

*New Forms of Work Organisation, the benefits and impact on performance, Employment and Social Affairs. European Commission.*

*Summary by Sue Milsome*

*Europe cannot succeed in improving its living standards, employment opportunities and quality of working life while many of its organisations retain outmoded work practices reminiscent of the industrial revolution, according to a paper presented to DG Employment and Social Affairs by the European Work Organisation Network (EWON)\*.*

The European Commission's 1997 Green Paper – 'partnership for a new organisation of work' spelt out a key priority for a more competitive Europe, namely, 'improving employment and competitiveness through a better organisation of work at the workplace, based on high skills, high trust and high quality'. Such an approach is likely to improve the performance of companies while providing employees with greater job security and enhanced job satisfaction through employee involvement in decision making. And partnership approaches to new forms of work organisation can result in substantial investment in skills development, leading to organisational flexibility as upskilled workers adopt and apply new technologies.

Although new forms of work organisation are emerging as a key element in developing the innovative and productive capacity of traditional organisations, it seems that these new methods are only being adopted slowly. The 2000 EPOC study, for example, which focussed on direct employee participation across ten European countries, found that a considerable gap exists between rhetoric and reality. 'The rhetoric suggests that new forms of work organisation are widespread and inevitable. The reality is that some of even the most basic practices associated with these forms are absent in the majority of EU workplaces'

Similarly, while the 1998 WERS survey found that 65% of UK workplaces reported that they used teams, only 5% said that team members work together, have responsibility for specific products and jointly decide how work is done. A 2000 DG Employment and Social Affairs report agreed that European companies have made only limited progress in adopting new forms of work organisation.

Many European organisations still employ low skilled workers in narrow occupational bands and use standardised production processes unresponsive to customer demand. Such organisations are likely to be prisoners of a turbulent past characterised by adversarial

industrial relations and well organised resistance to change from the boardroom to the shopfloor. Considerable scope exists in these companies to develop new forms of work organisation in co-operation with the workforce. Failure to do this represents a significant threat to productivity, competitiveness and job and wealth creation in Europe, and may seriously undermine efforts to achieve higher non-inflationary growth rates, says the European Work Organisation Network.

**Benefits**

There are methodological problems in comparing the incidence and success of new forms of work organisation across Europe, not least because definitions of high performance work systems vary widely. Studies tend to focus on different measures, which can include productivity, cost competitiveness, labour relations, joint problem solving, waste management, quality, the rate of capacity for innovation, market-place performance and customer satisfaction. In addition, many variables are present when seeking to measure and compare the impact of new working practices between organisations.

Despite these limitations, the table identifies a number of studies that demonstrate clearly the benefits of new forms of work organisation on business outcomes.

**OECD says work needs to be reorganised**

'Organisational change, understood as the implementation of new work practices such as teamwork, flatter management structures and job rotation, tends to be associated with higher productivity growth. Interestingly, productivity gains of firms that combine new technology with organisational change are considerable, whereas there does not appear to be much economic benefit in implementing new technology alone. In other words, work needs to be reorganised to use information and communications technology effectively.'

Source: 'Knowledge, work organisation and economic growth, OECD, 2001.

## WORK ORGANISATION

### Benefits of new forms of work organization

Findings of study	Study participants	Where located	Date of study
<b>Impact on productivity in Europe</b>			
Companies which made extensive use of new forms of work organisation such as teamwork, continuous improvement, kanban and just-in-time production systems had 8-30% higher labour productivity than those which did not. Benefits were greatest where new practices were integrated into new work systems.	1,300 manufacturing companies	Germany	1999
Companies using the high-tech sociotechnical production model produced the best performance.	3,600 companies	Netherlands	1999
Changes in work organisation had a positive effect on productivity at plant level, with the strongest effect where there was a high incidence of skilled labour.	Panel of English and French workplaces	France/UK	1999
Over 65% of surveyed managers believed that the use of advanced forms of group delegation (such as self-directed teams) reduced throughput time.	5,800 managers	10 European countries	1998
Managers reported the use of 16 new working practices and employee involvement schemes which led to rising levels of productivity.	1,926 managers	UK	1998
Organisations which made extensive use of continuous learning and task delegation achieved levels of labour productivity that were 29-60% higher than those found in other establishments.	700 private-sector companies	Sweden	1996
<b>Impact on productivity outside Europe</b>			
There was a positive correlation between new practices (regular meetings, re-engineering and profit sharing schemes) and labour productivity.	Nationally representative sample of establishments	USA	2000
New work practices were positively correlated with the performance of firms only when they were combined with heavy investments in either human capital or information technology.	Companies	USA	1999
Greater employee voice in decision-making had a greater impact on productivity than TQM per se. Labour productivity in unionised firms which adopted new work practices and used computers was 20% higher than in base-line companies (non-unionised firms which had few new practices and did not use computers intensively). Labour productivity was 15% lower in unionised workplaces without employee involvement schemes than in baseline companies.	Nationally representative sample of businesses	USA	1997
Workplaces which introduced workplace 'reforms', such as semi-autonomous workgroups, team building, appraisal, TQM and just-in-time production experienced an increase in labour productivity.	1,658 workplaces, plus a matched sample of 588.	Australia	2000
<b>Impact on market-place performance</b>			
Some 81% of companies that had invested in new technology and introduced new forms of work organisation believed that they were better able to respond to specific customer demands as a result.	515 manufacturing companies	Denmark	1996
Workplaces that made the greatest use of new work practices designed to build employee capabilities and motivation enjoyed the highest rate of increase in sales turnover.	968 workplaces	USA	1995
<b>Impact on innovation</b>			
Companies using simultaneous engineering, together with inter-departmental development teams, co-operation with suppliers and continuous improvement were more than twice as likely to introduce innovative products as companies using none of these practices.	1,300 manufacturing companies	Germany	1999
37% of 'flexible' workplaces had introduced innovative products over a three-year period, compared with just 3% of traditional workplaces.	2,100 companies	Finland	1996
Companies using new forms of work organisation were more likely to innovate and to be more effective users of R & D than companies using traditional organisational methods.	7,000 manufacturing companies	France	1996
Japanese motor manufacturers using multi-functional teams, design for manufacturing, simultaneous development and co-operation with suppliers needed 40% less manpower per volume car and 20% less time to produce a new model than European and US manufacturers.	Motor manufacturers	USA, Europe and Japan	1990

Source: 'New forms of work organisation – the benefits and impact on performance', 2001.

### Attracting inward investors

The introduction of new forms of work organisation can also help attract inward investors to Europe, and allow family friendly policies to be introduced without disrupting the delivery of products and services.

Europe's member states have much to gain economically and socially from attracting a greater share of the inward investment market. These investors favour locations which offer well educated technically skilled workers, flexible and innovative systems of work organisation and business friendly commercial environments. The adoption of new forms of work organisation is likely to enhance Europe's ability to increase its share of global investment, since technology based investment complements fits the high skills, high quality, high trust and high reward EC model.

New forms of work organisation are also more compatible with the family-friendly working arrangements demanded by much of the workforce today than the rigid working practices of previous decades.

### Coping with the new economy

Economic growth can inadvertently make both the traditional and the new economy workplace an increasingly stressful and frenetic environment. Greater output, better products and faster throughput are all required by increased competition. The result is that people are generally working harder and more flexibly, so there is an urgent need to upgrade skills in order to enable workers and managers adequately to cope with the demands of information and technologies and the new work environment.

Successful organisations attract, retain and mobilise employees and their collective skills by integrating technologically efficient production/delivery processes using customer-centred information and communications technologies and employee and customer-centred forms of work organisation. A 2001 OECD report has found that positive predictions about the new economy are unlikely to materialise unless the appropriate policy environment is in place, notably as regards employment and human capital development policies.

More specifically, the installation of advanced technology can fail to deliver the anticipated productivity growth in the absence of new forms of work organisation. Research carried out in Denmark suggests that traditional working practices can be ill-suited to exploit the potential of new, more complex equipment. A study of 515 Danish companies, carried out in 1996, found that companies that invested in both new technologies and new forms of work organisation achieved an annual growth in labour productivity of over 2.7%

in the period 1990-93. Labour productivity in those organisations investing in neither grew at just 0.5% per year, while in those investing only in physical equipment it grew by 1.5% per year in the same period.

### Effect on industrial relations

The introduction of new forms of work organisation is leading to the development of radically different working relationships, with the traditional adversarial model evolving into partnership between trade unions and management, and between the organisation and its customers and suppliers. In Ireland, the New Work Organisation programme resulted in management and unions working together, using joint problem solving, team working and skills and technology training, to achieve business success by focussing on key performance indicators.

\* 'New forms of work organisation – the benefits and impact on performance', thematic paper presented to DG Employment and Social Affairs by the European Work Organisation, April 2001, available – fully referenced - from [www.ukwon.net](http://www.ukwon.net).

