promotion Company) operates a ‘Work-Oriented Modernisation Programme’ which finances the development of workplaces through collaboration between expert organisations and industries (Keuken, 2008). The initiative is specifically intended to promote the competitiveness of small and medium enterprises through the modernisation of work organisation, life-long learning and employability. There is a strong focus on consultancy and dissemination.

Legislative and institutional context

The German system for business support has been criticised for its unclear structure, which can limit entrepreneurs’ access. Achtenhagen and Welter (2006) argue that this system ‘reflects the political structure of ... government’, with its division between federal, state and local governments, and is characterised by an increasingly important role for public and private intermediaries. They identify the key players in ‘entrepreneurship and SME support’ as the federal state, the 16 Lander, local government (both districts and municipalities) and the EU. The German constitution (Grundgesetz) implies that federal support for start-ups and small businesses is the responsibility of the federal and Lander administrations, with the Lander undertaking the executive role, and the federal authorities undertaking the legislative one. Responsibility for the delivery of innovation policy lies predominantly at the Lander level, with actual delivery of advice and support generally achieved though non-governmental organisations.

Federal funding for R&D is provided by (the Ministry for Education & Research (BMBF) and the Ministry for Economy & Technology (BMWI). Ramstad (2009) states that ‘BMBF is responsible for nearly two-thirds of Germany’s R&D budget’, with BMBF and BMWI projects managed by a Projekträger (management organisation), which distributes and monitors project funding, disseminates information and encourages links between research activity and customers (Ramstad, 2009).

A wide range of public and private organisations deliver entrepreneurship support on behalf of the federal government. The aim is to decentralise SME support in line with the ‘principle of subsidiarity support action’ (Subsidiaritätsprinzip) (Achtenhagen and Welter, 2006). The states also have different approaches to delivering support, which range from relatively uncoordinated approaches, involving several ministries and departments, to ‘state banks or investment agencies’ administrating (even implementing) state programmes: providing a simple ‘one stop shop’ system for SMEs (ibid). Local governments are also involved. The main actors at a local level are business and economic development corporations, which provide information, consulting and brokerage to support the establishment of new ventures. Comprehensive details of both the legislative framework and key policy initiatives in Germany are available on the ILO’s Natlex website.[[23]](#footnote-23)

According to Doellgast (2008), a key issue in the literature on ‘high-involvement management’ is that of why some firms adopt practices to increase employee participation and autonomy, (e.g. teamwork and job rotation), while others are focused more upon control of the process. She notes that although variation in management practices has generally been attributed to firm-level differences, ‘an alternative perspective holds that organisations also respond to institutional pressures from regulatory agencies, business associations, and leading organisations; and draw on institutional resources, such as available workforce skills and business relationships that promote learning across organisations’ (p285).

Giardini *et al*. (2005) suggest ‘there are three German labour market institutions that have a significant effect upon HRM: collective bargaining, co-determination, and initial vocational training’ (np). These institutions variously constrain some management, employee and union strategies, whilst enabling others. Most noticeably they militate for high levels of employee involvement; a core feature of HPWS.

* ***Collective bargaining*** – Up to the 1990s, terms of individual employment (e.g. salaries, working hours), were determined by general agreement between trade unions and employers/employer associations. These collective bargaining agreements were negotiated, industry by industry, at regional level. According to Bauer (2004), collective bargaining institutions in Germany that combined union and works council agreements were positively associated with use of high-involvement practices. Batt and Darbishire (1997) found examples of where German unions had negotiated strong agreements that encouraged employers to pursue a skill-based, quality-focused approach to change and restructuring, while the unions of US and UK firms were largely marginalised as employers sought to downsize and reduce labour costs. However, it has also been observed that, in recent years, the role of collective bargaining on HR decisions, while still significant, is tending to decrease (Giardini *et al.*, 2005).
* ***Co-determination*** – Giardini *et al.*, 2005 state that ‘co-determination is probably the most influential labour market institution’ with respect to HRM issues. The German co-determination model means that employees participate in workplace or enterprise decision-making. Participation is indirect in the sense that it operates through employee representatives and formalised co-determination bodies. This is backed by legislation that grants rights with regard to access to information relevant to that role.
* In Germany, co-determination (Gemeinsamer Entschluss) by employee committees (Betriebsrat) was established in industrial law nearly a century ago. The committee representatives are elected directly by employees every four years, and representatives are similarly elected to the Supervisory Boards (Aufsichtsrat) of companies (i.e. at the top level of management). Employee committee rights and responsibilities, covering areas such as employee welfare, and health & safety, are codified in Industrial Relations Law (Betriebsverfassungsgesetz) and set out in collective agreements (Tarifverträge) (Paul, 2010). Historically, the German was renowned for board level co-determination; however, over the past twenty years, co-determination in the workplace has increasingly important. Works councils, with representatives elected by employees, can be set up in companies with as few as five employees, if the latter indicate a wish to do so. This opportunity has met with a positive response by employees in the vast majority of German companies (Giardini *et al.*, 2005). The works council is undoubtedly influential in respect of HR issues – indeed, many HR policies typically cannot be implemented without its consent. Close ties exist between the works council and the union of the respective industry, since employee representatives are usually also members of the trade union for that industry.
* Kraft *et al.* (2009) conclude that co-determination is generally consistent with effective innovation within businesses, although, in her recent review of the literature estimating the economic impacts of German co-determination laws, Boneberg (2010) notes that the evidence varies, with some studies finding positive effects whilst other are less positive.
* ***Initial vocational training*** – Germany is widely recognised as having and a high level of commitment to the development of technical and vocational skills (Weiterbildungsmassnahmen). Giardini *et al.* (2005) describe an ‘initial vocational training’ or apprenticeship system. (‘dual educational system’) which ‘combines both on-the-job training in the workplace and state-regulated vocational and general training’ in administrative, technical, and craft professions. Training takes two to three years to complete. Apprenticeships are ‘jointly governed and regulated by professional organisations (e.g. chamber of commerce or chamber of handicrafts), ... employer associations and ... unions’. The system is voluntary, and company participation is dropping. It has been suggested that legal sanctions could be introduced, were a situation to arise where not all school leavers get the offer of vocational training.

Drivers of adoption

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 to promote development of work organisation based directly on the HPW model. Whilst there have been some initiatives designed to promote models analogous to HPW, and some evidence of firms being influenced by imported (US) HRM theories, there is little doubt that the prevailing legislative and institutional context has been the key driver of German HRM strategy and practice. This context has mandated codetermination and works councils and thus shaped a system in which high involvement is essentially prescribed.

Although this context has been important in shaping the prevailing model of work organisation and HRM strategy in Germany, businesses have had some room for manoeuvre. The available evidence suggests that their strategies with respect to the voluntary adoption of components of the HPWS model and their experiences of using such practices have been mixed. That said, current thinking and practice appears to be creating renewed engagement with concepts very close to the HPWS model. This is particularly the case in respect to the increasingly holistic conception of innovation that is current in Germany. For example, the concept of smart innovation is generating quite significant interest.[[24]](#footnote-24)

***The Smarte Innovation: Produktlebenszyklus und wertschöpfungsnetzüber-greifende Innovationsstrategien***(Smart innovation - Product life-cycle and value-added network-wide innovation strategies) project, currently being undertaken by the University of Munich, is specifically designed to identify organisational systems that are conducive to effective practice: ‘People create innovative technology and organisational systems…. Smart Innovation requires not only the appropriate skills, abilities and qualifications for the individual workers but also organisation of the work environment so that individuals and whole teams can develop their skills and in which cooperation and communication in the right place at the right moment is possible’ (Institut für Sozialwissenschaftliche Forschung, 2011). The project (scheduled for completion in 2011) is designed to investigate how new forms of work organisation (Arbeitsorganisation) affect innovation performance in the German mechanical and engineering sectors and is intended to identify examples of good practice.

Assessment of impact

Germany is recognised as having both a highly innovative and productive economy and a model of work organisation that embodies at least some key features of HPWS. However, as developments in work organisation and HRM strategies have seldom been conceived in term of the HPW model, it is difficult and arguably inappropriate to attempt to evaluate the impacts of the HPW model in Germany. Where this has been attempted, for example by Kirchner and Oppen (2007), the conclusions reached have tended to show a mixed and inconclusive picture with respect to both the innovation and productivity gains achieved and the enthusiasm of individual businesses for the HPW model.

Similarly, it is difficult to establish with any certainty how effective particular drivers have been in promoting innovative and high involvement models of work organisation in Germany. The institutional context has to a great extent mandated high involvement practices, but engagement with and commitment to these institutions has also proved to be mixed and not always positive. Beyond this, there is also evidence of selective and, in some instances, less than constructive, approaches to the adoption of specific high involvement practices. There are also some findings that show that enthusiasm and commitment to such practices may have waned over the past decade.

Notwithstanding these findings, thinking and practice in Germany has progressively assigned increased significance to the centrality and importance of innovative approaches to work organisation and high involvement practices. For example, government-sponsored research programmes have progressively moved away from being centrally concerned with employee wellbeing towards a position that recognises that such wellbeing is crucial to effective innovation, productivity gains and competitiveness. Whilst this significance is not universally accepted, it has become (or is becoming) the central discourse for researchers, policy-makers and businesses in Germany. This must be important to thinking about how HPW might become more prevalent not just in Germany but also in other countries.

Learning

There can be little doubt that Germany’s established legislative and organisational structures have underpinned the widespread adoption of at least key features of high performance work system concepts. High levels of legislative job security and 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 little direct relevance to the UK, even though these institutions have been progressively weakened in Germany over the last twenty years. Further, such a system is discordant with both the prevailing political philosophy and policy agenda in the UK and its adoption would require profound changes to legislation and established patterns of industrial relations.

Whilst HPW practices have seldom been understood in terms of HPW systems *per se*, and have seldom 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. Such practices are not simply widespread; they are generally accepted, quite uncritically, by both managers and employees.

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, potentially, a powerful driver within a voluntarist approach for promoting HPW. Beyond this, German experience also suggests that HPW systems are logically, and probably most effectively, promoted through innovation policy.

Appendix E: Ireland – country case study

Background

Ireland, with a population of 4.4 million, is a small open economy that had, prior to the recent global crisis, experienced a sustained boom based upon a rapid expansion of exports. During that period it created a large number of jobs, the demand for which was met through a combination of natural population growth, a higher workforce participation rate for both men and women, lower rates of emigration and higher levels of immigration, especially from the EU. In spite of continued growth through to 2008, for around a decade it was frequently observed that the economy’s performance was based upon long-term employment rate growth rather than productivity growth. Detailed analysis shows that productivity performance was crucially dependent upon foreign-owned manufacturing plants and was noticeably poor in the services sector (the area of fastest increase in employment), construction and the public sector (Tansey, 2005). Indeed, figures for the period 2000-05 reveal a large and increasing gap between the productivity performance of the foreign-owned exporting sectors and indigenous manufacturing sector.

During the past decade, it has been accepted that increases in the participation rate/supply of labour would not continue, and that the average number of hours worked would continue to fall, implying that continued growth and improvement in living standards would need to be based upon improving productivity in the sectors where it was found to lag. Reflecting this situation, the National Competitiveness Council was established by the Irish Government in 1997. It ‘reports to and advises the Taoiseach [Prime Minister] on competitiveness issues facing the Irish economy and offers recommendations on policy actions required to enhance Ireland’s competitive position’ (National Competitiveness Council, 2011).

One area of particular interest has been education and skills performance. Ireland has a similar education attainment profile to that of the UK. In 2006, around three in 10 of the labour force had tertiary levels of education. This is very similar to the situation in the UK, although Ireland’s younger age groups contribute proportionately more to this overall figure. Ireland has a small proportion of its workforce with upper secondary/non-tertiary level (35 per cent versus 42 per cent in UK), and also returns relatively low figures for lifelong learning participation 15-64 (7.5 per cent versus 27 per cent in UK) in 2007 (National Competitiveness Council, 2009).

Ireland is rare in that it has good data on adoption of HPWPs, and monitors progress in terms many of the practices involved through large-scale surveys (see below for details). Workplace practices are typically sophisticated in the overseas-owned exporting firms, since these have been influenced by those methods used in the company more generally. Adoption rates remain modest or low in smaller indigenous firms and the public sector, although there is some evidence of improvement in this respect.

Origins of policy and conceptualisation of HPW

Since the 1990s, Ireland has gradually evolved a national innovation system (NIS), built on consultation and investigation of how to deploy knowledge and innovation to achieve competitive advantage in growth markets. The exercise was founded substantially on Ireland’s continuing need to attract and embed foreign direct investment operations within local supply chains.[[25]](#footnote-25)

An important aspect of the NIS is social partnership. This was developed following recession and low growth in the late 1980s, which prompted government to enter into dialogue with trade unions and employers in order to forge a national consensus on addressing issues facing the country through a Programme for National Recovery. Agreements linked wage moderation to employment stimulation measures and improved social protection, and successive three-year national pacts became the basis for Ireland’s subsequent strong growth (SKE, 2009).

Reflecting the context of social partnership, the national innovation system emphasises enterprise-level partnerships within the framework of developing an investment attraction policy linked to local clusters and networks, and recognising the role of research and education to facilitating knowledge transfer and the commercialisation of ideas (SKE, 2009). Building on the successful experience of social partnership since 1990, the Government and its Social Partners emphasise the potential for gaining significant competitive advantage through embedding workplace innovation as a critical element of the national system of innovation.

This is the context within which the Workplace Innovation Programme in Ireland emerged. Early experiments in linking the principles of national social partnership to employment relations at the workplace centred on piloting the New Work Organisation (NWO) programme (1995-98). It was launched, as a three-year ESF-backed programme, jointly by the Irish Productivity Centre, Irish Congress of Trade Unions (ICTU), and Irish Business and Employers Confederation (IBEC) (Totterdill *et al.*, 2009).

Drawing lessons from workplace innovation programmes in other European countries, the pilot developed an innovation cluster, involving ten companies. Each set up a ‘partnership forum’, consisting of managers, trade union representatives, and employee representatives to identify areas for change which would result in benefits for all parties. The programme included opportunities for training, sharing learning and peer review Facilitators from ICTU and IBEC were appointed to each participant organisation, and trained to work together as a team, demonstrating ‘hands-on social partner involvement in workplace innovation’ (Totterdill *et al.*, 2009, p33). Following the comparative success of NWO, the National Centre for Partnership and Performance(NCPP) was established in 2001.[[26]](#footnote-26) This tripartite body was given responsibility for promoting, via partnership arrangements, ‘workplace change and innovation through increased levels of employee involvement and engagement’. Its remit applied to both unionised and non-unionised organisations, and included those without existing partnership structures. The establishment of NCPP was an important policy step. It continues to play a central role in relation to workplace innovation in Ireland.

The formation of NCPP gave momentum to the notion that human resources and workplace development were important, and helped it steadily gain prominence within the NIS. A key message of the Enterprise Strategy Group 2004 report, *Ahead of the Curve,* was that knowledge creation and diffusion are central to economic success, and that full utilisation of skills resulting from investment in human capital required transformation of workplace culture and leadership. A key influence in support of this way of thinking came from the National Forum on the Workplace of the Future, 2003-05, established by the NCPP and led by an inter-departmental group chaired by the Prime Minister (NCPP, 2005).

From the extensive consultation built around the work of the Forum on the Workplace of the Future emerged the National Workplace Strategy.This was to be the means by which the Government would attempt to create ‘high-performance, high-quality workplaces’ throughout Ireland. *Towards 2016,* the National Social Partnership agreement for 2006, reinforced this objective by committing government, employers and trade unions and to take practical measures to transform Ireland’s organisations intoWorkplaces of the Future. The policy was perceived as an extension of the Social Partnership programme, and strategically embodied the idea of looking beyond the foreign-owned sector to support domestic businesses towards building up export markets.

In January 2007, the National Economic and Social Development Office Act came into operation, establishing the NCPP on a statutory basis as one of the three government institutions of social partnership within NESDO. The office of the Taoiseach immediately announced the NCPP strategy (NCPP, 2007), with the main focus of its work programme centred on supporting the objectives of the National Workplace Strategy. The subsequent economic crisis, rather than being seen as a discouragement to such activity, appears actually to have elevated the importance of workplace innovation, since it is seen as a critical component of Ireland‘s response to dramatically changed economic circumstances at home and abroad.[[27]](#footnote-27)

Policy Framework: National Workplace Strategy (NWS)

Guidance material issued by the NCPP stresses that ‘there is more to innovation than R&D’ (NCPP, nd). The National Workplace Strategy, branded ‘Working to our Advantage’, represents Ireland’s approach to transforming its workplaces. It seeks to stimulate workplace change and innovation, recognising the role that workplace partnership can play in this process. The key message is that the quality of Irish workplaces, and the pace of innovation and change in them, is vital for ensuring that the country shifts in the direction of a more dynamic, highly skilled and knowledge-based economy. The commitment to workplace change and innovation explicitly embraces the public as well as private sectors, and both small and large organisations.

***Administrative structure and implementation***

Overall coordination of activity under NWS is provided by theSecretariat, which sets High Level Implementation Group (HLIG) priorities, determines the Action Plan (including NCPP responsibilities), monitors progress, prepares annual reports, and identifies key themes within NWS.[[28]](#footnote-28) Implementation of the NWS is the responsibility of the High Level Implementation Group, which operates under the authority of the Department of Enterprise, Trade and Employment (NCPP, n.d). HLIG membership includes senior representatives from Government departments and agencies, as well as Social Partners. Members represent the Department of Enterprise, Trade and Employment; Department of the Taoiseach; Department of Finance; Department of Justice, Equality and Law Reform; Department of Education and Science; FAS (national training and employment authority); Forfás (policy advisory board for enterprise and science); the Irish Congress of Trade Unions; the Construction Industry Federation; the Irish Business and Employers Confederation; and NCPP. The HLIG is chaired by the Minister for Labour Affairs with executive support provided by the NCPP.

The membership of the HLIG demonstrates the extent to which this activity is both embedded across government and engages a wide range of social partners. In addressing the comprehensive agenda set out in the National Workplace Strategy, the HLIG is described as ‘a unique and effective forum for government and the social partners to initiate and monitor approaches to supporting workplace development in an innovative and joined-up manner’ (NCPP, 2007).

There were nine staff members in NCPP in 2009, but budgetary cuts reduced this to six in 2010 (Totterdill *et al*, 2009). In terms of implementation, the NCPP is responsible for coordinating the five main areas of the NWS, and also for nine of its 42 other recommended areas for action, based on the mutually reinforcing features needed in future workplaces (e.g. flexibility and agility, customer focus, knowledge intensity, responsiveness to employees and their participation, extensively networked, highly productive, engaged in learning, etc). The NWScuts across all areas of work within the NCPP and the programme is made up of cross-cutting activities.

The programmes NCPP delivers are:

* Partnership – enabling change;
* The National Workplace Strategy and HLIG;
* The Workplace Innovation Fund;
* Research and Policy Development;
* Communication and Dissemination.

Each of these is covered in turn below.

***Partnership – enabling change***

Through drawing upon available knowledge, NCPP initiates and supports innovative partnership-based projects, cooperating closely with social partners (ICTU and IBEC) to enhance their capacity to support the development of partnership at enterprise level.

Areas of special interest to be addressed are summarised as follows (Fallon Byrne, 2005):

* To build a commitment to workplace innovation: Provide resources and funding for workplace innovation across the economy; make workplace innovation a key requirement in awarding state funding; coordinate and improve quality of data; develop innovation networks and benchmarking tools.
* To build a capacity for change in organisations: Improve management and leadership capacity; increase employee involvement and autonomy; make more effective the dispute resolution and avoidance system; develop more proactive role for unions which reflects views of members.
* To develop future skills by encouraging learning and development: Increase investment in training; facilitate continuous learning, ongoing up-skilling and re-skilling; build commitment to learning among government, employers and employees; foster an integrated approach to skills development.
* To promote diversity and equality: Champion proactive strategies for diversity; improve childcare access, affordability and choice; implement a transparent economic immigration policy; encourage greater participation among key groups.
* To improve the quality of working life in organisations: Establish employability as a key principle; support and promote QWL; address opportunities divide; increase employee autonomy, involvement and learning.

The NWS emphasises that a strong culture of employee involvement and participation is required within Irish workplaces, with roles identified for respective partners. Guidance material (NCPP, n.d) relating to the NWS sets these responsibilities out according to the following outline:

* ***Employers/Managers*** – adoption of a less hierarchical management style - one that is open and participative so that employees’ contribution is sought and valued, and new ideas welcomed and rewarded. Such a culture requires new approaches to work organisation and people management, implying the need for new forms of leadership and appropriate managerial competencies.
* ***Employees*** – need toaccept change and seek to take advantage of the opportunities that such a culture provides, especially with respect to the development of skills.
* ***Trade Unions*** - supporting change and encouraging workplace innovation involves unions adopting proactive approaches in engaging with employers as part of a collaborative effort to raise performance levels and enhance the working environment.

Workplace Innovation Fund (WIF)

Once the National Workplace Strategy measures had been adopted at a national and sectoral level, resources were needed to support implementation at organisational level across the public and private sectors, and the NWS recommended the establishment of a fund to help realise the vision it outlined. Department of Enterprise, Trade and Employment budgets were used to establish the Workplace Innovation Fund (WIF). This was launched in 2007, making this a relatively recent initiative (NCPP/Enterprise Ireland, 2009).

The funding allocated through WIF was €9m over a three-year period. The WIF is jointly administered by the NCPP and Enterprise Ireland. It is open to all Enterprise Ireland client businesses, namely, indigenous manufacturing or service firms operating in the export markets (or capable of exporting) (IBEC, 2009). This funding is separate from that of the NCPP, which has a budget of €2m to cover staff and administration costs associated with running its programmes (including WIF).

WIF resources were intended to support innovative measures designed to add significant momentum to the National Workplace Strategy. It is organised in three strands to cater for the distinct dimensions of the National Workplace Strategy (NCPP, 2007):

***Enterprise Level Projects in the Private Sector -*** Strand 1 of WIF provides €6m (€2m per year) to support workplace innovation initiatives in SMEs. This resource is administered as a new strand of Enterprise Ireland’s Productivity Improvement Fund, delivered jointly with the NCPP. It is focused on developing the role of participation and partnership-type practices to facilitate change in SMEs.

Funding is targeted at SMEs that are in a transition state – largely growth firms. Application is on a competitive basis, and successful companies will receive support for initiatives that develop (NCPP, 2007):

* strategic capacity for change and continuous improvement based on participation and partnership at leadership level;
* greater capacity for change among employees and unions; and
* the skills, knowledge and motivation of employees.

Assessment criteria for WIF applicants focus in particular on the expected impact of the workplace innovation project on the firm’s international competitiveness and employment (new and safeguarded jobs). It also requires evidence of management-employee collaboration in implementing project activities (including joint preparation of the project proposal).

The Fund is aimed primarily at SMEs, defined as follows:

* *Small Enterprises*: maximum of 50 employees or annual turnover/balance sheet up to €10m; trading (i.e. generating sales) for at least five years*;*
* *Medium Enterprise*: 50-249 employees; annual turnover not more than €50m or annual balance sheet total up to €43m; trading (generating sales) for at least five years

Initially WIF was aimed solely at SMEs, but the rules were subsequently amended to allow participation by larger enterprises (employing more than 250 people), although the available funding for workplace-innovation activities differs somewhat from that for SMEs.

Sectorally, there is a diverse range of industries receiving WIF funding, from traditional activities and construction through to pharmaceuticals. Some of the manufacturing firms also supply services.

Applications are received by Enterprise Ireland on a monthly basis; applicants are advised to consult a Development Adviser from Enterprise Ireland for advice and before *and during* the application process (IBEC, nd). Once it is deemed to meet Enterprise Ireland eligibility criteria, NCPP evaluates the bid in terms of contribution to employee involvement. This is a slow process, often taking around 6 months, designed to allow the proposal to be developmental in character (Totterdill *et al.*, 2009).

The maximum funding per total Growth Fund application, including workplace-innovation activities was reduced in 2009 from €650,000 to €450,000, but to receive that sum enterprises needed to invest in new equipment or take on new employees. Since 2009, the minimum company-spend requirement on workplace innovation activities has been halved from €25,000 to €12,500, in order to encourage participation (ibid). Some forms of investment (e.g. management training) qualify for higher rates of support than others, such as employee training.

Projects often involve the use of external consultants. NCPP is able to advise on a choice of specialists with regard to a particular service, based on its access to Enterprise Ireland’s ‘framework’ consultants. A learning network was established in 2009 for those enterprises that have received WIF support, and ongoing involvement is also planned through workshops run by specialists.

***Partner Initiatives*** - Strand 2 of WIF provides support (€1.5m over three years) for the Social Partners to initiate a range of projects that operate to advocate and support workplace innovation at the enterprise level. The Department of Enterprise, Trade & Employment, working with the NCPP and Social Partners, has established priorities under this strand, covering areas such as: workplace learning, adaptability, employability, leadership, management development, employee financial involvement, information, and consultation processes (NCPP/Enterprise Ireland, 2009).

As an illustration of initiatives by the Social Partners, the Construction Industry Federation (CIF) ran regional seminars for members on Information and Consultation, as well as developing a handbook and reference manual for CIF members. NCPP collaborated with ITCU over regional seminars for trade union officials on the potential opportunities and challenges associated with the Employees Act 2006 (Provision of Information and Consultation), and shortly afterwards with IBEC over similar seminars for companies with 100-150 employees, when they fell within the scope of the Act in 2007.

The model adopted in the earlier New Work Organisation programme was notable for using Social Partners as knowledgeable participants in workplace change projects. Evaluators reported ‘little difference in the approach, values or methods deployed by facilitators from either the union or employers sides, all having participated in a common training and programme’ (Totterdill *et al.*, 2009). By contrast, as Totterdill *et al*. point out, in the current Workplace Innovation Fund, participating companies select their own consultants. The WIF does, however, operate a specific funding stream intended to enhance the role of social partners in achieving workplace innovation and boosting information and consultation processes at enterprise level. In practice, workplace trade union representatives are automatically consulted and have involvement in projects from initial design onwards. Not only is their knowledge of the organisation of great value, ‘but their involvement ‘confer[s] legitimacy to the project in the eyes of the wider workforce’ (Totterdill *et al*., 2009, p63).

***Public Awareness Campaign* -** Strand 3 tackles one of the primary challenges, namely to boost awareness across the various sectors of the economy of the National Workplace Strategy and the opportunity it represents for organisational change and innovation. The concept of workplace innovation and the range of practices identified in the National Workplace Strategy are thus promoted and disseminated to employers and employees across the private and public sectors through Strand 3 funding within WIF (€1.5m over three years).

Through TV, radio and press advertising and other PR activities, the campaign aims to encourage employers, employees and union to ‘be more receptive to innovative approaches to management, communications, training and up-skilling, problem-solving in partnership’. Its core message is that ‘partnership-based workplace innovation can lead to high-quality, high-performing workplaces where the stakeholders - employers, employees and trade unions - all have a key role to play and from which all benefit’.

Monitoring the impact of WIF

The HLIG has responsibility for monitoring the implementation and outcomes from the three strands of the Workplace Innovation Fund:

* ***Strand I*** - Enterprise Ireland (with other stakeholders) monitors the take-up of the Fund, its impact with respect to outcomes for SMEs, and any implications for policy.
* ***Strand II*** - the HLIG monitors progress made by the Social Partners in influencing their respective membership with respect to various policy areas
* ***Strand III*** - the NCPP has established key performance indicators for the Public Awareness Campaign. The success of this campaign in enhancing the National Workplace Strategy’s profile was assessed, to some degree, by the level of interest in the information and services available to stakeholders within enterprises.

The learning network is expected provide a forum through which the impact of WIF upon participant companies can be evaluated. More generally, case studies, assessments and benchmarking are being adopted for the purpose of informing future policy.

Communication and dissemination activity

NCPP activity under the aegis of the NWS includes annual master-classes, which have been running since 2005. They are designed to offer an opportunity for business people, employee representatives, policymakers etc. to benefit from working with and learning from world-renowned experts in workplace creativity, innovation and change.

The session in September 2008, '3-D Thinking for Workplace Innovation: Engaging Employees for Competitive Advantage', explored issues often experienced when a company seeks to ‘embrace workplace innovation’ (see www.ncpp.ie).  More than 100 business representatives and policymakers attended the Masterclass, which explored the positive role of workplace innovation with respect to ‘productivity, performance and staff retention’, and to discuss practical methods for building ‘innovative workplaces based on high levels of employee involvement’.  The event also included a Forum Theatre production, in which ‘professional actors and facilitator’s explored some of the ‘key aspects of organisational innovation through direct interaction and involvement with ...delegates’.

The NCPP has produced case studies of organisations from different sectors, including the civil service, local government and health, to demonstrate the potential benefits from participation in such a programme. It commissions a wide variety of research into different aspects of workplace innovation, using its Research Advisory Panel. It also organises presentations of workplace experience to be given by senior representatives of firms that have engaged with the workplace-innovation agenda through the WIF.

Institutional context and commitment of partners

In spite of the social partnership arrangement, Ireland’s employment relations framework is in many respects very similar to that of the UK. Collective bargaining agreements concluded by trade unions generally apply at individual company level and only regulate salaries and working hours; membership of unions is relatively low. In a measure of the relevance of trade unions and works councils, Ireland is bracketed with the UK in the lowest of four categories, indicating that trade unions are the only representative bodies, although it is possible to establish elected work councils in those jurisdictions (Practical Law Company, 2010). Totterdill *et al*., (2009) identify an increasingly diverse range of employment relations models in the private sector, leading to new forms of work organisation and employment practices. They also point out that, at the same time, employment legislation continues to grow, supporting the emergence of an increasingly complex labour market regulatory system. More and more, workplace relations are thus ‘determined... by legislative prescription or voluntary agreed binding determination within ... national agreements and/or enterprise agreements’ (ibid, p168). The implications of such change for the NWS delivery is not further explored by the authors, but the observations draw attention to the way in which such arrangements affect the scope and process of workplace level innovation.

Ireland’s experience also points up the issue of gaining full commitment of social partners to workplace innovation, which has proved to be a challenge in practice. Where the partnership aspect of the policy has had problems is in gaining the commitment of the unions (SKE, 2009). While, some observers felt this obstacle was gradually being overcome, the NCPP view is that the unions were indeed slow to address this agenda, partly because they were preoccupied with globalisation’s impact on their workforces, but also because they objected to the fact the programme applied to non-unionised companies. At a broader level, even the social partnership model has come under pressure in the present situation of economic challenge.

However, the extent to which the initiative is embedded within the policies of different government departments appears to be substantial. SKE (2009) reports the NCPP Director referring to ‘wide and deep linkages at all levels of government’ helping them to gather momentum. For example, the NCPP’s work is apparently used by the Industrial Development Agency in attracting companies to invest in Ireland. Further evidence of the extent to which workplace innovation is embedded is found in the research and statistics-gathering activity (see below).

Research and HPW adoption rates

There is also evidence of a considerable amount of supportive research activity. The impact of the NWS is hard to gauge at enterprise level, given the short period WIF has been operating. Evidence is available, in the form of case studies, which provide concrete examples of workplace innovation leading to mutual benefit (see www.ncpp.ie). A recent study, by Guthrie *et al*. (2009), examines the relative effectiveness of HPW in the Irish context, although this is not a study of impact of the NWS *per se*. It suggests that deployment of HPW systems is ‘correlated with positive human resource and organisational outcomes’ and that organisations adopting higher levels of HPW are found to have generally ‘lower rates of employee absenteeism and voluntary turnover’, as well as ‘higher labour productivity and lower labour costs’.

The quality of the research relating to workplace innovation has assisted the programme to succeed through helping to construct a convincing business case based on tangible business impacts. Significant progress has been made by key stakeholders in the development of a more cohesive and coordinated data infrastructure on workplace innovation. Reflecting the extent to which the NWS is embedded in government, better collaboration on data collection and analysis among Government Departments and agencies led, from 2009 onwards, to the annual collection of data on aspects of workplace innovation through the National Employment Survey (and on a more detailed basis, through a dedicated module within the survey). There has also been progress in developing indicators of workplace innovation via a working group comprising the NCPP, Forfás and CSO.

Ireland is distinguished by having attempted to assess the extent to which HPW is used in its workplaces, and how this has changed in recent years, through surveys of both employers and employees. Two large-scale postal and web-based surveys (Watson *et al*., 2009 and O’Connell *et al.,* 2009) elicited employers’ and employees’ views of workplace change in 2009, facilitating comparison with results from a 2003 survey. Official research in Ireland, in contrast to other countries, thus offers a useful national benchmark regarding adoption of HPW methods. It cannot, it should be stressed, measure the impact of the policy used to encourage such change; so, although the extent of diffusion of HPW will reflect in some degree the policies that operate to achieve this outcome, the available surveys will not actually measure this effect.

The surveys show that, since 2003, there has been considerable development with respect to workplace practices in both the public and private sectors. The results suggest the advantages of adopting coherent bundles of employment practices, compared with adopting new standalone workplace practices. Much scope still exists for convincing the private sector, especially small firms, of the importance of workplace innovation in terms of business success. The strong strategic commitment of public sector managers to workplace innovation is an important resource in the process of managing change in public services, while various and diverse barriers identified in different areas of the public sector suggests the importance of *customised* implementation strategies.

Some 52 per cent of workers, according to the O’Connell *et al.* (2009) survey findings, report that their involvement in decision-making has risen over the past two years. Direct employee participation (e.g. work teams, problem solving groups, project groups, quality circles) increased from 27 per cent to 36 per cent during 2003-09. Levels of consultation would appear to have altered little over the past 6 years: altogether some 48 per cent of respondents indicated that they are consulted before decisions are taken that affect their work. More likely to be consulted are those employees in higher-level occupations and/or more educational qualifications, in contrast to younger and part-time workers. Employees report high levels of support in their organisations for innovative approaches and ideas, particularly in private organisations. Noticeable increases were recorded in three forms of flexible working during 2003-09: part-time working, working from home and flexible hours/flexitime.

Public sector employers identified budget and recruitment constraints, and uncertainty about the future, as barriers to change. Compared to 2003, aspects of HR management and organisational structure were more frequently identified as ‘major barriers to change’ in the public sector. The employer report highlights the following: the promotions process (from five per cent in 2003 to 41 per cent in 2009); lack of local industrial relations flexibility (18 per cent to 37 per cent); hierarchical structure of the organisation (six per cent to 29 per cent); and management structure (four per cent to 28 per cent).

The study placed particular focus upon employment practices in both public and private sector workplaces.  Three groups of practices were distinguished:

* human capital development (e.g. performance review, formal dispute-resolution, training, equality/diversity policy)
* employee involvement (e.g. information and consultation; direct employee-involvement in decision-making; problem-solving; employee autonomy)
* ‘co-working’ or new ways of working together (e.g. networking and cross-department working; new work practices including team-based systems; flatter structures/hierarchies)

Adoption of each of these practices tended to be higher in the public sector than in the private sector. On a scale of zero to 10, scores were higher in the public sector for human capital development (8.7 vs. 7.6 in private sector); employee involvement (7.8 vs. 7.1) and ‘co-working’ (5.7 vs. 5.1).  Adoption of practices was also higher in large than in small workplaces. In each case, the presence of HR functions is likely to be the chief discriminator at work here.

Previous research suggests that firms and organisations benefit most from adopting coherent bundles of employment practices. Cluster analysis by the survey authors reveals that organisations combining all three practices (28 per cent of firms) or combined employee involvement with human capital development (21 per cent of private sector employers) tended to record better business outcomes. Even after controlling for size and industrial sector, these differences were found to remain, thus demonstrating that there are benefits for small as well as for medium and large firms.

Learning

Although a number of countries have long recognised the importance of workplace innovation as key to boosting productivity and competitiveness, few have developed as co-ordinated and focused an approach to workplace development as Ireland. In this respect, Ireland’s activity in relation to HPW conforms generally to the pattern found in Nordic countries. That said, the employment and industrial relations context is very similar to that in the UK, making its experience at workplace level highly relevant.

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

While the UK would find it difficult to achieve the same level of social partnership in relation to a programme of this nature, 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. The feature in Ireland policy whereby support is provided for social partner-led (rather than government-led) initiatives is one that might find favour in the present UK policy climate.

Some of the specific aspects of the HPW programme would be relevant in the UK context, including the use of conferences, strategic case studies and master-classes to raise awareness and understanding of workplace innovation. Specific features of the National Workplace Survey may also be of interest, providing detailed information relating to the extent and patterns of adoption of HPW.

Appendix F: New Zealand – country case study

Background

New Zealand is a small nation with a population of 4.3 million, which is currently governed by a centre-right National Party. Institutionally, it is characterised as a unitary state. Union membership has remained low (below 20 per cent) following legislation in 1991 (subsequently modified) and very few unions are affiliated to the Labour party. Legislation provides relatively low levels of employment protection and high ‘ease of doing business’.

In terms of output, the country fell by two places in OECD rankings over 1999-2007, to 22nd; its annual GDP per capita would need to grow five per cent over the next decade for the country to return to the top half of the table of 30 nations, yet it has averaged nearer to 1.5 per cent. While the country performed relatively well in terms of one of the OECD’s main drivers of economic growth, labour utilisation (participation rates), it figures much lower down OECD comparative rankings (20th) with respect to labour productivity. Labour productivity has increased steadily over the past two decades, but the higher rate of improvement in OECD countries, including Australia, has led to a widening gap between the OECD average and New Zealand. Just prior to the global crisis, New Zealand’s hourly productivity rate lagged that of Greece.

Given already high rates of labour utilisation, increases in New Zealand's living standards depend upon raising labour productivity. Although steps were taken around the year 2000 to improve the system for training workers, it is hard to see the problem as one primarily related to labour skill levels: New Zealand already has a higher participation rate (and longer hours) in continuing education, and a higher proportion of its workforce with tertiary education (fifth in the OECD) than many high-income countries, including the UK (Ministry of Economic Development, 2005). There would appear, however, to be a problem in relation to management skills.

A number of government initiatives have been developed since the 1990s to address the challenge of raising overall quality of life for New Zealanders by improving productivity. At a broad level, the objective of New Zealand’s Growth and Innovation Framework (GIF) is to deliver long-term sustainable growth, but issues relating to productivity have also been a frequent topic of discussions between, in particular, the New Zealand Council of Trade Unions (CTU), Business New Zealand, and the NZ Treasury. Historically, in spite of the fact that workplace productivity is fundamental for driving national growth and the achievement of higher living standards, New Zealand has placed less emphasis on achieving improvements in workplace productivity within the firm than on establishing the broad regulatory framework within which business operates.

The situation has undergone wholesale change in recent years. The Workplace Productivity Working Group was established in 2004 (Department of Labour, 2004) to consider how New Zealand can achieve improvements in this area, ‘not by working harder, but by working smarter’. Its brief was to provide advice on improving government policy in the area of workplace productivity, new initiatives to raise awareness about and promote HPW practices, and to identify information research gaps. It consulted widely (organising meetings, workshops and focus groups in different centres around the country, reviewing research and commissioning case studies looking at good workplace practice) to achieve an understanding of how firms and employees defined and viewed workplace productivity and means by which it could be improved (Ryan, 2007).

The appointment of this group, importantly, put the spotlight on the *workplace* in the thinking about improvements to productivity. Its conclusions were that improvements in productivity involve taking action (more specifically ‘mutually-reinforcing actions’) at a firm or workplace level, and that, moreover, building momentum at firm level requires a concerted effort and shared commitment from government, industry, firms, unions and employees (Harvey, 2008).

Following publication in November 2004 of WPWG recommendations on ways industry, firms, unions and government could help workplaces enhance productivity (Department of Labour, 2004), the Government launched the Workplace Productivity Agenda, and followed up on this by establishing the Workplace Productivity Reference Groupin 2005. The WPRG consists of ‘people who have influence in New Zealand industry, including businesspeople, unions and enterprises', and its purpose was to advise Government on workplace productivity issues and help implement its HPW strategy.[[29]](#footnote-29) The Workplace Productivity Agendaboth located workplace-focused productivity issues within wider policy and provided the framework for implementing specific interventions to encourage HPW (see below).

A subsequent research exercise sought to learn from experiences in the Asia-Pacific Economic Community region. The objectives of the Department of Labour’s HPWP research project were, therefore, to:(1) review the extent to which HPW practices have been adopted within APEC economies, including an assessment of policies designed to support the adoption of HPW; and then to (2) convene a workshop to consider the policy lessons for New Zealand. Lessons from the research exercise were fed into the policy development process (Department of Labour, 2007?).

The diverse WPRG membership reflects the social partnership approach to this issue. Businesses and unions see increasing workplace productivity as a challenge which no single actor can address, and as one which requires a collaborative approach (SKE, 2009). The tripartite approach is considered helpful in securing broad ownership of the need to improve productivity via better practices and to deliver messages and advice to employers and employees (Cochrane *et al*., 2005). Furthermore, the social partnership approach is considered to be appropriate with respect to micro, small and medium enterprises, which are dominant within New Zealand’s economy, and tend not to have the capability or resources for investing in workplace changes, yet have substantial potential to grow and be more innovative (SKE, 2009).

Workplace Productivity Agenda

***Approach to HPW***

The WPA is a tripartite initiative designed as a response to New Zealand’s perceived underlying economic productivity challenge. This key component of the agenda is the joint responsibility for action among industry, firms, unions, employees and government. The actions that are proposed are mainly directed at *existing* firms although they are designed so that *all organisations* may benefit, including those in the public sector (Department of Labour, nd).

The Workplace Productivity Working Group identified seven complementary and reinforcing ‘drivers of productivity’. These drivers formed the basis of action around the Workplace Productivity Agenda, which can be grouped into four areas or pillars:

* ***raising awareness*** - of what workplace productivity implies and the actions that can lead to improvements
* ***diagnostic tools*** - for assisting firms to identify how effectively they are performing and where the firm may need to improve its practices/performance
* ***implementation*** - assistance and support for firms to help them determine what specific actions to take
* ***research and evaluation*** - collecting evidence and developing the knowledge base regarding workplace productivity and what business practices that tend to be successful (ibid).

The seven targeted drivers of productivityidentified, which have provided the essential structure for subsequent policy, were the following:

***1. Building leadership and management***

The strategy is based on the premise that leadership and management capabilities are ‘key drivers of firm capability and performance’, cutting across ‘all of the other workplace productivity drivers.’ Without such capabilities it is difficult to ‘successfully develop and implement initiatives around the other main productivity drivers’. In addition to existing government initiatives to improve leadership and management capability in New Zealand firms, the Ministry of Economic Development (MED) has recently established Management and Business Capability Co-ordinating Project (MBCC Project), to ‘develop and implement ... focused management capability initiatives’.

***2. Creating productive workplace cultures***

High performing workplaces are built upon a ‘strong workplace culture’ that motivates and engages employees. The Working Group argued that more emphasis needed to be placed on ‘good employment relationship management practices as an important factor in boosting employee participation, building stronger workplace culture and, therefore, creating more productive workplaces’ (p18). The Group recognised that unions needed to play a constructive role to ‘support a positive culture - both as representatives of their members within particular workplaces and as important sources of information about employment practices’ (ibid).

***3. Encouraging innovation and the use of technology***

Supporting innovation, whether it is incremental in nature or more radical, is a key part of raising workplace productivity. The Working Group stressed the need for more awareness of the dimensions and benefits of innovation, the importance of mentoring support as integral to delivering technology and innovation assistance, and improvement in the co-ordination and responsiveness of government services (in making management and marketing support available in conjunction with R&D support).

***4. Investing in people and skills***

Priority needs to be given to ensuring that all adults ‘have access to appropriate learning mechanisms and work skills training’ and that employers are guided as to how they can 'best add value to their firms through skills and training investment. Key areas for action here were identified as: changing perceptions of the value of skills development in the workplace; removing barriers preventing managers/employees from investing in high quality education and training; providing tools and advice to help firm to undertake skills assessments and to address skill shortages that are identified; and further developing a strong infrastructure, including Industry Training Organisations' (ITO) capability, for delivering workplace-based training.

***5. Organising work***

The need for firms to continually assess and adapt their structures and business practices was identified, including the need to recognise the value of employee participation in this process. Designing good quality jobs was also recognised as a critical ‘consideration for effective work organisation’. Action areas included: improving access to information for firms concerning role of work organisation in influencing workplace productivity; and providing networking and other learning opportunities (plus mentoring assistance), to help in the ‘redesign assessments’ and their implementation in the workplace.

***6. Networking and collaborating***

The Working Group recognised that ‘significant productivity gains’ can result from ‘improving the exchange of knowledge, information and ideas through both formal and informal networks’, and that government has a ‘role as a catalyst and broker’ in extending and strengthening network formation, including encouraging the inclusion of key stakeholders in networking activities.

***7. Measuring what matters***

It was also acknowledged that workplace productivity measurement assists in showing the value to a firm of investing in workplace productivity drivers. Yet there is little information about the nature or extent to which New Zealand firms are implementing measurement and reporting practices. The ‘low level of best practice benchmarking’ was revealed in the Working Group’s consultations. The Group argued that measurement and reporting was needed, tailored to individual firms, and covering both qualitative and quantitative factors (human capital/skills, finance and organisational culture). Identified areas of action included: awareness-raising with respect to the value of such measurement and reporting, and better access to both public and private resources to assist in measurement and reporting activities at the level of the individual firm (see Department of Labour, nd; and Workplace Productivity Working Group, nd).

Implementation of HPW measures

The emphasis of the Department of Labour’s ‘High Performance Working Initiative’, in delivering the Workplace Productivity Agenda is to ‘support enterprises in improving their business processes, through effective employee engagement and improved workplace practices’ - explicitly recognised as High Performance Working (Department of Labour, 2011). The Department of Labour, assisted by officials from Treasury, Ministry of Economic Development, and NZ Trade and Enterprise, and advised by the WPRG, has delivered a practical programme of support for HPW since 2006. Industry partners therefore work together, at different levels, in delivering the strategy. At the workplace level, the partnerships cover industry and trade organisations, regional business networks and similar business-orientated entities. Equivalent support may be available for individual firms not working through industry organisations.

New Zealand’s HPW programme comprises two basic elements:

* Provision of partially-funded specialist business consultants to help firms to *begin* HPW business improvement processes, by providing support in the design and initial implementation of such processes; and
* Working through industry organisations to deliver this support, in order to develop models of ‘best practice’ that are relevant to the industries, and to demonstrate the benefits of HPW to similar firms.

Activity thus focuses on awareness-raising (via seminars, workshops and case studies), development of diagnostic tools to help workplaces identify the potential gaps in their practices, the possible areas for improvement, and the available advice on how to address those areas (see Department of Labour website at [www.workplaceproductivity.govt.nz](http://www.workplaceproductivity.govt.nz)). This reflects the relatively ‘hands-off’ approach compared to practices relating to flexible working arrangements, employee involvement and teamwork, and decentralisation found in many countries. As case studies revealed, the way in which firms implement these practices has an important bearing upon their success, and implementation is often unique to a workplace. New Zealand has learned that such practices are not especially amenable to prescriptive approaches, and thus adopted the line of encouraging and facilitating action for change.

The budget allocated to the Workplace Productivity Agenda is around $NZ1.2m per annum, plus staff resources and office space within the Department of Labour. Funding support is expected to be ongoing, although no information was available regarding the level (SKE, 2009).

There is a particular focus within the Workplace Productivity Agenda upon micro and SME firms. Such businesses, it is recognised, often do not have full-time HR functions, nor use consultants to assist their organisational development. Thus, these firms may lack the sophistication to implement high performance workplace initiatives and, accordingly, need help from government and other stakeholders (SKE, 2009).

Support, however, is also available in relation to larger organisations. NZ Trade and Enterprise works with larger companies in delivering a programme with HPW strands. The SKE study (2009) describes how, in assisting over 60 companies to adopt lean-manufacturing techniques, an important part of NZTE work is to embed (at both shop floor and management levels) an understanding that partnership with the workforce is more productive, in comparison with traditional hierarchical management structures, in encouraging organisational culture change. The programme includes a two-day workshop on change management and leadership for CEOs and a small number of other staff. The lean-manufacturing initiative cost an additional $NZ1m over the three years, with a substantially higher budget requested post-2009. Other related programmes that involve raising standards of leadership, management and affecting culture include: Enterprise Training Programme (estimated $NZ1m p.a.), Better by Design ($NZ1m p.a.) and Growth Services ($NZ10m p.a.).

Online support and information

The Department of Labour’s website provides practical information to people interested in improving the productivity of their workplace. This resource offers a snapshot tool designed to help identify possible areas for productivity improvement in the workplace. The framework used to identify workplace productivity improvements is founded upon the seven productivity drivers identified by the Workplace Productivity Working Group.

There are also case studies (including via YouTube clip format) that outline lessons from New Zealand organisations that have evolved more productive ways of working. Once areas have been identified that individuals and workplaces can improve upon, the website provides access to research and tools that might be of assistance.

This website support does not ignore the public sector: it includes also resources and case studies specifically developed to assist such workplaces to achieve productivity improvements.

Recent developments

The recent establishment by government of two bodies, Taskforce 2025 and the Productivity Commission, confirm the importance given to HPW support within the broader strategies of the Government, and further embed the activity in government structures more generally. The Centre for High Performance Work, formed by two major unions, signifies the commitment of the labour element within the partnership to contribute towards the initiative.

***Taskforce 2025***

This body reflects the context in which HPW initiatives are being developed within New Zealand, namely the realisation that productivity (which was badly hit by its main market, the UK, joining the EU, and the OPEC oil shocks) was not recovered (unlike trade) in the 1980s, leaving the productivity performance (level and rate) poor relative to comparator countries, especially Australia (Department of Labour, 2010). Given that the quality of labour in the two countries is relatively high (New Zealand fifth and Australia eighth) on OECD measures, part of the explanation has been sought in the possibility that New Zealanders’ skills are being less fully utilised in their workplaces. This notion has been backed up by a study that revealed management in manufacturing, and especially ‘people management’, was often of a lower quality than in other countries (University of Technology, Sydney, 2010).

***Productivity Commission***

The Government recently announced the formation of the Productivity Commission. It intends to enact legislation setting up the Commission so that it can start operations in April 2011. The Commission’s roles and functions are modelled on the Australian Productivity Commission, which has been operating for over a decade. This development is thus consistent with the strong commitment to create a Single Economic Market between the two countries.  New Zealand has recognised that the independence of the Australian Productivity Commission has meant that important public policy issues are more likely to be tackled in a non-political way, and is seeking to take advantage of this feature in relation to its own approach to improving productivity.

The Productivity Commission, which is funded through contributions from reprioritising the existing budgets of 29 Government agencies, is to be led by four part-time commissioners. Its purpose is to offer independent advice on ways of improving productivity in areas identified by the Government.

Its main functions are as follows (ACT, 2011):

* inquiries into productivity-related matters and reporting back to Ministers;
* one-off reviews of existing regulations;
* reviews of the efficiency and effectiveness of regulatory agencies;
* regulatory impact analysis of a small number of proposed new regulations;
* research into productivity-related matters, to build up its institutional knowledge;
* promote public understanding of productivity-related issues.

***Centre for High Performance Work***

The announcement of the next stage of HPW policy received a positive welcome from the Council of Trade Unions (CTU, 2010). This is important in terms of the tripartite nature of the workplace productivity initiative. Indeed, there was already in existence a practical expression of union support for HPW in the form of the Centre for High Performance Work (a collaborative venture between the Dairy Workers Union and the Engineering, Printing and Manufacturing Union) (see e.g. Cochrane, 2005). The Centre aims to work with New Zealand businesses in the development of work practices giving rise to increased productivity and business growth through integrating employees’ ‘shop-floor knowledge into day-to-day production decisions’. It was established in 2008, with an advisory board that includes senior business and academic representatives. The EPMU national secretary announced that the venture underscored the seriousness with which the unions were taking the productivity challenge, describing its work as focusing upon ‘bringing together the joint knowledge and experiences of the EPMU and DWU along with known workplace productivity techniques, and making them accessible to employers, particularly those in small to medium-sized businesses’ (EPMU, 2008, np).

A principal feature of its work focuses upon consultative processes between workers and management that permit ideas and experiences to be shared on how work can be better organised and managed to both improve business performance *and* making work more satisfying and rewarding (thus addressing working life issues). In that connection, the unions have emphasised that workplace initiatives of this kind need the stability of a constructive relationship between employers and workers, implying ‘a solid framework of work rights’ such as ‘unfair dismissal protections, Employment Relations Educational Leave (EREL) training, and decent collective bargaining rights to provide security for the workforce’ (ibid, np).

As stated on its website, the Centre operates on the basis that the first step toward High Performance Working involves evaluating the workplace. It uses an assessment tool developed from the experiences of workplaces around the world, tailored to fit production conditions in New Zealand. The analysis in the workplace is undertaken by a joint-governance group, comprising staff and management, and is designed to resolve identified issues relating to organisation, production, skills and workplace culture.

The High Performance approach it has established operates to:

* provide a means by which management and the workforce can communicate, problem solve, consult with advisers, make joint-decisions and take joint ownership of HPW;
* develop commitment to HPW among all members of the organisation, thus ensuring that improvements in productivity prove sustainable over time;
* implement a range of high performance manufacturing and maintenance techniques to enhance competitiveness, reduce waste and improve work organisation; and
* determine ways of monitoring performance and establishing reward and recognition systems for employees. (The Centre for High Performance Work, 2011)

Evaluation findings

The Workforce Productivity Agenda is essentially a programme to encourage and support the implementation of HPWP in New Zealand workplaces. A number of action research projects were developed with the private sector to test the ideas and develop models of best practice, and in doing so, to explore possible roles for government in the process of enhancing workplace productivity. The evaluation, conducted in 2009, suggests that Government can effectively support better workplace performance through targeted initiatives to prepare workplaces for change, provide seed funding to ‘kick start’ the change process, and develop more effective ways of disseminating best practice (Department of Labour, 2009). This comprehensive information-gathering approach to policy formation is typical of the way New Zealand’s governments operate. It is interesting to note that its action research relating to initial policy development on HPW was effectively fed into the fuller version of the policy recently announced. The following sections draw on the evaluation report (ibid).

### *Partnership and approaches*

A partnership approach was adopted, utilising industry trusted advisors who were already working in the area of productivity and with their own established networks. SMEs were targeted for essentially experimental projects that involved assessing the needs of individual workplaces by a business consultant, and then the design and implementation of an action programme to bring about change.

During 2007 and 2008, five partnership agreements were set up between private sector 'trusted partners' and the government.[[30]](#footnote-30) The participant firms in the different groups reflected the area of interest of the partner organisation: for example, NZ Master Contractors focused upon fruit and viticulture contractors. Most of the participants were either manufacturers or in agricultural processing. Partnerships aimed to achieve a shared responsibility between the 'trusted partners' - government and industry, training and union groups – for raising workplace productivity levels. They sought to gain a better appreciation of what was needed to help firms to introduce HPW practices, and to explore possible roles for government and other parties in this process.

Each partner established a steering group to oversee the process and develop individualised objectives and methods of approach. Four chose to hire lead consultants. Typically, partner networks were used to identify potential workplaces, and the consultants assessed the readiness of the selected workplaces. Some 28 workplaces participated in the projects.

Participating workplaces underwent an initial assessment by consultants to identify their needs and possible areas for improvement. This became the basis for approaching each workplace. Areas identified for change and improvement included: strategic and operational planning; management capability and leadership; organising of workflow; communication: and workplace culture.

### *Workplace Outcomes*

Evaluation revealed that there was identifiable improvement across all 28 workplaces, ranging from those impacting across the entire workplace, to more isolated and minor effects. Improvements included enhanced worker participation, increased knowledge and skills, improved work processes, and more effective business planning. Some 70 per cent of the workplaces saw ‘moderate’ to ‘considerable’ improvement in terms of their work culture and related processes. Within these, projects increased awareness and facilitated a change in how managers and employees approached change, and triggered developments towards more effective leadership skills in individuals.

Managers and workers reported that the project showed them the value of good communication in encouraging participation, and of taking time to effectively plan. A subset of the workplaces had already begun the process of changing how they operated in line with a continuous improvement model.

Managers in 70 per cent of the workplaces were confident they were on the right path, and over half of these had continued to fund the business consultants post-project because of the ‘significant value’ they contributed to business productivity. The projects had allowed sufficient time for consultants to develop a good relationship with managers and workers. This was crucial for understanding their needs and tailoring assistance to the particular workplace.

The feature that was common to the 70 per cent of workplaces that were positive about the initiative’s effect was their receptive culture at the outset. Management were generally willing and able to institute changes, for example, through investing both time and money in the process. Also, there was typically a positive employer-employee relationship, upon which the consultancy approach could build.

For nearly 30 per cent of workplaces, the changes were not perceived as contributing to sufficiently to continuous improvement within the business. These workplaces tended to lack a suitable culture at the outset, in that management was not committed to making the changes and all the workplaces were characterised by strained employer-employee relationships.

### *Partnership outcomes*

The purpose of Workplace Productivity Agenda partnerships was threefold: to develop a shared responsibility for improving workplace productivity between trusted industry advisors and government; to achieve greater understanding of what was needed to help firms to introduce HPW practices; and to explore the roles that might be played by government and other parties in raising workplace productivity.

Evaluation findings show that, for most of the partners, participation in the project enhanced both their understanding of, and commitment to, workplace productivity matters. Partners had developed practical tools and materials to support the businesses in improving productivity, or were intending to make available case studies to share lessons from the experience. Examples were also found of partnerships creating innovative thinking and initiatives, including the design of an investment fund model that enabled other workplaces to access a business consultant. Another example involved a partnership taking its thinking beyond its own circle of contractors to target the wider supply chain in demonstrating the benefits of participation in such productivity initiatives.

Partnership working was more difficult where the roles and responsibilities for each partner were not clear, indicating the desirability of such arrangements to be made explicit right from the commencement of the projects. Tension also occurred in seeking to balance government accountability on financial issues and the overall accountability of shared responsibility on the part of the partnership. Evaluators signalled that an over-emphasis upon government accountability potentially hinders partnerships whose operations are founded upon flexibility and trust.

Learning

Good 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 that all the parties involved are in agreement with respect to the expectations, the processes involved, the kinds of outcomes and forms of governance is a key aspect of its approach. Given the relative limited extent of understanding regarding HPW in the UK, such a measured approach is instructive, since it will take time to develop a constituency for this approach in this country.

New Zealand also demonstrates good practice in undertaking a substantial evaluation the programme’s effects and the way it operates. This evaluation has its limitations, in common with those in other countries, but provides insights into the process and thus informs future policy design, as well as providing the material for case studies to demonstrate the benefits. The value of such an approach might be considered in relation to UK programme of support, even on a pilot basis, for the introduction of HPW practices.

New Zealand’s structures and institutions are relatively close to those of the UK, and it would be reasonable to assume that similar initiatives to those that have been introduced there might be applied within 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 context. New Zealand operates a policy that can be described as ‘soft’ within the framework of regulation: it combines the provision of information on ‘best practice’ and training and education available to managers and employers, together with benchmarking tools and support for advisory and consulting services. Also, 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 experiment of interest in the UK policy-making context.

Finally, in considering aspects of policy learning, it is worth noticing a feature of New Zealand’s experience: success in terms of outcomes from intervention is most likely to be achieved in workplaces that are receptive to notions of HPW, especially those marked by committed and innovative leadership and a constructive employer-employee relationship. If policy is heavily reliant upon effective demonstrative effect of a comparatively limited number of direct interventions, am approach commonly used in the countries studied, then careful attention to such observations is merited.

Appendix G: Sweden - country case study

Background and conceptualisation

Sweden is a developed market economy with a population of 9.1 million (Eurostat, 2009). 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 but was relatively quick to adopt neo-liberal policies during the 1980s and 1990s.

According to the former DTI (2005):

the Scandinavian countries and the Netherlands come closest to the ‘classic’ high performance workplace system, as they feature a high degree of employee participation in decision-making processes and a high level of productivity (p11).

Similarly, Bauer (2004) demonstrates that the Scandinavian countries Denmark, Finland and Sweden show above average values on the work-system index. This perspective is widely held in the literature, which typically cites Sweden as an exemplar of innovative and productive working practices.

In his comprehensive review of the Swedish approach to management and work organisation, Isaksson (2008) does not mention the notion of High Performance Work Systems or any specifically related concept. Indeed, there is no Swedish term that directly relates to the notion of HPW systems. Nevertheless, it is clear that the Swedish model typically incorporates most if not all the key components of such systems. The Swedish management style emphasises trust relationships, team working, empowerment, and alignment, giving rise to organisations that are non-bureaucratic and flexible organisations, and (according to Isaksson) which conform well to the demands of the knowledge society. He further stresses that ‘successful innovation requires that investments in technological R&D are complemented by knowledge on how to create organisational conditions that facilitate creativity, effectiveness, and value creation’ (p1). Isaksson devotes a chapter each to his ‘five key characteristics’ of Swedish management style:

* meritocratic, autonomous and anti-hierarchical;
* biased towards teamwork;
* reluctant to glorify star performers;
* non-confrontational and conflict-avoidant;
* action-oriented.

He goes on to argue that ‘Swedish management is modern, efficient and people-friendly’, and that the current Swedish model has a number of apparent strengths:

* a preference for the ‘big picture’
* a high level of delegation;
* emphasis upon action for change; and
* an inclusive and non-confrontational approach.

In a 2010 survey of more than 6,000 workers, Sweden emerged as the most innovative of the Nordic countries (Innovation Inside, 2010). The report, which provides extensive comparative data on a wide range of innovation-related criteria (including attitudes to work, empowerment, openness, culture, creativity drive and capacities, and management attentiveness), suggests that the Swedes excel in ‘innovative intent’ and innovation culture; exhibiting a ‘shared mindset’ at the workplace. It also notes that ‘Sweden has taken more steps toward building the innovative workplace, or the innovation force of tomorrow, than the other Nordic countries’ (p7).

Swedish HRM literature on the relationship between organisational innovation and competitiveness in Sweden (see for example, Huzzard, 2003) suggests two distinct ‘discourses’ on organisational development, each putting forward quite distinct options for achieving competitiveness: the ‘low road’ and the ‘high road’ (see Figure A.1). Low road solutions have the fairly traditional work organisation focus upon ‘cost leadership, flexibility, speed and quality’. In contrast, in high road contexts, ‘organisational spaces are created that liberate human creativity in ways that achieve a dynamic balance between product and process innovation’ (p94). The evidence, according to Huzzard, suggests that low road options (associated with leanness, short-termism and static rather than dynamic performance measures) are associated with a negative relationship between the quality of working life and competitiveness, and high road solutions (epitomised by longer term thinking and dynamic performance assessment) with a positive QWL/competitiveness relationship.

The respective options imply radically different approaches to work organisation. Huzzard (2003) shows how some innovation is based on low road options. Rationalisation and downsizing, for example, are likely not only to reduce labour demand, but also, often, the employees’ quality of working life (QWL). By contrast, high road innovation strategies, oriented towards developing new products, markets or processes, tend to increase demand for labour and improve the QWL. The type of work organisation conforming to high road innovation tends to achieve greater functional flexibility alongside job enrichment, as well as enhanced empowerment and employee autonomy. High road options potentially produce both improved competitiveness and improving quality of working life.

Figure A.1 High and low road HRM strategies

|  |  |
| --- | --- |
| **High road organisations** | **Low road organisations** |
| QWL - competitiveness convergence | QWL-competitiveness divergence |
| Long term decision making horizons | Short term decision making horizons |
| Dynamic performance measures | Static performance measures |
| Sustainable work systems | Intensive work systems |

Source: Huzzard (2003, p94)

It is important to acknowledge that some authors question Sweden’s exemplary status with respect to workplace organisation. Contributions to the literature includes papers arguing that, over the past decade, some Swedish firms have moved away from high involvement work practices, some even in favour of previously used systems. In some cases this is seen to reflect increasingly severe competitive pressures; and in others, the considered adoption of different approaches following experimentation. For example, a number of authors refer to various Swedish car production plants that had adopted high involvement practices but subsequently reverted to ‘regular assembly line production’ and lean production (Jonsson *et al*., 2004). Wallace (2003) also suggests that workplaces that earlier were pointed out as good examples (in terms of use of high involvement practices) are now moving away from this way of working. Other commentators, however, identify a shift in interest in Sweden towards teamwork and project-based models of work organisation (Ekstedt *et al*., 1999). Together, these observations might suggest limits to the viability of such approaches, based on maximum firm size or sectoral characteristics.

Developments over time

Historically, Swedish employers pressed for centralised bargaining arrangements throughout the Swedish economy, which strengthened the position of unskilled workers. As Hall and Thelen (2009) have shown, by the 1980s recruitment of skilled workers had become increasingly problematic and key sectors opted out of centralised bargaining arrangements. As in the UK, Sweden adopted an increasingly neo-liberal stance during the 1990s. However, whilst UK liberalisation was associated with the demise of union power, in Sweden the unions’ influence persisted, albeit in different forms.

Gallie (2007) cites Sweden as ‘the paradigm country with respect to the development of active labour market policies and quality of work programmes’ (p20). He points out that, only in Nordic countries are ‘active programmes of work improvement’ a continuing central concern of both government and social partners, reflected in the introduction of ‘increasingly large-scale programmes to diffuse the growing body of systematic research evidence on the social consequences of job design and to provide incentives for companies to reorganize work in consultation with their employees’ (p2). The Scandinavian countries are noted as leaders in ‘developing policies for reform of work organisation’, especially with respect to the variety of work tasks and the initiative given to employees within autonomous teams. While Norway is acknowledged to have been the leader for these developments, Sweden’s reform initiatives from the 1980s tended to be more substantial. Critically, Gallie argues, stimulus came from the Work Environment Act 1978, which widened the definition of health to embrace both psychological and physical aspects, and established the notion that ‘worker control was an integral feature of a healthy working environment’ (p28).

In 1990 Sweden launched a major programme of working life reform, the Working Life Fund (AFL). According to Gustavsen *et al.* (2007), over a five-year period the Fund provided for spending of SEK10 billion [~£1b] on 25,000 projects. It reached around half of labour market participants. Roughly half of these investments were allocated to projects on work organisation. The approach did not rely on developing models that could later be copied rolled out, but went straight into a phase of broad change. The largest single project was ABB Sweden’s T50 programme, which sought to reduce lead-time in all operations by 50 per cent or more. While Volvo had made heavy investments in new technology as part of its work organisation change, the T50 programme was based on softer elements: a ‘mix of mutual learning and competition between the different enterprises constituting ABB Sweden’ (Gustavsen, 2007). Thus the programme constituted an interactive and network-based approach to change that became highly pertinent during the period of the Working Life Fund. Gustavsen concluded that the ABB Sweden example ‘underlined the need for development across a broad front based on interaction rather than on models’.

Moreover, the evaluation of the Working Life Fund by Gustavsen *et al.*, based on 1,350 of the larger projects, revealed a clear positive correlation between work organisation and productivity (and also health and safety). Furthermore, it revealed a positive relationship between the ability to change work organisation and levels of participation from different categories of people (managers, supervisors, union representatives, employees) in the process of bringing about changes in work organisation. While the Working Life Fund initially supported projects in individual organisations, inter-enterprise cooperation was also found to play a significant role.

Huzzard (2003) describes late twentieth century Sweden as staging a ‘diverse range of organisational initiatives’, variously promoted by employers, organised labour or ‘jointly in the pursuit of common interests’. On other occasions the government took the lead, and the 1990s saw a plethora of such innovations.[[31]](#footnote-31) Employer initiatives tended to address ‘performance factors’ designed to ‘maintain or improve competitiveness’, while unions sought to develop workplaces in terms of improving working environments and the QWL. However, Huzzard notes evidence that the initiatives from both sides have ‘increasingly recognised the interests and ambitions of the other party and that some degree of convergence is a necessary condition of advance’ (p12).

Huzzard (2003) argues that a number of these policy initiatives can ‘be seen as being based on notions of stakeholder convergence or ‘win-win’ outcomes’ (see programmes described below). He also observes that ‘such convergence has not always been matched by a similar degree of convergence in stakeholder commitment’ (p12). Examples of initiatives (outlined in Hamde, 2000) include:

* URAF and FROD Programmes – The Swedish URAF (Co-operative Council for Research) programme (1969-75) sought to promote management-employee co-operation. Union and employer participation was included and studies commissioned on co-determination that were socio-technical in nature, and emphasised win-win outcomes. The FROD (Industrial Democracy Delegation) programme had similar objectives and also ran in the 1970s.
* LOM Programme – The LOM (Organisation, Leadership and Co-Determination) programme operated from 1985-90. The main objective of this programme was to implement self-determination at shop floor level, with particular emphasis on ‘learning organisations’ and ‘new concepts of work’.
* Programme for Learning Organisations - The Arbetslivsfonden (Working Life Fund) operated during 1990-95. The ‘learning organisations’ initiative promoted by the Fund involved 25,000 workplaces in both public and private sectors. Work organisation, rehabilitation, the physical work environment and effectiveness were key points of focus.

Legislative and institutional context

***Collective bargaining and Co-determination***

Workplace representation for employees in Sweden operates via the local union. Legislation requires that employers negotiate with the unions at the workplace prior to instituting significant changes to business strategy or practice. However, many of the practical arrangements for doing so - fixed by law elsewhere in Europe - are left to local negotiation.[[32]](#footnote-32) Structures like the works councils operating in other European states, such as Germany, are not used in Sweden.

The Swedish ‘Medbestämmandelagen’, or co-determination laws, were defined by the 1976 Act on Employee Consultation and Participation in Working Life, which was intended to promote employee participation in decision-making on employment and working conditions. The rules laid down in the Act can be divided into two main groups. The first essentially reaffirm earlier legislation covering the right to organise and negotiate collectively; the second group defines a set of rights with respect to participative employee representation.

According to the ETUI Worker-Participation website (ETUI, 2010), the Act gives unions ‘the right to negotiate with an employer on any matter relating to the relationship between the employer and any member’ of the union. Included within this is the right to negotiate on decisions made by management - called ‘joint-regulation’ bargaining. At the requested of the union, employers in collective agreements are obliged to negotiate on these issues. Within this framework, employers have specific responsibility to initiate negotiations with the union before any ‘significant changes’ are introduced – as well as keeping the union ‘continuously informed’ regarding the progress towards such changes.

The ETUI website also makes clear that, in negotiations with the employer, while there is no definitive number of union representatives who should be involved. Typically, in a workplace with 250 employees, 3-4 members of the union committee would represent manual workers and 1-2 representatives from white collar and professional staff unions (ibid).

Swedish co-determination laws are complemented by collective agreements designed to increase union influence in relation to decisions made within a company. A national framework agreement on efficiency and participation dating from the 1980s (the Utvecklingsavtalet (UVA)) is now incorporated within agreements at industry level. A notable feature of this is that it allows for practical details to be determined locally through employer-union negotiation. Again, unlike in some other European states, the legislation is free of detailed provisions that need to be followed (Huzzard, 2003).

Drivers of change in workplace organisation

Sweden’s model of workplace organisation and HRM strategies and practice have evolved and been shaped by a range of factors. The most obvious and arguably the most influential of these are the co-determination laws established during the 1970s. However, current practice in Sweden clearly extends beyond minimalist compliance with these obligations. In this sense, it is clear that the adoption of new and progressive models of HRM has been underpinned by both the nature of Swedish society and, sometimes, major initiatives specifically to promote new forms of work organisation. The role of Sweden’s innovation agency (Vinnova) has also been highly influential, as has a clear willingness to support and engage with research and management theory.

Ramstad (2009), in an overview of the Swedish innovation system, points out changes to the system that have occurred since 2001, with the introduction of new organisations playing new roles, while some institutes and research councils have been ‘discontinued’. Sweden’s first innovation strategy, ‘Innovative Sweden’, was instituted in 2004, aimed at making Sweden ‘Europe’s most competitive, dynamic and knowledge-based economy’. The strategy focused on promoting long-term growth and was concerned with both product and process innovation. Its objective with respect to organisational development emphasised flexible production, enhanced skill utilisation, networks, diversity, participation and responsiveness of labour markets. It also included the explicit suggestion that the developments in both new technology and work organisation should be coordinated (Ramstad, 2009).

*Vinnova* - Sweden’s innovation agency

The role of Vinnova,[[33]](#footnote-33) established in 2001, involves increasing the competitiveness of Swedish researchers and companies and promoting sustainable growth in Sweden by funding ‘needs-driven research and the development of effective innovation systems’. The agency is internationally recognised as a centre of excellence in innovation research and occupies a central position in relation to the development and implementation of innovation policy in Sweden.

The Agency invests €220m in research each year. Given that this research is generally co-financed by the private sector, the total research budget is approximately €440m. However, its role is wider than this and includes responsibility for the development and implementation of policy. In this it seeks to enhance cooperation between the elements of the national innovation system - companies, universities, research institutes and various other organisations. This is achieved in various ways, including: investment in building innovation networks; investment in projects for commercialisation of research results; and helping to create ‘catalytic meeting spaces’ (conferences and seminars).

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 HRM and workplace organisation. For example, its Organisation and Management work strand covers topics including ‘strategic management and work organisation for well-functioning workplaces and thereby the efficiency and long-term development of operations’.

Vinnova’s Working Life initiatives aim to ‘strengthen innovative capacity in industry and the public sector, contributing to sustainable growth by improving organisational conditions for competitiveness and growth’. The emphasis is on organisation and management systems to achieve global competitiveness. It recognises that businesses and organisations must develop the capacity for innovation, creativity and renewal, while individuals and companies must be afforded opportunities to cope with the changes that global development and increased competition bring. This is to be achieved through ‘processes of innovation and change in and around companies, including various aspects of work organisation and operational management plus industrial and organisational change’. Unlike the case with some similar organisations, Vinnova’s activities are routinely evaluated and their research and evaluation outputs are comprehensively available on the agency’s website. The majority of reports are available in both Swedish and English (Vinnova, 2011).

Vinnova’s current activities include a Management and Work Organisation Renewal programme that focuses on ‘the importance of strategic management and work organisation for well-functioning workplaces and thereby the efficiency and long-term development of operations’ (Vinnova, 2010). Developing better working methods and organisational solutions that safeguard and develop ideas generated within the organisation (or by others) are the objectives. Over time, it is intended that the measures will lead to new or improved work processes, products or service offerings. This programme currently involves a number of initiatives, including:

* ***Competent Workplace project*** (2007-11) - aims to increase the chances of organisations reaching their goals by improving strategic competences particularly in relation to work organisation.
* ***Managerial Task: Conditions and Ways of Working initiative*** (2008-12) - ‘aims to elucidate, further develop and renew the leadership practice in Swedish workplaces’. It is thought this will enhance both business performance and the competitiveness of the Swedish economy (Vinnova, 2009b).
* ***Winning Services initiative*** (2009-13) - a programme involving R&D projects relating specifically to the organisation and management of service activities. It seeks to develop work organisation and strategic management in order that staff experience, expertise and ideas are encouraged and utilised within the organisation.
* ***Swedish Management initiative*** - aims to build on the advantages of the traditional Swedish leadership model and ensure that this is fully adapted to a globalised economy. Materials produced by the project focus on the qualities implicit in the Swedish approach to management and describe how this has evolved over time. This includes discussions about present and potential management approaches in Swedish organisations, and the sort of knowledge development measures required to assist those organisations to be effective on a sustainable basis (Isaksson, 2008).
* ***Innovative Work Organisation project*** (2009-12) - a joint initiative within the European partners of the ‘Work-In-Net’ programme; it aims to raise awareness of the importance of research into innovation in workplace organisation. This pilot focuses on innovative aspects of work organisation that contributes to productivity, competitiveness and good working conditions.

Engagement with HPW research

Swedish researchers played a key role in the Innoflex Project, funded by the EU Fifth Framework programme. The project, which is well described in a European Commission website, ran during 2003-07 and sought to provide a better understanding of a crucial question: why companies have been reluctant to depart from their old ways of working, in spite of research evidence showing that new forms of work organisation offers tangible performance benefits. Its overall objectives were: to identify the conditions for achieving convergence between QWL and business competitiveness through new forms of work organisation; and to identify how the conditions for doing this can be created through the actions of public policy-makers, social partners and research-based institutions (European Commission, 2010).

The research concluded by drawing attention to the extent of the challenge involved, given the difficulty organisations face in changing their structure and culture, and by emphasising that there are ‘no easy recipes’. Tellingly, it was critical of the search for ‘best practice’ examples of work organisation because they are often not transferable, warning that organisations are unlikely to ‘achieve workplace innovation’ through ‘blueprints’. The researchers observed that, the conventional means to accomplish change (through ‘applying generalised concepts to specific problems according to predetermined rules’) has been shown to be impractical in this context. They argue, instead, that workplace innovation is closely related to the firm’s external environment, and that ‘semi-public infrastructure of institutions, networks and other resources’ allow it to ‘access knowledge, exchange experience and share resources’.

The project concluded that ‘the major constraints to the modernisation of work organisation’ include:

* Restricted awareness of new ways of organising work and its potential benefits, both in terms of employers and many business-support organisations (who often lack such expertise and knowledge).
* Poor access to evidence-based approaches to change. While off-the-shelf guides are available, they are not the equivalent of hard evidence of successful models with clear analysis of different approaches. ‘Innovation decay’ frequently occurs because of poor preparation and/or uncritical adoption of formulaic approaches to change that ignore key success factors, such as employee involvement, effective dialogue, piloting/experimentation and organisational learning.
* The distance between research and practice tends to exacerbate the knowledge gap. Academic knowledge can offer real insight, but such knowledge is often not translated into workplace settings, with practical and usable tools.
* Managers and employees (as in Europe generally) tend to have scant opportunity for shared learning with peers in other organisations. Business support providers and consultants typically work on a ‘casework’ or silo basis, treating clients separately from each other (ibid).

The Innoflex project concluded that these barriers can be overcome through the use of appropriate tools, and through inter-organisational learning and dialogue among peers. These include:

* ‘Change conferences’ as a methodology for dialogue at company and inter-company level, including their use as a structured to launch or develop learning networks.
* ‘Digital Photo Safaris’ have been tested as a new method for reporting and providing a framework for discussing work organisation. The essential aim is that those engaged in workplace visits then act as active investigators instead of passively absorbing pre-packaged information.
* Animation tools and methods for learning networks. The project emphasised that networks should consist of a diverse range of members and that there should be a clear focus on common problem.
* Change workshops specifically designed for small and micro businesses can be particularly valuable in helping participants understand the importance of investing in human resources to enhance competitiveness. (ibid)

HPW-related initiatives in Sweden

Sweden has a well-developed system of business support providing advice and support that spans both simple information needs and more in-depth transformational support for both start-ups and established businesses (European Commission, 2009). The Swedish system involves both public and private sector organisations. For example, ALMI Företagspartner AB is a state-owned company ‘offering business development support and financing’; it also provides information and advice and entrepreneurship training courses, some of which are web-based.[[34]](#footnote-34) Coompanion[[35]](#footnote-35) is a private sector organisation that provides similar services including brokerage to mentors and business networks.

Although the notion of HPW is not used in Sweden, there have been an increasing number of initiatives to promote HRM strategies and models of workplace organisation that are, at least, very close to such systems. A recent Vinnova report (Döös and Wilhelmson, 2009) documents a number of case studies concerned with ‘Organising Work for Innovation and Growth’, including:

* ***Implementing a ‘high road’ strategy in a Swedish Bank*** – Ghaye and Gunnarsonn (2009) describe an action research project between a university and a Swedish bank that aimed to ‘build a culture of innovation within the organisation, so that we can continuously improve our financial products and services for our customers’. The study identified a number of challenges which the bank had to overcome: (a) its ability to be an intelligent organisation characterised by a free and frequent flow of actionable information; (b) its established social architecture particularly in relation to staff well-being; and (c) the tensions between working within a highly regulatory system and being innovative. The study showed that even in times of crisis, organisations can be innovative if they invest in building ‘cultures of appreciation’. The research found that ‘cognitive capital and [employee] well-being, together, did affect the organisation’s ability to be innovative’ (p34). The researchers concluded ‘that creating workplace cultures of appreciation, where employee well-being is a central characteristic, might usefully be regarded as a high road strategy for improving organisational innovation’ (p35). They also identified the importance of developing a business case for investing in (or continuing to invest in) organisational well-being.
* ***Managing entrepreneurial culture in Professional Service Firms***. Löwstedt (2009) describes the role of entrepreneurial corporate values and human resource processes and routines in a growing engineering firm. He argues that such firms typically have a coherent company culture, highly motivated and competent employees, flat organisational structures and informal approaches to management and that these characteristics are consistent with achieving growth. However, he concludes that in themselves these features are not sufficient to ensure successful growth; growing firms need ‘formalised routines and human resource management practices’ (p39).
* ***How does one make a project a success story?*** Odenrick, Mattsson and Blomé (2009) describe how appropriate models of workplace organisation can contribute to effective project management and that this can have wider benefits for the business. This case study documents developments in a technology-based organisation and shows how improvements in communication, clarity, and commitment contribute to effective outcomes. The authors conclude that a shared holistic view among the stakeholders strengthens relationships and increases the organisation’s capability to learn and manage projects successfully.
* ***Innovative teams: Identification of new opportunities***. Ritzén and Nilsson (2009) review an attempt to build innovation capability within an organisation and across internal organisational borders and functions. This organisation sought to promote creative thinking and innovation by establishing and empowering ‘temporary teams’. This initiative was found to have ‘produced inventions, patent applications, prototypes and new knowledge’ (p67) and to have been ‘responsible for inspiring active knowledge search and creativity in the team members, who were extremely positive about their experiences’ (p78). This approach has subsequently become integral to ‘building an innovative climate and learning new ways to organise and manage product innovation’ (p78) within the case study organisation. This paper includes guidance on how such teams are best organised to produce positive impacts.
* ***Breaking the rules: Organisational innovation grounded in empowerment and interaction***. Döös and Wilhelmson (2009) present a case study that reviews an initiative designed to promote innovation and productivity gains through radical organisational restructuring grounded in employee empowerment and increased interaction. The combination of a supportive context and radical change produced a range of positive outcomes and showed that ‘a management’s basic values can, if reflected and characterised by ideas of empowerment, be of decisive importance as a driving force of organisational development’ (p81).

Assessment of impact

Sweden is widely, but not universally, recognised as having both a highly innovative and productive economy and a model of work organisation that embodies key features of HPWS. However, establishing a causal linkage between these practices and levels of innovation and productivity is difficult. On the one hand, the current model has not been purposively developed; rather, in large part at least, it has been shaped by the legislative and institutional context in which it has evolved. Moreover, while there have been initiatives designed to promote high involvement and high performance work practices, some of which have been evaluated, these initiatives have not been understood or promoted in terms of HPWS *per se*. That said, there is a clear recognition throughout the bulk of the literature that the prevailing model of workplace organisation in Sweden is close to the pure model of HPW and a key driver and enabler of innovation and productivity gains.

The most comprehensive and substantial attempt to link Sweden’s model of work organisation with innovation performance and economic competitiveness is provided by Huzzard (2003). He, and others, conclude that Sweden’s ‘high road’ philosophy entails a ‘convergence between improved competitiveness and improvements in the quality of working life’ (Innoflex, 2003, p11).

Learning

The relevance and transferability of the Swedish approach to the UK are questionable on a number of grounds. The institutional context is different and could not be replicated 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 and others have identified a tendency amongst some businesses to reject this particular approach.

That said, there are 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 businesses and employees), might offer powerful levers within a voluntarist approach to promoting HPW in the UK.

Swedish efforts to promote progressive models of work organisation are noteworthy in that they have included apparently relatively successful programmes designed to directly influence thinking and practice throughout the business population. How transferable this approach would be to a country such as the UK that has an economy more than five times larger than Sweden’s is, however, very questionable.

The Swedish experience is also important in that it demonstrates quite clearly that HPW strategies and practice can be the normative model of work organisation in a western European country. Such practices are not just widespread in Sweden, they are also generally accepted without question.

The nature and influence of Sweden’s innovation agency, Vinnova, and way in which it increasingly sees workplace organisation as a fundamental and indispensible component of effective innovation might, in some respects, serve as a model for the development of UK policy. Indeed, the perceived close association and functional interdependence of HPW and innovation that is increasingly prevalent in Swedish thinking and practice clearly suggests a credible and potentially powerful location for HPW policy in the UK.

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1. See discussion in Hartnett, p5. [↑](#footnote-ref-1)
2. For comprehensive details and the full text of the Act see: <http://www.comlaw.gov.au/Series/C2004A03679> [↑](#footnote-ref-2)
3. See the project website at <http://cclsr.law.unimelb.edu.au/go/centre-activities/research/corporate-governance-and-workplace-partnerships-project/index.cfm> for more details [↑](#footnote-ref-3)
4. <http://www.servicecanada.gc.ca/eng/ws/publications/backgrounder.shtml> Policy change in this field, following the accession to power of the Conservatives, has resulted change in statements and HRSDC web material relating to the WSS. See Stone (2009) for details regarding the WSS (and WSI) as previously posted online, based upon web sources available at the time, together with detailed interviews with HRSDC officials responsible for developing and applying the policy. [↑](#footnote-ref-4)
5. The third strand, Trades and Apprenticeship Strategy, was not focused upon the workplace. Through this, the Government sought to help focus national attention on the challenges facing skilled trades. [↑](#footnote-ref-5)
6. Previously available at [www.hrsdc.gc.ca/eng/ws/initiatives/wsi/WSI\_proposal\_development.shmtl](http://www.hrsdc.gc.ca/eng/ws/initiatives/wsi/WSI_proposal_development.shmtl) [↑](#footnote-ref-6)
7. Information supplied by Eric Parisien, Directeur principal, Programme des Conseils Sectoriel, Direction des Parteneriats en Milieu de Travail [↑](#footnote-ref-7)
8. See, for example, *High Performing Workplaces:* *Aquatera Utilities*, Conference Board of Canada, HPW Case Study 1, Ottawa; http://www.aquatera.ca/NR/rdonlyres/568E35C1-CEDC-46D1-9FF2-90CD76C5F5F7/0/HighPerformanceWorkplaceCaseStudy.pdf [↑](#footnote-ref-8)
9. Interview with Martha Roberts, Conference Board of Canada, November 2010 [↑](#footnote-ref-9)
10. This information and following case studies drawn from HRSDC 2008a, together with information included in a workshop presentation by Kok (2008). [↑](#footnote-ref-10)
11. See, for example, articles and reports by Alasoini. [↑](#footnote-ref-11)
12. Known as TYKE to 2003. The revised programme (from 2004) is referred to as TYKES. [↑](#footnote-ref-12)
13. A substantial amount of material used in this study has been made available through TEKES and TYKES and key individuals associated with the latter. In addition, a recent study by Peter Totterdill and colleagues (2009) was informative with respect to several areas in this particular case study. [↑](#footnote-ref-13)
14. Totterdill *et al*. (2009) astutely point out that TYKES has been given the right to define QWL for statutory purposes, and its definition focuses on opportunities for employees to learn at work, greater influence over their work, improved job satisfaction, high levels of trust and cooperative work spirit in the workplace. [↑](#footnote-ref-14)
15. For example, new programmes within TEKES will explicitly allow firms to secure funding for developments in workplace innovation. [↑](#footnote-ref-15)
16. Payne (2004) questioned the findings because of their reliance upon self-evaluation. His findings differed from those of the evaluation, but he was studying the impact of projects within municipal services organisations, involving routinised low skill jobs, rather than firms with high-skill jobs adopting value-added strategies.. [↑](#footnote-ref-16)
17. Indeed, a key advantage of the NWDP was that it offered a means of opening up more extensive support financing options for the productivity programme [↑](#footnote-ref-17)
18. Finland’s approach is widely referred to in the literature as representing the ‘triple-helix model’ – discussed in Totterdill *et al., 2009*. [↑](#footnote-ref-18)
19. In this respect, as pointed out in ibid, TYKES was significantly different from the average TEKES programme, which typically deals with a much smaller number of projects. [↑](#footnote-ref-19)
20. Reflecting this area of concern, a new programme has recently been added, ‘Innovations in Healthcare and Social Welfare Services’, focused specifically on funding work organisation development projects in this sector. [↑](#footnote-ref-20)
21. Further aspects arising out of the evaluation of programme impact is included below. [↑](#footnote-ref-21)
22. This may not have been entirely the result of TYKES, since nine out of 10 respondents reported having one or more other development projects (besides TYKES) during last 3 years. [↑](#footnote-ref-22)
23. See [www.ilo.org](http://www.ilo.org) for further details [↑](#footnote-ref-23)
24. See, for example, [http://www.smarte-innovation.de](http://www.smarte-innovation.de/) [↑](#footnote-ref-24)
25. Although the country is still placed below key comparator nations like Israel, Finland Norway, Holland Austria and Belgium, according to the *World Economic Forum Global Competitiveness Report* 2010-11; http://www3.weforum.org/docs/WEF\_GlobalCompetitivenessReport\_2010-11.pdf [↑](#footnote-ref-25)
26. It succeeded the National Centre for Partnership, which operated during 1997-2000 to investigate means by which partnership might be established more extensively within the economy. [↑](#footnote-ref-26)
27. This situation applied, at least, until February 2011, when Fianna Fail was removed from power in the election. [↑](#footnote-ref-27)
28. Critical themes in 2007, for example, included Learning and National Skills Strategy, dissemination and networks, changing workforce and integration of immigrants, and Workplace Innovation Fund. [↑](#footnote-ref-28)
29. Represented on the WPRG are the following organisations: Kinetics Group, PSA, Carter Holt Harvey, Pulp and Paper, Wellington Chamber of Commerce, EPMU, Small Business Advisory Group, Business NZ, NZCTU, National Distribution Union, Canterbury Employers Chambers of Commerce, Meat Industry Association of New Zealand (Inc.), Growth and Innovation Advisory Board, Ministry of Economic Development, The Treasury, State Services Commission, and the Department of Labour. [↑](#footnote-ref-29)
30. The Partners with government were: Industry Training Federation, Employers and Manufacturers Association (Central), Engineering, Printing and Manufacturing Union and Dairy Workers Union, NZ Master Contractors and Chamber of Commerce and Industry of Northland. [↑](#footnote-ref-30)
31. Huzzard observes that many of these were based on ideas imported from overseas, in particular the business and management discourses originating in the USA. [↑](#footnote-ref-31)
32. An English language version of the act can be found at: [www.sweden.gov.se/content/1/c6/10/49/88/646b76f6.pdf](http://www.sweden.gov.se/content/1/c6/10/49/88/646b76f6.pdf); see also Huzzard (2003) for analysis and commentary. [↑](#footnote-ref-32)
33. Excellent detail regarding this agency is available at: www.vinnova.se/en/About-VINNOVA/ [↑](#footnote-ref-33)
34. http://www.almi.se/ALMI-in-English/ [↑](#footnote-ref-34)
35. http://www.coompanion.se/ [↑](#footnote-ref-35)