

# The Changing Workplace

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## INTRODUCTION

How are Irish workplaces changing? Recent reports<sup>†</sup> give a detailed picture, based on two nationally representative surveys – one of employers and another of employees – carried out in 2009. These surveys replicate many aspects of the first national workplace surveys, carried out in 2003 in the midst of an economic boom. The new surveys took place in dramatically changed economic circumstances. In the private sector, the economic crisis threatened the very survival of many firms. In the public sector, budget cuts and recruitment constraints created severe challenges in delivering public services.

The results of the employer and employee surveys are published in two separate reports but address a number of common themes, including:

- What is the impact of recession on the workplace and employees?
- Has the way work is organised changed? Have workplaces adopted 'high performance' workplace practices (HPWP)? Key aspects of HPWP are the devolution of decision making to employees (*employee involvement*), training and skill development in the workplace (*human capital development*) and working co-operatively in new ways.
- What are the workplace practices and employee characteristics that are associated with an openness to innovation and actual innovation in products and services?

## EMPLOYEE PERSPECTIVE

The National Workplace Survey of employees was based on a telephone survey of 5,110 public and private sector employees conducted in 2009.

### *Impact of Recession*

While unemployment and job loss are the most obvious labour market measures of recession, the impact can also extend to those who remain in employment. Our results show strong evidence of change in organisations and in job conditions. Over half of employees reported that there had been a reduction in staff numbers in their workplace in the two years preceding the 2009 survey, with public and private sector employees equally affected. Employees were also more likely to have experienced organisational restructuring in 2009 than in 2003.

In terms of job conditions, one employee in three felt that their job security had decreased (compared to less than 1 in 20 in the 2003 survey). Overall, 30 per cent of employees felt that their job was not secure. Feelings of insecurity were more common among private sector employees than public sector and, unsurprisingly, were highest in construction. One fifth of employees reported a decline in hourly pay. Furthermore, over half reported that their work pressure had increased in the preceding two years (up from one third in the 2003 survey).

These organisational changes are found to have decreased workers' job satisfaction and their organisational commitment, factors which are linked to motivation and productivity. Furthermore, reductions in staff numbers and organisation re-structuring were associated with increased work pressure (intensity) and work-family conflict. (Many other factors affecting job satisfaction are taken into account in this analysis, but the impact of staff cuts and re-organisation is statistically significant).

### *Employee Involvement and Consultation*

Employee involvement can take a variety of forms and the survey was designed to capture this diversity. *Direct participation of employees* includes practices such as work teams; problem-solving groups; project groups; quality circles; and continuous improvement programmes. Overall, 45 per cent of employees indicated that such participation practices were present in their workplaces, and 36 per cent said that they are personally involved in such practices (up by about 10 percentage points on the 2003 levels in both cases).

Employee engagement can also be more formal and indirect, involving partnership institutions – formal committees in which unions work with management to promote co-operation and improve organisational performance. Just over 1 in 5 of employees indicated that such arrangements existed at their workplaces.

The extent of active consultation regarding work is another element of employee involvement. For instance, almost half of employees indicated that they were consulted before decisions were taken that affected their work and over half also believed that if they were consulted, attention was paid to their views. This pattern of responses had changed little since 2003.

### *Skills and Learning*

Despite the strong policy focus on skills, the proportion of employees who had recently participated in employer-provided training remained virtually unchanged between 2003 and 2009, standing at just under 50 per cent. Employees in the hotels and restaurant sector, those in small firms, those with low initial qualifications and older workers were least likely to have received training. Training is widely regarded as prerequisite for devolving more responsibility and decision-making to employees. We do indeed find that levels of training were higher among employees involved in direct participation and those who were actively consulted. As the data is cross-sectional we cannot establish if there is a causal relationship, however.

### *Workplace Innovation*

Employee involvement (as described above) is positively related to the innovation climate – the strength of support for innovation and new ways of doing things in an organisation. Those who work in organisations characterised by the presence of participatory practices show higher scores on the innovation climate scale, and those who participate personally in such arrangements score higher still. The strength of consultation and the frequency of communication of business information were both also positively associated with innovation climate.

Output innovation (i.e. the introduction of new products and services), was associated with employee involvement either in the form of direct participation or via partnership arrangements. Such innovation was also associated with other “high performance work practices” such as incentivised rewards and training.

## **NATIONAL WORKPLACE SURVEY – EMPLOYER PERSPECTIVE**

The National Workplace Survey of employers was based on a postal and web survey of 2,668 private sector and 359 public sector employers also conducted in 2009.

The *external challenges* faced by both private and public sector employers in 2009 were dominated by the recession. For instance, almost two-thirds of private sector employment was in firms that view their current business position as bad and almost half was in firms that expected a further deterioration in the coming six months. The public sector was not immune from pressures resulting from the recession: coping with the economic downturn and budget constraints were causing intense pressure throughout the public sector while, at the same time, making it more difficult to implement changes.

We focused on the *employment practices* present in the organisations and then examined the association between these practices and business outcomes and innovation. We distinguished three groups of practices:

- *Human Capital Development* (i.e. training, performance review; formal dispute-resolution procedures; policy on equality/diversity)
- *Employee Involvement* (i.e. information/consultation; direct employee-involvement in decision-making & problem-solving; employee discretion in carrying out work)
- *'Co-working'* or new ways of working co-operatively together (i.e. experimenting with new ways of working; networking and working across divisions; new work practices such as team-working; reducing hierarchy)

Previous research suggests that firms and organisations benefit most from adopting *complementary bundles of employment practices*. We conducted a cluster analysis to see how Irish employers combined the above three groups of practices and identified five clusters of organisations, as shown in Table 1. Adopting all three practices was the norm in the public sector (60 per cent of employers), but was much less common in the private sector (28 per cent). One in six private sector firms has a low adoption rate for all three of the employment practices.

The third column of Table 1 shows the percentage of firms in each cluster who introduced new, or significantly improved, products or services in the previous two years. There is a clear association between innovation and employment practices: 82 per cent of employers who combine all three practices introduced new products or services compared to 45 per cent of employers who had a low adoption rate for all three.

**Table 1: Adoption of Employment Practices in the Public and Private Sectors and Association with Innovation and Business Outcomes**

Combination of Employment Practices:	Public Sector % of Employers	Private Sector % of Firms	Percent Introducing New Product or Services	Business Outcome (Average) – Private Sector Only*
Low adoption of all three practices	1%	17%	45%	2.5
Human Capital Development	6%	19%	60%	2.7
Employee Involvement	4%	15%	58%	2.8
Human Capital Development and Employee Involvement	29%	21%	72%	3.2
Human Capital Development, Employee Involvement & Co-working	60%	28%	82%	3.1
Total	100%	100%	65%	2.9

\*Business outcomes scale measures profitability, employment growth and volume of business in the last two years and self-assessed present business position. The scale ranges from 0 to 10, with high scores indicating favourable outcome.

In the fourth column, we examine the association between business outcomes and employment practices for private sector firms. The ‘business outcomes’ scale is based on self-reported profitability, employment growth, change in volume of business and present business position. It ranges from 0 (unfavourable) to 10 (favourable outcomes). Firms that combined all three practices or who combined employee involvement and human capital development tended to have better business outcomes (3.1 to 3.2) than firms who adopted none of these employment practices (2.5).

These patterns for innovation and business outcomes remain when we control for size and sector. We cannot infer causation from these results – better business outcomes and an emphasis on innovation may cause rather than result from employment practices – but they do suggest the importance of paying attention to how workplace practices are combined.

Overall, the results of the study suggested that, although severely challenged by the recession, Irish employers increasingly recognise the importance of employment practices – as well as outputs and markets – to the success of the organisation. This is more developed in the public sector than in the private sector. There is scope for convincing the private sector, particularly small firms, of the importance of workplace innovation to the future success of their businesses. In the public sector, the strong strategic commitment of public sector managers to workplace innovation is an important resource in the process of managing change in the provision of public services. To develop further, the structural barriers to change – in particular the centralisation of human resources and industrial relations, organisational hierarchies and bureaucracy – need to be addressed and the commitment to workplace innovation needs to be diffused to all levels in public sector organisations.

<sup>†</sup>The two reports are:

Watson, D., Galway, J., O'Connell, P.J. and Russell, H. (2010), *The Changing Workplace: A Survey of Employers' Views and Experiences*, Dublin: National Centre for Partnership and Performance. Available for download at <http://www.esri.ie/UserFiles/publications/jacb201045/BKMNEXT169.pdf>.

O'Connell, P.J., Russell, H., Watson, D. & Byrne, D. (2010) *The Changing Workplace: A Survey of Employees' Views and Experiences*, Dublin: National Centre for Partnership and Performance. Available for download at <http://www.esri.ie/UserFiles/publications/jacb201045/BKMNEXT168.pdf>

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