working harder, not smarter:

the employee contribution to meeting the UK's productivity challenge

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Foreword

Declining productivity growth is seen by government, employers and unions alike as one of the biggest obstacles to improved economic performance. Indeed, without much higher productivity we will struggle to fund our public services, improve our living standards and create a fairer society.

So, this report is both very timely and very relevant. It is also different and distinct. By providing an employee perspective on the so-called 'productivity puzzle' it offers a unique and important workplace insight. As the report notes, the workers' viewpoint is all too often dismissed or overlooked. Productivity is debated, but usually in the abstract - as if just talking about skills or new technology is enough. The implementation and delivery at the workplace is taken as read. What this report, based on the views of thousands of workers from a range of occupations, demonstrates is that we need to understand better what employees and their union representatives actually think. What does productivity mean to people at work; how does it affect them; and what makes a difference and why?

The responses to the report's survey are fascinating and astute. The majority of employees feel they are working harder not smarter, which is counter-intuitive to what improving productivity is supposed to achieve. Employees are not unaware or against improving productivity. Quite the contrary. Most believe they can make a contribution, though many note the importance of intelligent use of metrics, service quality and investing in 'getting it right' first time. But, as the report shows, the problem we have in far too many workplaces is that the voice of workers is being ignored and not enough consideration is given to sharing the gains of productivity growth.

Both employers, unions and employees can learn from the findings in this report. Hopefully, at the very least it will stimulate a debate about how best to engage employees and their union representatives in collaborative efforts to boost (and share) productivity. Of course, improving productivity growth year on year won't be easy. But it will surely be a much harder journey without the involvement and co-operation of the workforce.

The Smith Institute would like to thank the sub-group of Unions21 (Prospect, Bectu, Usdaw, Community, Association of Teachers and Lecturers, FDA and the Society of Radiographers) for supporting this project. We would particularly like to thank all the trade union members who completed the on-line survey, all those who sent in submissions or evidence, as well as the many full-time trade union officials and lay workplace representatives who met with the Smith Institute at meetings organised by their trade unions. We also wish to thank the individuals who gave up their time to discuss the report, including Ian Brinkley, Senior Economic Advisor, the Work Foundation, Karen Deeny, Head of Staff Experience, NHS England, and Mark Beatson, Chief Economist, CIPD. Lastly, we would like to offer a special thanks to the author, Sarah Welfare, who skilfully navigated a path through a mountain of evidence. Her observations, as always, are informed and instructive.

Paul Hackett, Director, The Smith Institute
Sue Ferns, Chair, Unions21

Key findings

This report looks at the issue of productivity from the perspective of employees and employee representatives. It is based on a survey of more than 7,500 employees that was completed by members of the trade unions involved in this project. A large proportion of responses were from employees in the retail sector (45.8%), with media and communications (16.2%) and the civil service (11.4%) also well represented.

The Smith Institute held meetings with trade union representatives to seek their views and received a wide range of evidence submitted by other groups and individuals such as employers associations, trade unions, academics and employment experts. While we have sought to include other views where possible, the main objective has been to learn more about the views and experience of employees themselves on productivity in the workplace.

The causes of the slump in productivity growth since the downturn are multiple and not fully understood. However, one of the biggest blind spots is the dynamics of what happens at the workplace - in the offices, factories, homes, labs and building sites across the UK. Getting the perspective of employees and their representatives on this is key to understanding what we mean by productivity and innovation in the workplace and the many factors that influence it.

The key findings are:

- **Employee awareness of productivity is high**. Productivity is often thought of as too remote an issue to discuss with the workforce. The survey findings, however, suggest that employee awareness of productivity is high: most (92%) were familiar with the term, while 81% thought that they knew either a little or a lot about their organisation's approach to productivity. Most (79%) think that their employer measures productivity at least to some extent. Some employees described in detail the types of measures used, most of all in the retail sector, where employees describe a focus on quantitative productivity targets that have a defining impact on day-to-day work and the quality of their jobs.

- **Employees do not think that trade unions are strongly engaged with the issue of productivity in the workplace**. Only around one in five (18%) employees think that their trade union is engaged with workplace productivity, although a further 26% thought that it was "to some extent". Some commented that they did not think that this was the unions' role.

- **A majority of employees think that they are working harder than two years ago, while almost half also think that they are working more productively**. More than two-thirds (68%) of employees feel that they are working harder now than they were two years ago, rising to almost three-quarters (74%) of retail workers. Asked whether they are working more productively, almost half (49%) think that they are, including 16% who think that they are working much more productively.

- **However, only around one in ten employees think that they are working more productively than two years ago *without* working harder**. When these findings are put together this shows that the largest proportion of respondents (41%) think that they are working *both* harder and more or much more productively, suggesting that their higher productivity may be linked more to working harder than working smarter. A further 27% say that they are working harder without seeing productivity increases. Only 13% think that they are working the same or less hard but feel that they are more productive (10%), or that they are working less hard but their productivity has remained the same (3%). This group could potentially be seen as a "working smarter" group, but it is very small.

- **Few perceive a clear link between their organisation's productivity and the reward they receive**. Only 16% of employees think that there is a clear link between the productivity of their organisation and the pay and reward that they receive, although a further 34% think that there is some link. Employees in energy, media and communications, manufacturing, transport and retail were more likely to think that this was the case than those in the public sector (only 6% of civil servants thought that there was a clear link).

- **Employee views on the role of technology in improving productivity are highly positive**. An overwhelming majority of employees (87%) say that they are keen to embrace new technology and maximise its benefits in the workplace, while 73% believe that it has the potential to improve productivity.

- **There are some concerns about what the future impact of technology on jobs will be, but also calls for greater investment in technology in the public sector**. Overall, 33% of employees are concerned that new technology may threaten their employment, but this rises to almost half (49%) of workers in manufacturing and 42% of those in the retail sector. However many public sector employees comment that they simply need greater investment in technology to do their jobs.

- **Employees want to see future productivity gains result in improved pay and worklife balance, but are pessimistic about the outcomes for them should productivity increase**. When asked how they thought they should benefit from delivering higher productivity in future, employees selected better pay as the most desired outcome, closely followed by better worklife balance. However, when asked what they thought the most likely outcomes of future productivity gains were for them, employees considered that working harder and a reduction in staff were most likely.

- **Listening to employees and better people management are the key to boosting workplace productivity, according to employees**. However better training and development, higher pay and investing in technology all play an important part. While higher pay was ranked most highly by retail employees, investing in technology was seen as key by civil servants.

- **Employee voice, participation and involvement have a key role to play in innovation and productivity improvement, but only a minority of employees think that they are routinely listened to at present**. Only 14% of employees think that their employer "always" listens to suggestions from staff for workplace productivity improvements, although an additional 50% think that they sometimes do. One in four (26%) report that they never do so, rising to 36% amongst retail employees.

- **There is also an employee involvement gap around technology**. Fewer than one in four employees (23%) agree that their employer gives them a say on how technology impacts their work.

- **Better people management can improve productivity, but managers are seen as too overwhelmed to focus on it**. **Moreover, training for managers needs to be a priority.** Some of the management issues that employees see as relevant to productivity include: demotivating line manager behaviour in the retail sector, a sense that people management is not taken seriously, especially when line managers are overwhelmed and the importance of having fair and effective performance management practices.

- **Management skills were seen as particularly important**. Asked to chose which types of training or development would most benefit their organisation, more employees selected "management training" than training options that would more directly benefit them, such as skills training or training in using new technology, or apprenticeships.

- **Worklife balance is rated a more important influence on productivity by employees in those sectors where there are issues around working time**. A better worklife balance was seen to go hand in hand with higher productivity particularly in those sectors where it was seen to be most problematic, such as retail and media and communications.

- **Reward has a double-edged role in the productivity conundrum**. Overall, higher pay was not rated at the top of the list of factors that would improve productivity (although in the retail sector it was rated highly) but a sense of unfairness over pay was seen as a powerful demotivator and source of disengagement. This was particularly true in retail, where many employees simply stated that pay was too low given the work intensity required, and in the civil service, where employees pointed out the negative impact of the falling real-terms value of pay compared to comparative roles in the private sector. Payment by results or performance was generally ranked low as a positive influence on productivity, but comments revealed divergent views, with some advocates of this approach in the retail sector.

- **Tackling bureaucracy and "unproductive work" came up repeatedly as a barrier to higher productivity in employee comments, particularly amongst specialist and professional workers.** These employees cited HR self-service systems, the removal of support posts and onerous reporting and recording processes as barriers to spending time more productively, especially in the public sector. Employee autonomy was also a key theme of comments submitted.

- **Employees voice a desire for a sustainable, longer-term approach to productivity that values quality.** Rather than focusing productivity improvement on cutting staff input costs or meeting short-term indicators, which is the experience of many employees to date, they want to see employers build higher value through an approach that invests in both capital and labour to focus on the long-term value delivered. Employees want to see organisations value and invest in their staff to deliver products or services that they are proud of.

The productivity puzzle and the workplace

Introduction

It is hard to overstate the extent to which growth in productivity - the value created from inputs such as materials or labour - is essential for growth in economic output, wages and living standards. Our ability to produce higher quantity or value by using new ideas or better methods has over time led to improvements in the way that goods and services are produced, driving growth and improving living standards. For firms, higher productivity underlies the ability to survive and compete in a sustainable way. For the country, productivity growth fuels economic growth and international competiveness, incomes and therefore plays a critical role in determining public spending.

Historically, UK productivity has grown fairly steadily at around 2% a year but since the 2008 recession it has stagnated. Despite all the analysis that has been done on the causes of low productivity since the economic crisis, it seems that there are more "what ifs" about the path and role of future productivity than ever before. In the wake of a financial crash that shook the world economy to its foundations, all assumptions about how growth is, and will be, generated and distributed are being questioned. Is low productivity likely to be a more permanent feature of our economy? Will the UK's productivity growth continue to lag behind our major competitors? Even if productivity begins to recover, how will the benefits be distributed? What will be the long-term implications of the greater use of technology for the number and type of jobs? Is it possible to create more, better jobs - not necessarily fewer, better jobs?

While there are many questions for the future, there are as many unanswered questions about the present. Despite all the work that has been done on the causes of low productivity since the financial crisis our understanding of the reasons that productivity, in the UK and elsewhere, remains limited. One of our biggest blind spots is what is happening at workplace level - in the offices, factories, homes, labs and building sites across the UK. While the body of research and good practice on what helps or hinders workplace productivity is growing, not enough has been done that focuses on productivity from the perspective of those who play the most obvious role in generating productivity - the workforce.

Clearly, everything that contributes to the successful running of an economy could be considered as part of a discussion of productivity. The finance system, transport, housing, energy, corporate governance, technology, industrial policy, public and private investment and the education system are just some of the factors that have been shown to be of key importance. Taking a bottom-up workplace focus is not to argue that these factors are not important - far from it. Rather, looking at productivity through the "prism" of the workplace, as Acas puts it[1], is important in its own right – because after all it is workers and managers who produce the goods and services that drive growth. In addition, it also helps us understand how some of these larger-scale factors impact at organisational level.

This chapter sets out some of the context to productivity in the workplace, looking at what productivity means, recent and longer-term trends, the labour market context and where the workplace and employees fit into the productivity picture.

The second chapter sets out the findings of our major survey of employees that was completed by trade union members from Prospect, Bectu, Usdaw, Community, the Association of Teachers and Lecturers, the FDA and the Society of Radiographers. It looks at the findings on awareness of the issue amongst employees, how it is measured, employee views on their productivity and work intensity and what they think delivering higher productivity in the future will mean for them. It also looks at how they feel about the role of technology in delivering productivity improvements.

The third chapter turns to what employees, trade unions and other stakeholders think would make the most difference in helping the UK to meet the productivity challenge, drawing in wider submissions and evidence (including a series of consultation meetings with trade union representatives – see annex 1).

As the report demonstrates, there is considerable confusion as to what productivity improvements *actually* mean at the workplace. For some employees it translates into workplace innovation, new technology and skills training. However, for others, productivity equates simply with work intensification and working harder – which as we explain is not yielding results at the aggregate level. So, while productivity is widely recognised as a term, it is often miss-applied to practices which seem more about cranking up the pace of work than improving the ways that goods and services are delivered. As Ian Brinkley, senior economic adviser at the Work Foundation, puts it: "What workers think that productivity *should* be about is much more in line with the idea that productivity is an innovation issue, whether than be in work practices or new tech. We have too much of the wrong sort of productivity – unlikely to be sustained or make much impression on aggregate performance – and too little of the right sort."

Defining and measuring productivity

As the Office of National Statistic (ONS) productivity handbook observes, labour productivity is a "derived statistic" which means that it cannot be directly observed or measured. It is defined as the ratio between input (capital, labour, materials) and output (growth). At a national level, the main official statistics are based on a calculation of labour productivity, worked out by dividing a measure of economic output[2] by the workers, jobs or hours of work used to produce it. The ONS prefers to use output per hour as its headline measure, as this takes account of changes in the hours worked.

While output may be relatively straightforward to define in a manufacturing context, it is much harder when that output primarily or wholly in the form of services. As the CBI's Lena Levy writes,[3] "In the service sector, the traditional measures of productivity may not be a great guide, as what matters is the value an employee is adding to the brand over the long run." The employees surveyed for this project predominantly work in services sectors, which account for more than three-quarters of gross value added and more than 83% of UK jobs.[4]

The fact that the economy is becoming more service-based, as well as more interlinked (both internally and through domestic supply-chains) and complex means that defining and measuring output is much harder than in the past. For example, economist Diane Coyle[5] argues that the role of the platforms and free search engines of the "sharing economy" in supporting growth, for example, is not reflected in standard growth measures.[6] Beyond this, the increasing blurring of the boundaries between paid work, leisure and work at home present a major challenge for measuring the extent and value of economic activity, a blurring that many employees would recognise in their day-to-day lives. However, as the OECD's recent report on productivity states: "There are challenges in the measurement of the factors of production.....a growing body of evidence suggests that measurement, or rather mis-measurement, is not the underlying cause of slower productivity growth".[7]

In the public sector - where employees work to deliver outcomes for citizens that will usually depend on many factors beyond the control of their own organisation - measuring productivity in any meaningful way is even more of a minefield. While the headline productivity statistics do include the public sector, they simply use labour inputs as a proxy so assume productivity to be unchanged over time.[8]

However, efforts are being made to develop quality indicators for public sector productivity.[9] There has, for example, been some progress in health service productivity where quality outcomes for patients have been applied, such as waiting times, medical outcomes and patient satisfaction. Education services also have quality indicators, although often productivity measures are simply adjusted for the achievement of average point scores for GCSEs or equivalent qualifications - which few would argue meaningfully reflect the value of the impact of teaching on educational and social outcomes for children, let alone the impact for their families and communities.

While adjusting for quality can help, ultimately productivity statistics put the emphasis on volume of "output" more than the quality of that output, which makes standard productivity measures a blunt instrument for capturing the value of public and private services. For example, in a 2014 speech,[10] Ian McCafferty, a member of the Bank of England's Monetary Policy Committee, gives the example of social work as a sector that has made a significant contribution to the productivity shortfall since 2007. Yet he explains that one possible, if partial, explanation for this may be found in the move to the provision of foster care, rather than institutional care, for children. He notes: "Foster care is less costly but is believed to be of much higher quality. However, in the measured data for such activities, such a shift to a lower-cost from a higher-cost service can appear as a lesser increase in output." Another example of this seemingly direct conflict between quality and quantity in public services measurement can also be seen in the childcare sector, where government would like to see childcare providers increase the ratio of staff to children in order to increase efficiency.[11] Yet the majority of childcare providers argue that higher ratios would lead not just to lower quality but threaten the safety and adequacy of care.

While we are far from measuring productivity in the public services in a meaningful way, this is not to argue that boosting public sector productivity is not critically important. The evidence suggests that - in view of the fact that most of the inputs are people - making the most of the potential of human capital is the key to enhancing the productivity of our public services.[12] Yet many public sector workers in our survey argue that rather than focusing on maximising this potential, public sector productivity initiatives have tended so far to focus on simply trying to reduce inputs, most commonly by trying to reduce paybill costs (see chapter two).

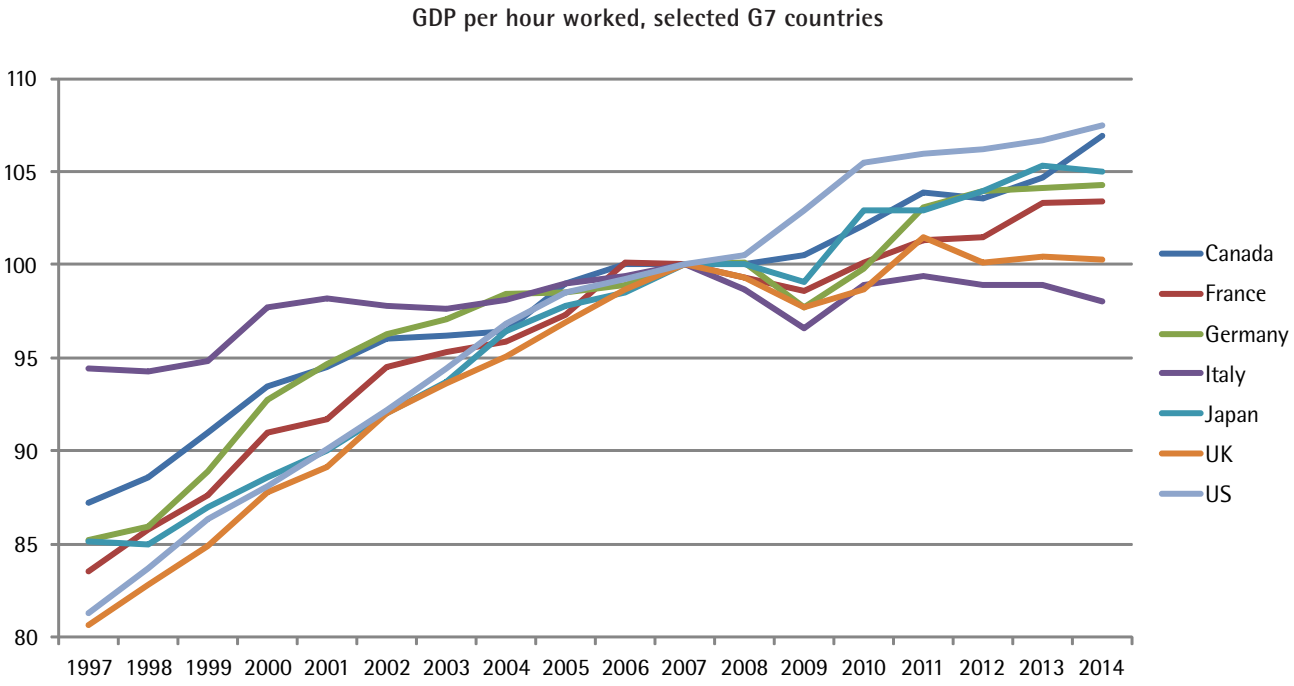
The challenges of defining and measuring productivity are not simply a technical issue but at the heart of the debate about what kind of productivity society wants to see. Indeed, 'more from less' may free up resources and add value, but may not necessarily deliver sustainable services or fairer outcomes. As we explore in chapter two, which takes a closer look at how (and whether) productivity is actually measured in the workplace, our survey suggests that employees do not think that these measurements are always the right ones. Furthermore, they do not consider that they are involved in how they are defined and formulated.

The productivity puzzle since the downturn

UK productivity is currently a policy priority not just because it is so crucial to economic wellbeing, but also because it is experiencing a slump unprecedented in both its length and depth.

Productivity fell sharply around the world in the wake of the 2008 financial crisis, but has now failed to recover in the UK for the best part of a decade. The latest international comparisons from the ONS put UK output per hour at 18 percentage points below the average for the rest of the major G7 advanced economies in 2014, the widest gap since records began.[13] Moreover, at 14%, the gap between the UK's 2014 productivity performance and what it would have been had it followed the pre-recession trend is double that of the gap for the rest of the G7.[14] All major countries are experiencing a productivity slump, but the UK's performance is one of the worst.

Over 2015 there was some cause for optimism, as labour productivity statistics showed improvement during the first half of the year. But the latest economic and fiscal forecast from the Office for Budgetary Responsibility[15] took a decisively pessimistic turn - suggesting that not only were the chinks of light in 2015 a "false dawn" but that trend productivity growth was likely to be lower than thought over the current Parliament. The slight revisions to productivity forecasts led directly to lower expectations for growth, earnings and household incomes and in turn weakening the outlook for the public finances – painting a stark picture of the importance of productivity growth and the urgency of addressing it.



Note: Constant price GDP per hour worked, where 2007=100.
Source: Office for National Statistics.

Why is productivity failing to grow?

There are numerous explanations for the length of the productivity slowdown since the financial crisis. As economist George Buckley recently told the House of Commons Treasury Select Committee, "If you look at most of the research on this, you could probably attribute it to about 15 different factors. I suspect that each one of those is contributing a small portion to that explanation of why productivity has been so weak."[16]

The most obvious explanation is simply weak GDP growth combined with the smaller-than-expected rise in unemployment, followed by the continued growth of the labour force. But as Alex Bryson and John Forth note in a recent paper, pointing to the mathematics of the fall in growth combined with the lower-than-anticipated fall in jobs is simply a starting point for understanding the productivity puzzle.[17]

Some other explanations of what may have been happening include:

- a lower level of reallocation of resources from lower to higher productivity sectors than has been seen in previous recessions and a lower-than-expected rate of business failure, with banks continuing to extend credit to so-called "zombie firms; with a "distorted and damaged" financial sector failing to allocate resources properly;[18]
- the dramatic slowdown in the oil and gas and finance sectors compared with pre-downturn growth rates, although much analysis makes the point that productivity has slowed across all sectors and within sectors;[19]
- evidence of slowing rates of innovation. For example, a Bank of England paper cites the UK Innovation Survey showing that the proportion of firms introducing a new or significantly improved product over the previous three years declined from 24% to 18% between 2008 and 2012;[20]
- some evidence of firms holding on to workers in the expectation that stronger demand would soon return,[21] although this is somewhat undermined by how quickly firms started to hire new people;
- a shift of jobs towards low-productivity work according to some analysis;[22]
- measurement errors, particularly when it comes to GDP, although these are not thought to explain very much of the gap;
- the longest and deepest fall in the real terms value of pay since at least the nineteenth century, which enabled firms to keep on workers even when demand was low. Some argue that this has acted as a disincentive for employers to invest in technology or equipment, leading to a fall in capital investment per worker and hitting innovation – exacerbated by uncertainty over the economic outlook.[23]

While there is clearly no "silver bullet" in explaining the productivity gap, much analysis returns to the themes of faltering innovation, low investment and the low price of labour. On the first of these, much recent work suggests[24] that the UK's productivity slump seems mostly to be a problem of low total factor productivity (TFP), which is a measure of changes in value added per hour that cannot be attributed to changes in either the quality or quantity of capital or labour - essentially a measure of innovation. In other words, how organisations get the best value from the capital and human resources at their disposal, by improving the way they do things. In looking at the many firm-level factors that may have contributed to this picture, Bryson and Forth find evidence in the 2011 Workplace Employment Relations Study that employees were working harder in 2011 than 2004,

but no association between the change in employees working hard and improvement in workplace performance.[25]

The deeper-rooted productivity gap

The productivity slump caused by the recession came at a time when UK productivity rates had been steadily catching up with those of other developed nations. In the run-up to the financial crisis, the UK had again overtaken France and Germany and made inroads into the strong lead of the US. Among the G6 countries, the growth of UK GDP per hour was second only to the US in the decade to 2007, with a wide range of sectors (not just the finance sector) contributing to this growth.[26]

Yet historically, there has long been evidence of a long tail of poorly-performing firms in the UK, with a longer-running productivity gap rooted in investment levels[27] and skills (particularly intermediate skill levels) compared with France or Germany, lower levels of innovation compared with the US and a problem with management quality and practices that fall below countries with the same or higher productivity growth rates.[28] As a report by the UK Commission for Employment and Skills (UKCES) comments of the UK's poorer-performing firms: "Too many of these firms 'make do' rather than seeking to drive continuous improvements and innovation".

In 2013, the report of the LSE's Growth Commission[29] argued that:

"After years of inadequate investment in skills, infrastructure and innovation, there are longstanding structural weaknesses in the economy, all rooted in a failure to achieve stable planning, strategic vision and a political consensus on the right policy framework to support growth. This must change if we are to meet our current challenges and those that may arise in the future".

Low pay, low productivity

Alongside the productivity slump, one of the most obvious features of the labour market since the downturn has been the longest and most severe erosion of real-terms pay since at least the nineteenth century.

When the recession hit, pay freezes became widespread, first in the private sector, then imposed across the public sector by government. But instead of private sector pay rates recovering, they continued to lose value against inflation. Over 2015 low inflation and a tightening labour market saw earnings recover a little, but making little progress back towards 2009 pay levels.[30] Analysis by the TUC shows that, even with recent increases, average real earnings (excluding bonuses) are still more than £15 a week below the pre-recession peak and 16% below the level we could have expected had earnings continued to grow at their pre-recession average annual rate of 2.2%.[31] While the National Living Wage will directly increase pay for an estimated 1.8 million workers in 2016 (although neutered by benefits cuts for many), the fact remains that unless earnings start to rise sharply over the next couple of years, then we are likely to have witnessed a decade of lost wage growth by 2018.

The failure of wages to respond to falling unemployment (currently at 5.1% - the lowest rate for a decade) points to some more fundamental shifts in the bargaining power of the employee relative to the employer. The long-running weakening of trade union representation and national pay bargaining agreements, the growth in variable hours contracts and other insecure forms of work and the growth of self-employment - which the ONS now calls a "marked structural shift" in the labour market - have all played a part.

Productivity gains are necessary for pay rises in the longer term: low productivity and low wages go hand in hand. Yet productivity gains do not necessarily result in higher pay. There has been a gradual "de-coupling" of earnings growth and productivity that pre-dates the downturn. Joao Paulo Pessoa and John Van Reenen[32] have shown that half of this gap is due to rising employer pension costs, with the other half explained by rising income inequality, with top earners taking a higher proportion of overall wages. Steve Machin and Paul Gregg[33] argue that as well as low unemployment, both productivity gains and a restoration of the link between productivity and average earnings will be necessary to secure sustained real wage gains for UK workers. Gregg writes: "As labour gets scarce and more expensive, we should expect firms to increase investment generating productivity improvements. However, even this will not be enough for sustained real wage gains unless the distribution of the returns from productivity growth can be channeled back to ordinary workers, in the way they were before the start of the new millennium."

Region, size and sector

Looking at productivity statistics by sector, size or region illustrates what a blunt tool national-level statistics are in painting a picture of UK productivity. For example, sub-regional estimates of productivity published by the ONS show huge variations (as well as a highly London-centric economy), with labour productivity growth in the London Borough of Tower Hamlets, for example, almost twice (93%) the UK average in 2014.[34]

Organisation size is also an important consideration. The employee survey carried out for this report did not collect data on the workplace size of respondents, but it is likely that the overwhelming majority of respondents work for large organisations, where the majority of trade union members are employed The problems SMEs face with management, access to finance, connectivity and the scaling up of growth[35] mean that overall, their productivity has been shown to be significantly lower than the larger firms.[36] Moreover, analysis by NESTA suggests that new start-ups created since the downturn have contributed negatively to UK productivity growth.[37] However, new small firms can spur productivity growth overall when they introduce new technologies.

By sector, the story is both complex and disputed. The Treasury's analysis finds that five sectors (financial services, ICT, professional services, wholesale & retail and transportation and storage) represent around 40% of the economy but have accounted for around 65% of the productivity shortfall since the downturn.[38] Yet most analysis points to the fact that the economic crisis saw productivity fall across all sectors of the economy and was not a phenomenon of one or two sectors.[39] Across almost all sectors of the economy, productivity has been lower than it was prior to the recession.

However, there is some evidence that new jobs have been more commonly created in low value-added and low-paid sectors of the economy, such as the accommodation and food sectors, than in higher productivity sectors such as manufacturing.[40] It is those labour-intensive, low-wage sectors which employ a large number of people but have long been characterised by lower than average labour productivity – such as retail, accommodation and food services, administration and support and transport and storage – where many stakeholders[41] see the greatest potential for closing the productivity gap with other nations – but also the biggest challenges.

Why the workplace is key

One of the biggest puzzles, as the Work Foundation's Ian Brinkley identifies in a recent paper for Acas,[42] is the mismatch between "what goes into workplaces and what comes out." For example, while workforce skills are a key driver of productivity, there has been no deterioration in skills levels amongst the UK workforce since the downturn. In fact, a 2015 report by the National Institute for Social and Economic Research finds that skills are one of the few factors that have continued to make a positive contribution to UK productivity since the recession.[43] Instead, it is how well those skills are utilised, how jobs and skills are matched and wider HR and management practices that seem to be holding many UK organisations back.[44]

"The workplace is where skills, capabilities and technology come together, where people acquire technical and social skills and where social capital is formed."

- Keith Sissons, The UK productivity puzzle – is employment relations the missing piece? 2014

What happens in the workplace is key to maximising the potential productive capacity of UK organisations across a whole range of other themes. Management, employment relations and skills utilisation are essential to both investment and innovation, two key long-term drivers of productivity improvement. As the CBI comments: "Productivity improvements based on innovation don't just materialise from buying or developing a new technology." The trust, communication and good working relationships that are signs of a well-managed workplace are equally important to the innovative workplace. As Brendan Barber, chair of ACAS explains,

"The long-term success of high level solutions such as better physical infrastructure or capital investment and investment in skills depends on workplaces being efficient, responsive and innovative. The way workplaces are organised, the part played by managers and leaders, and the role and involvement of employees and their representatives provide the means for things to change and improve. This message applies across sectors and industries – it's hardly possible to conceive of a business or organisation that can look at itself and conclude there is no room for improvement."[45]

There is now a mature and persuasive body of work that substantiates the links between effective HR and workplace practice, firm performance and productivity, explored in chapter three of this report. Analysis of WERS, for example, illustrates that employee involvement has positive effects on productivity.[46]

As the IPA's research demonstrates: "many of our productive industries – the ones racing ahead in our 'global race' tend to buck the trend of low voice and low involvement. In these sectors high levels of union membership and high level of employee involvement go alongside incredibly high levels of productivity".[47] Yet the Government's 2015 productivity plan, *Fixing the Foundations*, has virtually nothing to say about the role of workplace practice, relationships and management in driving higher productivity. In its response to the Treasury Select Committee's inquiry on the productivity plan, the CIPD criticises the plan, highlighting a major omission as: "a failure by the Government to give any real consideration to productivity in the workplace, and to the demand for workplace skills."[48]

Supply chains and the self-employed

This failure to take workplace productivity seriously, or bring together the social partners that represent the different sides of the debate, is particularly important given that organisations are no longer the standalone structures they once were.

Much analysis points to the importance of looking at supply chains[49] and other types of between-firm relationships in promoting productivity. One great example of this is BAE System's collaborate approach to apprentice recruitment and training for local SMEs across their supply chain.[50] High quality candidate details are shared with the SMEs, who can then employ them. Apprentices spend their first 12 months at BAE's training centre and then move on to their employer's workplace.

There is an equally complicated challenge around the role of the growing number of self-employed in the UK labour market, for whom rates of pay and labour productivity are much lower than employed workers,[51] while access to training and other forms of support is much lower. While their numbers have increased, the self-employed remain a relatively small proportion of the overall workforce, at 15% (albeit much higher than the 6.3% who are self-employed in the US)[52], but, as one commentator says: "Since the recession, the economics of self-employment have been truly frightening."[53] This reiterates the need for an agenda around workplace productivity that is at a higher level than individual firms, or issues such as training and job quality for self-employed workers will remain by the wayside.

A challenge for trade unions

So if workplace relationships, management and practice are so critical to an understanding of the productivity puzzle, where do trade unions fit in? The historical stereotype is of trade unions' demands for higher pay and opposition to changing work practices that hamper both the profitability of firms and their capacity to innovate. The government's productivity plan makes no mention of trade unions today, with one, historical reference to what it calls, rather controversially, the "dysfunctional" relationship between unions and businesses in the post-war period.[54]

There is a large body of historical research on the effect of trade unions on productivity over the decades, drawing out the productivity-enhancing effects of the union's voice role but pointing to a negative impact of the "monopoly" effect of unions on costs and profits.[55] Yet studies of trade union roles and

behaviour in the 1970s and 1980s are of limited, if any, use in understanding the impact of modern trade unions on productivity today. Instead, recent studies have tended to offer evidence that contradicts the assumption that unions are bad for productivity or innovation, for example finding a positive association between union presence and labour process innovations in UK firms.[56] They have also found a positive association between union presence and the types of high-performance working practices that are thought to enhance skills utilisation and productivity. Moreover, recent studies contrast the strong, formal role of the social partners in countries such as Germany and France with the UK's much more flexible, but seemingly less productive, approach.

Most of what effective, modern trade unions do - delivering and promoting training or lifelong learning, supporting employee wellbeing and equality, mediating individual and collective conflict or promoting employee voice - is directly relevant to the productivity of the organisations where they have members.[57] However, there is not a particularly visible trade union agenda that explicitly links collective bargaining to productivity. Some union members, as identified in the survey, are deeply suspicious of bargaining for productivity. They see productivity as simply a byword for cost cutting, job losses and higher work intensity. However, others view productivity at the heart of the longstanding challenge the trade unions face in both securing the best deal for employees while supporting the success of the organisations that create jobs.

Asking the people who do the jobs

Productivity is about the value created by employees during the time they spend working. As such, few would disagree that employees are key stakeholders in delivering productivity gains. Yet the debate around productivity to date has been conducted in a highly top-down way. There is an implicit assumption by some in the business community (and among some politicians) that productivity is too complex or remote a topic for employees to have views on, with very few studies seeking the views of employees on this topic (one exception being the work undertaken by the CIPD in this area).

This means that an important source of insight on the UK productivity challenge is being missed. It is, after all, individuals and teams who implement technology, use skills, have ideas and get the work done. As the Institute for Employment Studies' Duncan Brown writes: "If you really want to understand the UK's productivity and engagement problems, go and spend a morning with a fast-food worker on a zero hours contract; or a hotel cleaner who has to finish a room every 22 minutes; or a major retailer's warehouse worker with a 'voice-directed application' in their ear, giving them step-by-step instructions on what to pick, how, and to get a move on with it."

By paying attention to employee views on the barriers to higher productivity and what could be done differently, we get an infinitely richer picture. As we explore in chapter three, it critically highlights the value of employee engagement and voice as drivers of productivity growth. Indeed, one of the loud messages coming through from the survey is that the workplace-level 'productivity puzzle' is inextricably linked to employee engagement.

The employee experience of productivity

This and the following chapter focus on the results of a specially commissioned national online survey of how employees directly experience productivity at work. The survey (detailed below) received 7,574 responses, which makes it one of the largest polls undertaken of employees' views on productivity. Alongside the survey, the Smith Institute also met with groups of lay trade union representatives in a number of key sectors, including retail, media and broadcasting, defence and energy. Some of the comments and suggestions made by representatives are incorporated alongside the survey findings.

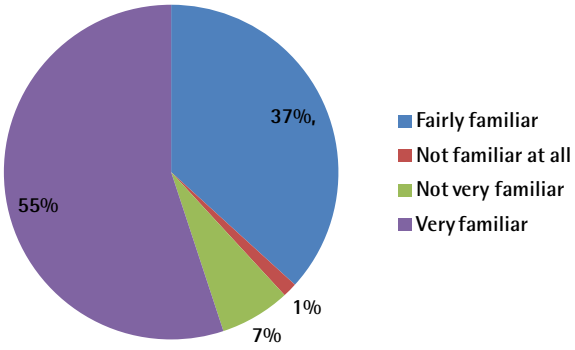
"Productivity" in the workplace is defined and understood in different ways depending on what output or outcomes are being delivered. However, the survey results offer a valuable perspective on what employees actually think about productivity. As such it provides both a useful complement to the various studies of management's views of productivity and a qualitative dimension to the array of national statistics on productivity, which often bear little relation to how employers understand productivity in their own workplace.

Employee familiarity with productivity

The respondents to our survey voiced a high level of awareness of productivity. The survey simply asked employees whether they were familiar with the term "productivity". More than half of respondents (55%) said that they were "very familiar" with the term, while an additional 37% reported that they were "fairly familiar" with it. Overall, the proportion of employees reporting that they were very or fairly familiar with the term varied little by sector, although those working in energy and manufacturing were most likely to say that they were very familiar.

There is, of course, a substantial self-selection effect from employees choosing to complete a survey on productivity, and the fact that those completing it are trade union members may make it more likely that they are familiar with the concept. Nonetheless, the responses clearly illustrate that productivity is not simply a term used or discussed by economists and senior management, but one with which many employees are familiar with.

How familiar are you with the term 'productivity'?



About the survey

The online survey was devised by the Smith Institute and carried out using SurveyMonkey. The confidential survey was sent to members of the following trade unions: Prospect, Bectu, FDA, Usdaw, Community, the Association of Teachers and Lecturers, and the Society of Radiographers. It was completed between December 2015 and February 2016.

In total, 7,574 responses were received. Seven in ten (71%) respondents were employed full-time, 24% were employed part-time while 5% were self-employed or freelance workers (the latter group almost all working in the media sector). The survey did not ask respondents for details of their specific employer, so sector classification is based on respondents' identification of the sector they work in. By far the largest response was from retail employees (46%), followed by workers in media and communications and the civil service. At least 200 responses were received from employees in a range of other sectors, such as health, education, transport and manufacturing.

Sector	Number	% of sample
Arts, culture and leisure	240	3.2%
Civil service	867	11.4%
Defence	43	0.6%
Education	106	1.4%
Energy	499	6.6%
Healthcare (mainly radiography)	215	2.8%
Manufacturing	238	3.1%
Media and communications	1,230	16.2%
Not known	23	0.3%
Other	326	4.3%
Retail (including warehouse and distribution)	3,464	45.8%
Science and research	118	1.6%
Transport	205	2.7%
Total	7,574	100%

Productivity viewed as important to employers

The vast majority of respondents to the survey said that their employer thought that productivity was important. Nine in ten employees (89%) thought that productivity was "important" or "very important" to the organisation that they work for. This figure was 90% for workers in retail, while amongst manufacturing employees, where productivity measurement is more long-standing than in other sectors, productivity was described as "important" or "very important" to the employee's organisation by as many as 96% of employees.

Asked how much they felt they knew about their employer's approach to productivity, most respondents felt that they knew either a little or a lot. Only one fifth (19%) said that they knew nothing about their employer's approach to the issue. It was most common for employees to report that they knew "a

little" about it, with almost half (47%) selecting this option. A substantial proportion (34%) said that they knew "a lot" about it.

"In the industry where I work productivity is a massive issue... yet it is really never discussed."

-TV/film employee

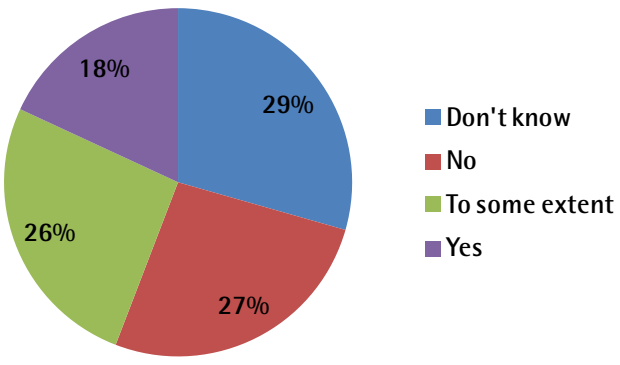
However, this varied significantly by sector. In retail, for example, where many employees detail store-level metrics and targets, 39% of survey respondents felt that they knew "a lot" about how their employer approached productivity. It was even higher in manufacturing, where 45% of respondents reported understanding "a lot" about their employers approach to productivity and only 16% said that they knew nothing about it. Some employees commented that it was something that they knew was important and measured, but there was little discussion of it with employees.

The proportion reporting a high level of knowledge about how their employer approaches productivity was much lower in science and research (17%), healthcare (25%) and the civil service (25%). But it was not always the case that those sectors where it is most challenging to put a figure on the value of outputs or outcomes were those where there was not a high level of awareness about how the employer viewed it. For example in the media and communications sector (where the largest groups of employees to respond were in TV broadcasting and the telecommunications sectors), 37% said that they knew "a lot" about their employer's approach to productivity, 45% knew "a little" and only 18% said that they knew nothing.

Trade unions and productivity

The survey asked employees whether they considered that their trade union was "engaged with productivity issues at work". Fewer than one in five (18%) of employees gave a clear "yes" to this question, although an additional 26% thought that their union was engaged with productivity in the workplace "to some extent". A further quarter (26%) answered "no", while the remaining 29% answered "don't know".

Do you think your union is engaged with productivity issues at work?



This suggests that the majority of trade union members do not see their trade union as taking a proactive role around productivity in the workplace as a specific issue, although the survey did not ask members about other issues that may be very closely related, such as work organisation or performance. Nevertheless, the fact that nine in 10 (89%) of the trade union members surveyed think that productivity is an important issue to their employer, but only one in five (18%) think that their trade union is engaged on the issue presents a challenge to trade unions in this area. Notably, a few voiced the opinion that their union should not be concerned with their employer's productivity and should concentrate on battling for better employee terms and conditions.

Workplace definitions, measures and targets

The survey asked employees whether their employer measured productivity. This was asked in order to give a general sense of whether employees feel that the productivity of their site, department or team is being measured or monitored. More than half (55%) of respondents said that their employer measured productivity. A further 24% thought that their employer did so sometimes or in some respects, 8% were not sure and 12% said that their employer did not measure productivity. Some of the breakdowns by sector are shown in table below, with employees more likely to report productivity measurement in manufacturing or retail, than arts and culture, for example.

Employees reporting that their employer measures productivity, example sectors

Manufacturing	66%
Retail	59%
Energy	59%
Civil service	53%
Media and communications	50%
Arts and culture	27%
All	55%

In contrast to the set of statistics used to measure labour productivity at national level, sector and firm level measures and approaches are hugely varied. A recent CIPD[58] survey of measures of productivity in use across the private sector found not just a wide variety of measures in use, but a patchy understanding of what productivity means amongst managers and a tendency to see productivity as the same thing as performance or level of output. Of the 67% of firms that said they measured productivity, around half defined this simply in terms of output.

"Productivity means different things to management depending on what happens during each shift and how far behind or in front of a production plan you are. Sometimes quality is second to production outputs, and even safety is put into third place to ensure the figures are achieved. Different managers have different targets depending on who they are speaking to and where they are against the production plan."

-Manufacturing worker

This blurring between measuring and monitoring productivity and an organisation's wider performance, profitability or effectiveness was evident in the comments from employees in this survey. However, there were some interesting comments about specific productivity measures:

- In the retail sector, many employees commented about specific input-output productivity measures in a way that suggests that they have a big impact on their working lives (see p.23).

- Some energy and manufacturing employees reported that, while there is extensive monitoring and measuring of productivity at their organisations, measures and targets sometimes influences behaviour in ways that do not always serve to improve productivity or performance of the organisation as a whole. Some civil servants also raise this point, seeing a disconnect between the numerous individual and manager targets and the objectives their organisation is trying to achieve. One writes: "The organisation is inherently dysfunctional; individual objectives seem to support one's line managers' performance and not the business objectives."

- In broadcasting, employees discussed the use of productivity measures around the utilisation of their working time. Yet trade union representatives reported that productivity as a term was not widely used in the sector - discussions with them tended to focus on efficiency or cost reductions rather than effectiveness.

- In the civil service, responses emphasised the difficulty of measuring the outcome of what they do, reporting that too often measurement focuses on quantitative results that do not reflect a contribution to outcomes for the citizen.

"I am expected to spend at least 50% of my hours on projects, which is fine as a target, but less good is the micromanagement which comes with it, and the inquisition which comes if you miss the 50% even by a small margin... It all has a massively deleterious effect on motivation and morale - and doesn't have any correlation to results. It feels like results don't matter, as long as you've booked at least 50% of your time to projects."

- Media and communications worker

"Productivity at work can be very hard to measure, and targets can lead to unintended consequences, so it is very important to measure a range of inputs and outputs, and listen to staff and customers."

-Civil servant

Quantity versus quality

Many survey respondents make the point that they do not believe that their organisations are effectively formulating ways of measuring productivity that reflect quality, customer service or impact on outcomes, rather than just volume measures such as the number of patients seen or till transactions per hour worked. For example, one NHS radiographer comments: "Having a difficult conversation with a patient is extremely important to the patient but could be deemed non productive as it does not physically produce an outcome." Similarly, a teacher talks about the difficulty of measuring productivity in education: "A school setting is a complex one. Just what constitutes productivity can change from one day to the next. For it to be measured, however, necessitates its reduction to a simple input-output model. This does not demonstrate productivity in a wider sense." Another employee writes: Productivity isn't always the best word to use since it implies quantity of output, rather than quality. So I'd welcome more focus on quality too, especially in public services such as mine where the quality is vital to get right."

"My view of productivity, i.e. producing better services for our customers - does not align with my employers view - i.e. saving money at all costs."

-Telecoms worker

Some also point to the difficulty of measuring productivity when achieving outcomes rests so much on factors outside the control of the organisation. For example, a worker at a community radio station considers some of the factors that impact on productivity at his or her place of work:

"Our productivity is measured by the number of people whose lives turn around due to their community media involvement. Many of our 'clients' have mental health issues, substance misuse issues or are long term unemployed...their involvement in community media is often a lifeline and can even be a matter of life and death."

Some respondents argue that concentrating on blunt, quantitative targets can lead to sacrificing quality in the name of quantity. One civil servant writes: "It would be better to concentrate on improving quality - not quantity. Right-first-time rather than continually having to repeat or rectify botched or inadequate work which meets a so-called target."

These concerns are raised by workers delivering private sector services too. In retail, employees want customer service to be better reflected in productivity targets (see page 21). In broadcasting there are also strong concerns about maintaining quality under pressure to maintain the volume of output. As one TV employee says: "Is productivity churning out more programmes (lower quality) or is it creating better programmes (higher quality, fewer)?"

Another point made by employees is that measures inevitably focus on those aspects of work or tasks that are easier to measure. One retail warehouse employee comments: "Not everything can be monitored by KPI's. The person who spends all day picking up rubbish to keep a warehouse clean and tidy is just as valuable as a picker or a packer in the same environment, so should not receive less pay just because his/her performance can't be accurately monitored."

Case study: productivity targets in retail

Productivity targets and measures have long been in use in the UK retail sector.[59] In warehouse operations, productivity index (PI) targets are based on pick rates. Usdaw reports that at many firms these are used as a combination of a performance management tool (with action taken where performance falls below the target rate) and as an incentive where bonuses are paid when performance reaches or exceeds it. The survey responses suggest that many store-based employees work to productivity targets, as well as warehouse staff.

A number of respondents detail the specific metrics used at their store on a weekly basis, such as turnover divided by hours worked. While there is evidence that productivity targets have indeed pushed up sales per hour of work in the sector, the other side of the coin is that some staff feel that the demanding targets are simply "grinding staff into the ground". One store worker says:

"If we will not meet productive hour targets for a week, hours are cut, to the detriment of sales, customer satisfaction, shrinkage, and the wellbeing and job security of staff, because they see productivity targets as essential. However it does not accurately reflect the workload of staff, and is a poor measure, simply based off how many hours the business is using against sales, and calculated as a percentage. We never hit under 105% productivity, and the only week in the three years I've worked in my store that we did miss it (99.8% productivity) a regional manager visited our store and was yelling and abusive to our team manager on the shop floor in front of customers because they didn't cut hours in time."

Another echoes this theme:

"We are currently managed by a system that predicts productivity and allocates staffing hours and tasks accordingly in advance. This allows no deviance in daily and weekly tasks nor allows time for anything unforeseen…. It tells us when to do certain tasks and when to go for breaks… and is impossible to adhere to. We have greatly improved under the system but pressure is greater too…. It needs a human element and flexibility that algorithms cannot calculate."

Some of the points made in survey comments are as follows:

- The **adjustment of hours** on a weekly basis to ensure productivity targets are met, making it difficult for staff to plan their lives from week to week. It is unclear how common this practice is, although Usdaw highlights the variation of hours on a weekly basis in response to targets as common practice in its submission to this inquiry.[60]

- Some staff say that targets can cause **stress, ill health and absence**. One employee in the pharmacy of a large retail chain writes: "We have had constantly increasing prescription volumes and increased service demands with... constantly decreasing [staff] numbers… increasing pressure and unrealistic targets. The stress level is impossible… we are being worked to death as it is we can not do more." Another comments: "Most staff in their 20s at my store have knee and back problems from being overworked."

- Some staff are concerned that targets disregard the impact of **good customer service** on productivity, by not allowing them the time to serve customers well. One employee comments: "We have targets where we have to scan so many items per minute at my supermarket - but how can we give good customer service if we are rushing people through the checkout?"

- A common theme is that targets demotivate workers because **meeting them leads to them being revised upwards**. Another says: that constantly increasing targets simply leads staff "not to care about them" because they "become something impossible". As one employee says: "Every time productivity gets raised you have to work harder to reach harder targets". One example was given by a supermarket worker who says that at her workplace employees must deliver on targets for case rates and times per aisle, but if the work is finished early more work is given. "Where is the incentive?" she asks. Another comments: "There is scant regard for those who have improved productivity. It merely leads to tougher targets and budgets. There appears to be no ceiling."

- The question of **incentives** was often raised by store workers. Some feel that there should be financial rewards for meeting targets, while others simply state that rewards for staff generally need to reflect the extent to which they are delivering higher productivity for the store.

- Others suspect that **job losses** will result from meeting productivity targets. One respondent argues that a drive for higher productivity has "lots of benefits for the employer, none for the employee. The harder we work, the less job security we have as the less staff [are] needed to do the same work."

- Many pick up the theme that employers attempt to motivate staff to meet targets **more by the "stick" than the "carrot"**. "Using stress as a productivity tool for minimum wage workers tends to have the reverse effect," one respondents comments.

- Lastly, some imply that top-down targets **discourage innovation** at store level. Some comment that the performance or productivity targets required of local stores or branches and the "micromanagement" of staff this involves means that it is not possible for their store to come up with different ways of doing things that reflect their local market or the needs of their specific customers. "One size does not fit all" one employee suggests, while another wants to see "more decisions made at local shop level about what our customers want and need".

These comments suggest that many staff in retail feel that the current approach to driving up productivity at large retail firms does not serve retailer's stated aim of delivering quality service and can have a negative impact on staff morale and wellbeing. None of the comments specifically argue that there should not be productivity targets. Rather, the view was that they should seek to both improve the working lives of staff and drive forward productivity in a more sustainable way.

Case study: productivity in TV: a workplace perspective

Employees and freelancers in television production, broadcasting and transmission have witnessed an exponential surge in the content they produce, alongside reductions in staff numbers and fast-paced technological change and innovation.

The Smith Institute met with two groups of Bectu representatives working in technical roles at major television companies. At one employer in the sector, the BBC, a major part of the Delivering Quality First programme, requiring costs to be cut by £700 million by 2016/17 is driving savings through making productivity improvements by "simplifying processes, reducing staff numbers and introducing new ways of working". However, according to a recent report on the programme by the Audit Commission, most of the savings to date have been met through renegotiating contracts and limiting pay increases, while future savings will need to come much more from changes to ways of working.

Some of the key points raised by representatives are as follows:

- Union representatives would welcome real discussions about productivity improvements at their organisations and a two-way dialogue about how to do it. However they felt that to date their experience had been of a one-way process of staff reductions accompanied by workload increases, with the focus on cutting costs rather than a discussion with employers about how to enhance value.

- Unions reps are proud of both the volume and quality of output being delivered, but felt that quality output is often being maintained by staff working longer hours (as well as technological developments). The sector has relatively long working hours according to surveys (averaging 47 a week) and representatives thought that an increase in the 24/7 nature of work, particularly due to increased use of mobile technology, had increased the level of stress and pressure for workers. "Technology has helped people to work on the go but means they are both working longer hours and blurring work and life, which is stressful", said one employee.

- Representatives think that the removal of support roles and the increased use of multi-skilling means that too often experienced skilled staff are spending their time jumping from task to task - often helping less experienced staff, which means they feel that they are spending more time firefighting than being productive.

- With pay at a standstill, this was felt to be a further source of demotivation for staff. "More work for the same wages" was a common theme. Or, as one survey respondent from the sector noted, "Improvements in productivity should be reflected in improvements to pay and terms and conditions for those who achieve the improvements, not in dividends to shareholders."

Employees report working harder

As the CBI states,[61] "productivity isn't about working harder, so much as finding new, better and quicker ways of doing things". Yet our survey findings suggest that over the past two years, more employees feel that they are working harder than working productively, and not many feel that they are working more productively *without* working harder.

When asked to compare their working life now with two years previously, a majority (68%) of survey respondents felt that they were working harder now. Around one in five (21%) reported no change, while only 11% thought that they were working less hard. This was particularly true of the retail sector, where three-quarters (74%) of employees considered that they were working harder than two years ago. In all sectors a majority of employees considered that they were working harder than two years ago, with the smallest majority in defence (where 54% considered that they were working harder and 39% thought that there had been no change).

These findings are consistent with existing evidence, which suggests that on balance, there has been an increase in work intensity since the downturn. The 2011 Workplace Employment Relations Study, for example, found that the proportion of employees agreeing that "my job requires that I work very hard" rose from 25% in 2004 to 32% in 2011.[62] The Skills and Employment Survey found that its measure of job intensification rose between 2006 and 2012, having stood fairly still over the decade prior to that.[63]

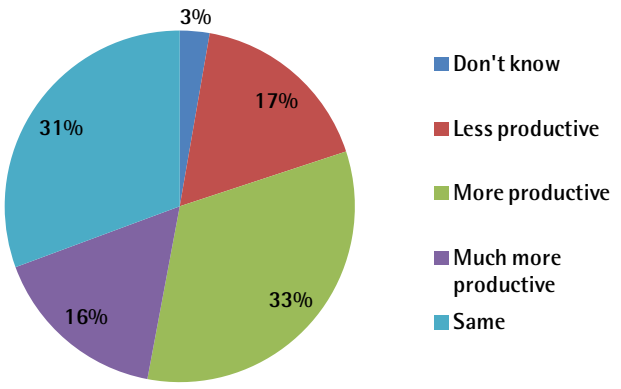
"Individuals are completely stretched and work well in excess of conditioned hours...[the] productivity of the organisation can only be significantly improved by recruiting more staff."

-Civil servant

Are employees working smarter?

Do employees feel that they are working more productively? The survey asked respondents to assess their productivity compared with two years ago. Overall, the findings show that around half (49%) of respondents feel that they are more productive than they were two years ago, while only a small proportion (17%) thought that they were less productive.

Do you think you are more productive that you were (compared with two years ago)?



Employees tend to err on the side of rating themselves more, rather than less, productive, as other exercises of this type suggest.[64] Nonetheless, the survey highlights the correlation between those who feel they are working harder over the past two years and those who think they are working more productively.

Working harder versus smarter

The chart below shows the survey results combining employee perceptions of whether they are working harder and/or more productively.

The harder v smarter comparison shows that:

- The largest proportion of respondents (41%) thinks that they are working both harder and more or much more productively.
- More worryingly, however, is a substantial minority who report that they are working harder than two years ago but consider that they are either working less productively or their productivity is unchanged. These two groups make up more than one in four (27%) of all respondents.
- A smaller group (12%) feel that neither their productivity nor work intensity has changed significantly over the past two years, while some (7%) think that they are working in a less productive way but are also working less hard or the same.
- A final group report that either they are working the same or less hard but feel that they are more productive, or that they are working less hard but their productivity has remained the same: making up 13% of respondents. This could potentially be a "working smarter" group.

Employees who say that they are working harder but not more productively are more likely to work in the civil service, for example, than in the retail sector. More than half (53%) of civil servants who report working harder than two years ago also state that they think they are either less productive (29%) or the same (24%). In comparison, retail workers are much more likely to report that they are working *both* harder and more productively. Only one in three (33%) of those retail workers stating that they are working harder than two years ago state that they think they are less productive (10%) or the same (23%).

"There is a misconception that making staff work harder brings greater productivity. Since employing a new member of staff to do in four days what I was being asked to do in six hours a week, our area of work has massively improved in terms of customer bookings and customer satisfaction, but the link between overworking someone and not having that success previously is not necessarily made."

-Voluntary sector worker

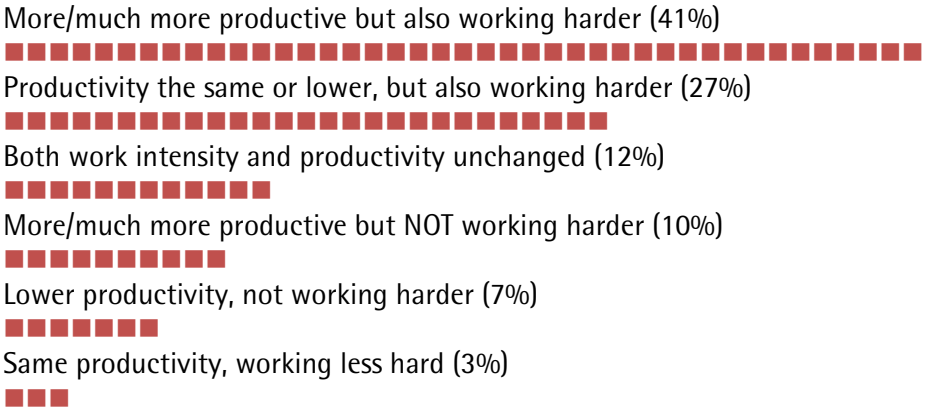
Jobs and productivity

The many comments submitted by employees also confirm that there is a widespread view amongst employees that higher productivity means - or will mean - employers cutting inputs by cutting job numbers or pay and requiring them to work harder. These comments were most frequently made by public sector employees – especially regarding paybill costs, but many retail workers felt that productivity improvement in their workplace goes hand in hand with reduced staff numbers (either to generate productivity improvements or as a result of them) and more intense work demands. One worker in the heritage sector describes this as: "cutting costs and squeezing more out of what is left".

The headcount reductions made in response to spending cuts are also raised in comments by public services workers, who argue that they can only deliver the required work with more staff. One civil servant remarks: "Individuals are completely stretched and work well in excess of conditioned hours…[the] productivity of the organisation can only be significantly improved by recruiting more staff." A NHS radiographer says: "To provide a better service, more staff are needed. Staff would be less stressed due to being overworked and this would have an affect on the quality of service provided."

The theme of employers concentrating on cutting inputs more than improving work processes or efficiency was not just confined to the public services. It was a major theme amongst the comments of workers in the media and broadcasting sector and picked up on in the retail sector, where 50 responses said that the answer to higher productivity was "more staff." While this point is problematic in the context of improving output

Are you working harder, or smarter?

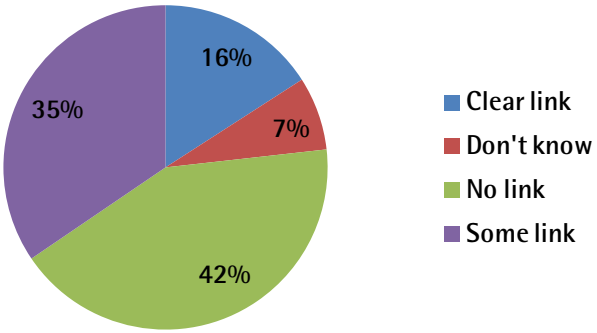


per worker, it illustrates the extent to which many workers feel that work intensity has increased to a point at which it is damaging to productivity.

Productivity and reward

In view of the pay slowdown experienced since the recession - and the widening of the gap between average earnings and productivity before then - it is useful to get employee views on how they perceive the link between pay and productivity. The survey asked employees whether they considered that there was a link between the level of the reward (pay and benefits) they received and the productivity of their specific organisation.

Do you think that there is a link between the pay and rewards you receieve and how productive your organisation is?



Around half of respondents thought that there was either some link (35%) or a clear link (16%) between the reward they receive and the productivity of their organisation, while 42% thought that there was no link. There are significant variations by sector, shown in the table opposite.

It is unsurprising perhaps for employees to think that there is less of a link between reward and productivity in sectors where productivity itself is difficult to measure, such as arts and culture, health, science and research, and the civil service. But even in those sectors where productivity has traditionally been more closely linked with pay, such as manufacturing, only 23% of employees think there is a clear link. The highest proportion of employees who perceive that there is some link or a clear link between the productivity of their organisation and the reward they receive is in the energy sector, where pay settlements have tended to be above average in recent years, often with an explicit link to company performance.

Employee perceptions of the link between reward and organisational productivity, by sector

Sector (put number of respondents in brackets)	Clear link	Some link	No link	Don't know
Manufacturing (other)	23	31	35	11
Energy	21	48	28	3
Transport	19	35	40	6
Retail	18	35	37	10
Media and communications	17	40	38	5
Education	14	29	47	10
Arts and culture	11	30	50	9
Healthcare	10	24	63	3
Science and research	7	30	57	6
Civil service	6	22	66	5
Defence	5	43	53	0

What does improved productivity mean for employees?

The survey sought to identify what employees think the likely impact of the drive for higher productivity in future would be. The results show that most are not optimistic about the outcomes for them of higher productivity. They reinforce the survey message that employees think that higher productivity means working harder and a reduction in staff, with reduced job security also of concern. In contrast, better pay and conditions were on average seen to be far less likely to result from achieving productivity gains.

This message was the same regardless of sector, with "working harder" and a "reduction in staff" viewed as the most likely impact of productivity improvements across all sectors. However there were some slight variations in the retail sector, where employees were a little more optimistic that productivity improvement may lead to improvements in pay and conditions. Civil service employees were less likely to think this.

Do you think the drive for higher productivity will lead to any of the following changes in your workplace?

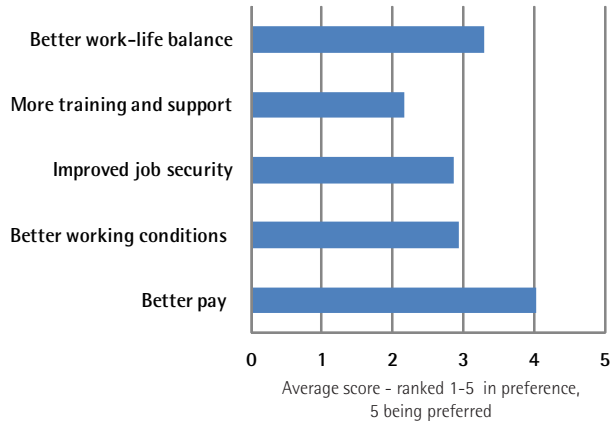
Desirable outcomes from higher productivity

The survey asked employees to consider what outcomes they would most like to see as a result of future productivity improvement at their organisation, by ranking five different options. This gives an insight into what employees would value most should they benefit more directly from higher productivity in the future.

Improved pay was decisively ranked as the preferred outcome by respondents, with better worklife balance coming in second. These top two choices were the same across almost every sector, but there were some interesting variations in priorities. For example, those working in science and research and in media and broadcasting put "improved job security" as a close second to worklife balance, while retail sector employees put better working conditions as a third choice on average, almost level with worklife balance. Employees working in defence were the only sector to put improved job security in second place, above better worklife balance.

In general, workplace surveys do not show pay at the top of the list when employees are asked what they value most about their job. However, in regard to delivering productivity improvements there is a stronger link in employees' minds between productivity and reward. This may be in part a reflection of the fact that the employee experience of productivity is so closely entwined with working harder, but this harder work has been accompanied across the economy generally by an erosion in the real-terms value of pay and benefits, not enhancement. However, as the chart below shows, employees are not optimistic that this will be the case.

If productivity improves, how do you think you should benefit?

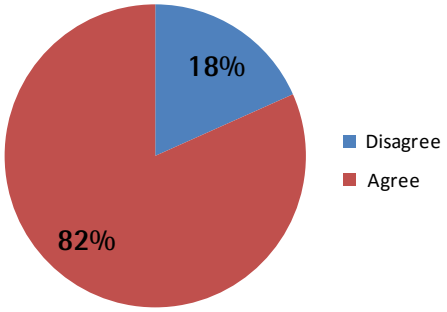


Employee views on technology at work

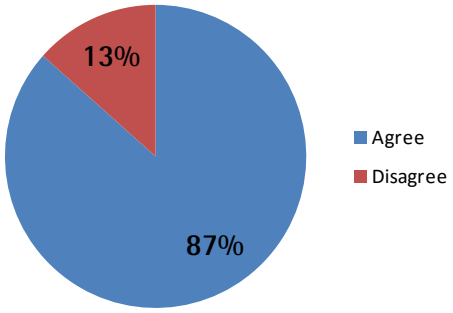
While technology can play a key role in the innovation that enables firms to increase their productivity, ignoring the people aspects of adapting new technology is often at the root of a failure to utilise technological improvements to their full potential. Taking technology in its broadest sense, we asked employees for their views on a series of statements about technology at work.

The most striking finding is the extent to which employees not only see the advent of more technology at work as inevitable, but are keen to embrace the improvements it may bring. As the charts below illustrate, the majority (87%) are keen to embrace technology and maximize its benefits. Healthcare employees (94%), communications workers (92%) and civil servants (91%) agree most strongly with this statement. The majority in retail is slightly lower, at 81%.

"I see technology as inevitable and necessary"

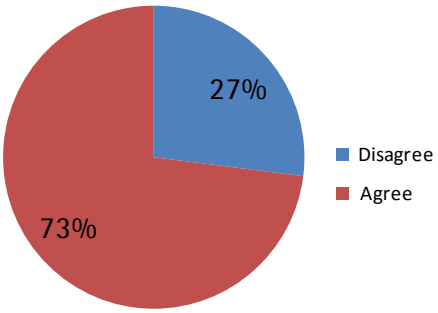


"I am keen to embrace technology and maximise any benefits"



This response suggests that employees are open to new technologies that can help them do their jobs better. Indeed, almost three-quarters of employees (73%) are optimistic that new technology will improve productivity, although one in four (27%) disagree. This proportion is similar regardless of sector, although manufacturing workers are more likely to think that new technology will improve future productivity than employees in any other sector, with 78% agreeing.

"I believe that new techniology will improve productivity"



Of the comments submitted by respondents on the subject of technology, most came from public servants on the necessity

of investment in technology and the feeling that a lack of investment (combined with poor choices, engagement and planning) was hampering productivity - particularly in the civil service. Investment in technology was identified by civil servants as amongst the top ways to enhance productivity (see below).

In the retail sector, the comments on this topic were about the need to tackle the disruption to work from machines breaking down; as one employee remarked: "new technology is only useful if it works". Across all sectors, many commented that the real answer to most questions on technology is "it depends" – on the suitability and effectiveness of the solutions themselves and more importantly how processes are managed and whether staff are engaged and involved.

Despite this high level of receptiveness to new technology, employees do not feel that they have a voice when it comes to new technology in their workplace. Fewer than one in four employees (24%) agree with the statement: "My employer gives me a say on how technology impacts my work." By sector, only 18% of retail employees agreed, compared with 22% of civil servants, 33% of those in healthcare, 26% of manufacturing and energy workers and 29% of media and broadcasting employees.

"The new technology makes some people's lives easier and creates huge headaches and extra work for other people - the ones that still have to know how to use the ancient tech, the old tech, the "still quite new" tech and now the brand new tech too."

-TV broadcasting employee

There is an ongoing debate about the replacement of workers with robots and artificial intelligence. A recent report by Deloitte predicts that up to 45% of jobs in the US (and by implication Europe) are at risk from digital innovation, with those at the lower end of the wage scale far more at risk.[65] The OECD's research suggests only 9%, although it forecasts that many more tasks will be replaced by robots.[66] Others argue that the "second machine age" will require workers with different skills and usher in new ways of co-operation between people and technology.[67]

But what do employees themselves think about the likelihood of being replaced by a robot or working with a robot (or so-called 'co-bot')? Respondents to the survey were asked for their views on whether they were worried that technology may threaten their employment. Overall, one in three (33% employees reported that they were worried, while two-thirds (67%) were not. However, this headline figure disguises some fascinating variations by sector, shown (see below).

"In my current employer's warehouse, I can see that 90% to 95% of the current jobs are replaceable with robots; and I include the use of driverless delivery transport in that figure."

While almost half (49%) of manufacturing workers and more than four in 10 retail employees say that they are concerned that new technology may threaten their employment, fewer than one in five employees in science and research, the civil service, arts and culture, healthcare and energy are worried about this. In media and communications and transport around one third of employees are concerned about this, but the majority are not.

Employees who agree that they are worried new technology may threaten their employment, by sector (% of employees)

Sector	Agree	Disagree
Manufacturing	49%	51%
Retail	42%	58%
Media and communications	36%	64%
Transport	35%	65%
Science and research	19%	81%
Civil service	19%	81%
Arts and culture	19%	81%
Healthcare	16%	84%
Energy	16%	84%
All	33%	67%

These findings suggest that employees are realistic (and to some degree, optimistic) about the impact of new technology on their jobs. While all predictions of the impact of automation on employment are highly uncertain, the views of employees tally with predictions that if new technology leads to job losses they are most likely to be in occupations such as the skilled trades and sales or customer service.[68]

The survey results also reflect that, in some sectors (such as science, the civil service or energy) employees are likely to be performing technical or professional jobs that are highly skilled and therefore thought to be less susceptible to robotisation that lower-skilled roles.

In conclusion, the survey findings suggest that the majority of employees across all sectors do not primarily see technology in the workplace as a threat, but as an opportunity. Most want to see the capital investment in the technology that will give them better tools for the job and help their organisations to succeed. As the Resolution Foundation's Director Torsten Bell told the Treasury Select Committee recently,[69] "In general, the problem in Britain is not enough robots, rather than too many of them".

But as we explore in chapter three, the opportunities presented by new technology can be embraced much more successfully if employees are engaged and consulted on design, deployment and implementation.

What makes a difference?

I associate the term 'productivity' with other words like rationalisation, cost-cutting, downsizing and so on because it is generally looked at through a narrow lens driven by profit... If the focus is rather on truly valuing people in the workplace, on meaningful employee engagement, strong leadership, organisational learning and good business strategy (regardless of sector), then the bottom line is happier, healthier employees and more productive organisations creating greater value for their customers and with a greater chance of longevity.

-Museum worker

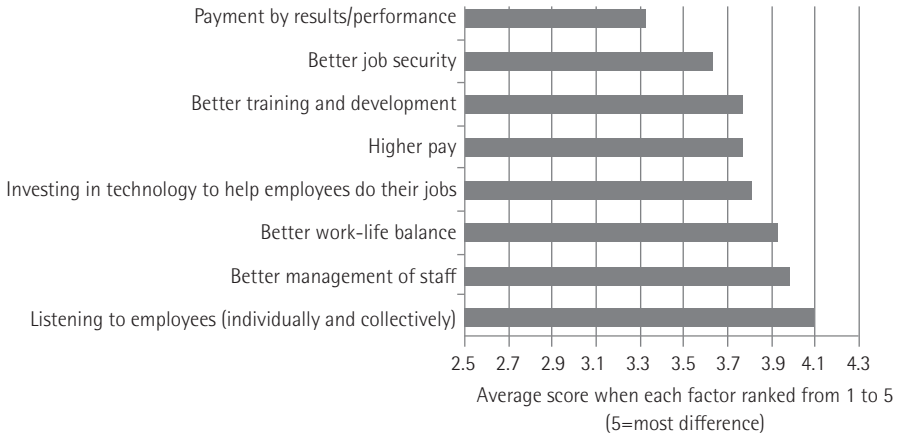
The quote above is one employee's view on the changes needed to take a new approach to workplace productivity, but it echoes many others. This chapter covers survey findings on what employees think will make a difference to productivity at their organisation, pulling in both other evidence gathered as part of this project and the wealth of existing research.

We know that the meaning of productivity varies enormously both by sector and organisation. Yet the two most important messages that come across from the employee survey - the importance of listening to staff and having good managers that support and enable staff - come across loud and clear regardless of sector. These two themes are important not just for their own sake but in enabling employers and employees to make the kinds of changes that research to date suggests can make a real difference to productivity, such as workplace innovation, effective job design and making the most of skills of the workforce and the technology and tools they use. If working smarter is the goal, this is not something that can be imposed from above.

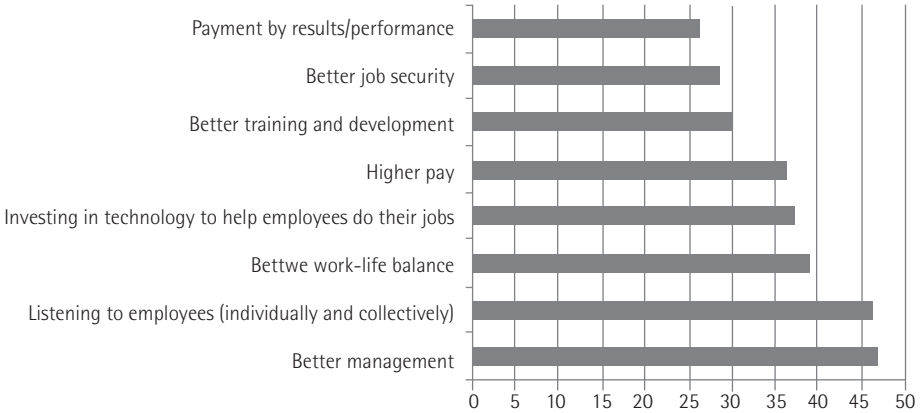
Listening and better management

The survey asked employees to score a list of options in terms of their perceived impact in improving the value of the services or products that their organisation provides. As the first chart below shows, the top two responses were listening to employees and better management of staff, with worklife balance and investment in technology also seen as important. The second chart shows the proportion of employees giving each factor the top score, showing better management coming out slightly ahead but also the fact that listening to staff and better managers are ranked ahead of other factors.

What do you think would make the biggest difference in improving the value of the services or products that your organisation provides? (average score)



What do you think would make the biggest difference in improving the value of the services or products that your organisation provides? (percentage giving the highest score)



What do you think would make the biggest difference in improving the value of the services or products that your organisation provides?

When the results are analysed by sector, employees in every sector ranked "listening to employees" and "better management of staff" highly. Aside from these two themes, however, the messages about what would improve value and productivity had many variations by sector. For example, higher pay was seen as more important by employees in retail than in other sectors, while investing in technology was rated more highly by civil servants and those in the energy sector. Payment by results or performance came bottom of the list in every sector. Nevertheless, as the chart shows, 26% of respondents did give it the highest score, so some employees think it can play a positive role (especially in retail).

The survey also asked employees an open-ended question asking what would make the biggest difference to the productivity of their organisation - receiving around 2,500 suggestions. It was not possible to fully categorise such a diverse range of comments but some of the key words used are shown in box below. The words "managers" and "management" are of course used to describe a wide range of other issues, while some words – such as pressure, and often targets – are used to describe something to be tackled, not something that would make a difference. But the list does illustrate the importance of both management and listening to staff, as well as reward and training.

Keywords used when employees asked what would make a difference to productivity where they work

- Managers or management (780)
- Listen, communicate, communication, involve, involvement (257)
- Pay or wages (251)
- Training, learning, skills (242)
- Hours (140)
- Targets (130)
- Performance, perform, performers (127)
- Team (126)
- Quality (101)
- Technology (101)
- Stress, pressure (94)

Other words or phases that came up more than 50 times included: reward (70), customers (65), fair or fairness (59), "more staff" (56), equipment or tools (53), morale (52) and respect (50).

In the table on the next page we have tried to draw out some of the key messages by sector from the employee comments.

Employee voice and productivity

If the message of the survey could be boiled down to one point, it is that employees think that their organisations can be more productive if managers listen to, engage, communicate with and involve the workforce to a greater degree in how decisions are made, work is organised and results are delivered. There are many examples of organisations where this happens, with employee involvement built in to day-to-day working, decisions and workplace improvements.[70] Yet as UKWON's Peter Totterdill explains, only a minority of UK organisations have systematically adopted practices, known as workplace innovation, which are truly participative in nature.[71]

Employee comments on management listening to employees

"Our management do not listen to staff. Very simple, inexpensive and quick fixes would make a huge difference to productivity but they just don't seem to care"

"Please talk and listen to the people on 'the shop floor' about productivity at work; we will then have ownership... and see the value of improvements in productivity"

"Keep people in the loop and not in the dark"

"If employees feel more involved in decisions and able to give suggestions they feel more a part of the team therefore productivity improves. Too many managers think power is the way to improve productivity"

"Get managers to listen to the people doing the job"

"Listening to trade unions is very important as they represent the views of the workforce"

"Management should listen to the ordinary worker on the shop floor, instead of dismissing their ideas. People work harder if their voices are heard and acted on, praise people for their efforts instead of only speaking to them to criticise"

What would improve productivity at my organisation? A summary of comments from employees by sector

Retail	*Energy*	*NHS Radiographers*	*Media and boradcasting*
• Improve the people skills and behaviour of line managers • Listen to staff • Make sure targets are reasonable and give staff positive reasons to deliver them • Pay staff more • Respect the fact that staff have a life outside work • Do more to reward and recognise customer care and quality of work for store-based staff • Manage performance effectively and fairly • Increase and improve training and both notice and use employee's talents	• Ask staff what the solutions are to problems or challenges before engaging consultants to find out • Find managers and leaders that are less stuck in their ways: more "outsiders" would help • Set targets that support long-term business objectives rather than short-term contract delivery and profits • More dialogue with employees specifically about productivity and performance • In nuclear, impossible to address productivity without greater stability about the longer-term vision	• End top-down management styles and communicate better with staff, especially on work organisation and service improvement • Enable staff to use the best technology possible - this is key to both productivity and progression • Get the right mix of roles and skills in teams, working with staff to do this • Improve recognition and tackle heavy workloads • Radical thinking on using technology to cut admin tasks to enable staff to focus on the patient • Recognise that volume-based approaches to productivity in healthcare will not work	• Tackle long working hours in the sector - shorter working hours would increase hourly labour productivity. • Work with staff to improve work organisation, planning, processes and workflows in a sustainable way • Tackle problems with engagement in the sector - senior managers and leaders do not engender loyalty or trust, seen as profit- rather than quality-orientated and need to spend some time with frontline staff • Give staff a fair financial share – at the moment reward feels highly skewed to the top • Improve training for line managers – too much "macho" management
Telecoms	*Civil service*	*Education*	*Manufacturing*
• Line managers with better people management skills who trust, respect and can engage staff • Senior managers need to be better in touch • Manage performance to get the best out of people, not fear of negative consequences • Fewer big initiatives focused on cutting costs and more small, sustainable improvements to working practices • Remove time-wasting activities and processes	• Technology that is fit for purpose • Cut down on bureaucracy - especially the burdens of self-service HR • Reward staff competitively • Improve how work is organised – real team-working (not lipservice) and less hierarchy • Support, value and listen to staff more • Recognise the business case for quality • Improve management skills and capability • Allow staff greater autonomy and freedom over how they get the job done • Tackle the current demotivating, unfit-for-purpose approach to performance management	• Less bureaucracy and micro-managing, more employee autonomy and trust • Consult staff on decisions • Value staff and show appreciation for what they do • Leadership that is better in touch with day-to-day teaching, eg through a regular teaching commitment	• Listen to staff and try out their suggestions • Greater clarity about what the objectives are and what is expected of employees • More open communication between both managers and employees and between different parts of the business • Make sure workers have the tools for the job • Improve recognition • Look at supply chains and outsourcing and their impact on quality and the ability to make product improvements

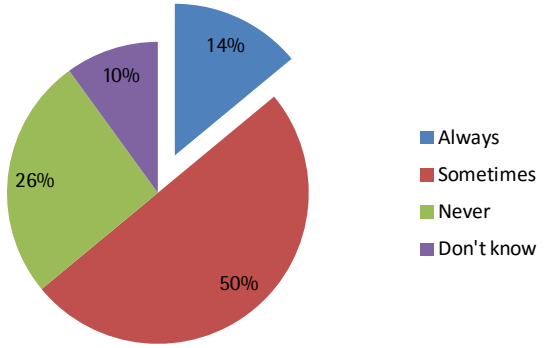
"Many management structures will not seek advice from their employees and instead seek advice from consultants who only tell you what you want to hear"

"Listen to your employees, as most live in the area that your customers come from"

"Employers do not listen to those at the bottom end of their business. If employers engaged with those employees, they would benefit from their experience"

"Managers should listen to staff who come up with ideas to increase productivity instead of saying "what's the rush?" or "it's always been done this way."

Does your employer/manager listen to employee suggestions for productivity/efficiency improvemnets at your workplace



Findings from the survey illustrate the extent to which employees do not have confidence that their employer will always listen to what they have to say. When asked whether their employer or manager listened to employee suggestions for productivity or efficiency improvements in the workplace, half (50%) of employees reported that this was "sometimes" the case but only 14% thought that it was "always" the case. Around one in four respondents (26%) reported that this was "never" the case.

By sector, the results suggest that retail has a bigger problem with staff not feeling that they are listened to than other sectors covered by the survey: only 9% of retail respondents thought that their employer always listened to staff suggestions while more than one in three (36%) thought that they never did - a markedly higher proportion than in other sectors.

Workplace innovation and technology

While our survey simply used the term "listen" and the strongest message was about employee voice, respondents made a wide range of references to involvement, participation, engagement, representation, information-sharing and other well-documented means of systematically working in a two-way relationship with employees, rather than managing them in a top-down way.

"Productivity must involve engagement of the staff - too often initiatives founder because lack of commitment to change."
-Energy employee

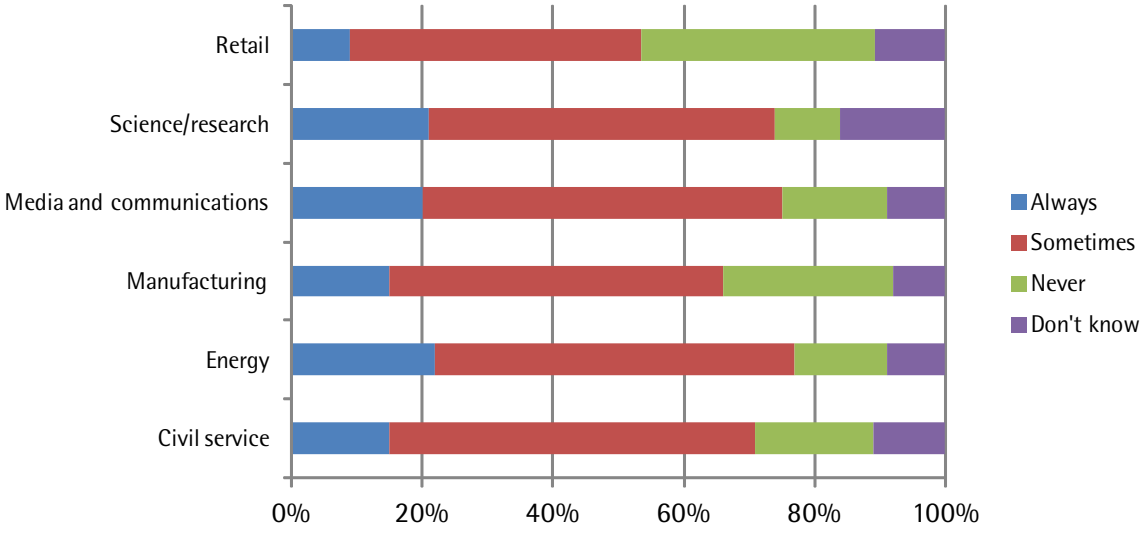
A wealth of research[72] now makes the link between these different concepts and the productivity and performance of organisations. Resources from Acas, the IPA, the TUC, the Work Foundation and a host of other sources show how systematic and regular employee voice practices and mechanisms can promote organisational performance, productivity and innovation.[73]

"Turning down the machine speeds results in more product being produced, unfortunately my employer will not listen to me or look at the evidence provided."
-Food manufacturing worker

Some of the strongest evidence for the link between both collective and individual employee voice and productivity include:

- The strong link between employee involvement and the ability of organisations to identify both efficiencies and improvements.[74] An example would be the use of methods such as Kaisen,[75] which rest on the need for all employees

Proportion of employees reporting that their employer listens to employee suggestions for workplace improvements (%)



to be equally involved in making continuous improvements in a systematic way (albeit that the success of such methods will depend on other factors such as leadership commitment or trust).

- The link between high involvement practices and higher staff motivation and job satisfaction, as well as better quality of work, illustrated by the latest results of the European Working Conditions Survey[76] with other studies pointing to the ways in which both job satisfaction and motivation lead to improved performance and productivity.[77]

- The necessity of employee involvement in underlying successful workplace innovations, such as improving job design, simplifying processes, better utilising skills and making sure that teams have the right mix of people and skills. As UKWON explains: "Workplace innovation is an inherently social process, building skills and competence through creative collaboration. It is fuelled by open dialogue, knowledge-sharing, experimentation and learning with diverse stakeholders including managers, employees, trade unions, and customers having a voice in the creation of new models of collaboration and new social relationships."[78] Overall, there is not convincing evidence that any particular type of "high performance" working practices lead to productivity gains, but implementing them in a way that is based on systematic involvement that makes the difference.[79]

- The role of employee voice and employee representatives in enabling organisations to manage conflict and increase levels of trust and communication in workplaces,[80] as well as enabling them to change and adapt.[81] A good example here would be the role that employer-union partnership has played in driving up the productivity of the UK's automotive manufacturing sector.[82]

Case study: Employee involvement at Babcock Marine and Technology

A Prospect representative working for Babcock Marine and Technology, Rosyth described to the Smith Institute how employees are working with the company to make savings and improve productivity in delivering the contract for the Queen Elizabeth Class (QEC) aircraft carriers that are being assembled and outfitted at Rosyth. Through the Aircraft Carrier Alliance, modularised components of the vessel superstructure have been built at six dockyards around the UK before being transported to Rosyth for assembly.

The objective of the Alliance Improvement project, abbreviated to AIM, has been to maximise employee time spent on the job and minimise stop-starts in the work. Working together, a number of practical changes have made an impact, including installing vending machines and toilets in the hangar and flight deck, making sure consumables, tooling and materials are available at the right time in the right place and reviewing other work practices and processes. It also aims to minimise "re-work" by ensuring that team members have the time and resources to get things right first time.

The Prospect representative says that employee involvement and cross union engagement has been crucial in the project's success so far. A second project, AIM Forward, is now off the ground, which includes joint working on ensuring that suggestions for improvement made by the workforce are responded to quickly and developed where appropriate. The AIM initiative also incorporates a recognition programme which seeks to give credit where it is due. Although Prospect chair the assessment panel, all key stakeholders, including major subcontractors, are represented on the panel and it is intended that the process will, in due course, cover all the major projects on the site. Recognition is seen as key to the sustainability of productivity improvements.

As the labour market expert David Coats argues, there are big gaps in the evidence when it comes to the link between many types of high-performance work practices and productivity. He writes: "No driving factor of productivity has seen a higher ratio of speculation to empirical research and while much of the evidence is promising it is often circumstantial".[83] As he explains, however, there are robust results over time that support the positive role played by worker participation (both individual and collective) in boosting productivity and performance,[84] as well as evidence to show an association between worker participation in decision-making and the level of incremental innovation in the workplace.

Efficiencies and improvements through working with employees

Bottom-up savings in retail

At one large European grocery chain, checkout staff raised the issue of the difficulty of scanning some barcodes located in awkward places on certain types of packaging. The retailer worked with the packaging firms concerned and the barcode locations were changed. The company calculated that the one second saved per transaction delivered the equivalent of three million Euros per day savings across the business.

Source: European Commission, Final report from the expert group on retail sector innovation, October 2013.

Employee feedback in catering

A report by Deloitte gives the example of a food retailer than operates coffee and food services around the world, which started to ask for anonymous employee feedback. It states: Through this feedback, the company found that the drive-through window was chronically understaffed, forcing teams to run back and forth between different types of customers, which reduced quality while adding stress and extra work. A store manager implemented a dedicated drive-through role, dramatically improving engagement and productivity; the rest of the company followed suit."

Source: Deloitte, Global Human Capital Trends 2016

The employee survey results suggest that meaningful engagement with staff enables senior managers and leaders to benefit from a proper understanding of what is really happening within their organisation and how practice differs from policy. A number of employees commented in the survey, for instance,

about the need for senior managers to spend time "on the shop floor", describing them as "distant" or "out of touch." One lay union representative from the nuclear sector commented that at his organisation, all too often, "bad news doesn't flow up". The executives "back to the floor" message may not be a new one, but visible leadership in touch with all levels of an organisation is recognised in much of the employee engagement literature as something that has a particularly important role to play in innovative organisations.[85]

"Introducing new technology can be a good thing but all too often it ends up significantly reducing productivity largely because the people procuring the technology do not engage with the people who will be using the technology before they buy it."

-Civil servant

Employee involvement and two-way communication is also shown to be critical as far as the successful design and use of new technology is concerned. This is an area where our survey also shows up an employee involvement deficit, with fewer than one in four employees (24%) agreeing with the statement: "My employer gives me a say on how technology impacts my work." As one survey respondent explains: "The new technology that has been introduced has made it more difficult for me to do my job efficiently. The job is the same, and I am competent with the new technology, but it just does not provide the right tools for the job." A two-way dialogue with employees when choosing, designing and implementing technological changes can both anticipate problems and increase the chances of successful implementation. According to Mark Beatson from the CIPD, we need: "systems built around the way people do their jobs, rather than systems where the employee has to fit in with a computer-determined process."[86]

Autonomy in large organisations

One theme of employee comments in our survey - particularly from workers in both retail stores and warehouses - is the feeling that they are "cogs in a machine", with highly limited room for movement or influence. Or in the words of a retail logistics employee: "At my company, I am just a number on a computer."

Closely linked to employee voice - and the ability of the employee to influence their work - is the concept of autonomy. Autonomy in how jobs are performed (and a say in how an organisation is run) is found to be the most important indicator of employee wellbeing at work [87] and is key to job satisfaction. Research by NIESR found a positive correlation between job satisfaction and workplace financial performance, labour productivity and the quality of output or services.[88] According to the Institute for Employment Studies, it is crucial for effective innovation, improvement and change management across organisations.[89] Yet the level of autonomy and task discretion in the UK is lower than in other countries. The OECD's 2013 Survey of Adult Skills ranked the UK seventeenth, for example, out of 22 countries for levels of task discretion.[90]

"Micromanagement is counter productive; people actually work better when they're given a task with guidance and left to it."

-Media and communications worker

In sectors such as retail, large employers have been able to use technology to monitor, measure and manage more than ever before, from algorithm-based productivity systems to the self-service HR management systems that increasing proportions of employers are now using - a process that some argue is only just beginning.[91] This has led some to the conclusion that we are in a new age of "digital Taylorism", with workplace practices, tasks and procedures codified and measured in a way that gives the employee ever-decreasing leeway to use their judgement or decide how to get a job done. Combined with the growth of sophisticated, high-tech workplace surveillance and tracking, these trends can serve to undermine employee autonomy and diminish the influence of both individual and collective employee voice,[92] while often leading to decreased job satisfaction and engagement too – for both staff and line managers.[93]

"Treat staff as individuals, not robots."

-Retail worker

Understanding and influencing organisational productivity inevitably involves a high degree of measuring, data collection and monitoring. Yet it is possible to do this in a way that not only treats employees as stakeholders, but makes the most of their expertise and understanding. One very practical example of how employee involvement and autonomy can maximise the impact of using data analytics is the way that some NHS Trusts, such as Epsom and St Helier University Hospitals,[94] are sharing ward-level data (such as Friends and Family Test results) with staff to analyse and make changes to patient care.

Some fascinating research by Nesta[95] suggests that the impact of data analytics is far greater at firms with higher levels of employee autonomy. It states: "Those firms in our sample that are more intensive in their online data use and grant their employees more autonomy enjoy a boost in their productivity four times larger than those firms which are similarly intensive in their online data use, but centralise decision-making."

In the retail and distribution sector, where interlinked productivity and performance metrics and systems are in widespread use, Usdaw is working with employers to trial ways of putting more control and flexibility into work organisation at store or site level.[96] According to Usdaw representatives, there are plenty of examples of where a lack of involvement and dialogue had led to poor wellbeing and high turnover. However, there are also examples of effective employee and trade union involvement in making sure that warehouse targets are realistic and employees well-supported.

It is not just frontline employees but managers and organisations who have much to gain from getting a better balance between the ability of people to have some control and influence at work and the requirements of large organisations to measure, manage and monitor.

Managers: "caught between two worlds"

The part played by management quality and capability in the UK's productivity gap is well documented. The work done by the LSE's John Van Reenen along with other academics[97]

showed a strong correlation between improving management practice and increases in productivity, suggesting that a one point increase in management performance was associated with the same increase in output as a 25% increase in the labour force or a 65% increase in invested capital. Some of the reasons identified for the UK's management underperformance include the fact that they are under-qualified, under-trained and their skills are not applied in a strategic way. One aspect of this picked up in a recent BIS review of the literature[98] – which comes across strongly in our survey comments – is the perception that management skills are "something you pick up on the job".

"Managers are the biggest problem. Don't know how to solve it but if you have a good manager then you work that wee bit harder."

-Retail employee

While it is not a surprise that many staff complain about their managers, there are some distinct themes, including:

- Specific issues with negative and bullying behaviour raised by some retail employees, who describe managers as "unfriendly", "aggressive", "bullying" "heavy handed". They want them to be "behind staff", "setting examples" and demonstrating "positive reinforcement". Instead of an "us and them" culture they want to see a "working together" culture.
- A message from employees in all sectors that frontline managers are overwhelmed with work and too hedged in by the requirements to meet specific targets and deliver metrics to devote enough time to getting the best from their teams: "Allow managers to manage their areas instead of a relentless drive to provide good statistics", says a telecoms worker. Another retail employee stated: "Managers are not allowed to manage at department level: at best they are managers caught between two worlds."
- Some comment on particular problems that face newly promoted managers who are plunged into management responsibility without the support or training for the role. As one theatre employee commented: "Management needs to be trained properly. Promoting excellent workers to managers and then not giving them any training can cause and has caused serious demotivation of workers and therefore productivity drops."
- Fair and effective performance management comes up repeatedly - most of all from retail employees and civil servants but also in the energy, defence and manufacturing sectors. The key message is that poor performance management processes are hugely demotivating and disengaging for staff and do nothing to promote staff development.

"My employer talks about wanting to be more productive but then has policies - such as performance management - that take up a huge amount of time, create a climate of fear and generally destroy productivity!"

-Media and communications worker

Line managers are the key lynchpin in most of the factors that characterise both "good work" and productive workplaces - their skills and behaviour do more than anything else to influence both the work environment for employees and the value generated from their efforts. Yet the "always on" culture has increased the problems of long hours, stress and other health problems facing frontline managers, hitting their own productivity as well as their ability to manage staff effectively. Research by the CMI points to a positive link between more open, empowering management styles and higher job satisfaction and personal productivity than hierarchical, "command and control"-type people management.[99] Old-fashioned management styles are ill-suited to the demands of managing modern organisations, which require collaboration across functions, geographies and internal and external teams.[100] Both line managers and frontline employees have much to gain from promoting an approach to productivity than puts a much greater value on their ideas, input and time.

"Improve the quality of people managers and take action when there are poor people managers."

-Energy sector employee

Work-life balance and wellbeing

Better work-life balance came a close third in the survey when employees were asked what would make the biggest difference in improving the value of the products or services their organisation provides. However comments from the survey - and discussions with lay trade union representatives - illustrate how important the sector context is to the interplay between work-life balance and performance and productivity at work. In the media and communications sector, for example, long working hours are the main concern, which, as one survey respondent points out - must surely be addressed if productivity per working hour is to increase.

In retail, however, where part-time and flexible working is the norm, scheduling of staff hours for maximum efficiency, with high expectations of staff availability and frequent lack of notice for - often very short - shifts, means that control over time is the biggest issue. While flexible working in retail has enabled older people, those with children and young workers to enter the labour market, many of the benefits of flexibility can be on the employer's side rather than the employee's, with negative consequences for staff morale and wellbeing.

Usdaw is working with employers and employees to find ways to address this need to balance the employer's requirement for efficient scheduling with the employee's need to balance work with life. It gives the example of one retailer which is trialling a system of scheduling based on the entire store, rather than being done in each department, with staff trained to be multi-skilled within 'job families' of similar roles, moved around departments to suit the business needs. This gives employees greater predictability in working hours while enabling the store to benefit from greater role flexibility. Usdaw notes, however, that at some firms one barrier to this approach may be the performance-related pay systems that are frequently used to reward managers for achieving departmental, not store-wide, targets.

"Let us work 32 hours meaning four nights a week instead of [the company] just saying its 24 hours a week or 39, it's not on! We have no life, they don't even let us have a weekend off a month, unless you book a whole week off as leave which means just four weekends a year."

-Retail employee

On a wider level, a better supply of good quality flexible jobs is crucial to maximise the productive potential of the workforce,[101] particularly in utilising the skills of over-qualified women working in low-paid, part-time jobs. As a submission from the Recruitment and Employment Confederation to this project comments: "Promoting inclusive workplace practices enables businesses to maximise the talent of the entire workforce, including women and older workers, and boosts productivity."[102] Meanwhile the rigidities represented by occupational segregation and insufficient, high quality childcare have also been shown to reduce the UK's productive capacity.[103]

Getting a fair share

Employees in most sectors did not rate "higher pay" as at the top of the list of factors that could contribute to higher productivity, but those in retail, the lowest-paid sector covered by the survey, did rank it highly (only marginally lower than listening to employees – see chart on p.29). Many comments voiced the link between reward and higher productivity, while other findings gave a clear message that employees think that higher productivity should be rewarded with higher pay.

"If you pay peanuts...."

-Civil servant

Both levels of pay and a sense of fairness about how pay is decided are at the heart of the explicit employment "deal" between employee and employer. When employees feel that their pay is unfair, the negative impact on both their motivation and job satisfaction can be severe. In the retail sector, this unfairness is perceived to be in the generally low rates of pay in the sector: as one employee remarks: "Being on a subsistence wage is not the best way to encourage greater output". Several survey respondents from the civil service commented that they feel demotivated by the low value placed on them by frozen pay rates that have slumped far below market comparators for similar roles. Civil servants also point out the extent to which falling real pay has led to skills shortages for key roles, notably in the kind of functions - such as data analysts or ICT specialists – that could help their organisations increase efficiency and productivity.[104]

"My company gives all employees stock options, which gives us a stake in the company and encourages good work."

-Communications sector employee

Dissatisfaction with pay is nothing new. Moreover, most studies point to the fact that pay is more often a hygiene factor - underlying engagement rather than driving it - than a core motivator. Yet perhaps financial reward has a particular role in a context where employees perceive that they are being asked to work harder and more intensely. On top of this, the context of the dramatic slump in the value of earnings since the downturn and the decoupling of average earnings and productivity mean that it is hardly surprising that employees feel that working to deliver productivity gains should be rewarded with fairer but also higher pay. Pay may not be a core motivator for most employees, but a strong sense of unfairness over pay can be a powerful demotivator.

"Pay staff a real living wage. Happy staff work better."

-Retail employee

There are also some interesting, and conflicting messages about relating pay to performance that emerge from the survey. While "payment by results or performance" was given the lowest score in terms of its impact on productivity in the survey, 26% of respondents nonetheless gave it their highest rating (note that the survey did not ask employees specifically about *individual* performance-related pay). Comments appeared to be roughly split between those who wanted to see higher performance recognised through pay (particularly amongst retail employees), and those who argued that paying for performance was both ineffective and divisive.

Instead of streamlining and enabling, most change is of the "another form to fill in" kind or revising procedures to include more (time consuming) steps."

-Civil servant

Tackling bureaucracy unproductive work

While too much "red tape" may be a common complaint of businesses, the survey suggests that it is also a huge bugbear for the workforce (particularly in the public sector), albeit often in different ways. One consequence of the new ways of measuring and monitoring work and people discussed above, often combined with reductions in support or administrative staff, is the addition of much more "process"-type administration work to the employee workload, particularly those in professional or specialist roles. And while some employers may be introducing HR self-service systems with employee engagement in mind, their workforce often experience this as simply an increase in forms to fill in, whether online or not.

In the employee survey, civil servants feel most strongly that this is a major barrier to organisational productivity, particularly when experienced together with hierarchical management approaches and out-of-date technology. In the very different context of education, teachers spend a lot of their time performing what they consider to be unproductive tasks such as recording, reporting, and inspection-orientated work – referred to as "busy work" by Mary Bousted, General Secretary of the Association of Teachers and Lecturers (effectively adding to workload without adding value for pupils).[105]

This chimes with the findings of a 2014 CIPD survey that asked employees about the barriers to working more productively. It found that in regard to the main barriers to doing the job properly "unnecessary rules and procedures" were matched only by "not having the resources to do my job" (28%). The pressures of bureaucracy, self-service HR and performance systems, 24/7 technology and endless emails have made the "overwhelmed employee"[106] a phenomenon

that employers are increasingly being called on to deal with - although few seem to have been successful in doing so.

While there is a fine line between useful and necessary processes, audits and evaluations and box-ticking bureaucracy,[107] this area is surely another example of where both employees and employers have a shared interest in tackling barriers to productive work and removing barriers to effectiveness. In schools or other areas of the public services this of course can depend on government policy. But in both the private and public sectors there are now plenty of examples of organisations that work with their employees to design processes that add value rather than create additional work.

For example, at employee-owned manufacturing firm Gripple, the approach is to keep systems to a minimum but "provide the rules needed to allow solution-led innovation", (shown below). In the public sector, there are some good examples of local councils, such as Wigan, that are taking an employee engagement approach to public service reform which includes ensuring that staff feel that they are empowered to challenge the rules where they are standing in the way of helping a client in the best way.[108]

Excerpts from Gripple's quality policy[109]

People

- Provide them the tools (training, coaching and equipment) required to do the relevant tasks with the minimum of fuss
- Empower and encourage Gripple people to question the current methods and identify better ways of doing things and make controlled changes with ease
- Keep people informed of our goals and how collectively we can achieve them
- Do everything to the best of our ability with pride

Systems

- Keep to a minimum; provide the rules needed to allow solution led innovation
- Learn from previous mistakes and introduce effective measure to prevent reoccurrence
- Use the quality system and the associated measures to monitor progress and identify areas for improvement
- Use the system to continually identify and improve all areas of the business
- Build checks within the processes to ensure we can only ever make good products

Training and using skills

Asked what types of training would most benefit their organisation, it is interesting that more staff in the employee survey selected "better management training" than any other type, closely followed by personalised skills training. There were many comments about people management training for managers, not just those in frontline manager roles but further up the senior management chain too.

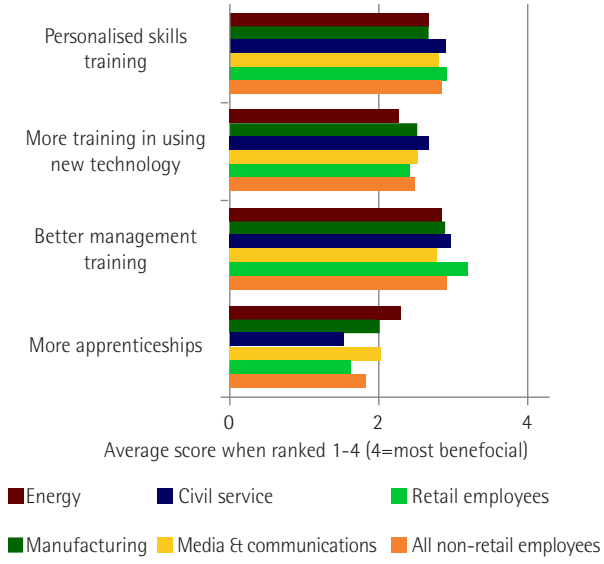
Employees did not feel that more apprenticeships were the top priority, although they were more popular in sectors such as energy, where apprenticeships have a higher reputation for quality than they currently do in lower-paid sectors such as retail. Some employees noted that while quality training is important, its impact rests on the broader working environment - not just the way jobs are structured but the conditions at work. One worker in the media and communications sector comments: "The right technology with robust training will improve productivity. Without consistency in shift patterns, and a reduction in the stress at work, it is a waste of time."

"I would like to see better training and support for staff. Training alone is not effective if staff are unable to embrace what they have learnt and put it into practice. I often see employees undertake mandatory online training. Often the onus is on completion and signing off the relevant paperwork".

-Hospitality sector employee

This emphasis on the working climate and effective management of working patterns chimes with the views of most labour market experts (i.e. that it is in the utilisation of skills where there is the greatest work to be done). While the UK has a good supply of high-skill employees, one in three employers reports having at least one employee with underutilised skills.[110] As UKCES says: "The challenge is whether enough UK managers can adapt and absorb those skills to drive productivity."[111]

Which types of training and development do you think would most benefit your organisation?



There is perhaps more consensus around the need to place a priority on employee skills – and how they are put to work - than any other core driver of workplace productivity.[112] Trade unions have traditionally had a hugely important role here, in both providing sector-specific and lifelong learning themselves and in holding up the provision of training in workplaces where they have members. According to Mark Stuart and others from Leeds University Business School, once other factors (such as occupation and sector) are stripped out, union members are a third more likely to receive regular training at work than non-unionised employees, with non-members also benefitting from a union "mark-up" effect.[113] Moreover there is a wealth of evidence on the role that union learning representatives can play in promoting learning and training from the bottom up in organisations.

But in practice, there has been a dramatic erosion in the incidence of workplace training that predates the recession. A CIPD report cites figures showing that the incidence of training across the workforce in 2010 was back to levels last seen in 1993, having peaked in 2000. Recent government figures show that training spend per employee has fallen by 17% since 2011. As Ewart Keep, from the Centre on Skills, Knowledge and Organisational Performance, Oxford University, comments: "Unfortunately, there is now good and reasonably hard data that suggests that across the board employer investment in skills reached its apogee a long while before the recession struck, and is currently set on a gradual, long-term downward trend."[114]

In considering how this situation can be addressed, Keep notes the lack of social partnership relationships and infrastructure below the national social partnership body UKCES (itself scheduled for closure), which in other countries tend to play a key role in driving the successful delivery of training and its governance in balancing stakeholder interests.

Quality, sustainability and long-term objectives

A strong message from the employee survey is that all too often quality improvements come a poor second to short-term cost savings. The vast majority of respondents back an approach to productivity that is about driving higher value services and products through an approach that invests in both capital and labour (and over the long term). As one employee in the communications sector observes:

"The most important change [in order to promote productivity] is to eradicate an all too prevalent mindset (and culture) fixated on short-term cost-cutting at the expense of everything else and evaluate the benefits of investing in technology and training for long-term improvements. This has recently started to happen in my organisation, but needs to be more widespread. There is a considerable failure from the very top of government in the UK to promote this."

This comment is one of many that criticises the extent to which business strategies are driven by short-term financial indicators more than longer-term business value. Much has been written about the structural barriers to a more sustainable approach, such as corporate governance arrangements and a financial system that encourage short-termism.[115] While the Bank of England's Chief Economist Andy Haldane asks whether corporate governance structures need to be fundamentally revisited if sustainable growth is to be achieved,[116] other analysis points to the role played by senior executive incentive pay in motivating short-termism and discouraging long-term investment.[117] Another area of work looks at the ownership structures of firms, with many studies pointing to the high productivity of employee-owned companies and their propensity to put investment and sustainability higher up the agenda.[118]

"Productivity is about the things no one is currently placing a value on - namely quality and commitment. Businesses and organisations that don't recognise this will be unsustainable in the longer term."
-Civil servant

One interesting example of the need for a longer-term approach to value - and the current barriers to it - is the nuclear sector, where both government policy and corporate concerns appear to be the main challenges to a sustainable approach, according to workplace representatives (see below).

Case study: influences on productivity in the nuclear industry: views from trade union representatives

Prospect has around 12,000 members across the 19 licenced nuclear sites in the UK and associated civil nuclear liabilities, such as waste management facilities. With new nuclear build planned but an ageing workforce, the future workforce challenges in the nuclear sector are immense. Below is a summary of the main points raised at a meeting the Smith Institute attended with a group of Prospect representatives from across the sector.

Long-term planning and strong leadership is crucial

The nuclear sector provides a unique illustration of how necessary strong leadership and long-term decision making at the top is to productivity in the workplace. At a meeting of Prospect representatives many spoke of efforts to increase productivity at workplace level being hampered and sometimes wasted by changes to decommissioning timetables and uncertainty over the long-term vision for the sector, as well as "revolving-door" management. It was felt that this not only had knock-on effects in terms of time, effort and resources being spent in the right way, but also had a negative effect on workforce morale.

One nuclear worker commented: "The main block to increased productivity is the lack of stability in forward funding. This means work is stopped & started based on how much money we have rather than how far we have got with the job. The result is a lot of time & money is wasted having to repeat work or repair items that were scheduled for demolition, resurveying items because the routes for disposal have changed, etc. Add in no coherent plan for waste means we shunt waste from place to place, continuously sorting and repacking it, only to find no money or route to finally dispose of it."

The short-term nature of contract demands

A second point on business strategy was around contract specifications and the way in which they determine what is done and how it is measured. A Prospect representative said: "The emphasis is on fulfilling the contract specifications, not on doing the work the best or doing it most effectively." While this is a particular feature of the sector, it has resonance in other sectors where employees find that fulfilling contract specifications and the accompanying monitoring and systems do not always serve to promote longer-term, sustainable productivity, but are too orientated around short-term goals and influenced by the manager remuneration that supports these.

Take a long-term, strategic approach to skills working with employees and trade unions

While there is a specific national skills strategy for the civil nuclear sector, the trade union representatives felt that more could be done to really focus on the skills pipeline into the sector. They spoke about the work that the union was doing to encourage young people into the sector. Representatives also pointed to the need to fully utilise the skills of the existing workforce rather than engage consultants at a higher cost to solve a particular problem before asking them first, which demotivates and disengages employees.

Yet an approach to productivity that focuses on cutting input costs more than investing for the longer term is criticised by public sector workers too. The scale and impact of public spending cuts since 2010 means that across the public sector, organisations are focusing their efforts on reducing input costs by reducing headcount, freezing paybill and spending less on equipment or resources. This approach was condemned by the public service unions as counterproductive. Others commentators share this view.[119]

According to the House of Commons Health Select Committee:

"Although it is certainly true that public sector pay restraint has the short-term effect of reducing the cost of service provision to the NHS, the Committee does not accept that it can be regarded as a sustainable form of efficiency gain. Sustainable efficiency gain involves securing improved quality or value for a given expenditure - it is not delivered by simply suppressing staff salaries." [120]

Cutting pay and increasing work intensity in the short term is already leading to recruitment and retention problems in the public services that damage their ability to recruit and retain key staff.[121] Meanwhile while many local councils and NHS Trusts are working hard to find ways to drive efficiency and productivity through smarter working rather than cost cutting (see the examples published by local government executive network Solace)[122] this is made hugely more challenging without funds for the "invest – to-save" type approach that decades of private sector experience shows is necessary for transformation and innovation. Both public sector leaders and their employees may have a shared agenda here in getting the resources they need to innovate and invest for efficiency and productivity in the long term.

"Long-term security seeming to be sacrificed in favour of more measurable short term targets. For example, taking measures which reduce costs and increase profit for a month or so, but set off a chain reaction of criticisms among our customers that result in a long tail of lost business. This comes both from sullying the ethical reputation of our business, as well as more practical choices like cutting staffing, resulting in less product availability on the shop floor, and so gaining a reputation for having empty shelves."

-Retail employee

The "high road" to productivity

It is unsurprising that employees, when asked, raise such issues of quality and long-term investment as this is what will increase job fulfilment and satisfaction for them. Moreover many of the employees responding to the survey will be working for firms or organisations that would be considered to be at the high value end of the UK economy. Yet these comments echo the broad consensus among most employers, employees and trade unions that higher productivity needs to be achieved through driving up both quality and efficiency, rather than pursue a "race to the bottom" strategy of low pay, low skills and cheap products that UKCES describes as a "low skill equilibrium".[123] However, in reality, research shows that alongside the polarisation of the labour market between high- and low-skilled jobs, there is also a long tail of firms who are very much competing on low price rather than quality, and their productivity is commensurately lower.[124] Of course a fundamental barrier to changing this is the customer and market demand needed for "high value product market strategies" to succeed.[125]

What a high-value, sustainable approach to productivity actually means in practice depends hugely on the context of the organisation and sector, but it is a theme that emerges in comments from employees in every sector covered by our survey. From the employee perspective, it involves valuing and investing in staff, their training and progression to deliver products or services they are proud to be a part of producing or providing.

"Productivity measures need to be meaningful to the people being assessed. They should be developed collaboratively, and should include impacts as well as outputs. Measures should encourage smarter working, not harder working."

-Heritage worker

For retail employees, for example, it may incorporate both decent pay, conditions and opportunities, but also the recognition by their company that taking a bit longer to serve a customer with mobility or learning difficulties may mean that this customer will return to their store. As ex-HR chief of Morrisons, Norman Pickavance, noted at the launch of the Fabian Society's taskforce on retail productivity,[126] the example of the employee-owned firm Publix in the US illustrates how a responsive model based on customer satisfaction can deliver productivity in a very different way to the growingly prevalent model of shorter and shorter employee hours "perfectly matching customer footfall." It means paying attention to employee wellbeing – in a fast-paced warehouse environment for example, in a way that avoids the tipping point[127] where productivity in volume terms impacts on both quality and employee's health.

What is clear from the survey and the from the existing evidence base is that increasing productivity in a sustainable way requires employers to increase the extent to which they are both listening to employees and building in participation and information-sharing at every level of decision-making. Effectively using employee skills, being able to innovate at all levels and challenging processes and practices that do not promote growth or productivity, rest on a sense of joint effort and shared enterprise. As one survey respondent notes, productivity is a "system property" which rests on the relationships between people and the resources they use to get work done. Many factors beyond organisation's control shape the perimeters of how organisations grow and develop. But within organisations, an approach that is based on the joint efforts of both employer and employee is surely the only one that can benefit from the talents and contributions of both.

This report is intended to prompt a debate about the role of employees and their representatives in meeting the UK's productivity challenge, not to offer any prescriptive solutions. By looking at productivity from the employee perspective, it has aimed to find out more about employee views and experience of productivity in the workplace that it is hoped will be of interest to both employers and trade unions in considering what is needed to improve the UK's future productivity performance.

There are some concerning findings: not least that so many employees report that current approaches to productivity feel like they are intensifying work but not putting enough priority on delivering quality and value over the long term. While we know that across the UK many organisations are innovating in the way that they organise work and deliver services, the employees in our survey report that productivity is more often one of cutting input costs and asking employees to do more for either the same or less. Employees are clear that they want greater reward in return for delivering higher productivity, but in reality expect the current approach to productivity to result in harder work and job cuts.

Yet employees are full of ideas about ways to improve productivity at their organisation. Many of the messages are neither new nor revolutionary but concern much greater worker involvement and better communication, improving people management skills, valuing and motivating employees through investment in their training, recognition and reward and breaking down unhelpful or bureaucratic processes or hierarchies. The survey also brings home the need to come up with more meaningful ways to evaluate and measure productivity that - particularly in the services sectors - put much greater emphasis on quality and longer-term value and revolve less around short-term profit or budget-cutting priorities. Moreover it suggests that workers are both realistic and enthusiastic about the potential for technology in the workplace to enable higher productivity. These are all issues where there is the potential for a much greater level of dialogue - at both organisation and national level - between employees, their representatives and employers - a dialogue that our survey suggests employees are both prepared for and would welcome.

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Evidence and contributions

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Meetings held with trade union representatives
Bectu, 21 October and 24 November 2015

Prospect, 16 December 2015 and 20 January 2016

Usdaw, 8 March 2016

Unions21 Steering Group, 13 October and 15 December 2015, 3 March and 11 April 2016

Presentation to Unions21 Conference 30 March 2016

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Prof Stephen Wood, Professor of Management, University of Leicester

Professor Duncan Gallie, Emeritus Fellow of Nuffield College and Professor of Sociology, University of Oxford, and Dr Ying Zhou, Lecturer in Human Resource Management, University of Surrey.

Recruitment and Employment Confederation

Unite the Union

Usdaw

Prospect