

Employment Relations Comment

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Rediscovering human potential – a response to Keith Sisson’s paper on the ‘UK productivity problem’

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Employment Relations Comment will provide short accessible features on topical employment relations issues.

This article was written by Professor Ewart Keep. Features will mainly be written by members of the Acas Strategy Unit or other Acas colleagues. From time to time however, they may be specially commissioned externally.

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A survey commissioned last year by Microsoft goes some way to answering the question: why has the UK got an ongoing and persistent productivity problem?

Exploring the working lives of a sample of 2,000 UK office workers, the survey came up with some rather depressing results. For example, seventy-one per cent of workers thought “a productive day in the office” meant clearing their emails. Fifty-one per cent of 18-25 year-olds believe that attending internal meetings signifies “productivity”. And thirty-eight per cent said that their “business is very process driven and spends little time on doing things differently or being innovative.”

Despite this apparent low engagement with productivity, the individuals questioned reported working long hours – equating to 2 billion hours a year of unpaid overtime. If you also take into account the OECD’s 2013 adult skills survey – which found that the UK has the second highest level of over-qualification in its workforce – then it is clear that there is massive waste of both human potential and working time within our economy.

The most recent data from the Office for National Statistics suggests that productivity (measured in terms of output per hour employed) is 21 per cent below the average for the other G7 countries (and more than 30 per cent less than France, Germany and the USA). But it is not all doom and gloom. There is something that can be done. Firstly, as Sisson suggests, the review of the National Minimum Wage, together with the campaign for a Living Wage, are examples of policy-level options which could give us a real opportunity to address the issue of low pay and in-work poverty and, in doing so, help generate demand in the economy.

But, second, and perhaps more profoundly, Sisson is arguing that, in order to make any inroads into the productivity problem, we need to rediscover the importance of how people are managed and deployed in the workplace – in other words, we need to adopt a bottom-up approach.

Doing something about the 'human' piece of the UK productivity puzzle is something strongly at the heart of Sisson's arguments. As the paper points out, we have seen an over-reliance on models of productivity that come from economic textbooks, rather than real life. Sisson's paper rightly points to the complex nature of many of the causes of poor productivity – namely, poor corporate governance arrangements, over-investment in the interests of the shareholder, a financial system that encourages 'short-termism', and a lack of investment in people and technology. But we need to go where policy makers and politicians have not gone for a long time – back to the workplace where, as Sisson states, "skills, capabilities and technology come together, where people acquire technical and social skills and where social capital is formed".

The UK turned its back on traditional policy concerns about workplace relations a long time ago, arguably once policy makers had assured themselves that union power had reduced and collective bargaining and strikes were on the wane. The 'problem' was solved. Over time, under successive governments (Conservative and New Labour) the workplace then came to be treated as a sealed environment that was best left alone. As long as workers' individual legal rights were respected, public policy had little to say about what should happen about the way work was organised or the way people interacted with each other. The underlying assumption was that competitive pressures and managerial wisdom would lead to organisations using workers productively. And if they didn't, no matter, because the vast bulk of the workforce would, sooner or later, become knowledge workers, wouldn't they? And a knowledge economy would usher in, as a corollary, new forms of high performance, high involvement employment

relations better suited to managing a much more educated workforce.

The main role for public policy was simply to inject various public goods into this sealed environment (more education and training, more publicly-funded R&D). As Sisson's paper discusses, things didn't pan out quite as expected.

These beliefs have persisted. For example, at the recent TUC Congress, the Governor of the Bank of England, Mark Carney, argued that by upgrading workers skills, productivity would rise and then (and only then) would it be possible to pay workers higher real wages. The problem with this assumption is that we now know (and have done so for quite a while) that what is needed is an integrated approach in which workers skills are upgraded, but in combination with a focus on work organisation and job design in order to ensure good utilisation of these skills. The approach should be an essential component of employment relations management.

The findings from the Microsoft survey, for example, suggest that we have major problems with the way that office work is organised and jobs are designed. These inherent failings are likely to reduce an employee's capacity to deploy the full range of their skills to productive effect, or to engage in many forms of workplace innovation.

Take a look around your office or an office you have visited recently. Many of the staff are clearly highly educated. A lot of them hold degrees. Their skills have been created at significant expense to both the individuals and the taxpayer, and on this evidence may not be being used particularly well. The models of work organisation and job design that the Microsoft survey highlights, also have implications for how motivated and engaged with their jobs (or not!) many officer workers are likely to be.

It doesn't have to be this way. Many other OECD countries understand that productivity, as well as the health and well-being of

employees, can be improved by policies that promote good working practices, joined-up employment relations policies and various forms of workplace innovation. They know that for reasons of both equity and efficiency what happens in the workplace really matters to government, to employers, to workers and to wider society. The policies they have put in place are not rocket science, nor do they cost huge sums of public money to deliver, and their impact on productivity and levels of innovation mean that they pay for themselves many times over.

Just one example of a 'not rocket science' approach to skills, productivity and employment relations. The importance of skills creation in the workplace has long been recognised, but less emphasis has been given to ensuring a smooth transition for young people as they move from learning to earning. Research has shown that the success of this transition depends to a large extent upon the quality of the support that an employer can provide and this, in turn, will depend on the individual attributes and skills of the line managers and supervisors, and on the relationship that is built between them and the young worker. This relationship with managers is "a critical factor in early career experience", with the nature of these day-to-day interactions making "a significant difference to the success of the move into fulltime work" (Oxenbridge and Evesson 2012: 36-39).

Sisson's recommendations of further trialling of the Acas advisory projects make perfect sense. With a general election starting to loom, now is the time for policy makers to re-frame thinking on productivity to take account of the role that employment relations can play in addressing the problems.

If there is one area that needs further discussion and policy refinement it may be around the mechanisms that Sisson identifies as central to triggering these improvements in work organisation and job design. Sisson points to the need for "having clear and easily understood workplace policies in key areas of employment relations

such as discipline, grievance, equality and absence", backed up by the right skills and leadership, and "new processes", most notably "better communications systems that put people at their heart". But perhaps more research needs to be done about how particular innovations in job design and work organisation can help trigger productivity.

And whilst we know what all the main drivers are – like employee voice, effective communication and consultation, fairness and equality etc – perhaps what we need to know more about is how these factors coalesce to create a strategic approach to employment relations that helps drive productivity and put our skills to best use.

References

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