MEGATRENDS

The trends shaping work and working lives

Are UK organisations getting better at managing their people?

WORK WORKFORCE WORKPLACE

Championing better work and working lives

The CIPD's purpose is to **champion better work and working lives** by improving practices in people and organisation development, for the benefit of individuals, businesses, economies and society. Our research work plays a critical role – providing the content and credibility for us to drive practice, raise standards and offer advice, guidance and practical support to the profession. Our research also informs our advocacy and engagement with policy-makers and other opinion-formers on behalf of the profession we represent.

To increase our impact, in service of our purpose, we're focusing our research agenda on three core themes: the future of **work**, the diverse and changing nature of the **workforce**, and the culture and organisation of the **workplace**.

WORK

Our focus on work includes what work is and where, when and how work takes place, as well as trends and changes in skills and job needs, changing career patterns, global mobility, technological developments and new ways of working.

WORKFORCE

Our focus on the workforce includes demographics, generational shifts, attitudes and expectations, the changing skills base and trends in learning and education.

WORKPLACE

Our focus on the workplace includes how organisations are evolving and adapting, understanding of culture, trust and engagement, and how people are best organised, developed, managed, motivated and rewarded to perform at their best.

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The CIPD is the professional body for HR and people development. We have over 130,000 members internationally – working in HR, learning and development, people management and consulting across private businesses and organisations in the public and voluntary sectors. We are an independent and not-for-profit organisation, guided in our work by the evidence and the front-line experience of our members.

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Megatrends

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Foreword

In 2003, the UK Department of Trade and Industry and the Economic and Social Research Council commissioned a review of the UK's competitiveness, with a particular emphasis on quality of management, from Michael Porter and Christian Ketels of Harvard University. They produced an excellent report, making it very clear that the actions of managers cannot be divorced from the context in which they operate, and that many UK firms were unable or unwilling to raise their game because of a lack of ambition, capability or resources. They also made it clear that there were no simple solutions and this is probably why the report has largely gathered dust.

Nevertheless, the issues identified in that report are more salient today than ever. UK hourly labour productivity is still below its 2008 level. Some of the forces driving productivity improvement during the 1980s, 1990s and the early part of the last decade appear to have run out of steam. With this in mind, the latest report in our *Megatrends* series takes an in-depth look at the quality of people management in UK organisations and whether this has improved since Porter and Ketels published their report.

The results are mixed. There are some positive signs. More employees appear to display high levels of commitment to their employer and job satisfaction has held up remarkably well given the severity of the recession. High-performance working practices are spreading – if still not the norm – and the employee engagement agenda resonates with employers and employees. But there has been little change in perceptions of the quality of management. Internationally comparable data suggest that UK manufacturing firms lag behind their counterparts in the USA, Germany and Japan in adoption of structured management practices. However, applying similar techniques to schools and hospitals shows the UK in a much better light. We are keeping up with our competitors but we may not be making up ground.

This is because many of the factors that Porter and Ketels identified as holding UK firms back still apply today. New data show that almost three-quarters of private sector organisations say their product and service strategy is aimed towards premium rather than basic quality and less than one in ten say their competitive strategy is based on low cost. But although firms say they are pursuing quality and innovation-based strategies, not all possess the vision, leadership or skills to make this a reality. Managers in the UK are less likely to be graduates than elsewhere and only a minority appear to possess relevant qualifications. Porter and Ketels did not mention trust, but it is clear now that many organisations need to address a trust deficit.

Policy measures to support management capability have been small scale and generally focused on individual firms and, whatever their individual successes, have been insufficient to achieve the shift in competitive positioning that Porter and Ketels called for. Earlier this year we published a report, Industrial Strategy and the Future of Skills Policy: The high road to sustainable growth, which called for greater integration of skills policy and industry policy using a wider range of policy levers to help transform the environment in which our businesses operate. Raising productivity will be a pressing problem for the next government and we will be leading calls for fresh and deep thinking on how to tackle the problem.

Finally, improving the management of people is a core issue for the HR profession. We are part of the solution but that means acknowledging that we have been part of the problem. Have our people management practices and policies always been connected sufficiently to business strategies? Have we stepped back enough and asked what behaviour and capabilities our organisations need from managers? Or have we concentrated too much on systems and procedures and on training/telling line managers what they should be doing? I have no doubt that our work is vital in equipping organisations with the expertise to manage people effectively but we need to foster a more challenging, confident spirit in the profession, grounded in the latest research and leading-edge practice.

Chief Executive, CIPD

Summary of key findings

There is no definitive estimate of the number of managers in the UK. Estimates of the proportion of employees responsible for the supervision of people (or with other management duties) range from about 30% to 45%. There is no evidence, though, of any upwards or downwards trend in these numbers.

According to CIPD survey data, about half of people who consider themselves managers are front-line managers (junior managers or supervisors), about a quarter are middle managers and the remaining quarter are senior managers or top-level managers.

Managers (especially in the more senior positions) are more likely to be men and working full-time.

Just under half a million people (474,000 in April–June 2014) are employed in HR and development occupations. During the 1990s and the period up to 2004, the proportion of workplaces with a dedicated HR specialist increased. The position has stabilised in the last ten years, with employment in HR and development occupations around 1.5% of all employment. Over 60% of those employed in these occupations are women.

The proportion of workplaces contracting out parts of the people management function, such as payroll and training, continues to increase. The trend towards more formalisation of people management means that an increasing proportion of workplaces have formal policies or strategies on matters such as dismissals or grievances, staffing plans and diversity. A more pronounced development is that the proportion of the workforce represented by recognised trade unions and/or where there is collective bargaining continued to fall during the 2000s. The majority of organisations – and their managers – no longer have any employee representative structure to negotiate or engage with.

The relationship between employee and line manager is critical to well-being at work. Fortunately, most employees are satisfied with this relationship. According to the Skills and Employment Surveys, about 80% of employees are completely or fairly satisfied. The CIPD *Employee Outlook* finds about 65% of employees saying they are satisfied or very satisfied. These proportions have remained pretty stable during the past 20 years.

Employees tend to have positive views of their manager's personal qualities and integrity (such as openness, honesty). However, there are areas of (relative) weakness: giving feedback, coaching and addressing development needs.

We have also seen the spread of what we term high-performance working (HPW) practices (although a number of other labels could be applied). Originating from North American thinking on human resource management, such practices aim to improve skills utilisation and encourage employees to put more discretionary effort into their work. A wide range of practices can be placed under this heading, including multi-skilling, teamworking, formal selection and induction programmes, incentive pay, formal appraisal systems and information and communication mechanisms. The use of many of these individual practices had been increasing during the 1980s and 1990s and continued in some cases into the 2000s. According to the UK Commission for Employment and Skills, by 2007, 30% of establishments used a sufficiently wide range of practices for them to be described as HPW organisations – these establishments were predominantly large and in the public sector. However, there are indications that the spread of HPW practices decreased between 2007 and 2011 before increasing again in the two years to 2013.

Trend data on the proportion of employees receiving job-related training has changed little since 2006. Data from employers suggests their investment in workforce training was constant or increasing in real terms in the period from 2005 until 2009. Since then there has been some retrenchment, although in some cases this is because employers have been looking for more cost-effective training options (such as distance learning or bringing training in-house) rather than choosing not to train.

The British Social Attitudes survey contains two questions on management at the workplace – how well the workplace is managed and on the quality of management–employee relations – that have been featured in the survey for over 30 years. Employees are generally positive: in 2010, 82% of employees thought their workplace was very well managed or quite well managed and an identical percentage thought management–employee relations were very good or quite good. These proportions are strikingly similar to the 1983 figures, when these data were first collected.

Comparison of the results from the 2004 and 2011 Workplace Employment Relations Studies points to an improvement in employer and employee perceptions of workplace relations and a reduction in workplace conflict.

When employees put all this together and consider how satisfied they are with their job, high proportions – three-quarters or more – say they are fairly satisfied or better. Job satisfaction appears to have increased during the first half of the 2000s and been stable since then.

European surveys suggest that UK organisations are more likely to implement HPW practices than the European average and the proportion of UK employees who think their line manager is a source of positive support is well above the European average.

Internationally comparable data are now available that aim to measure the adoption of structured management practices within organisations. US manufacturing firms scored highest for their management practices. UK firms are above average but behind Germany, Japan and Sweden. For a smaller range of countries, similar measures were collected from hospitals (where the UK placed second behind the USA) and schools (where the UK was the management leader).

Putting this evidence together suggests there are some signs of change and improvement over the last decade, but there is insufficient evidence here to justify a conclusion that there has been a definite improvement in people management.

This might in part be due to the worst recession in at least 80 years. It explains why some employers cut back on training and why some HPW practices became less common. Many organisations were forced to make difficult changes such as cutting jobs and freezing (or even cutting) pay. This often will have diverted management attention from plans for growth or expansion and had a negative effect on employee morale. Nevertheless, the majority of workplaces think they have emerged from the recession in a stronger position and some organisations took the opportunity to change the organisation of work. There is evidence that private sector workplaces with strong high-trust relationships that had adopted HPW practices, or that had pursued workplace innovations, were less likely to have been weakened by the recession.

Like the workforce as a whole, managers are becoming better qualified. According to the Skills and Employment Survey, the proportion of people with managerial or supervisory responsibilities with a degree or higher qualification almost doubled between 1997 and 2012, from 21% to 41%. However, a relatively small proportion of managers have specialist qualifications. According to employers, in 2013, just 3% of managerial employees were not fully proficient because of skill gaps; in most cases this was thought to be due to them being new in the job or not having finished their training. According to employees, line managers' main weaknesses are in coaching and advising on training and career development. UK managers are less likely to be graduates than managers in other countries and a lack of people with the right skills – managerial and non-managerial – was the most widespread constraint to improving management practices identified by UK manufacturing firms.

An increased emphasis among practitioners on employee engagement seems to be having an effect on employees, with noticeable increases between 2004 and 2011 in measures of organisational commitment and measures of satisfaction with the opportunities available to have a say at work and to influence their job. Additional factors that may have increased the sophistication of management practices – including the spread of HPW practices – include technological change and external standards such as Investors in People.

Unlike the changes to trade union legislation during the 1980s and 1990s – which may have had a fundamental impact in removing barriers to change and establishing the 'right to manage' – the post-1997 programme of employment legislation appears to have had a more muted impact on people management practices. At times, the amount of change required was seen as problematical by many employers but, as they became accustomed to the changes, negative perceptions died down. In a few cases, legislation may have given firms a blueprint for dealing with complex topics (such as redundancy consultation). In general, though, legislation was designed to go with the grain of management practice rather than fundamentally change it.

While about two-thirds of employees are satisfied with the relationship with their line manager, CIPD surveys show much lower levels of satisfaction with senior management and/or those responsible for running their organisation. Employees have a poor view of the trustworthiness of those running their organisations which is consistent with a 'them and us' culture in many workplaces. This is not as simple as a divide between managers and those being managed – junior and middle managers are sometimes as distrustful of senior management as shop-floor employees.

Aside from a lack of trust in many workplaces, a lack of ambition or investment holds back some UK workplaces. Firms basing their competitive strategies around quality, innovation or customer service are more likely to invest in training and HPW practices than firms basing their strategy on low cost. The majority of private sector firms in the UK do say they are basing their strategies on added value, high quality or customer service but they may not always possess the vision, resources or expertise to deliver on these intentions, and there is some evidence that UK businesses are more likely to be affected by these constraints than competitors.

Management practices – and those affecting people in particular – affect business performance, productivity and employee well-being. There may well be benefits for both employers and employees in more widespread adoption of HPW practices. In many organisations, such practices are either absent or implemented in a piecemeal fashion that does not achieve a critical mass. It is not a simple matter of bolting them onto existing practices, however. Change needs to be aligned with organisational culture and these practices are more likely to have a positive impact in a high-trust environment.

For SMEs in particular, adoption of these practices can act as a 'trigger' towards broader transformation. Access to external sources of HR and business advice is especially important for SMEs.

Support for firms is available from government and local enterprise partnerships but it is small scale, directed largely at SMEs and tends to focus on building capabilities at the firm level rather than strengthening the eco-systems in which firms operate. Research suggests there may be policy approaches capable of encouraging the adoption of HPW practices focusing on skills utilisation rather than skills development and working with firms looking to take their performance to a higher level. But programmes of this kind require patience and room for experimentation. Employment regulation may be a relatively blunt tool for changing managerial practice, although there is an argument that a wider set of policy levers – possibly including other forms of regulation – may have an impact.

Improving leadership and management skills is a priority for the majority of businesses and the demand for managers appears set to increase over the remainder of this decade. Longer term, the demands placed on managers may change. In particular, will some of the tasks currently central to the line management function, such as monitoring work and managing work flow, become largely automated? Will this trigger debate about the role of the manager and the connection in most organisations between managerial responsibility, status and reward?

The context for this study

The management of organisations and the people working in them has long been seen as an area where the UK is relatively weak. The 'British disease' was as much a story of inept and complacent management as it was of over-powerful trade unions. Poorly managed organisations were seen as a prime cause of the UK's productivity weakness. In particular, it was hypothesised that, in any given industry, the UK had a relatively large proportion of businesses with low productivity when compared with the industry average (let alone with the top global performers). This 'long tail' of poorly performing firms also tended to persist: they were not driven out of business nor did they learn from their peers and pull their performance back up toward the average.

The quality of management is critical to employee as well as corporate well-being. The relationship between an employee and their line manager is one of the most important factors affecting job satisfaction and a breakdown in this relationship is one of the most common reasons for employees leaving their jobs.

In 2003, the Department of Trade and Industry and the Economic and Social Research Council commissioned Michael Porter and Christian Ketels to conduct a study of the UK's competitiveness, with a particular emphasis on quality of management.[1] The conclusions they drew about UK management and its impact on the UK's competitive position provide both context and benchmark for this study and are therefore discussed here in some detail.

Their key findings emphasise that the role of management cannot be separated from the broader economic context, in particular the strategic positioning of UK firms in global markets:

> *The UK has in fact achieved a remarkable success in halting the economy's protracted downward economic trajectory of the pre-1980 period. On many indicators of economic performance, the UK has kept pace with, if not outpaced, competing locations, especially in Europe. This success in terms of economic performance is directly linked to the far reaching economic policy reforms by successive UK governments that have fundamentally changed the macroeconomic and, more importantly, the microeconomic context for competition.*
>
> *However, the UK currently faces a transition to a new phase of economic development. The old approach to economic development is reaching the limits of its effectiveness, and government, companies, and other institutions need to rethink their policy priorities. This rethinking is not a sign of the past strategy's failure; it is a necessary part of graduating to the new stage. A public consensus on the direction of the transition and on the next stage of the country's competitiveness would help to manage the uncertainties of this process. The absence of such a consensus at a time when the old policy approach is running its course explains much of the puzzlement and even pessimism in the current UK debate.*
>
> *We find that the competitiveness agenda facing UK leaders in government and business reflects the challenges of moving from a location competing on relatively low costs of doing business to a location competing on unique value and innovation. This transition requires investments in different elements of the business environment, upgrading of company strategies, and the creation or strengthening of new types of institutions.*
>
> *As to management, we find that the role of management cannot be separated from the overall competitiveness issues facing the country. Management and its decisions are both an input and a result of the business environment. Thus UK management performance in many ways either reflects weaknesses in the business environment or involves decisions that are consistent with the current business environment even though they do not improve competitiveness. Management practices, then, are not at the core of the UK competitiveness challenge; however, there is always room for improvement. As part of the overall effort to upgrade UK competitiveness there is a clear role for management. Efforts to upgrade management will not however be sufficient to achieve a sustained improvement in UK competitiveness* (pp4–5).

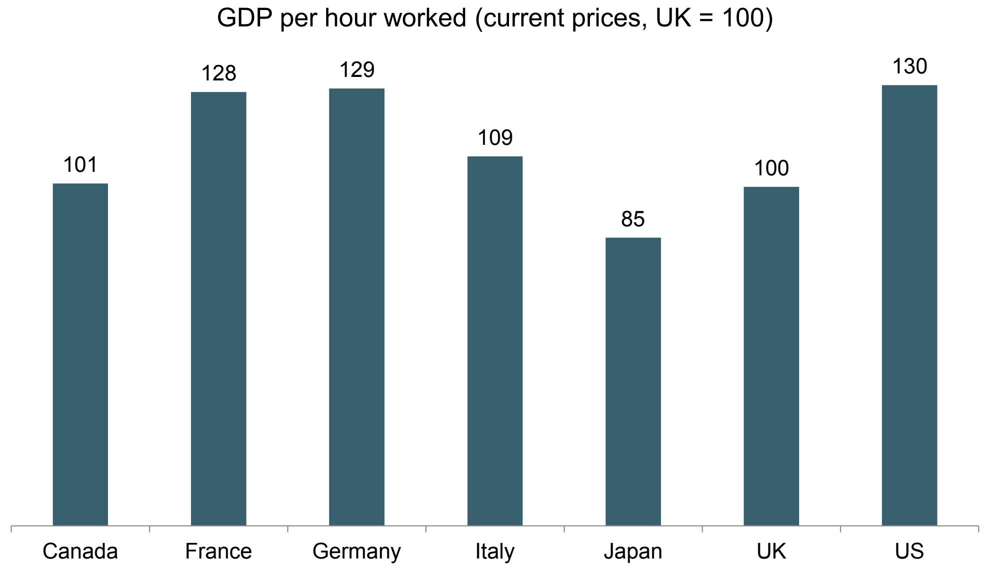
Porter and Ketels cast doubt on the 'long tail' hypothesis. In their view, the UK did not have a larger proportion of under-performing firms than other leading economies, with the exception of the USA – a conclusion that, as we shall see, is supported by more recent survey data.

Their analysis of company performance found some evidence that UK manufacturing firms were slower than their competitors in implementing some modern management techniques such as total quality management (TQM). One potential explanation for this finding is management failings such as a failure to spot economic opportunities, a short-termist outlook, a lack of training and a resistance to change, or a failure to implement change effectively. However, Porter and Ketels identified equally plausible explanations that were due to the business environment within which companies operated rather than the specific choices made by management. These included low levels of public and private investment in R&D, the capital stock and the workforce and the (relative) absence in the UK of institutions for collaboration and knowledge-sharing between businesses and other actors in national and local innovation systems. They concluded that there was insufficient robust and internationally comparable evidence to determine the extent to which management failings might be a cause of low productivity as against the differences in management practices and behaviour observed being a consequence of factors outside the direct control of management.

A decade later, the mood of pessimism about UK productivity identified by Porter and Ketels appears both justified and magnified. The 2013 report of the independent London School of Economics Growth Commission also identified the post-1979 period as one where the UK managed to narrow the productivity gap with its leading competitors because of the implementation of extensive structural reforms.[2] However, since recession struck in 2008, labour productivity in the UK has failed to keep pace with many of its G7 competitors (see Figure 1) and, indeed, GDP per hour worked is still some 2% below its level at the peak of the previous cycle in the first quarter of 2008.

There are competing explanations for the sharp drop in labour productivity and as yet there is no consensus as to which of these are likely to be the most valid or significant.[3] Weak or ineffective management has not been identified as a direct cause but some of the potential explanations are consequences of decisions taken by management. Business investment in both physical and intangible assets fell during the recession and still has to fully recover. The last recession was also unusual in seeing a much lower fall in employment than might have been expected given its severity. This led to lower labour productivity and lower real average earnings. As discussed in a previous *Megatrends* report, this reflected a break with the past in how many organisations responded to recessions: there were fewer job cuts and more pay cuts or pay freezes.[4]

Figure 1: Labour productivity in the G7, 2013



Source: Office for National Statistics.

Either managers made different choices about how to manage their workforce through difficult times or there were fewer constraints (real or perceived) limiting their freedom of action and ability to implement change.

This study therefore reviews the evidence on how UK organisations manage their people and whether this points to improved performance. We focus on the management of people partly because it is labour productivity that is at the centre of current debate and partly because management of the workforce appears, on the face of it, to be an area where the last few years' experience points to a possible break from previous patterns of behaviour. In addition, new thinking and management practices have emerged that might have helped influence the how, what and why of people management, such as the spread of high-performance working (HPW) practices and the adoption of employee engagement as both an objective and a practical framework shaping many organisations' people management activities.

In practice, we focus on three main areas:

- **the quality of line management and the relationship between employee and line manager**
- **the people management function within organisations and how organisations manage their workforce, including the management practices in place, and**
- **the leadership of organisations and the impact this has on the workforce through choices made about business strategy, organisational culture and values and through the development of trust-based relationships.**

The assessment of evidence, however, will be informed by broader developments in management thinking and practice, such as the spread of 'lean' management techniques outside manufacturing and the increased internationalisation of management.

Management practices may have changed but what constitutes an improvement? In this study, we define 'better' as management practices or behaviour that we expect to be consistent with increased productivity and/or employee well-being – recognising, of course, the potential for tensions as well as synergies between these two outcomes.

We focus on developments during the decade since the Porter and Ketels report was published but place this, where possible, in the context of longer-term trends.

What does the evidence say?

How many managers are there?

Defining who is a manager is not straightforward. All employees have some responsibility for stewardship and utilisation of resources – even if it is only their time and effort. Nevertheless, it might be more natural to think of managers as people with a degree of control and responsibility for other people or resources (such as budgets) or for areas of work activity that do not involve just their own efforts.

The nearest identifiable category we can obtain from official statistics is major group 1 of the Standard Occupational Classification (SOC) – managers, directors and senior officials. The vast majority of people employed in this division are likely to have significant management responsibility, but it is also likely to exclude many people who have some responsibility for the work of other people (such as supervisors or assistant managers) and hence underestimate the total number of people with management responsibility (see Box 1).

Employees in this occupational category form approximately one tenth of all in employment and, over the period between 2004 and 2013, their numbers grew by about 10%, roughly in line with employment growth as a whole (see Figure 2).

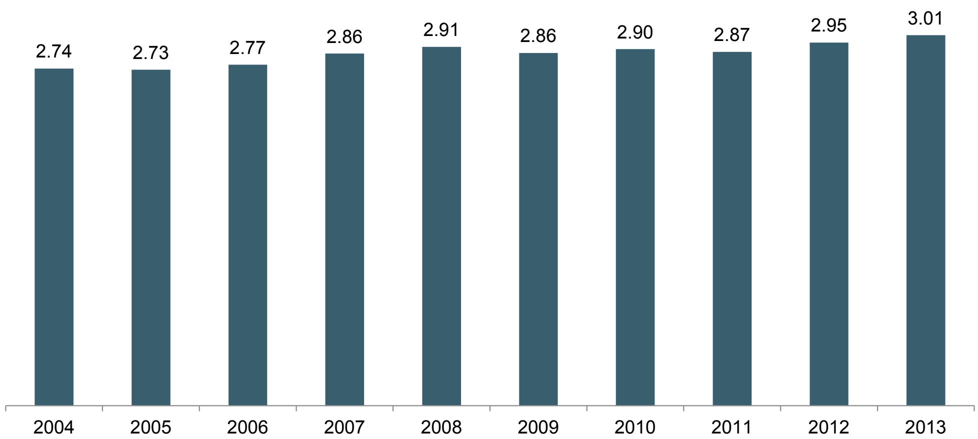
Box 1: Managers in the official statistics

SOC major group 1 covers chief officers and senior officials, elected officers and representatives, managers and directors in a range of production and functional roles, senior managers in the health sector and protective services plus managers and proprietors in agriculture, retail and hospitality, hair salons, and so on.

The revised definition for SOC 2010 describes major group 1 as follows: *'This major group covers occupations whose tasks consist of planning, directing and coordinating resources to achieve the efficient functioning of organisations and businesses.'* Compared with the previous occupational classification (SOC 2000), a number of supervisory, lower-level and more specialised roles have been reassigned to other occupational groups. So, for example, assistant managers or supervisors within service establishments may not be classified in this major group, but the person in overall charge of the establishment (sometimes the proprietor) would be classified to this major group.

People in this occupational group are regarded as having *'a significant amount of knowledge and experience of the production processes and service requirements associated with the efficient functioning of organisations and businesses'*.

Figure 2: Employment of managers, directors and senior officials, 2004–13 (UK, millions)



Source: Office for National Statistics, Annual Population Survey, January–December.

A broader definition of 'manager' is the number of people who have formal responsibility for the management or supervision of other people. Self-reported data are collected annually from the British Social Attitudes (BSA) survey and, periodically, from the Skills and Employment Survey (SES) and European Social Survey (ESS). In 2013, according to the BSA, 35% of people in employment in Britain said they had formal responsibility for the supervision of at least one person, whereas in the 2012 SES, 42% of respondents said they supervised someone else or had managerial duties and 39% of respondents in the 2012 ESS said they were responsible for supervising employees. There is no obvious trend upwards or downwards in any of these data series over the last 20 years (see Figure 3).

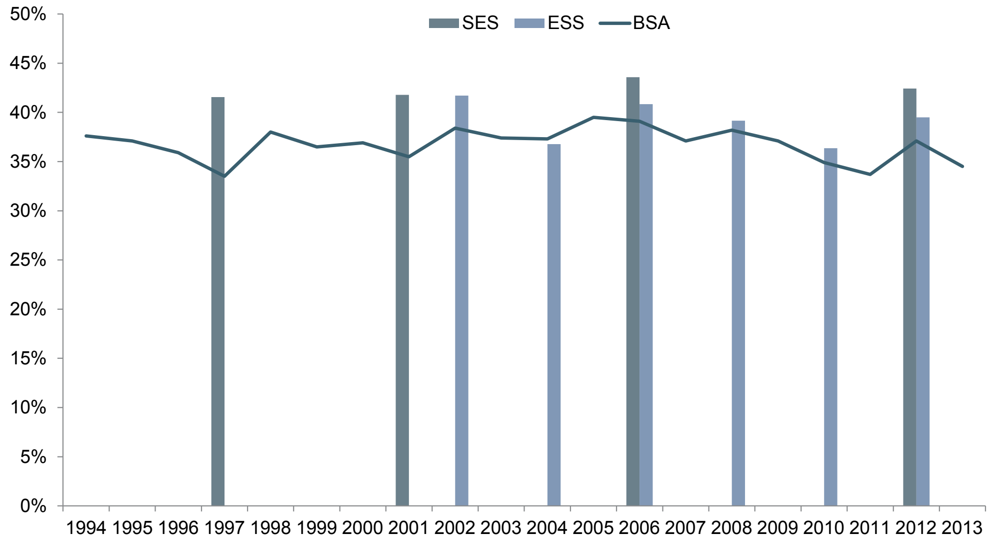
The CIPD *Employee Outlook* survey asks employees to describe their managerial status by selecting one from a list of 11 responses. These have been used in this report to classify people who describe themselves as managers into one of four hierarchical bands (see Box 2).

Box 2: Managerial responsibility in the CIPD *Employee Outlook* survey

The CIPD *Employee Outlook* survey asks all respondents *'What level of management responsibility do you hold in your current position?'* In this report, we treat responses as follows:

- Owner/proprietors and members of a partnership are in general excluded from the analysis in this report.
- People identifying themselves as any of 'chairman', 'chief executive', 'managing director', 'non-executive director' or 'other board-level manager/director' are combined into a single group labelled *'board level'*. Note this will include some people whose main job is in a non-executive corporate governance role rather than in an executive management role (such as trustees of a charity).
- The three categories 'other senior manager or director below board level', 'middle manager' and 'junior manager/supervisor' are reported as *'senior manager'*, *'middle manager'* and *'junior manager/supervisor'* respectively.
- People identifying themselves as 'executive/clerical/other worker with no management responsibility' or 'other', or who selected 'none of these' are combined into a group labelled *'non-managerial employees'*.

Figure 3: Management responsibility, 1994–2013 (GB, % people in employment)



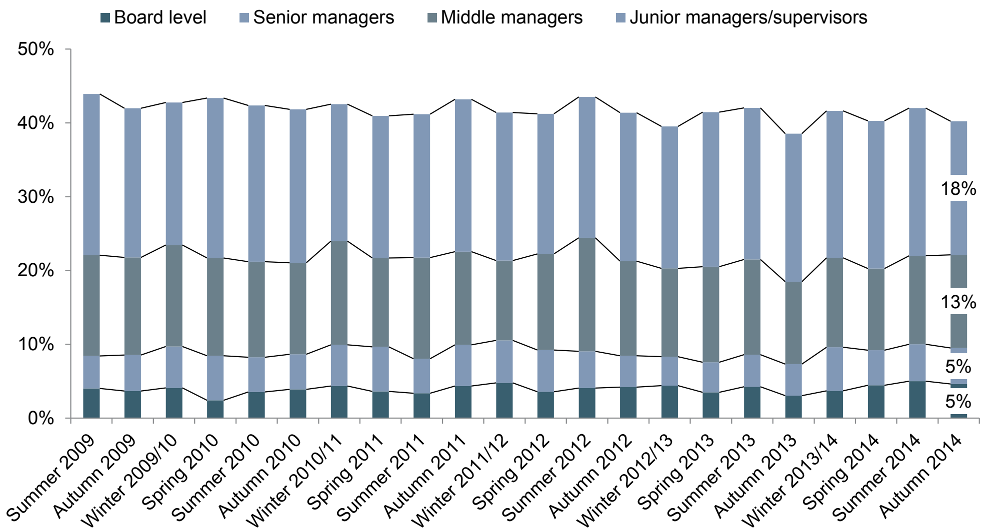
Sources: Skills and Employment Surveys (SES), European Social Surveys (ESS) and British Social Attitudes (BSA) surveys.

Excluding owner/proprietors and partners, in the autumn 2014 survey, 41% of employees regarded themselves as managers – just under half of these identifying as junior managers or supervisors, just over a quarter as middle managers, and the remainder either as senior managers or with board-level responsibilities (see Figure 4). Again, these proportions have been reasonably stable since the data started to be collected in 2009.

The summer 2014 CIPD *Employee Outlook* survey asked employees specifically whether they had direct responsibility for managing other people at work. This produced a lower proportion (33%) of employees who could be described as line managers (see Figure 5). There are a number of reasons why 'managers' may not have any line management responsibility. They may be responsible for budgets rather than people. They may have an advisory or head of profession role – or their seniority and status within the organisation means they are regarded as part of the management cadre. Or they may simply not have had any line management responsibility at the time of the survey (for example, because they were responsible for a vacant post). Equally, a small proportion (4%) of people who chose not to identify themselves with any management role said they have responsibility for other people.[5]

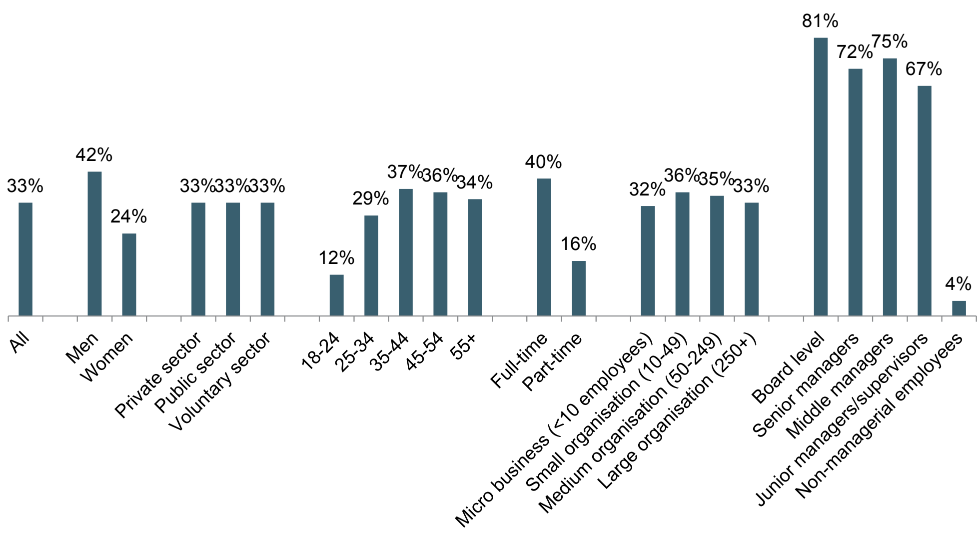
We therefore see that somewhere between 30% and 45% of employees regard themselves as managers or as having some form of managerial responsibility. While this is a wide band, there seems to have been no trend upwards or downwards over the last 20 years.

Figure 4: Employees with management responsibility, 2009–14 (% of employees)



Excludes owner/proprietors and partners.
Source: CIPD *Employee Outlook* surveys.

Figure 5: Employees with direct people management responsibility, summer 2014 (% of people who directly manage one or more employees at work)



Excludes owner/proprietors and partners.
Source: CIPD *Employee Outlook* survey, summer 2014.

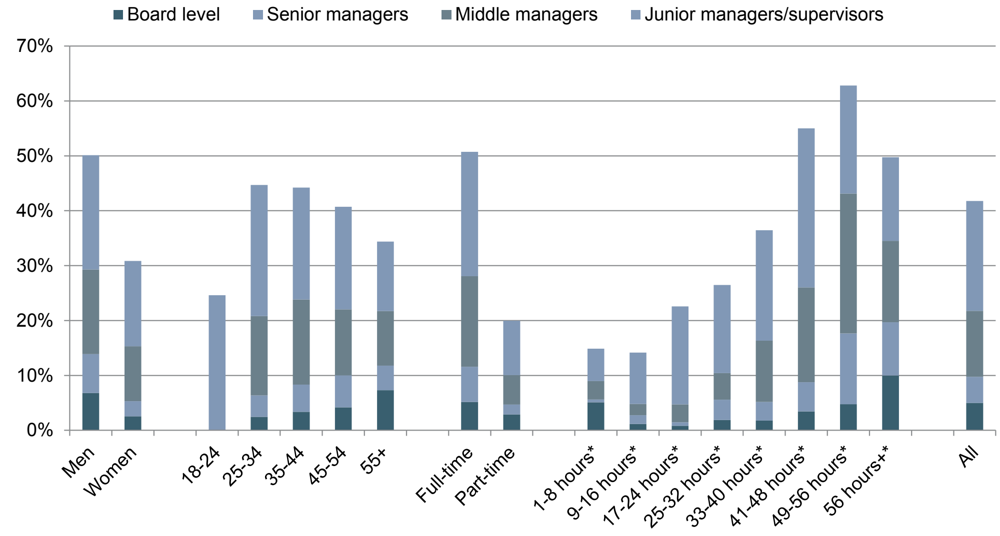
What are the characteristics of managers?

Men are more likely to identify themselves as managers in the CIPD *Employee Outlook* survey than women (see Figure 6). There is a distinctive age pattern: those under 25 are, unsurprisingly, less likely to be managers but employees aged 45 or over are also less likely to be managers than those in the 35–44 age group. There is also a clear relationship with working hours. Part-time employees are much less likely to be managers than full-time employees and those working well over 40 hours per week are also more likely to be managers.

Figure 6 also shows that the differences between men and women and between full-time and part-time employees are much greater if we focus on senior management and those at board level. Whereas the latest data, for autumn 2014, show that 15% of men said they were senior managers or operated at board level, the comparable proportion for women was 6%. Very few employees working for fewer than 41 hours a week – in other words, not just part-time work but 'standard' hours for a full-time job – were senior managers or at board level.[6]

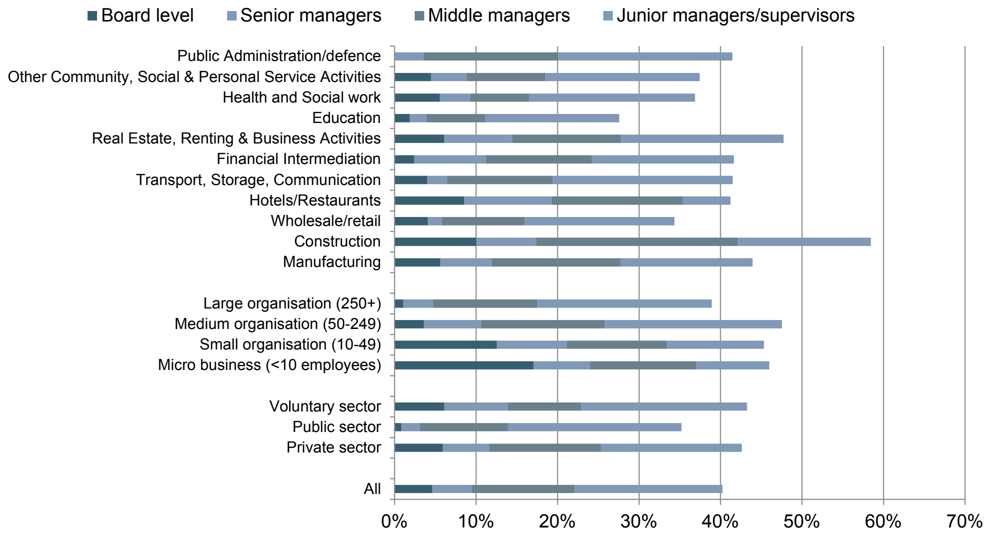
Looking at job-related characteristics, there is little difference at the aggregate level between public, private and voluntary sectors in the proportions of employees who identify themselves as managers (Figure 7).

Figure 6: Employees with management responsibility, by sex, age and working hours, autumn 2014 (% of employees)



Excludes owner/proprietors and partners.
Source: CIPD *Employee Outlook* survey, autumn 2014 except * autumn 2013 survey.

Figure 7: Employees with management responsibility, by sector, size of organisation and industry, autumn 2014 (% of employees)



Excludes owner/proprietors and partners. Sample sizes insufficient to report separate results for agriculture and mining and quarrying, and energy.
Source: CIPD *Employee Outlook* survey, autumn 2014.

Nor are differences by size of organisation especially large, although the composition varies. In micro organisations, a 'manager' is likely to be part of the corporate leadership – if not *the* corporate leadership. In contrast, in organisations with 250+ employees, there are on average four junior managers/supervisors for every senior manager or person at board level.

Construction is the only industry grouping where more than half of all employees (58%) say they are managers. In contrast, the industry groups with the lowest proportion of managers are education (28%) and wholesale and retail (34%).

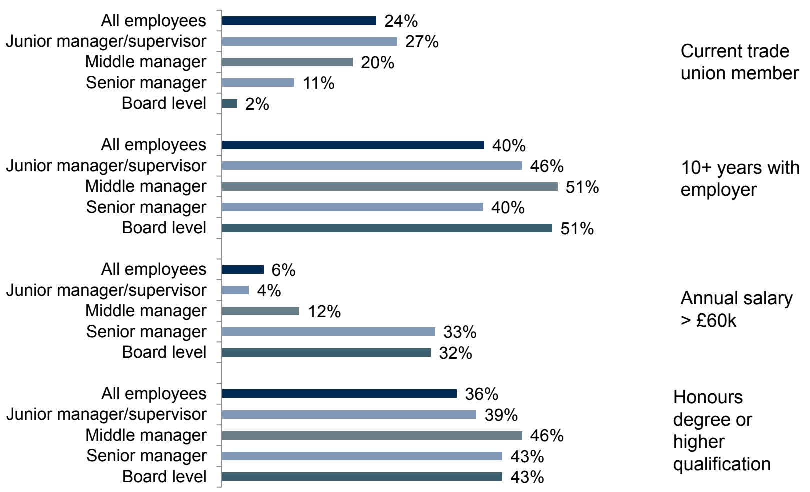
The data for people with people management responsibility reported in Figure 5 suggest similar patterns with respect to gender, age, full-time/part-time status and organisation size.

Employees in senior management roles are considerably less likely than other employees to be trade union members (see Figure 8). However, the proportions of middle managers and junior managers/supervisors who are union members are little different from employees as a whole – indeed, junior managers/supervisors are more likely to be union members.

Senior managers and those at board level are much more likely than other employees to earn a relatively high salary and managers are more likely to be graduates than other employees and to have long service with their organisation, although the differences here are not as pronounced.

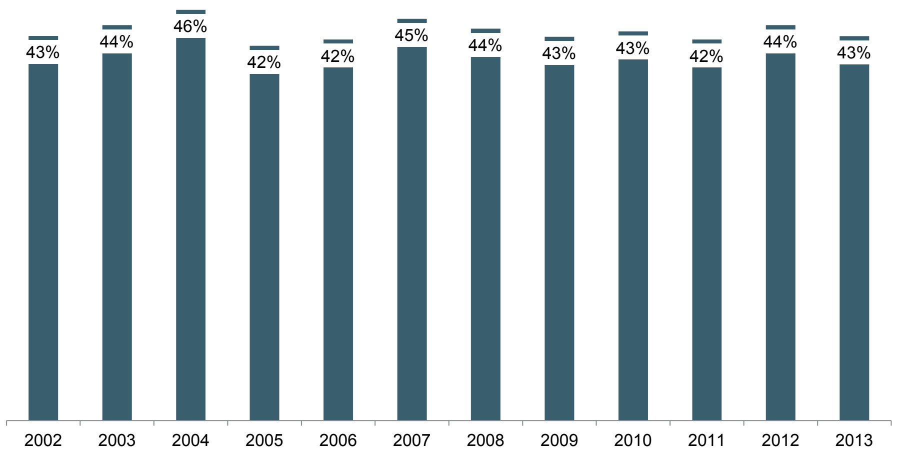
The BSA survey time series suggests that the proportion of those with managerial responsibilities who are female has remained stable in the period since 2002 (Figure 9). However, data sources that focus more closely on

Figure 8: Characteristics of employees with management responsibility, autumn 2014



Excludes owner/proprietors and partners.
Source: CIPD *Employee Outlook* survey, autumn 2014, except union membership (winter 2011–12 survey).

Figure 9: Proportion of those with managerial responsibility who are females, 2002–13 (GB, % of employees with direct managerial or formal supervisory responsibility)



Source: British Social Attitudes surveys.

'professional' managers – people who see management as their main role – do point to a long-term increase in the share who are women and to a narrowing of the gender pay gap.[7] Nevertheless, significant challenges remain. The boards of top UK companies remain dominated by men and the gender pay gap for people in CEO/deputy CEO roles remains especially wide.[8]

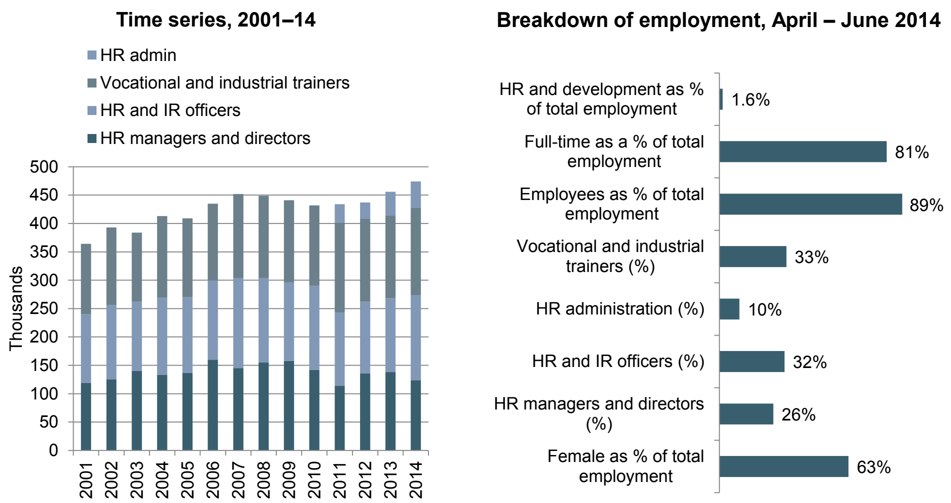
What have been the key changes in the people management function within organisations?

The latest Labour Force Survey data available, covering the period April–June 2014, show that 474,000 were employed in the occupations most often associated with the HR and development function, which is 1.6% of total employment.[9] Of these, just over two-thirds (320,000) work in HR functions, with the remainder employed as trainers. Not all of these people will be part of an in-house HR capability – some will be employed by specialist organisations selling their services to other organisations and some will be self-employed.

Employment in these occupations increased sharply (by over 15%) between 2001 and 2004 but, since then, it has increased in line with employment as a whole (see Figure 10). Employment in these occupations is disproportionately female and full-time.

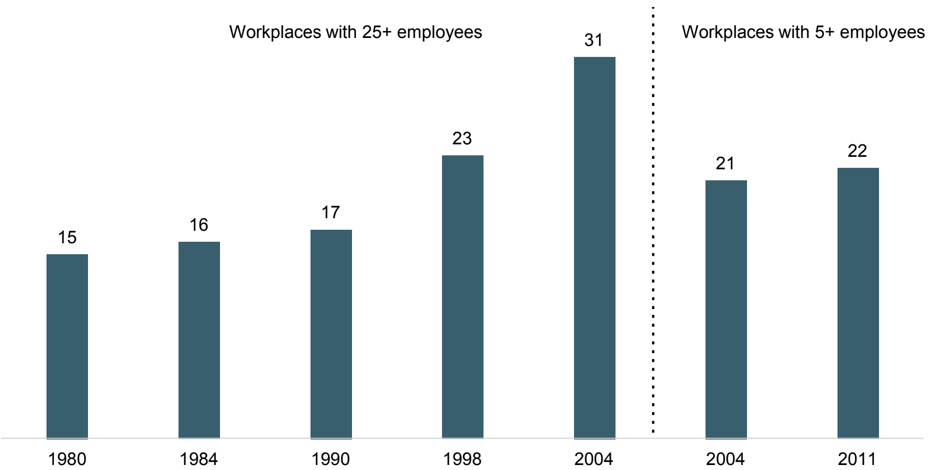
The Workplace Employment Relations Study (WERS) survey series contains questions on how organisations manage various employment relations and HR issues. The proportion of workplaces with 25 or more employees with an HR specialist on-site increased significantly between 1990 and 2004 (see Figure 11).

Figure 10: Employment in HR and development



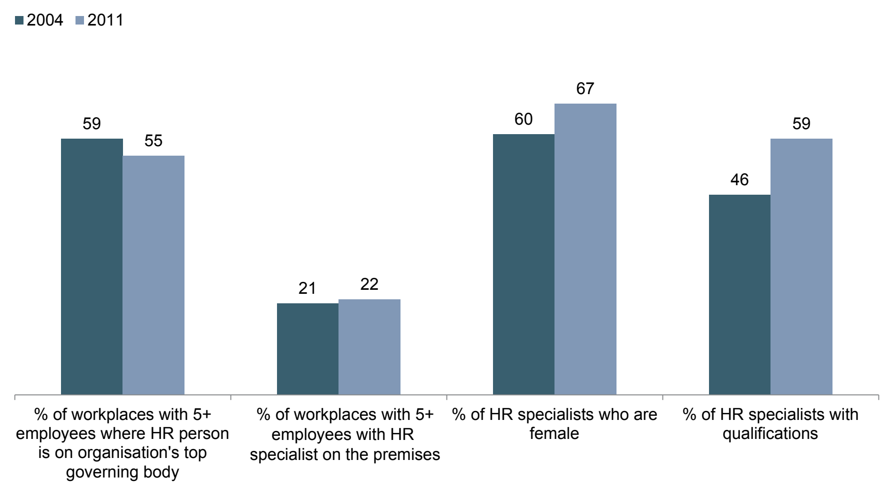
Source: Labour Force Survey, April–June quarter.

Figure 11: Presence of a workplace personnel specialist, 1980–2011 (% of workplaces with personnel/employee relations specialist)



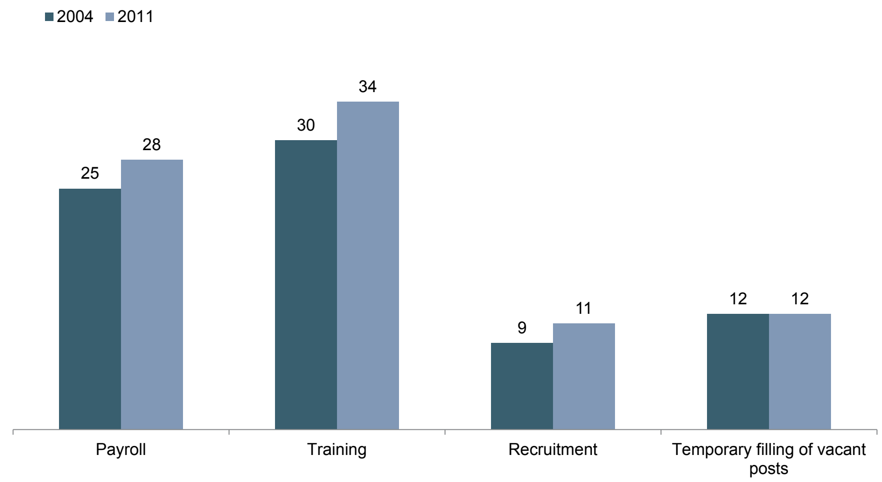
Presence of a personnel or employee relations specialist in the left-hand panel is determined by job title. In the right-hand panel it is determined by job title and time spent on employment relations.
Sources: Brown et al 2009, WERS 2011 data transparency tables.

Figure 12: Changes in HR management, 2004–11



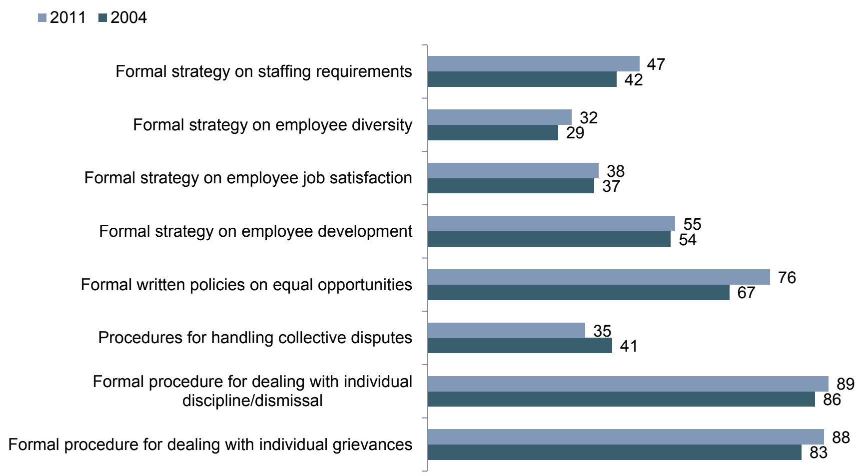
Source: Workplace Employment Relations Study, 2004 and 2011.

Figure 13: Contracting-out of HR functions, 2004–11 (% of workplaces with 5+ employees contracting out these functions)



Source: Workplace Employment Relations Study, 2004 and 2011.

Figure 14: Formalisation of employment procedures and strategies, 2004–11 (% of workplaces with 5+ employees)



Source: Workplace Employment Relations Study, 2004 and 2011.

Data for the most recent surveys, which include all workplaces with five or more employees, show virtually no change between 2004 and 2011. There was a small fall, from 59% to 55%, in the proportion of organisations where the most senior person responsible for HR was represented on the organisation's top governing body. There were significant increases in the proportions of HR specialists who were female and who held relevant professional qualifications (see Figure 12).

There was also an increase between 2004 and 2011 in the proportion of workplaces where the payroll and training functions had been contracted out, consistent with models of the HR function that emphasise the contracting-out of routine 'transactional' services to external providers (see Figure 13).

The has also been a small (further) increase in the formalisation of HR between 2004 and 2011, with more workplaces having written strategies and procedures on equal opportunities/diversity, individual disciplinary and grievance procedures and on staffing requirements (see Figure 14).

The biggest change of all, however, has been that many fewer HR functions now spend time handling relations with trade unions or on collective bargaining over terms and conditions (see Figure 15). The proportion of employees in workplaces with 25 or more employees covered by collective bargaining over pay halved between 1984 and 2004. In the period to 2011, there was a further decline in collective bargaining coverage within the public sector, whereas private sector coverage was flat.

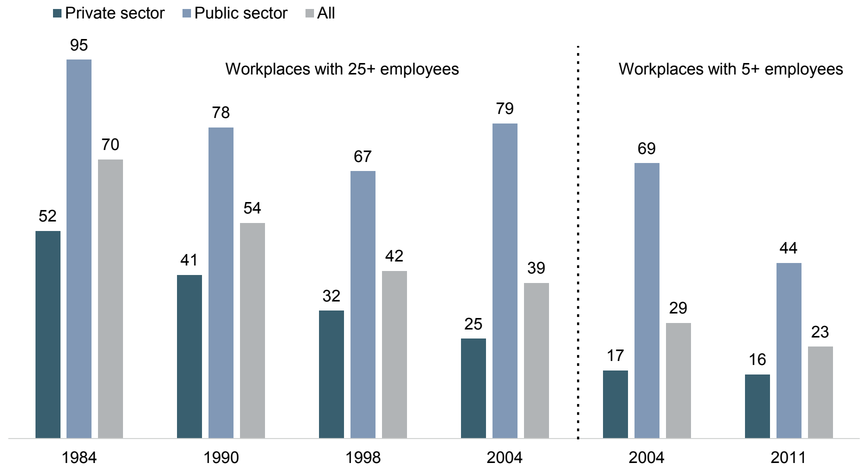
What about the line management relationship?

The relationship between an employee and the person directly responsible for them – the line management relationship – is one of the critical 'hygiene' variables affecting job satisfaction and, if it breaks down, is one of the most commonly cited 'push' factors causing people to change employers.

The Skills and Employment Survey collected data on employee satisfaction with the relationship with their line manager in 1992, 2006 and 2012. Over half of employees said they were completely or very satisfied with this relationship and just a tenth said they were dissatisfied. There is little movement in these percentages over the 20-year period (see Table 1).

According to the autumn 2014 CIPD *Employee Outlook* survey, 65% of employees were satisfied or very satisfied with their line manager, with 17% neutral and 17% dissatisfied or very dissatisfied (see Figure 16). These proportions have been relatively stable since the data were first collected in the winter of 2011–12.

Figure 15: Coverage of collective bargaining, 1984–2011 (% of employees in workplaces with some collective bargaining)



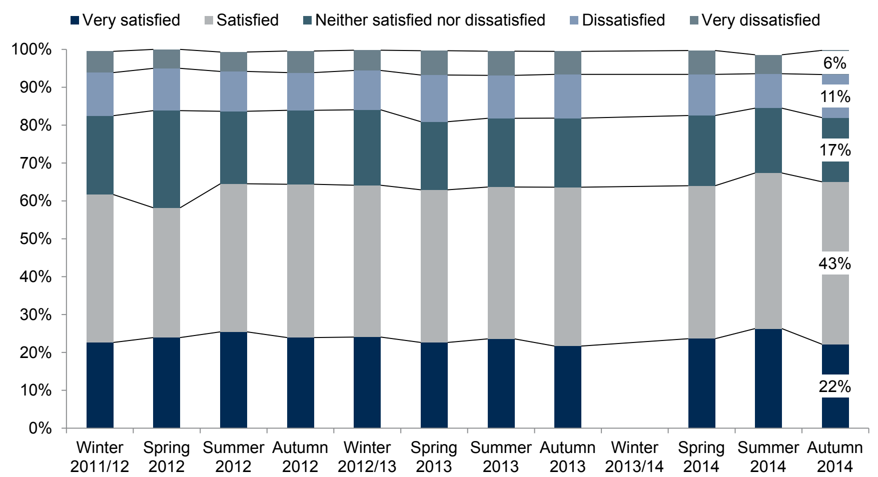
According to Brown et al (2009), the fall in employee coverage in the public sector between 1990 and 1998 was a 'temporary change in the relative influences of the Review Bodies and collective bargaining, especially in the NHS'.
Sources: Brown et al 2009; WERS 2011 data transparency tables.

Table 1: Employee satisfaction with the relationship with their manager or supervisor, 1992–2012 (% of employees)

	1992	2006	2012
Completely/very satisfied	52	54	51
Fairly satisfied	31	27	29
Neither satisfied nor dissatisfied	9	11	11
Completely/very/fairly dissatisfied	7	7	9

Source: Skills and Employment Survey series.

Figure 16: Employee satisfaction with their line manager, 2011–14 (% of employees who report to someone else)



Excludes owners/proprietors and partners and those that do not report to anyone. 'Don't know' responses not reported.
Source: CIPD *Employee Outlook* surveys.

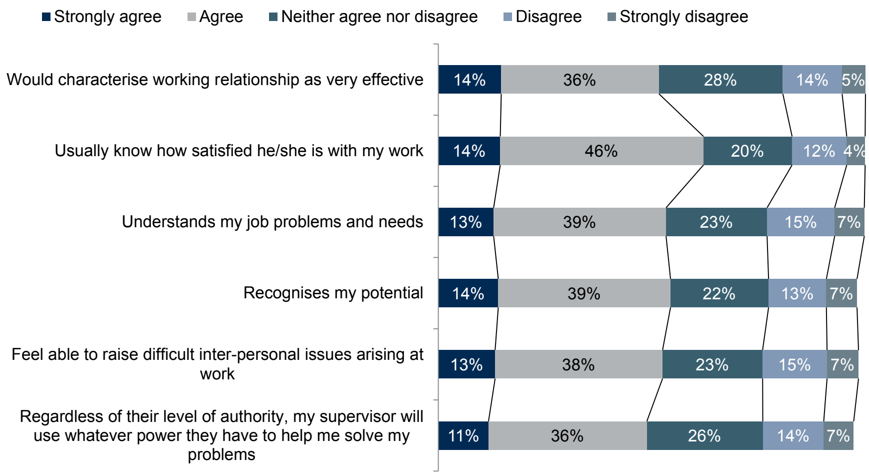
More detailed questions from the spring 2014 CIPD *Employee Outlook* survey reveal that about half of employees have positive evaluations of their line manager – in the sense that they would describe the working relationship as effective – with similar proportions agreeing that their manager recognises their potential, provides support when it is needed and that they feel able to raise difficult issues with their manager (see Figure 17).

The summer 2014 CIPD *Employee Outlook* survey asked employees how often their line managers displayed a range of (positive) behaviours (see Figure 18).

A number of the behaviours most commonly given a positive rating relate to trustworthiness (such as being open and honest, treating employees fairly, being supportive and clear in interpersonal communication). The lowest ratings were for giving feedback, discussing development needs and coaching, where the majority of employees felt they could not give a positive rating. In some organisations, of course, the person identified by the employee as their line manager may not be responsible for their training and development.[10] These proportions were virtually identical to those obtained in spring 2012, when these data were last collected.

Employees and line managers were both asked how often they discussed the employee's workload, work objectives and any other work-related issues through formal scheduled meetings and informal conversations

Figure 17: Employee views of their line manager, spring 2014 (% of employees)



Excludes owners/proprietors and partners and those that do not report to anyone. 'Don't know' responses are not reported.
Source: CIPD *Employee Outlook* survey, spring 2014.

Figure 18: Employee views on line manager behaviours, summer 2014 (% of employees who say their immediate manager 'always' or 'usually' displays these behaviours)

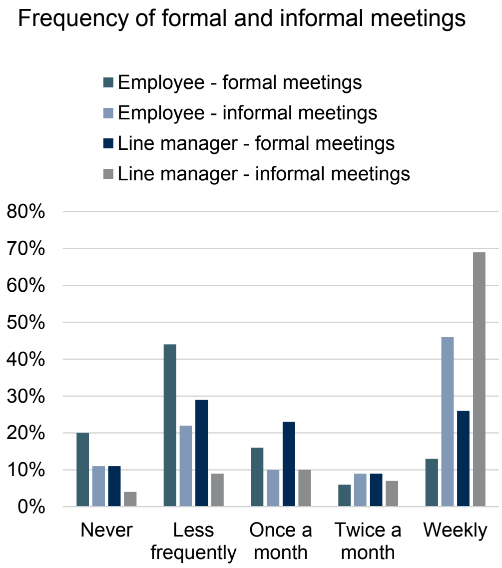
Excludes owner/proprietors and partners and those without a line manager.
Source: CIPD *Employee Outlook* survey, summer 2014.

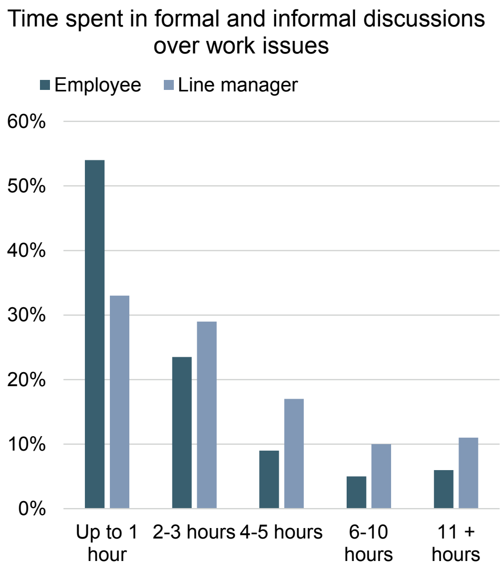
(see Figure 19). Over two-thirds (69%) of line managers said they had an informal conversation on at least a weekly basis. Just over a quarter (26%) also said they had formal meetings each week but the majority of line managers held formal meetings either at monthly or less frequent intervals, with 11% never having formal discussions. Employees reported less frequent interactions: for example, 46% said they had informal conversations at least once a week and 20% said they never had a formal meeting with their line manager.

Employees' and line managers' estimates of the average amount of time they spent together each month in these formal and informal conversations also varied, with 78% of employees estimating it to be less than three hours, whereas 62% of line managers thought it was this low. The mean employee estimate was 3.58 hours and the mean line manager estimate was 5.57 hours.[11]

To put these figures in context, if we assumed an average seven-hour working day and 220 working days each year, this equates to between 2.5% and 4.5% of a manager's total working time being spent in discussions with each employee they are responsible for. This is just part of the time that line managers invest in monitoring and improving the performance of their direct reports (for example, it probably excludes task-focused discussions of work problems as well as collective discussions, written communications, and time spent on tasks such as preparing appraisal reports). Nevertheless, given the importance of structured two-way discussions that take a step back from day-to-day pressures, it does raise the question of whether line managers invest enough of their time on this activity. When questioned directly, 46% of employees said they were satisfied or very satisfied with the amount of time their line managers spent with them individually, whereas 28% were neutral and 24% were

Figure 19: Frequency and duration of time spent by employees and line managers discussing work issues, summer 2014 (% of employees with a line manager/% of employees with direct people management responsibility)





Excludes owner/proprietors and partners. Employee responses also exclude those without a line manager. 'Don't know' responses not reported. Employees or line managers reporting more than 60 hours in discussions are excluded.
Source: CIPD *Employee Outlook* survey, summer 2014.

dissatisfied or very dissatisfied. There was a clear positive relationship between the time the employee said they spent with their line manager and their satisfaction with the time they had together.[12]

Line managers were also asked how often they showed the (same) positive behaviours mapped in Figure 18 in their formal or informal discussions with the people they managed (see Figure 20). The ranking of behaviours is extremely consistent: managers appear to agree with their subordinates that they are least likely to give feedback, provide coaching, discuss training and development opportunities or consult on issues of importance to employees. These issues were also identified by line managers (and employees) in spring 2012 as the ones where regular discussion was least likely to take place.

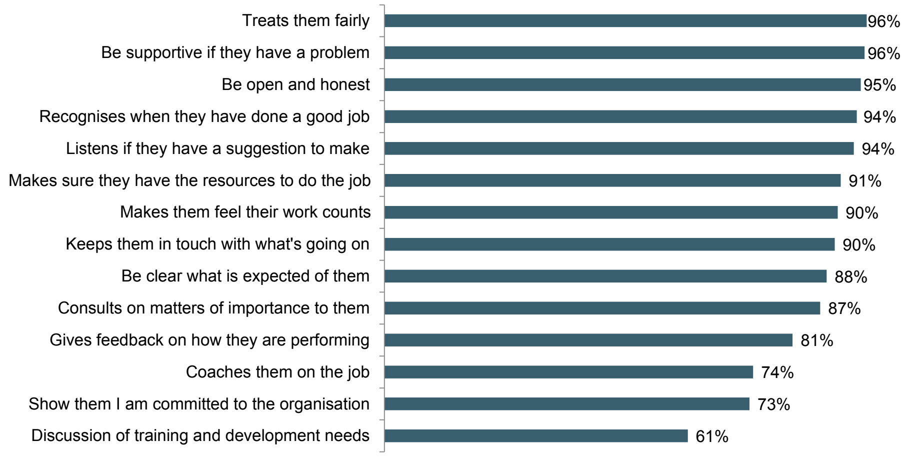
What have been the key changes in people management practices?

The last two decades have seen increased attention being paid to high-performance working (HPW) practices as a means of improving productivity and business performance through increased employee commitment and the release of discretionary effort.

The UK Commission for Employment and Skills (UKCES), while noting the lack of a consensus among experts on the precise definition, defined HPW as *'a general approach to managing organisations that aims to stimulate more effective employee involvement and commitment in order to achieve high levels of performance'*.[13] While the precise practices would depend on the context, the UKCES also emphasised the intent behind their design *'to enhance the discretionary effort employees put into their work, and to fully utilise … the skills that they possess'.*

HPW is just one of several terms used in research and practitioner literatures for 'bundles' of management practices designed to achieve similar ends.[14] Other concepts and terms used include high involvement management (HIM) and human resource management (HRM), although it has been argued that the latter term, in particular, may encourage too narrow a focus on the HR function.[15]

Figure 20: Content of discussions over work issues between line managers and employees, summer 2014 (% of line managers who say these are covered 'always' or 'sometimes' as part of discussions over work issues)



Excludes owner/proprietors and partners and those who have no discussions with those they manage.
Source: CIPD *Employee Outlook* survey, summer 2014.

Box 3: High-performance working practices

The UKCES literature review, while noting the lack of agreed definitions and specific common practices, suggests that the following may be regarded as typical 'core ingredients' of HPW:

- formalised appraisal systems
- use of payment systems to incentivise employees (such as performance-related pay, profit-related pay, share option schemes)
- mechanisms for employee information and consultation (such as joint consultative committees, staff briefings, provision of information, staff surveys, suggestion schemes)
- employee autonomy (including teamworking)
- continuous improvement (such as total quality management, problem-solving teams, standards accreditation)
- development of employee skills (including structured induction programmes, training, development of competency to perform a number of roles)
- mechanisms to align workforce requirements with business strategy (including formalised recruitment procedures, job design, integration of business and training and development/HR strategies)
- 'family-friendly' and flexible working practices (such as flexitime, ability to vary hours).

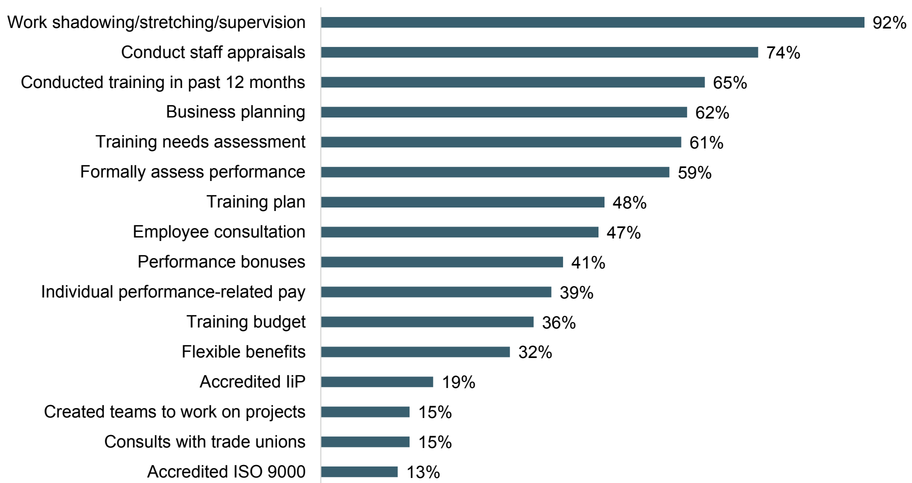
Organisations vary in the extent to which they have adopted these practices. Some organisations have adopted a strategic approach, seeking to combine and integrate their use of various elements, whereas other organisations have adopted a more partial and pragmatic approach, using some (but not all) of the various elements, depending on circumstances and the organisational context.

The precise practices covered by these labels vary according to researcher perspective and the availability of data. Nevertheless, a number of common elements can be identified (see Box 3).

The 2007 Employer Skills Survey asked establishments about their use of 16 specified practices (see Figure 21). This revealed a wide range of prevalence. Whereas nearly all establishments had informal development practices, less than one fifth had achieved Investors in People (IiP) or ISO 9000 (a quality management standard) accreditation. Using adoption of ten or more of these practices as the benchmark, 30% of establishments were defined as HPW establishments – these were disproportionately large and in the public sector.[16]

Analysis of the 2007 and 2011 Employer Skills Surveys suggested there had been a decline in the use of virtually all of the specified HPW practices (with the exception of a very small increase in the use of business planning), with the largest reductions being in the use of individual performance-related pay, annual performance reviews,

Figure 21: Prevalence of selected high-performance working practices, 2007 (% of establishments with 1+ employees, UK)



Source: SHURY, J., DAVIES, B., RILEY, T. and STANFIELD, C. (2008) *Skills for the workplace: employer perspectives*. UKCES Evidence Report No. 1. London: UKCES.

work shadowing and evaluation of training. The smallest establishments covered by the survey (those with between two and four employees) saw the largest drops in use of these practices. As a result, the proportion of establishments defined to be HPW establishments also fell over this period.[17]

However, the results of the 2013 Employer Skills Survey suggest that use of some HPW practices had increased again among establishments with five or more employees, notably performance reviews, training plans, flexible benefits, annual bonuses and individual performance-related pay (see Figure 22).

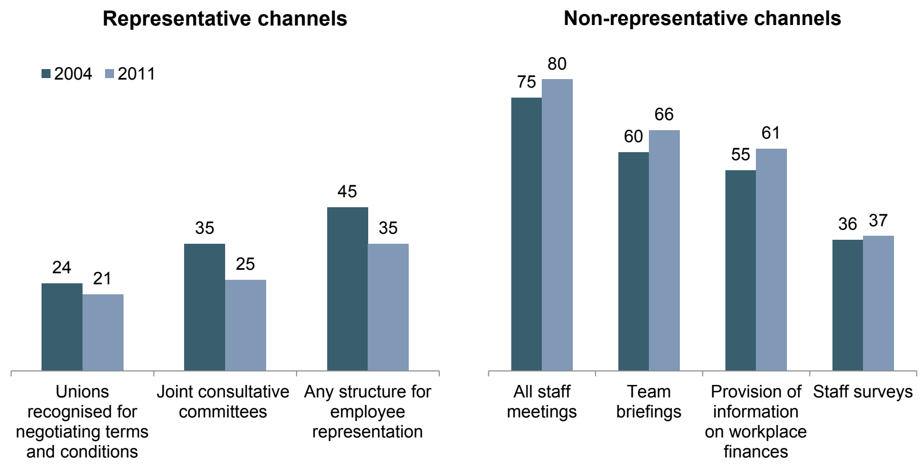
The WERS series of surveys has captured data on change in some HPW practices. There was, for example, strong growth between the mid-1980s and 2004 in the prevalence of HPW practices such as suggestion schemes, team briefings and quality management procedures.[18]

Between the 2004 and 2011 surveys, there was a continuation of the shift away from information and consultation channels using employee representatives (down from 45% of workplaces with five or more employees to 35%) and towards direct channels, especially staff meetings, team briefings and the direct provision of information to employees on the financial performance of the organisation (see Figure 23).

Figure 22: Change in prevalence of selected high-performance working practices, 2011–13 (% of establishments with 5+ employees, UK)

Source: Employer Skills Surveys, 2011 and 2013.

Figure 23: Information and employee consultation channels, 2004–11 (% of workplaces with 5+ employees)



Source: Workplace Employment Relations Study, 2004 and 2011.

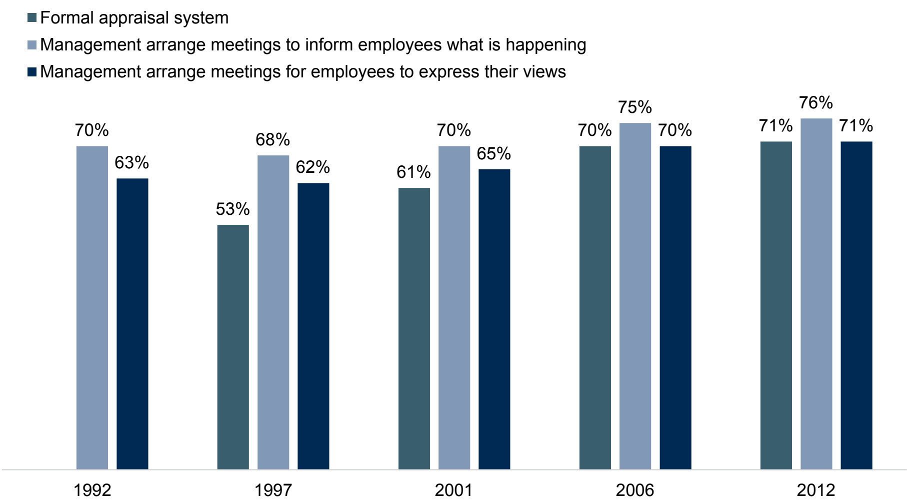
One form of HPW practice that appears to have declined in relative importance, however, is quality circles or other problem-solving groups. Whereas 42% of workplaces with 25 or more employees said they had these in 1998, the proportion fell to 30% in 2004 and had fallen further to 27% by 2011.

Data from SES provide an employee perspective on two aspects of HPW practices – formal appraisal systems and management meetings to inform, and consult with, employees (see Figure 24).

The proportions of employees saying that management arranged meetings to inform them about what was happening and meetings that allowed them to express their views (which in some cases might well be the same meeting) were stable between 1992 and 2001 but there was then a sharp increase in the period to the 2006 survey, with little change to 2012. Data on formalised appraisal systems were first collected in 1997 but there was rapid growth in the period to 2006.

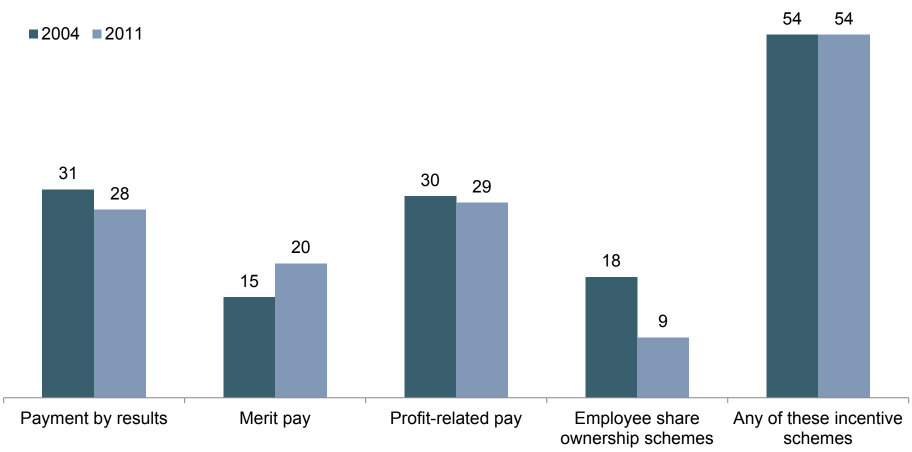
WERS suggests there has been no increase in the proportion of workplaces making some use of a range of variable or performance-related incentive schemes (see Figure 25). While the use of merit pay increased, from 15% to 20% of workplaces, the use of employee share ownership schemes halved from 18% to 9%.

Figure 24: Incidence of formal appraisal systems and two-way communication meetings, 1992–2012 (% of employees)



Source: Skills and Employment Survey series.

Figure 25: Prevalence of variable and performance-related incentive schemes, 2004–11 (% of workplaces with 5+ employees where some use was made of these schemes)



Source: Workplace Employment Relations Study, 2004 and 2011.

Organisation-level data from the Monthly Wages and Salaries Survey also point to no widespread increase in variable pay over the last decade – although this survey probably does not capture as wide a range of performance pay.[19]

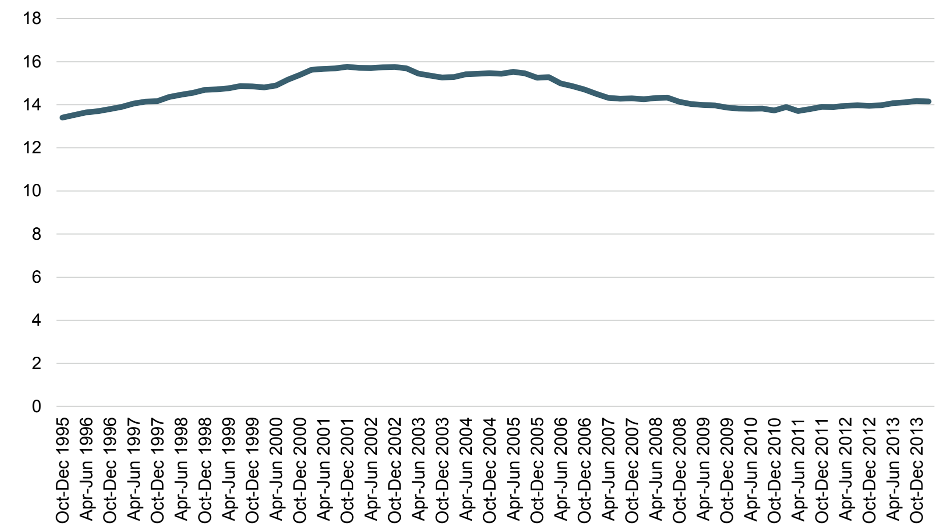
What about investment in learning and development?

Effective people management requires investment in learning and development – both to ensure employees can carry out their current role competently and to help build long-term potential. Of course, individuals also invest time and money in their human capital and the Government contributes to the finance and delivery of vocational training (as well as the academic education that underpins many work-related competencies).

According to the Labour Force Survey, in January–March 2014, approximately one seventh (15%) of employees aged 16–64 had received job-related training in the preceding three months. After increasing in the latter half of the 1990s, the proportion fell back to its mid-1990s level between 2005 and 2008, with little change since then (see Figure 26).

Since 2003, the Employer Skills Surveys have collected more detailed information from employers on the volume of training funded or delivered by employers as well as on related expenditure (see Table 2). The total amount

Figure 26: Employees in receipt of job-related training, 1995–2014 (UK, % of employees aged 16–64 receiving job-related training in the preceding three months, four-quarter moving average)



Source: Office for National Statistics.

Table 2: Employer investment in training, 2003–13

	All employers with 1+ employees					All employers with 2+ employees	
	2003	2005	2007	2009	2011	2011	2013
United Kingdom							
Total expenditure (£ billion)					49.0	45.3	42.9
Total training days (million)					117.0	115.0	113.0
Training days per employee					4.3	4.2	4.2
England							
Total expenditure (£ billion)		33.3	38.6	39.2	41.6	38.6	36.0
Total training days (million)	111.0			109.0	100.0	97.0	95.0
Training days per employee	5.0			4.7	4.3	4.3	4.2

Source: Employer Skills Survey reports.

of expenditure by employers on training in a 12-month period was estimated to be £42.9 billion in 2013. Changes in geographical coverage and survey population mean that precise comparisons cannot be made for the entire period.[20] Nevertheless, assuming that data for England are reasonably representative of the picture for the UK as a whole, investment in training increased by 25% in the period between the 2005 and 2011 surveys before falling by just under 5% between 2011 and 2013.

The volume of training, as measured by the number of days of training provided, appears to have been broadly stable between 2003 and 2009 before falling by about 8% between 2009 and 2011, with another small reduction between 2011 and 2013.

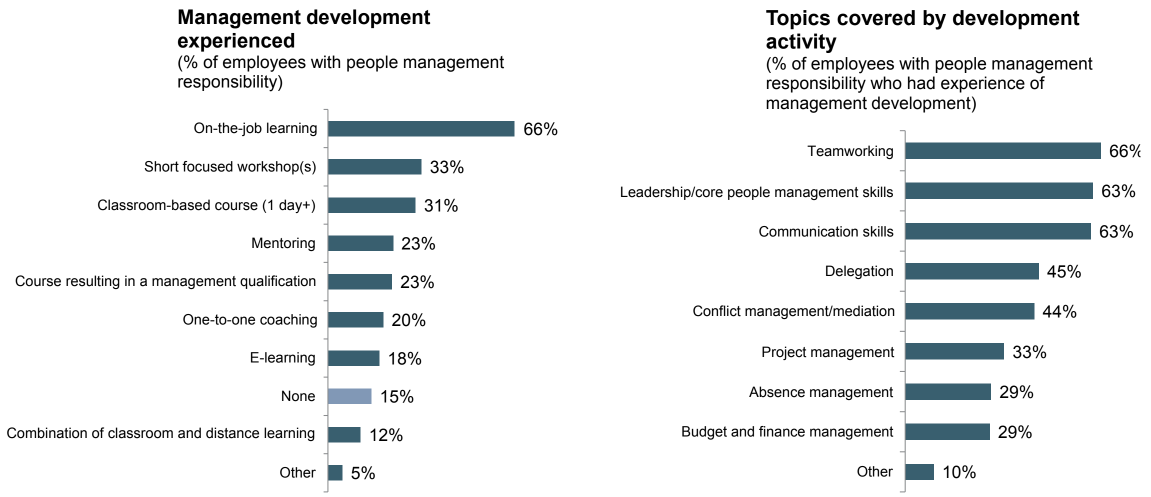
A smaller volume of training, however, does not necessarily mean that employers are making less effort to develop the skills and performance of their employees. Similarly, spend does not guarantee either quality or relevance. The period between 2011 and 2013 saw a slight shift away from on-the-job to off-the-job training and, as a result, employers paid more in fees to external providers but spent quite a bit less on on-site training centres and on managing training.[21] There has also been a growth in the use of distance learning and e-learning, which can reduce the costs of tuition and is potentially less disruptive than taking employees away from their workplace. Employers appear to have been seeking greater efficiency from their training investments through changes in modes of delivery and this may be a factor behind the decline in numbers of training days and in the reduction in expenditure seen since 2009.[22] Among employers surveyed in the summer 2014 CIPD *Labour Market Outlook*, 18% said they had reduced expenditure on training in the preceding two years, whereas 27% said they had increased expenditure and 47% had kept expenditure stable. Where expenditure had been reduced, 8% said there had been a modest improvement in quality, 48% detected no change in quality, 31% identified a modest negative effect on quality and 9% said there had been a much lower level of quality.

These estimates capture 'training' as employers see it. They are likely to exclude much informal learning in the workplace, such as the time spent by managers and colleagues providing employees with guidance and support on how to do their job, yet this is likely to be a very important element in building and cementing competence.[23]

Part of this training investment will be in developing management competency. According to the 2013 Employer Skills Survey, of the 66% of employers who had provided training in the previous 12 months, 35% said they had provided management training and 34% said they had provided supervisory training.[24] Half of managers and senior officials (50%) had received training. This was the lowest proportion for any of the major occupational groups, although an increase on the proportion receiving training in 2011 (47%).

The spring 2012 CIPD *Employee Outlook* survey asked respondents who said they had people management responsibilities (29% of employees) whether they had received any form of management development (see Figure 27).

Figure 27: Training and development of line managers, spring 2012



Excludes owners/proprietors and partners. Respondents could select as many responses as applicable to them.
Source: CIPD *Employee Outlook* survey, spring 2012.

In total, 85% of managers said they had received some form of management development activity. The most common activity was on-the-job learning (66% of managers). Just under a quarter (23%) said they had been on a course that led to a management qualification. Where management development had taken place, in the majority of cases this covered teamworking, communication and core management and leadership skills. Development in project management, absence management and budget management were less commonly cited, which may reflect instances where line managers do not have formal responsibility for these matters.

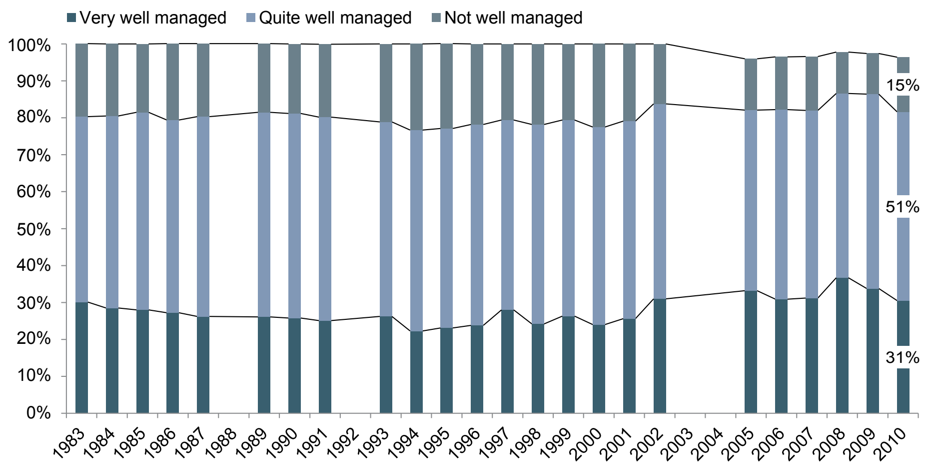
How well do employees think they are managed?

The BSA survey has, for the last 30 years, asked employees how well they think their workplace is managed. The latest data, for 2010, suggest that, while over four-fifths of employees think their workplace is 'very well managed' or 'quite well managed', these proportions are almost identical to when the data were first collected in 1983 (see Figure 28).

One interpretation of the data is that, allowing for sampling variation, nothing has changed. Another would be that the proportion saying their workplace was 'very well managed' fell gently between the early 1980s and the mid-1990s and then started to edge up again from around 2000 to 2008, before falling again between 2008 and 2010.

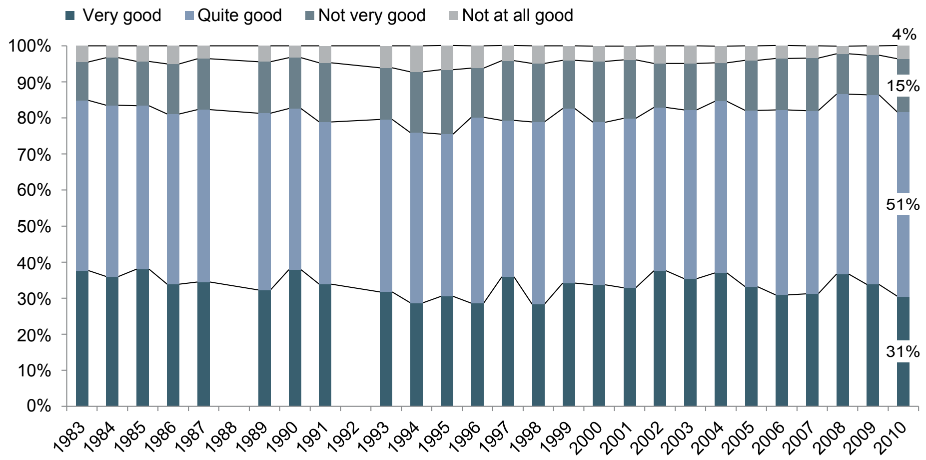
The latter interpretation emerges a little more clearly from a similar question on employee perceptions of management–employee relations at the workplace (see Figure 29). The proportion of employees thinking relations were good or very good drifted down from just over 85% in 1983 to just over 75% by 1995, increasing

Figure 28: Employee perceptions of how well their workplace is managed, 1983–2010 (GB, % of employees)



Source: British Social Attitudes Survey series.

Figure 29: Employee perceptions of management–employee relations at their workplace, 1983–2010 (GB, % of employees)



Source: British Social Attitudes Survey series.

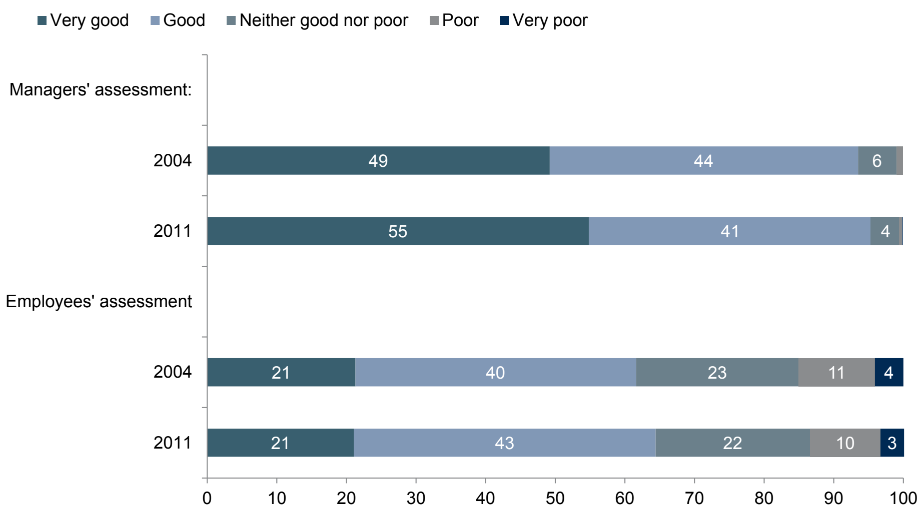
again to reach 86% by 2008, then dropping again between 2009 and 2010.

The WERS data point to improved perceptions of management–employee relationships in the period between 2004 and 2011 on the part of both managers and employees (see Figure 30). SES also found evidence of improvement from an employee perspective: the proportion of employees completely or very satisfied with communications between management and employees at their workplace increased from 30% in 1992 to 35% by 2006 (and remained constant at 35% in 2012).

Partial support for the suggestion there has been an improvement in the relationship between management and employees comes from the WERS data on incidence of conflict at work (see Figure 31). Very few workplaces experience strike action and the increase in incidence in 2011 compared with 2004 is due to a few specific disputes in the public sector and ex-public sector. More significantly, between 2004 and 2011, measures of the incidence of individual disputes – application of disciplinary sanctions, individual grievances and pursuit of disputes to employment tribunals – all fell. Of course, absence of conflict does not mean the relationship between management and employees is positive or without tension as other factors (such as the balance of power between managers and employees or the state of the economy) could mean that discontent does not manifest itself in open conflict.

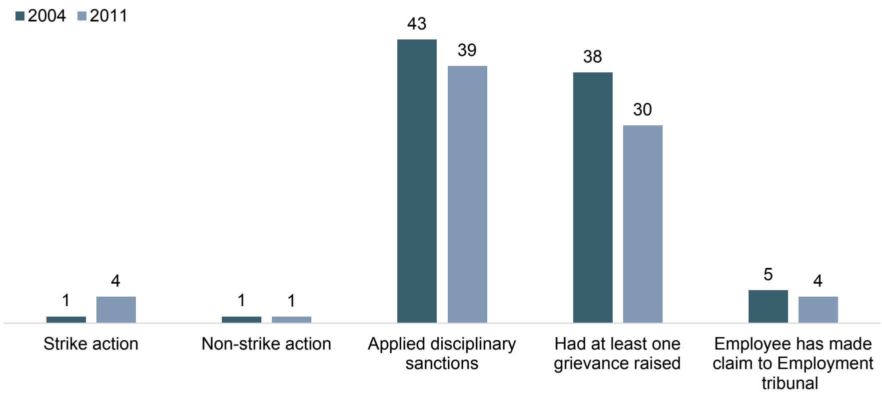
The decline in conflict, however, becomes more relevant if we take job satisfaction into account. Job satisfaction can also be considered an indirect indicator of management quality in the sense that it is difficult

Figure 30: Quality of relationship between managers and employees, 2004–11 (% of managers/employees in workplaces with 5+ employees)



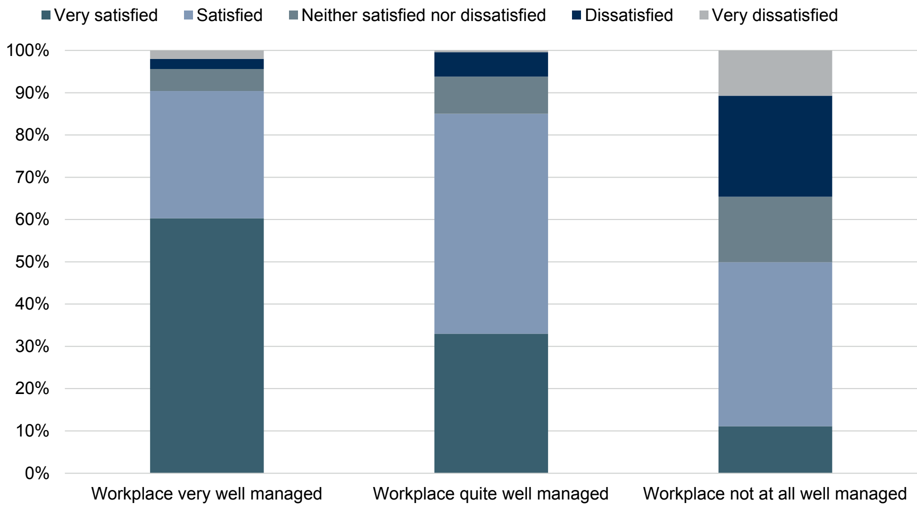
Source: Workplace Employment Relations Study, 2004 and 2011.

Figure 31: Conflict at the workplace, 2004–11 (% of workplaces with 5+ employees experiencing these forms of conflict in the preceding 12 months)



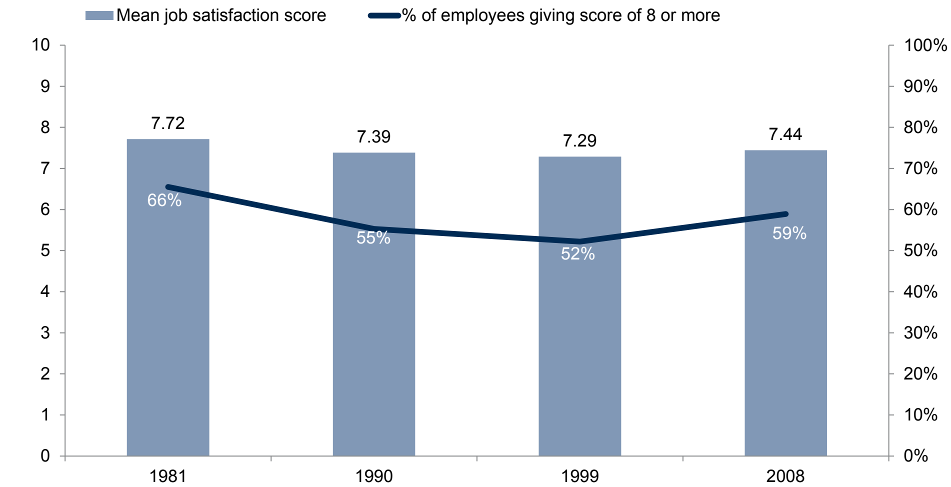
Source: Workplace Employment Relations Study, 2004 and 2011.

Figure 32: Job satisfaction by perceptions of quality of workplace management, 2010 (GB, % of employees)



Source: 2010 British Social Attitudes Survey.

Figure 33: Job satisfaction, 1981–2008



Great Britain. Employees were asked 'overall, how satisfied or dissatisfied are you with your job?' and asked to give responses on a scale from 1 (dissatisfied) to 10 (satisfied).
Source: European Values Surveys.

Table 3: Job satisfaction, 1992–2012 (% of employed)

	1992	2001	2006	2012
Completely/very satisfied	52	43	51	49
Fairly satisfied	35	38	35	34
Neither satisfied nor dissatisfied	6	10	6	7
Completely/very/fairly dissatisfied	7	9	8	10

Source: Skills and Employment Survey series.

to see how individuals who are unhappy with the way they are treated by individual managers or by their employer more generally could say they are still happy doing their job. Potential compensations of intrinsic value (sense of professional pride or vocation) or extrinsic value (high pay or attractive working conditions) must at some point become insufficient to keep job satisfaction high if accompanied by poor management. The 2010 BSA confirms there is a strong positive association between job satisfaction and perception of how well the workplace is managed (see Figure 32).

The vast majority (90%) of employees who describe their workplace as very well managed are satisfied with their jobs (with 60% being very satisfied) and the proportion is still very high (85%) among employees who describe their workplace as quite well managed. Hence job satisfaction is likely to indicate that the individual regards quality of management as at least reasonable to tolerable.

This is significant because there is some evidence that job satisfaction may have improved in the last decade. The European Values Survey provides a long-term perspective and points to declining job satisfaction throughout the 1980s and 1990s followed by a distinct improvement between the 1999 and 2008 surveys (see Figure 33).

The SES also points to a fall in job satisfaction during the 1990s before a recovery in the period between 2001 and 2006. The 2012 data show a small decline in satisfaction levels, although these remain above 2001 levels (see Table 3).

The measure of job satisfaction used by the ONS in their indicators of well-being is taken from the Understanding Society survey series (formerly the British Household Panel Study). While a change in sampling introduces a discontinuity into the time series, job satisfaction appears to have been pretty stable over the last decade with the possible exception of the very last published observation, for 2011–12, where the proportion reporting themselves completely or mostly satisfied with their job fell (see Figure 34).

WERS data from employees, however, point to an increase in job satisfaction between 2004 and 2011. This continues the upward trend in job satisfaction seen between the 1998 and 2004 WERS.[25]

What about other countries?

Compared with other European countries, the UK has a relatively high proportion of employees classified in the 'managers, directors and senior officials' category. In 2012, almost one tenth of employees were in this category, the highest proportion in the EU and twice the average (see Figure 35).

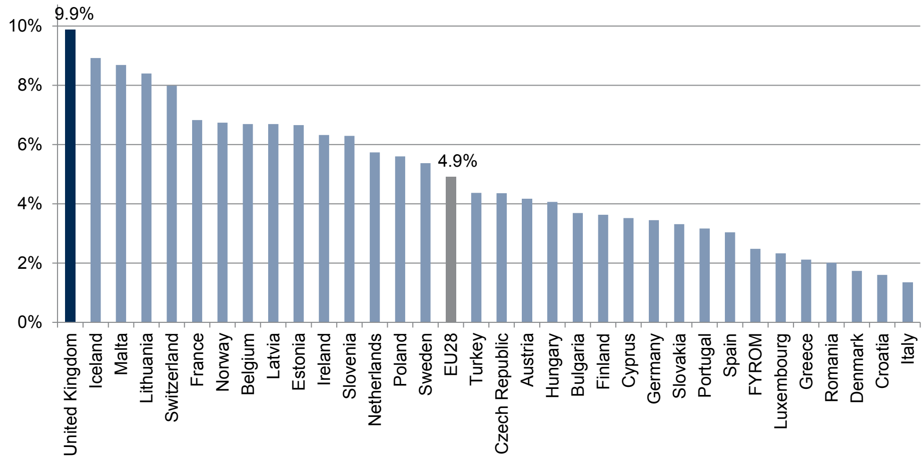
The European Social Surveys also show that Britain has a relatively high proportion of employees who say they have some supervisory responsibility (see Figure 36).

There may well be systematic differences across countries in how people are classified in the official statistics or in how the term 'manager' is interpreted or on the emphasis employees place on the role relative to other things they do at work.[26]

Figure 34: Job satisfaction, 2002/03–2011/12 (% of employees)

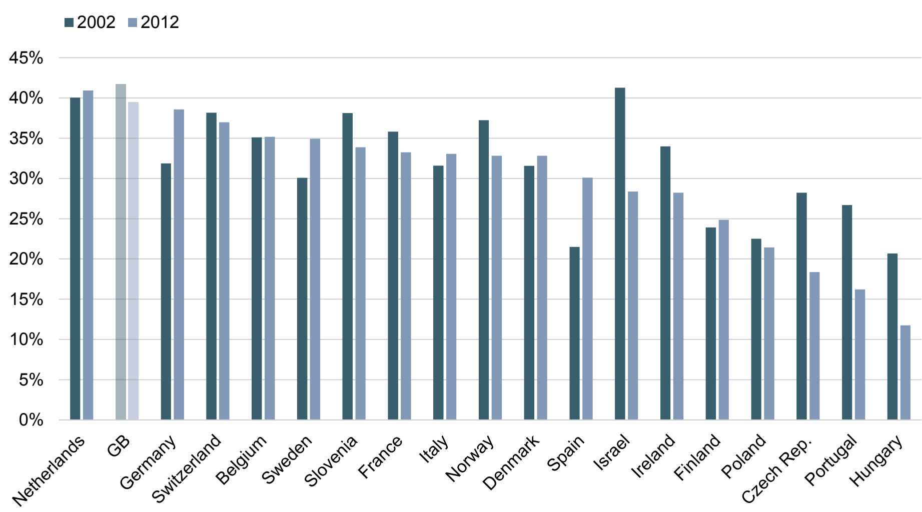
Source: British Household Panel Study/Understanding Society survey. Changes to the sample mean the data from 2009–10 onwards are not comparable with earlier years.

Figure 35: International comparisons of employment of managers, directors and senior officials, 2012 (% of employees)



Employment in ISCO8 Div. 1 (managers, directors and senior officials).
Source: Eurostat, European Labour Force Survey.

Figure 36: International comparisons of responsibilities for supervising people, 2002–12 (% of people in employment with supervision responsibility)



Source: European Social Surveys, 2002 and 2012.

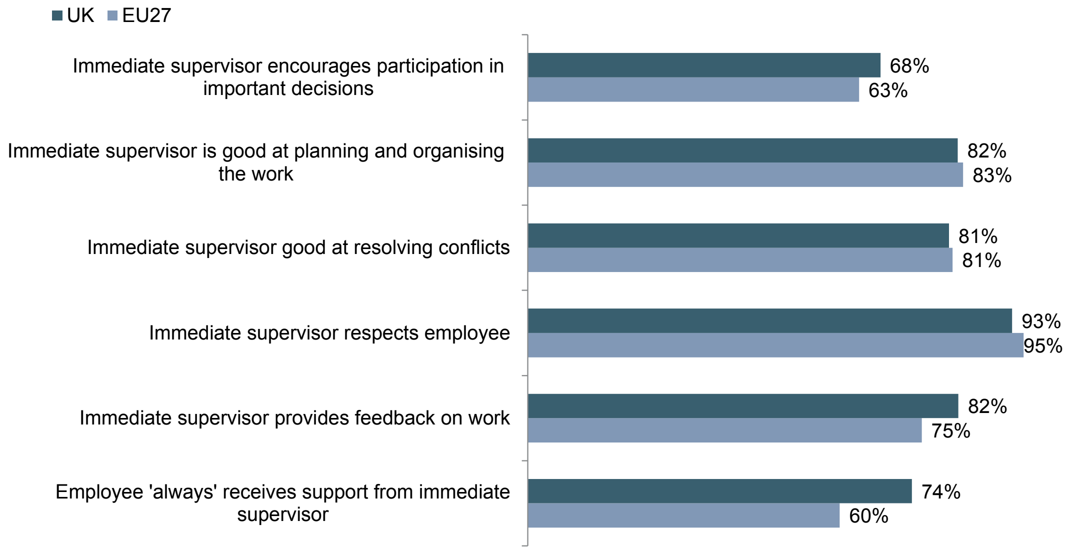
The 2010 European Working Conditions Survey (EWCS) provides comparable data on employee perceptions of the effectiveness of line managers. Across a range of line manager qualities, the proportions of UK employees with favourable assessments were either close to the EU average or better, with an especially large (positive) difference for supportiveness (see Figure 37).

The 2013 European Company Survey gathered data from companies on their use of a broad range of HPW practices (see Figure 38).

The proportions of UK workplaces with these practices in place tended to be close to the EU average, with some exceptions: UK workplaces were less likely to have employee surveys and staff suggestion schemes but they were more likely to use social media or online discussion groups as a means of interacting with employees and they were much more likely to hold regular all-staff meetings.

The data presented above appear consistent with an independent assessment of HPW prepared for the UKCES, which rated Sweden, Finland and Germany as 'front runners' and, by implication, ahead of the UK.[27] We should note, however, that a recent review of various international studies concluded that implementation of HPW practices tended to be inconsistent and confined to a minority of companies in most European countries.[28]

Figure 37: International comparisons of line manager effectiveness, 2010 (% of employees)



Source: European Working Conditions Survey, 2010.

Figure 38: International comparisons of prevalence of high-performance working practices, 2013 (% of establishments with 5+ employees)

Source: European Company Survey, 2013.

Since the Porter and Ketels report was published in 2003, a very significant advance has been made in the measurement of management practice through the development of what is now known as the World Management Survey (WMS). This survey aims to measure management practice directly by asking managers whether they use a specified list of management practices at their establishment and – by further questioning – providing an interviewer-generated and quantified assessment of the effectiveness of each management practice (where it exists). This allows an overall management practice score to be computed for each establishment surveyed as well as scores for ‘bundles’ of individual practices (such as those covering people management).[29]

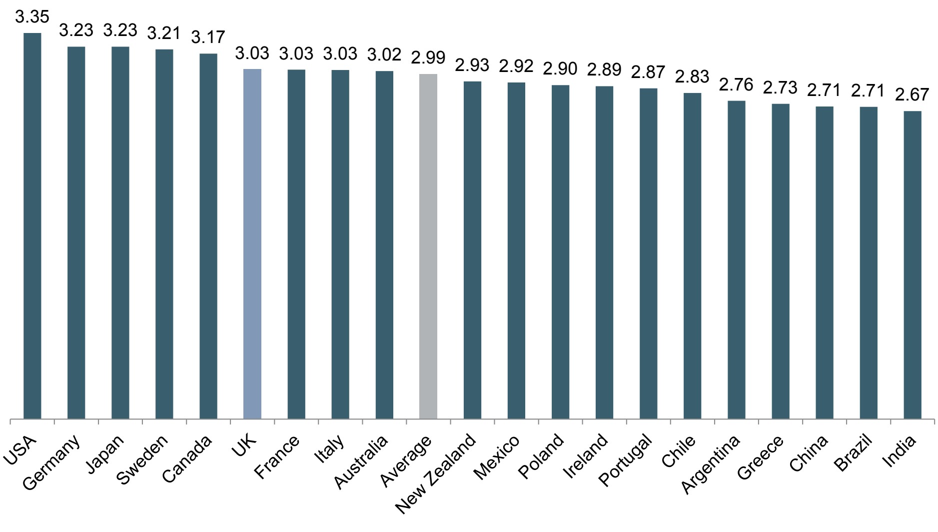
The research team also show that management quality (as measured through overall management practice score) has significant positive correlations with a broad range of organisational performance indicators, even when controlling for other factors.

There are, of course, potential limitations to the survey methodology. The scores for each management practice depend on a judgement made by the interviewer (usually a postgraduate/MBA student) and while the study design aims to minimise variation through the interview guidance and by various checks on individual interviewers, there is probably more interviewer discretion than in the typical (more structured) business survey. The choice of management practices and the criteria used to score their strength and effectiveness in an establishment owe much to the ‘lean’ management model and North American management thinking with a strong emphasis on performance measurement and management, quality controls and incentives and target-setting. And while the associations found between management practice scores and performance outcomes appear robust, the survey design (cross-sectional) cannot provide direct evidence of causality. It is possible that more successful firms have the resources to invest in management quality, rather than management quality leading to success. Nevertheless, the structure and the coverage of the survey, its focus on producing quantified comparisons across establishments internationally and the care that has been taken over its design and execution mean that it is a very important addition to the evidence base.

The survey was originally developed for manufacturing firms and the database now covers firms in 20 countries. The mean score for each firm is on a 0 to 5 scale. The mean score for all the firms surveyed over the period 2004–10 was 2.99, with UK firms having a mean score of 3.03 (see Figure 39).

The USA is the leading country with Germany, Japan and Sweden all scoring around 0.2 higher than the UK. Management practice scores in emerging economies lag well behind those in advanced economies.

Figure 39: International comparisons of overall management practice scores in manufacturing firms, 2004–10 (mean score for businesses sampled)

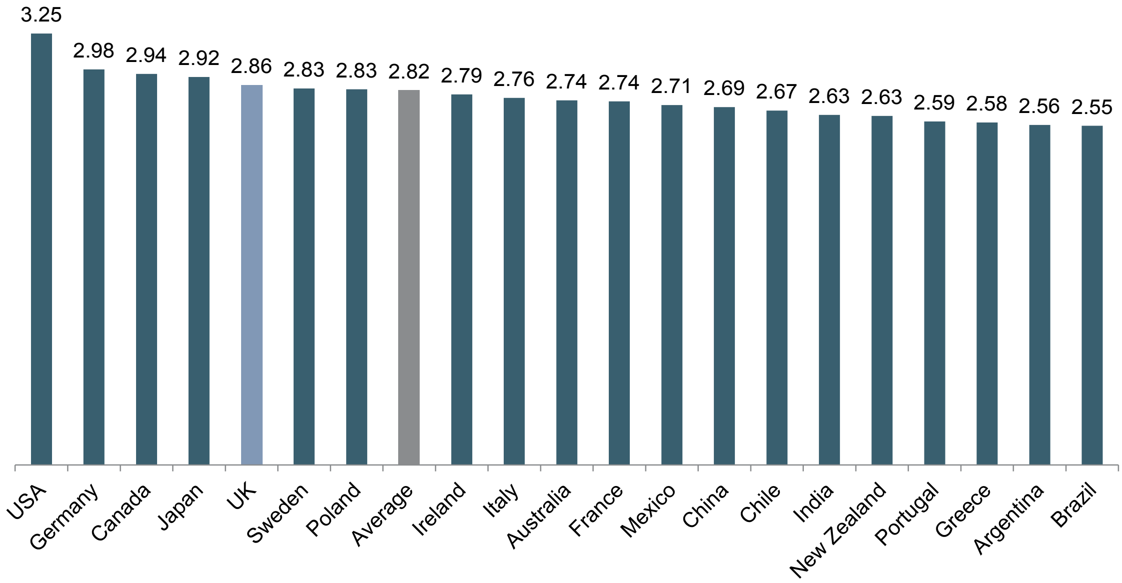


Source: World Management Survey database.

Comparisons can also be made for the people management practices component (see Figure 40). This includes recruitment, the retention of valued employees, the building of a high-performance culture and the use of performance management systems to reward high performance and sanction ineffective performance. The mean scores for the entire sample and each country (with the exception of India) are lower than for the overall measure of management practices. In other words, people management practices were, on the whole, judged not to have been applied as rigorously or consistently within organisations as other management practices (such as those governing production or quality, for example). The gap between the USA and Germany more than doubles in size and Sweden now drops behind the UK. In other words, UK firms – like those in the USA – possess a (small) comparative advantage on people management as defined in this study.[30]

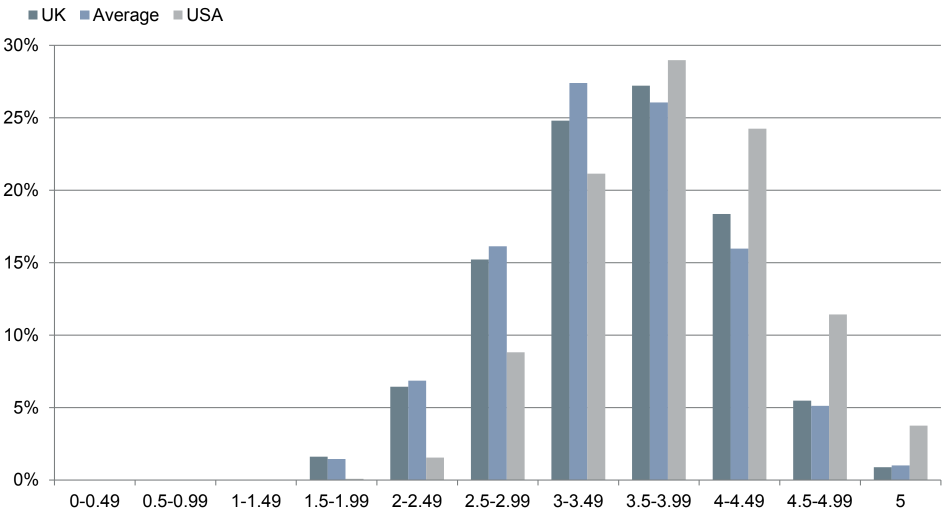
The distribution of firm scores within each country shows that the USA has a higher mean score because it has both a smaller proportion of firms with low scores and a higher proportion with high scores (see Figure 41). At the top of the distribution, the USA has 15% of firms scoring 4.5 or better, compared with an all-country average of 6% and 7% in the UK. And whereas just 2% of US firms score under 2.5, this

Figure 40: International comparisons of people management scores in manufacturing firms, 2004–10 (mean score for businesses sampled)



The people management element refers to the six talent management fields.
Source: World Management Survey database.

Figure 41: International comparisons of dispersion of overall management practice scores in manufacturing firms, 2004–10 (frequency distribution of firm scores)



Source: World Management Survey database.

proportion is 8% in the UK and 8% across all countries. This supports Porter and Ketels' conclusion that, if the UK does have a 'long tail' of less productive firms, it is only when compared with the USA.

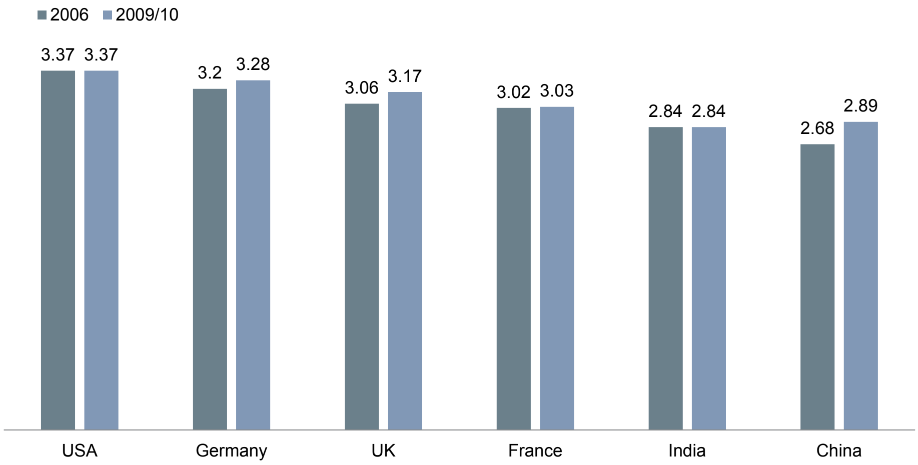
Some of the manufacturing firms initially surveyed in 2006 were re-interviewed in 2009–10. Although the number of firms covered in this follow-up study in each of the selected countries was relatively small, the results point to an overall improvement in management scores, including UK firms, and some closing of the gap between the USA and other countries (see Figure 42).

The survey has also been adapted for hospitals and schools and tested in a smaller range of countries (see Figure 43). The UK performed much better in these sectors: mean scores in UK hospitals were second only to those in the USA and mean scores in schools exceeded those in any of the other countries studied.

A different approach was taken in a survey commissioned by BIS in late 2013 which focused on multinational companies with experience of operating in multiple national environments. Non-UK multinationals rated the managerial and leadership skills of the UK workforce as just behind those of Denmark but well ahead of China and, to a lesser extent, France.[31] Denmark does not feature in the WMS but the UK's ranking relative to France and China is consistent with the WMS.

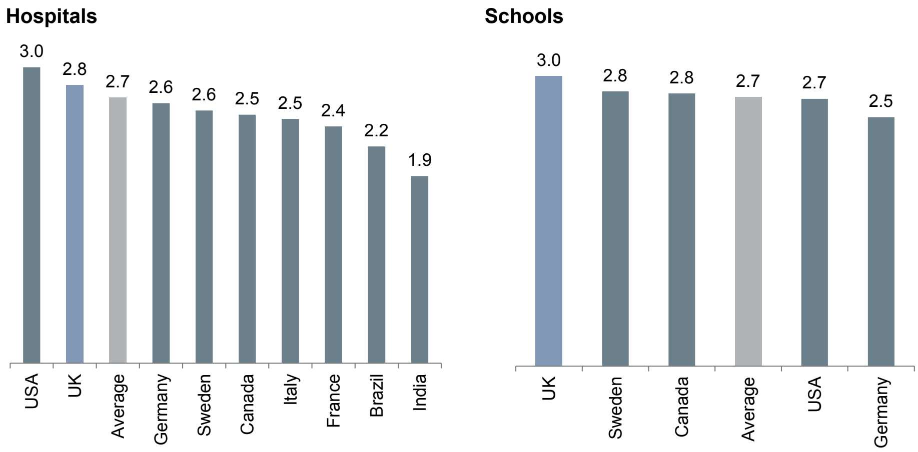
The mean job satisfaction score for UK employees surveyed in the 2011 European Quality of Life survey was 7.53, which slightly exceeded the EU average (7.44). This represented a relative and absolute increase on the mean scores for the same variable from the 2007 survey (see Figure 44).

Figure 42: International comparisons of changes in management practice scores in manufacturing firms, 2006–09/10 (mean score for businesses sampled)



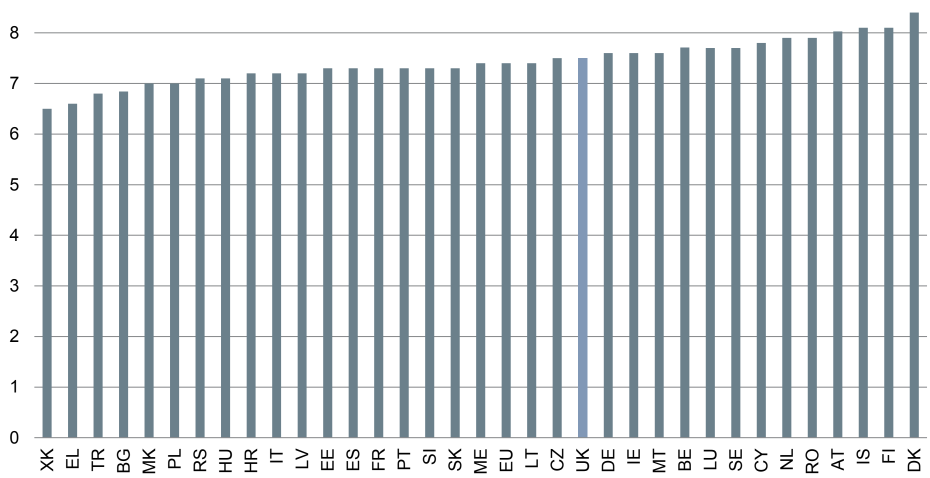
Source: BLOOM, N., LEMOS, R., QI, M., SADUN, R. and VAN REENEN, J. (2011) *Constraints on developing UK management practices*. BIS Research Paper No. 58. London: BIS.

Figure 43: International comparisons of overall management practice scores for hospitals and schools, 2009 (mean scores)



Source: World Management Survey database.

Figure 44: International comparisons of job satisfaction, 2011 (mean job satisfaction scores)



Employees were asked to rate their satisfaction with their present job using a scale from 1 (dissatisfied) to 10 (completely satisfied).
Source: European Quality of Life Survey, 2011.

Limited comparisons can also be drawn with the USA. A regular survey of employees records job satisfaction in the USA (see Figure 45). The proportion of employees saying they were 'very satisfied' or 'somewhat satisfied' with their jobs rose steadily between 2002 and 2009, reaching 86% in 2009, before drifting back towards its current (2013) figure of 81%. A rough comparison can be made with the UK data from the Understanding Society survey (shown in Figure 34), where the proportion 'completely satisfied', 'very satisfied' or 'somewhat satisfied' was 77% in 2011–12. This suggests no great difference in job satisfaction. The same survey also suggested that employee satisfaction with line managers in the USA was on a par with the UK.[32]

Conclusions

A report prepared for BIS in 2012 by the Leadership and Management Development Network Group – which included a CIPD representative – stated that: *'Evidence also shows that the quality of leadership and management has been improving in the UK over the past ten years. But our main competitors are also raising their game so we cannot afford to be complacent.'*[33]

Although the report presented a range of evidence pointing to the difference that effective management and leadership can make to organisational performance – some of which is referenced in this report – the report did not explain precisely which evidence supported its conclusion that the quality of management had improved.

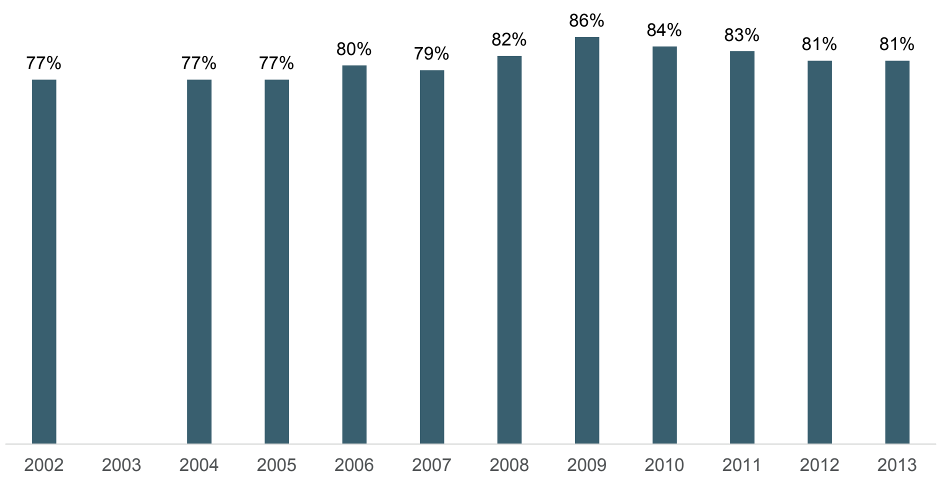
Some of the evidence presented here could be read as consistent with an underlying improvement in management capability and performance, such as the apparent spread of HPW practices and the fact that employees' satisfaction with their job and with management has held up or even improved slightly – especially if we make allowance for the worst recession in at least 80 years (discussed in more detail in the next section).

However, an alternative interpretation emphasising the lack of change in either direction has strong support from the time series data on employee perceptions of their working relationships and how well they think they are managed.

There is some evidence that the most recent period – since 2008 – has also seen some retrenchment on investment in people and their development through reductions to expenditure on training and some pull-back of HPW practices. Again, though, these may well be the result of unusually severe economic conditions rather than an underlying change in management philosophy or capability.

The BIS report is correct in emphasising the need to avoid complacency because, even if the performance of UK managers has improved, it is in a context where management practice is changing (and improving) elsewhere too. Descriptions of the UK as 'mid table' are not manifestly unfair but do create the risk of the UK being seen as a sea of managerial mediocrity. The WMS and other data suggest that the UK is clearly somewhere behind the USA in its adoption of focused and technology-driven management practices – at least in the private sector – and it is not one of Europe's 'leading lights' for the adoption of management innovations and HPW systems. But the UK probably stands in the front rank of 'followers' and, on the limited evidence here, it may even be in the leading cohort when it comes to public sector management.

Figure 45: Job satisfaction in the USA, 2002–13 (% of employees 'very'/'somewhat' satisfied with their job)



Source: SHRM, Employee Job Satisfaction and Engagement surveys.

What are the potential explanations?

What impact has the recession had?

Managers in the UK, along with those in many other countries, have had to steer their organisations through the deepest recession since at least the 1930s. Many organisations had to take tough decisions to ensure they pulled through, including cuts in jobs, pay and other benefits. In the public sector, budget cuts have imposed a similar degree of external pressure.

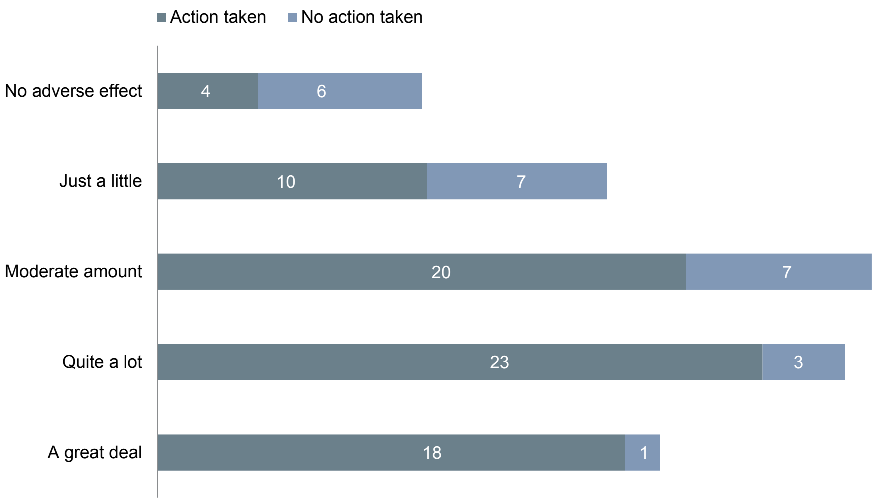
Many management teams will have seen the recession and the actions they had to take to get through it (and, of course, not all employers did survive) as unwelcome, getting in the way of the plans they had for their organisation and its people – not just a diversion of time and energy but also in some cases leading them in a retrograde direction. However, in some organisations, circumstances may have created either the opportunity, or the necessity, to make changes that would not have been judged possible in 'normal' times.

The 2011 WERS questioned managers and employees extensively on the impact of the recession on their workplace. Of the workplaces surveyed in 2004, 17% had closed by 2011 – some but not all of these closures would have been due to the recession. Management respondents in just 10% of workplaces thought the recession had no adverse effect on their workplace, while 45% described its impact as having 'quite a lot' of an effect or mattering 'a great deal' (see Figure 46).

In 75% of workplaces, managers said they had implemented one or more of a specified set of actions affecting their workforce as a response to the recession. The likelihood of doing this was greatest where the impact of the recession was judged most severe, but managers in 38% of workplaces unaffected by the recession had also taken action. Some workplaces may have taken advantage of the difficult economic climate to make changes (and some workplaces not directly affected by the recession might have been required to implement changes, such as pay or recruitment freezes, because of decisions taken higher up in their organisations).

The most common actions taken were to freeze pay (taken by 42% of workplaces), freeze recruitment (28%),

Figure 46: Effect of the recession on workplaces and whether they had taken action in response, 2011 (% of workplaces with 5+ employees)



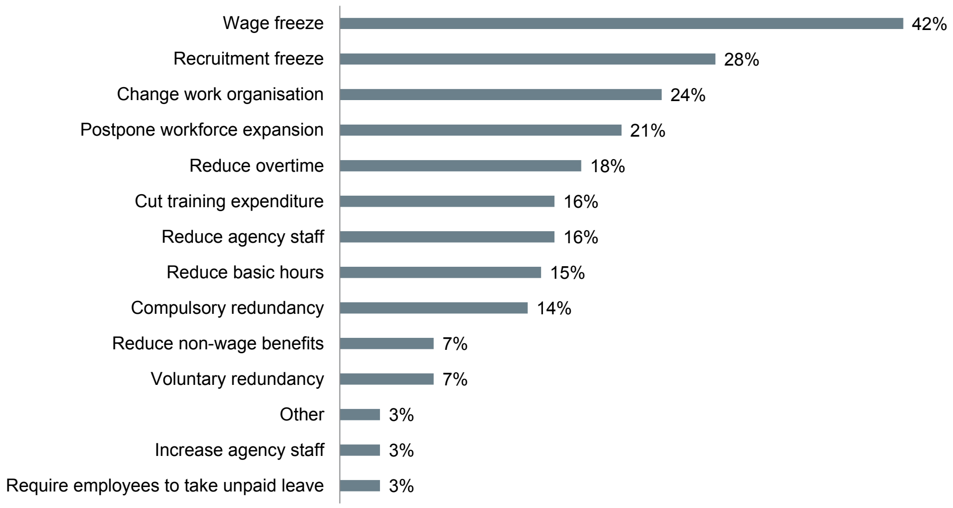
Source: Workplace Employment Relations Study, 2011.

change work organisation (24%) and postpone plans for workforce expansion (21%). Almost one fifth (18%) of workplaces made redundancies on either a compulsory or voluntary basis (see Figure 47).

In many cases, the management response appears to have been one focused on keeping control of, or reducing, labour costs – either by managing down the numbers employed or bearing down on cost pressures. In a fifth of cases, this appears to have disrupted or interrupted plans for expansion made in better times. But in a quarter of cases, work organisation was changed. Here we have no detail on the nature of such change: it could have been short term and tactical, part of a push to minimise costs; but it is possible that some of the changes made were aligned with a longer-term strategy to improve efficiency.

Managers were also asked whether or not they agreed with a statement that 'this workplace is now weaker as a result of its experience during the recent recession'. While just over a fifth (22%) agreed, 60% disagreed. Unsurprisingly, the more severe the perceived impact of the recession, the more likely managers were to say the workplace had been weakened. However, more detailed analysis of the survey data indicates that the actions of workplace managers both before and during the recession could also affect the impact on the workplace.[34] Among private sector workplaces surveyed in 2004 and 2011, those that had strong high-trust relations between management and employees and those that had implemented multi-skilling, numerical flexibility or profit-related pay by 2004 were less likely than other workplaces to say they had been weakened by the recession, controlling for other factors. Private sector workplaces that had implemented workplace innovations in the two years preceding the 2011 survey were also less likely to say they had been weakened by the recession. The implication is that workplaces taking action to pursue an HPW agenda – and implementing the underpinning practices and ethos – might have been at an advantage in being able to weather the recession without lasting damage.

Figure 47: Action taken in response to the recession, 2011 (% of workplaces with 5+ employees)



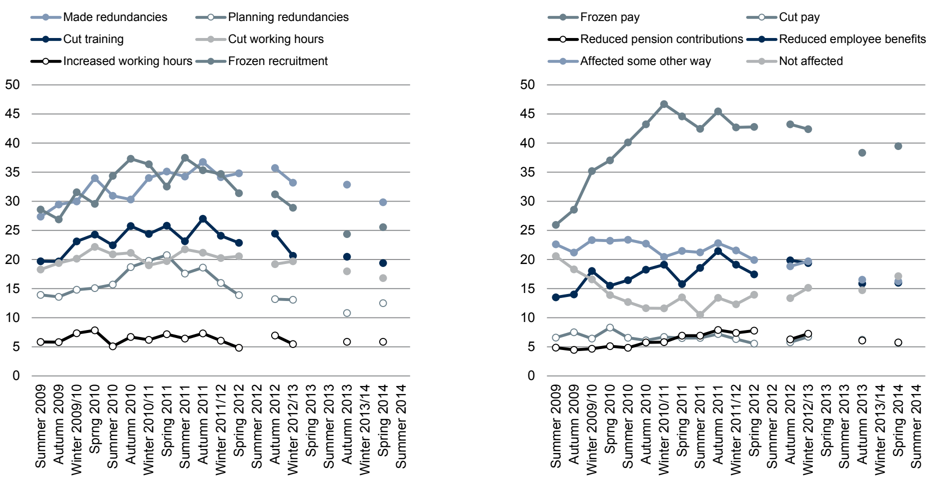
Source: Workplace Employment Relations Study, 2011.

Since 2009, the CIPD *Employee Outlook* survey has collected data from employees that provide a complementary perspective on the impact of the economic downturn (see Figure 48).

In the summer of 2009, 21% of employees thought their workplace had not been affected by the recession, but this proportion fell to just 11% by the summer of 2011 before starting to increase again, with the latest figure, for spring 2014, being 17%. The vast majority of employees thus thought the downturn had an impact on their workplace. The most commonly reported consequence was a freeze in pay, reported by over 40% of employees between 2010 and 2013. Other commonly mentioned effects were redundancies (actual or planned) and freezes on recruitment.

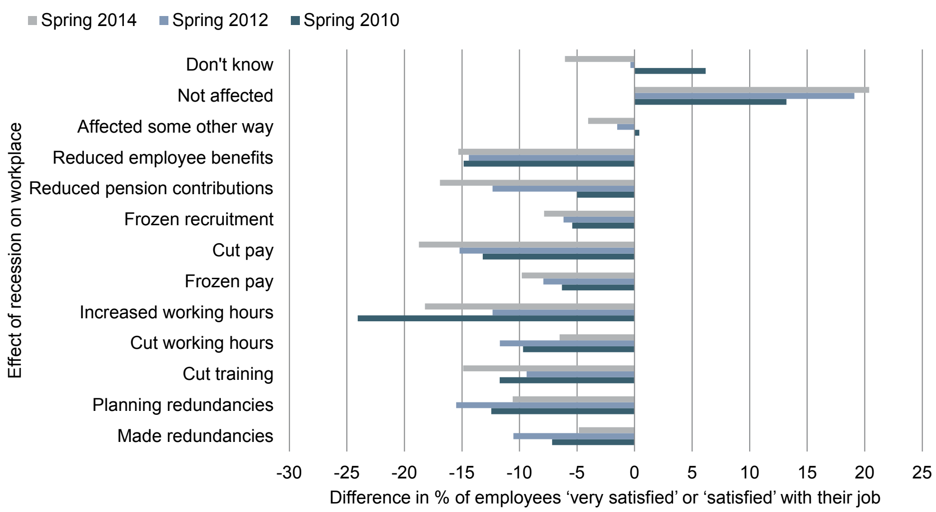
Apart from the managerial time and goodwill expended in implementing these changes, there appears to have been a negative impact on employee morale. The presence of any of the ten recession-related changes in working conditions specified in the *Employee Outlook* is associated with lower job satisfaction (see Figure 49).

Figure 48: Employee accounts of the effects of the recession on their workplace, 2009–14 (% of employees)



Source: CIPD *Employee Outlook* surveys.

Figure 49: Effect on job satisfaction of recession-related workplace changes, 2010–14



Source: CIPD *Employee Outlook* surveys.

The minority of employees who thought their workplace was unaffected by the recession or its aftermath – consistently less than a fifth of all employees – are much more likely to be satisfied with their job than employees who thought the recession had an effect at their workplace. The biggest negative effects on job satisfaction have tended to be where employment conditions have worsened – where pay or benefits were cut or where hours (and workload) were increased. These changes were, unsurprisingly, less commonly implemented than pay or recruitment freezes, which did not lead to an actual worsening of employment conditions and did not have as much of a negative impact on employee morale.

Cuts, pay freezes and such recession-induced effects appear to be associated with similar negative effects on other variables measuring management–employee relationships.[35]

As we have seen, the recession led to some retrenchment of expenditure on training, with 16% of workplaces and between 20% and 30% of employees reporting reductions in training expenditure as a result of the recession (see Figures 47 and 48 above).

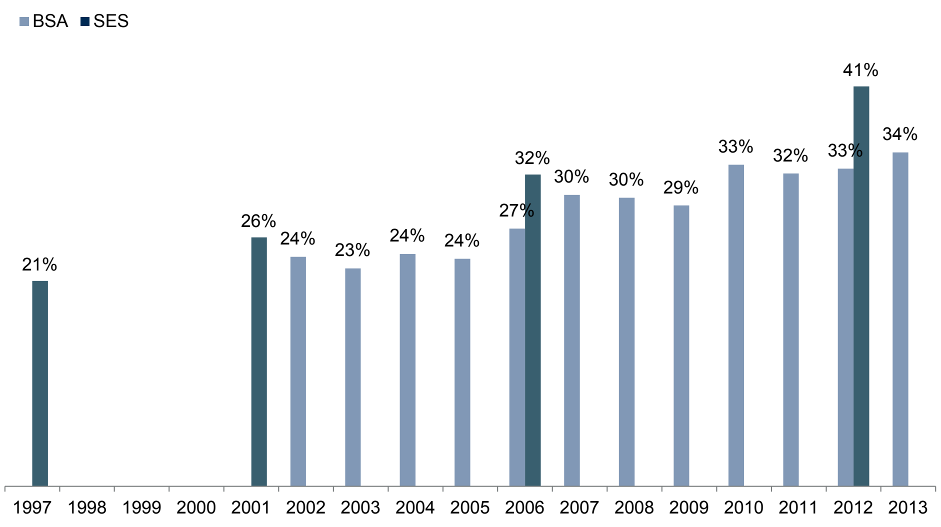
Nevertheless, given the severity of the recession and the fall seen in some other categories of business investment, there clearly could have been much greater falls in training expenditure. An independent review of the evidence concluded that *'the impact of the 2008–09 recession on training was not as severe as many had feared'*.[36] In part, this was because many organisations saw there was a limit on how much training could be cut because of the need to train employees to meet regulatory requirements and key operational goals. It also reflected the attempts by many organisations to increase the efficiency of their training expenditure as detailed in the previous section.

The need to reduce costs and the diversion of time and energy towards tackling the direct consequences of the recession may also account for any reduction in the incidence of HPW practices more generally.

Are managers becoming more capable?

Like the population as a whole, managers have become better qualified over time. According to SES, the proportion of people with supervisory or management duties with a degree or higher qualification almost doubled from 21% in 1997 to 41% by 2012. The proportion of people with direct people management responsibility who were graduates increased from 24% in 2002 to 34% by 2013 according to BSA (see Figure 50).

Figure 50: Graduates as a share of those with managerial responsibility, 1997–2013 (GB, % of employees with managerial or supervisory responsibility with a degree or higher qualification)



Source: British Social Attitudes surveys and Skills and Employment Survey series.

The degree or higher qualification might not, of course, have any direct relevance to the managerial role. A 2007 review carried out for the Chartered Management Institute noted that *'the proportion of managers with management-related qualifications will not get much above 20% in the longer term at the current rate of achievement'*.[37]

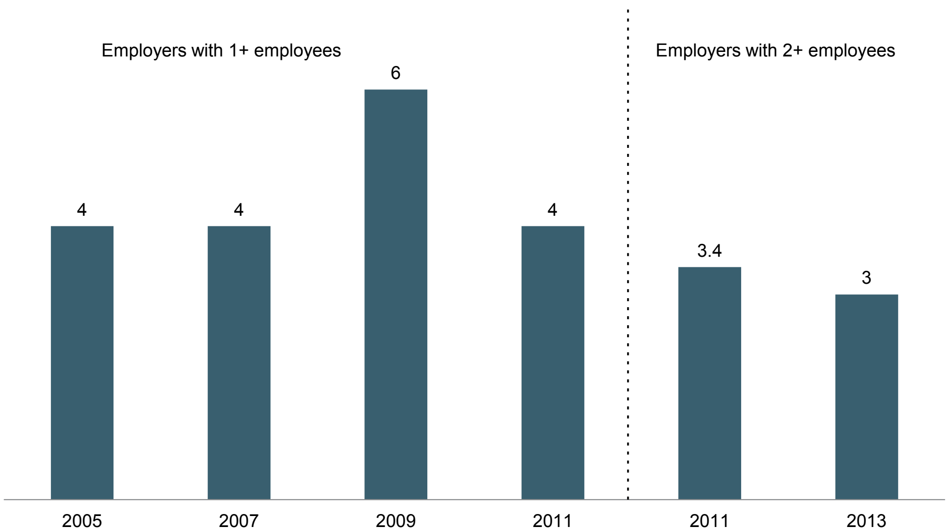
A study published in 2006 looking at firms in Spain, Norway, Germany and the UK found that UK firms undertook fewer management learning activities than firms in the other countries studied, with the exception of formal education. The study also suggested that UK firms scored less well than others in their *approach* to management development: they lagged behind German and Norwegian firms in developing a progressive ethos for management and they lagged behind all three comparators in linking their HR and business strategies and in the importance attached to management development by line managers.[38]

Of course, we should not assume that all managers are entirely competent or suited for their role. The Employer Skills Survey asks employers whether any of their employees are not fully proficient, in other words, that their (current) skills do not fully match the requirements of the job. In 2013, 146,000 managers and senior officials in the UK were deemed to be not fully proficient by their employers, 3% of all employees in this occupational group. This was a reduction on the 2011 level (161,000) and proportion (3.2%). Data for the longer run of surveys covering England show that the proportion was stable at 4% for 2005 and 2007, but jumped to 6% in 2009 before stabilising since 2011 at a lower level (see Figure 51). Perhaps the testing economic context in 2009 exposed more perceived shortcomings in management teams?

The 2013 Employer Skills Survey identified a broad range of skill shortfalls among managers, but the four most commonly cited by employers were 'planning and organisation' (in 70% of cases), 'strategic management' (65%), 'teamworking' (56%) and 'problem-solving' (52%).[39] In 60% of cases, employers attributed the skill deficiency to transient factors (managers being new to the role or not having completed their training). And managers were the occupational group seen by employers as least likely to suffer from skills deficiencies.[40]

While the majority of employees say they are satisfied with their line managers, there are areas where they appear to see room for improvement. Relatively high proportions of employees do not seem to be receiving as much coaching,

Figure 51: Skills gaps among managers, 2005–13 (% of managers and senior officials judged not fully proficient, England)



Source: Employer Skills Surveys.

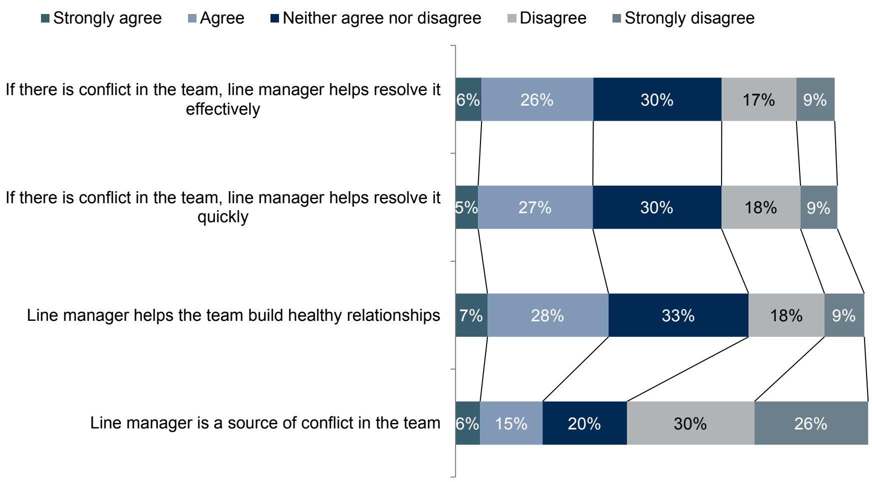
development and career guidance as they would wish. Another area where employees appear to have less positive evaluations of line managers is in their ability to build relationships and handle conflict in the workplace. About a third of employees questioned in the spring 2014 CIPD *Employee Outlook* thought their line manager dealt with conflict quickly and effectively, but about a quarter of employees disagreed with these statements (see Figure 52). While employees had a more positive view of their managers' ability to build relationships, a fifth thought their line manager was a source of conflict.

The *performance* of managers, if not their underlying capability, can also be improved by changing the incentives and constraints facing them. The high score for UK schools in the WMS has been explained by the combination of relative freedom from central government and tight local governance which gives school heads considerable freedom in how they manage their schools but provides effective accountability.[41]

According to the WMS, 43% of UK managers in the manufacturing firms surveyed were graduates, the second lowest proportion in the survey behind China and well below the average for all countries surveyed (see Figure 53).

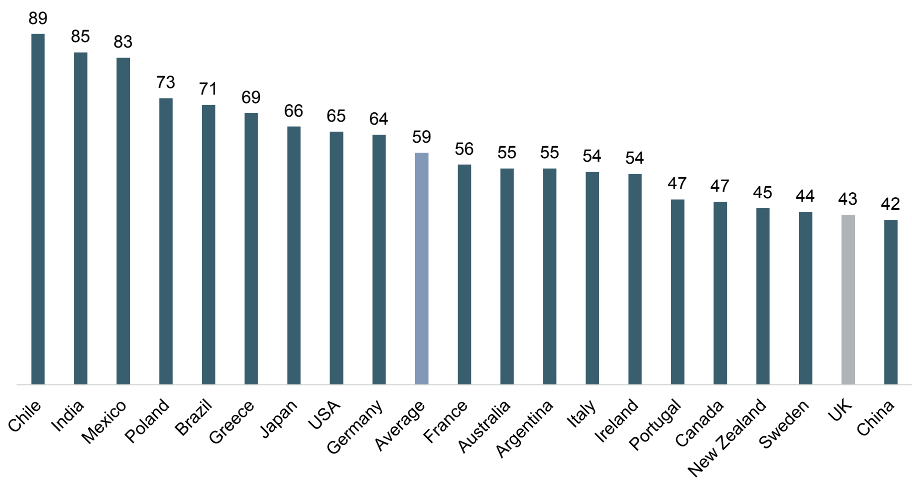
There is a positive and statistically significant correlation across all manufacturing firms between the management

Figure 52: Employee perceptions of line managers' capability in handling conflict, spring 2014 (% of employees)



Excludes owner/proprietors, partners and those that do not report to anyone. 'Don't know' responses are not reported.
Source: CIPD *Employee Outlook* survey, spring 2014.

Figure 53: International comparisons of managers in manufacturing firms with degrees, 2004–10 (mean % of managers with college degrees)



Source: World Management Survey database.

score and the proportion of managers with degrees. In addition, there is a positive *within country* correlation between management score and the proportion of managers that have a degree (which is statistically significant in all countries except France and Germany).[42]

Managers in the subset of manufacturing firms interviewed in both 2006 and 2009–10 were asked, at the time of the second interview, to identify constraints to improving management practices in their firms.[43] The constraint most commonly mentioned by UK managers was 'hiring managers with the right skills', cited as a major obstacle by 29% of UK firms and a minor obstacle by 23% of firms. Human capital and knowledge acquisition were, indeed, the principal barriers identified by UK firms: the second and third most commonly mentioned constraints were 'hiring non-managers with the right skills' (19% stating it was a major barrier and 22% a minor barrier) and 'knowing what new management practices to introduce' (11% and 23% respectively). Difficulties in hiring managers and non-managers with the right skills were frequently mentioned as constraints by the US, French and German firms surveyed as part of this study.

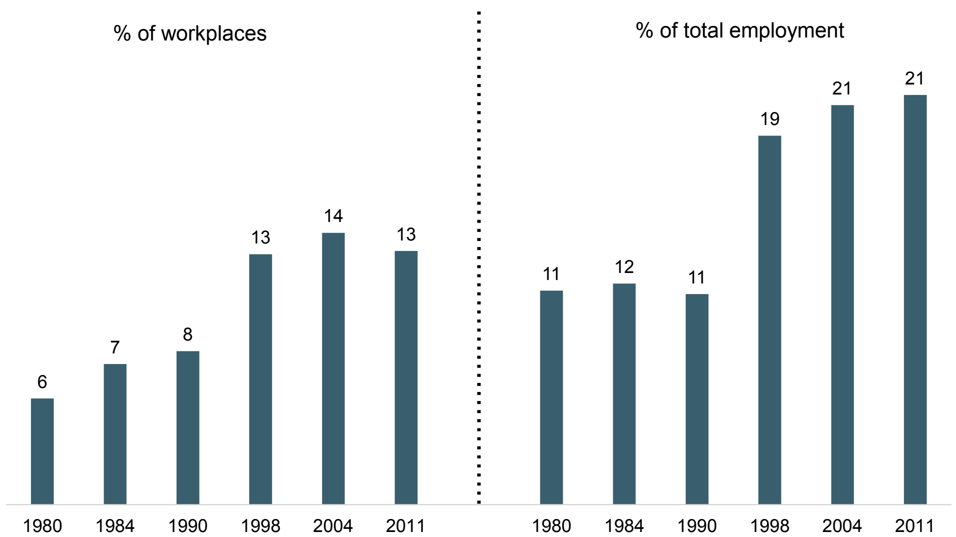
Is people management becoming more sophisticated?

The last 30 years have seen big changes in the focus of people management in many UK organisations, with less time and priority devoted to collective aspects of employment relations (seen in the decline of collective bargaining) and more time devoted to the management and development of individual members of the workforce.

Multinational companies (MNCs) have been a significant channel for the transmission from country to country of management thinking and management practices.[44] A survey of over 300 UK-based MNCs in 2006 found extensive opportunities for this: 61% of firms said they had a worldwide management philosophy; 63% had means of bringing HR managers across countries together on a regular basis; and 53% had an international HR policy committee.[45] MNCs have played a prominent role in the roll-out of HPW practices in the UK. Of a set of nine practices typically associated with HPW, 64% of UK-based MNCs said they used five or more. These practices were more extensively used in MNCs where HR functions were integrated and where there were opportunities for HR managers to interchange with their peers. Their greater usage by US and UK-based MNCs also points to the influence of North American management thinking.

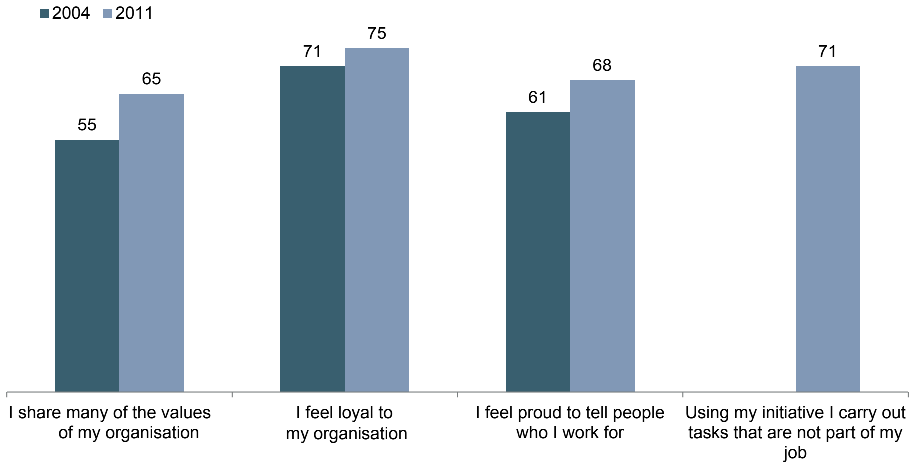
During the 1990s, the proportion of workplaces that were owned or controlled by a foreign company increased significantly, from 8% of establishments with 25 or more employees in 1998 to 13% by 1998 – and they accounted for a greater share of total employment (see Figure 54). Since then, the proportions have been stable. Hence the *direct* impact of foreign management practices on UK-based firms exerted via ownership has stabilised.

Figure 54: Foreign-owned/-controlled establishments, 1980–2011 (GB, workplaces with 25+ employees)



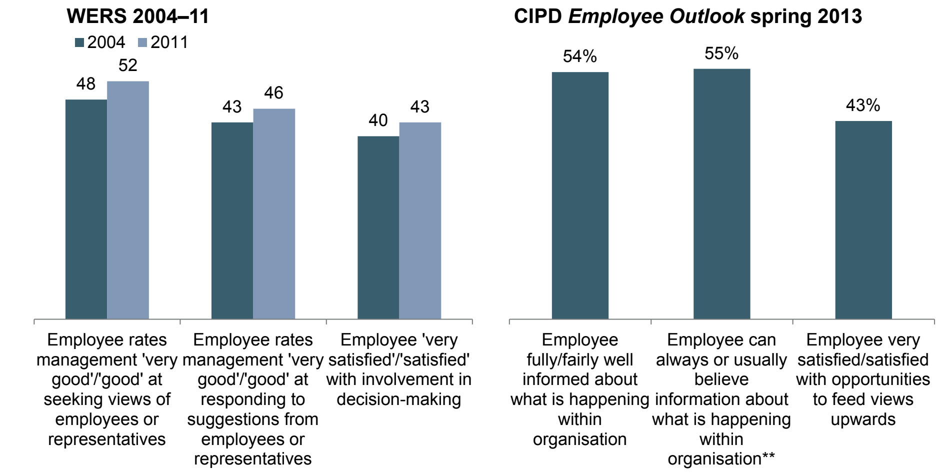
Includes joint-controlled vehicles/50:50 UK and foreign-owned ventures.
Source: Workplace Employment Relations Survey series.

Figure 55: Organisational commitment, 2004–11 (% of employees in workplaces with 5+ employees who 'strongly agree'/'agree' with the statements below)



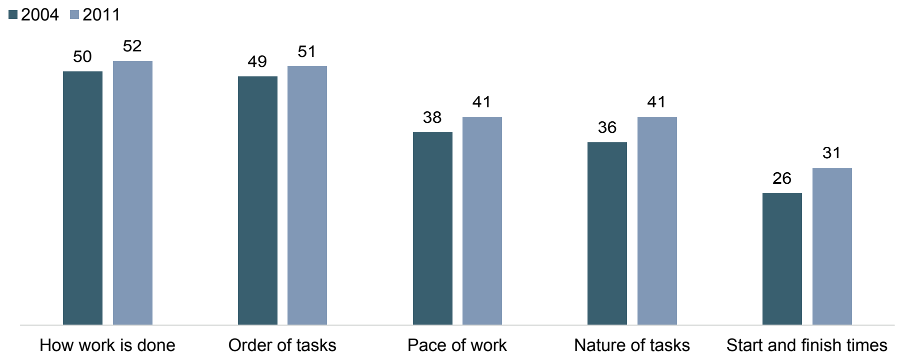
Source: Workplace Employment Relations Study, 2004 and 2011.

Figure 56: Employee satisfaction with voice (% of employees*)



Left-hand chart: * Employees in workplaces with 5+ employees.
Source: Workplace Employment Relations Study, 2004 and 2011.
Right-hand chart: Excludes owner/proprietors and partners.
Source: CIPD *Employee Outlook* survey, spring 2013, except ** spring 2010 survey.

Figure 57: Employee views on their influence over their work, 2004–11 (% of employees in workplaces with 5+ employees who said they had 'a lot of influence' over the following aspects of their work)



Source: Workplace Employment Relations Study, 2004 and 2011.

Probably the most significant change in how organisations approach people management has been the increased emphasis on employee engagement as a tool for improving and sustaining organisational performance. It is claimed that organisations with high levels of employee engagement outperform their peers on a broad range of measures.[46]

The 2011 WERS reported significant increases in organisational commitment, with a 10 percentage point increase since the 2004 survey in the proportion of employees saying they shared many of the values of their organisation and a 7 percentage point increase in the proportion who were proud to tell people who they work for (see Figure 55).

The same survey also points to modest increases in various measures of employees' satisfaction with their opportunities for voice (see Figure 56).

There was also an increase in employee perceptions of their influence over various aspects of their work (see Figure 57), especially the nature of the tasks they carried out and starting and finishing times.

A composite index derived by the Involvement and Participation Association from several WERS variables suggested that the proportion of employees with 'very good' or 'good' levels of engagement increased from 52% in 2004 to 56% by 2011. The increases in organisational commitment seen above reflect the importance attached to 'strategic narrative' as a guiding principle and the results for satisfaction with voice and influence reflect the emphasis on 'employee voice'.[47]

Nevertheless, data from the autumn 2009 CIPD *Employee Outlook* survey suggests there are limits to employee influence. Most employees see whatever influence they have as being restricted to their own job rather than to the wider strategies or policies of their employer. Whereas 72% of employees felt they had at least some influence over how they did their job and 54% had some influence over their responsibilities and priorities, a fifth or less thought they had any influence over the strategy or direction of the organisation or pay and conditions at the workplace (see Figure 58).[48]

Another 'transmission mechanism' for the spread of HPW management practices, especially in small and medium-sized organisations, has been the use of external standards such as Investors in People (IiP).[49] Case studies of organisations working towards IiP suggest that the process can have significant effects on management practice.[50] One can be to trigger more investment in management and leadership development. Another is to encourage communication of the business's strategic narrative and build organisational commitment. A survey of IiP applicants found that more than half identified improvements to the quality of leadership skills and management practices as a result of the process – and these were the business benefits most commonly cited.[51]

Technology is also changing management practice. This is not just because the introduction of new technology into the organisation – and its use to enable new products, services, processes and ways of working – is a core management responsibility. It is because technology can lower the cost of data collection and data analysis, which can be applied to management of people as much as it can be to management of quality or production processes or for the analysis of data on customers.

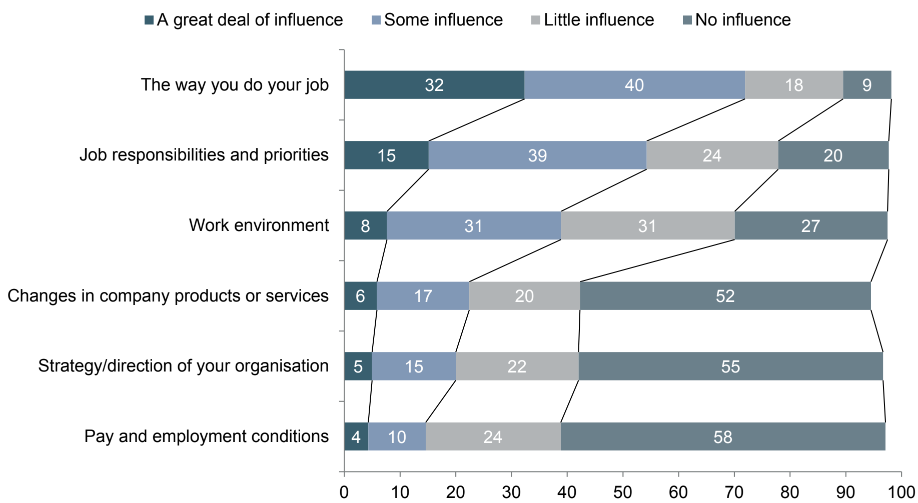
In 2010, the US Bureau of the Census conducted the Management and Organizational Practices Survey (MOPS), a survey of over 30,000 manufacturing establishments in the USA that was developed in collaboration with the WMS team and covers much the same areas of management practice. The survey found that the use of structured management techniques for performance monitoring, targets and incentives was associated with more intensive use of ICT and greater investment in ICT per worker. The areas of management practice where self-assessed improvement was greatest between 2005 and 2010 all involved the use of data to manage performance. Structured management techniques were in turn associated with better performance across a range of business performance variables.[52]

Has employment regulation made any difference?

Reforms made during the 1980s and 1990s to the legislation governing trade unions, coupled with an economic climate that weakened the bargaining power of organised labour, removed many of the constraints that managers faced – or thought they faced – in implementing workplace change.

However, a consequence of declining trade union presence and power has been that, in some cases, grievances and disputes that might formerly have been dealt with through collective machinery have instead led to individual grievances and claims to employment tribunals.[53] The median cost to employers of an employment tribunal application was five days in 2013, comparable with 2007, but there is considerable variation and a small proportion of employers found that cases could occupy much more management time and legal

Figure 58: Employee views on their influence over work and their organisation, autumn 2009 (% of employees)



Excludes owner/proprietors and partners. 'Don't know'/'Not applicable' responses not reported.
Source: CIPD *Employee Outlook* survey, autumn 2009.

fees.[54] Employers' experience of tribunals, along with the increased number of individual disputes and adjustments to unfair dismissal legislation, may also have been factors behind the more widespread formalisation of disciplinary and grievance procedures.[55] Similarly, the introduction of more extensive equality and discrimination legislation may have been a factor accounting for the increase in workplaces with formal procedures and strategies on equal opportunities and diversity.

A survey of HR professionals conducted by the CIPD in 2005 did find that, at that time, employment regulation was seen as the most important single influence on the development of HR policy and practice – more important than changes in business strategy or HR thinking.[56] This was a time when HR professionals were still getting to grips with the implementation of many new pieces of regulation.

More recent survey data suggest that the perceived influence of employment regulations on businesses has diminished. For example, a regular BIS-commissioned survey of SMEs found that, by 2012, just 8% of SMEs considered regulations of all kinds as the main barrier to growth facing them. The state of the economy, taxation, cash flow and competition were all mentioned more often. Among those SMEs identifying regulation as a constraint on business growth, employment regulation was not mentioned as a constraint as often as health and safety regulation, tax rules or sector-specific regulation. Comparisons with previous surveys in the series showed the perceived (negative) impact of employment regulation slightly down on 2006–07 and 2007–08.[57] This suggests that the perceived impact on businesses (and managers) eases as they become familiar with new regulations and/or as the quantity of new regulations eases.

The National Minimum Wage has increased earnings at the bottom of the wage distribution and has affected some industries more than others, but there is little evidence that it has had a widespread impact on management practices in low-paid sectors – in particular, that it might push firms in low-paying sectors towards more innovative, high-value business models and labour strategies.[58]

A study of the impact of the Working Time Regulations found that, in some of the companies investigated, the introduction of the regulations had triggered operational changes and more considered and effective management practices.[59] In other firms, however, the regulations had imposed additional record-keeping requirements on management that were seen as unnecessary.

Changes to the regulatory framework for collective employment relations have, in general, had little impact on how organisations manage employment relations. A study of the impact of the Information and Consultation Regulations 2004 concluded that the regulations had a 'background influence'. The introduction, design and operation of information and consultation mechanisms in the companies studied were determined principally by management and the regulations did not constrain key strategic decisions.[60] In some cases, such as consultation over collective redundancies or transfers of staff covered by the Transfer of Public Undertakings (TUPE), however, the regulations appear to have provided organisations with a template for how to conduct consultations and, to this extent, have worked to standardise procedures.

The impact of regulation always varies across firms according to many different factors, including whether or not existing practices were in line with – or could easily be adapted to – (new) regulatory requirements. These factors included the prevailing management style in the workplace, the relationship between HR and line management functions and the capability and attitude of line managers. Organisations with effective management practices, capable line managers and an HR function integrated effectively into the business were less likely to encounter substantial problems in implementing new employment rights.[61] Firms seeking to move into higher-value market segments sometimes thought regulations had a positive effect in supporting their direction of travel.[62]

Pre-1997 changes in employment regulation may well have assisted – and, in some cases, might have been essential for – transformational change in some industries by reducing the power of trade unions to resist change. This has not generally been the case for the post-1997 changes. Many changes to legislation were the result of a careful compromise between the interests of employers and employees and hence designed not to be too disruptive to employers. They have, in practice, done little to shift the balance of power between employers and employees. In addition, many – but not all – of the changes were going with the grain of developments in people management policies and practices. For example, the right to request flexible working was introduced in a context where many employers already recognised the business case for flexible working and were encouraging (or, at least, not discouraging) it as part of broader HPW or recruitment and retention strategies.

Manufacturing firms that were interviewed as part of the 2006 wave of the WMS and re-interviewed in 2009–10 were asked whether employment regulation was a constraint on improving managerial performance.[63] Few managers said regulation was a major constraint (8%), although just over a quarter (27%) identified it as a minor constraint. These results are almost identical to those for the USA. However, in France, over half of firms identified employment regulation as a constraint (15% as a major constraint, 38% as a minor constraint) and in Germany the proportion was almost three-quarters (25% major constraint, 47% minor constraint). Indeed, in Germany, employment regulation was more likely to be identified as a constraint than the lack of suitably skilled managers (although managerial skills were still most highly placed in terms of major constraints).

Is there still a 'them and us' culture in UK organisations?

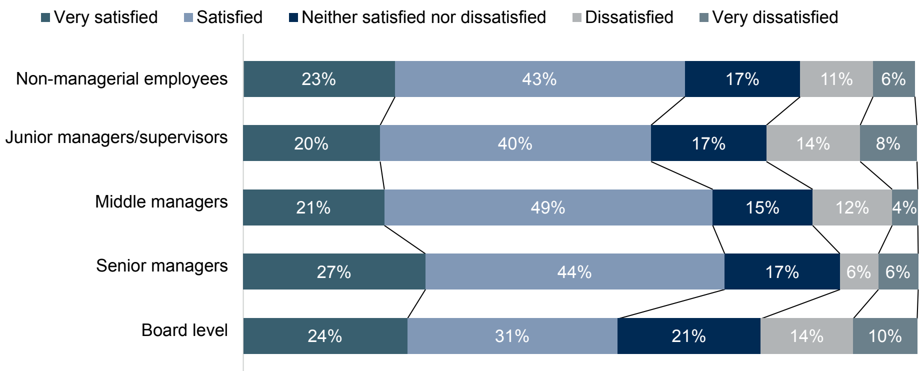
CIPD surveys show that many employees do not trust those leading their organisation. As shown in a previous *Megatrends* report, a lack of trust has serious consequences for organisations: there are, for example, negative effects on productivity and engagement and employees are more likely to be looking for another job.[64]

The existence and credibility of voice mechanisms is one factor that helps explain the degree of trust but it is not the only factor. The behaviour of leaders also matters, especially whether employees think it is consistent with the values that leaders espouse on behalf of the organisation. There is a gap in credibility here and it is not obvious that it has changed much for the better or worse in the last decade. Either trust has not been recognised as an issue deserving attention or efforts to repair trust have been misdirected or ineffective (or nullified by other internal or external developments).

Analysis of CIPD *Employee Outlook* surveys shows that the majority of employees are satisfied with their relationship with the person who manages them – and there is relatively little difference in satisfaction levels from top to bottom of an organisation (see Figure 59). The majority of employees regard their line manager as honest, supportive, competent and fair, although, as discussed above, certain aspects of line manager behaviour and competence receive a less positive evaluation.

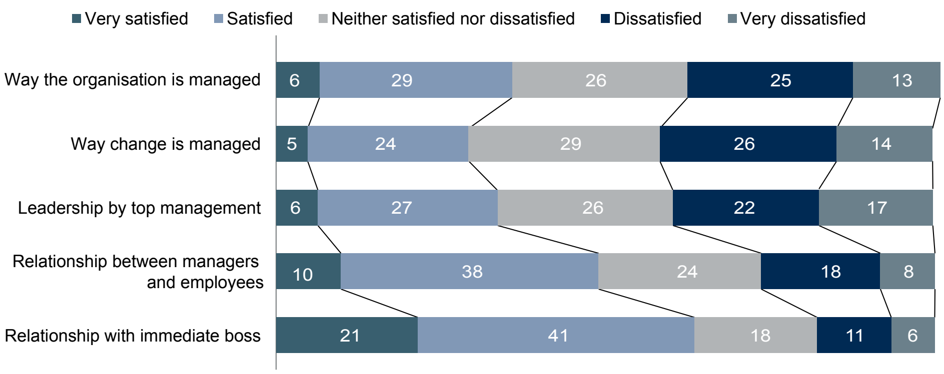
In general, employees have a much more negative opinion of 'senior management' than they have of their line manager, as shown by questions collected in the summer 2009 CIPD *Employee Outlook* survey (see Figure 60). Whereas 62% of employees were satisfied with their

Figure 59: Employee satisfaction with line manager by managerial status, autumn 2014 (% of employees)



Excludes owner/proprietors, partners and those that do not report to anyone. 'Don't know' responses are not reported.
Source: CIPD *Employee Outlook* survey, autumn 2014.

Figure 60: Employee satisfaction with their organisation's management and leadership, summer 2009 (% of employees)



Excludes owner/proprietors and partners. 'Don't know' responses not reported.
Source: CIPD *Employee Outlook* survey, summer 2009.

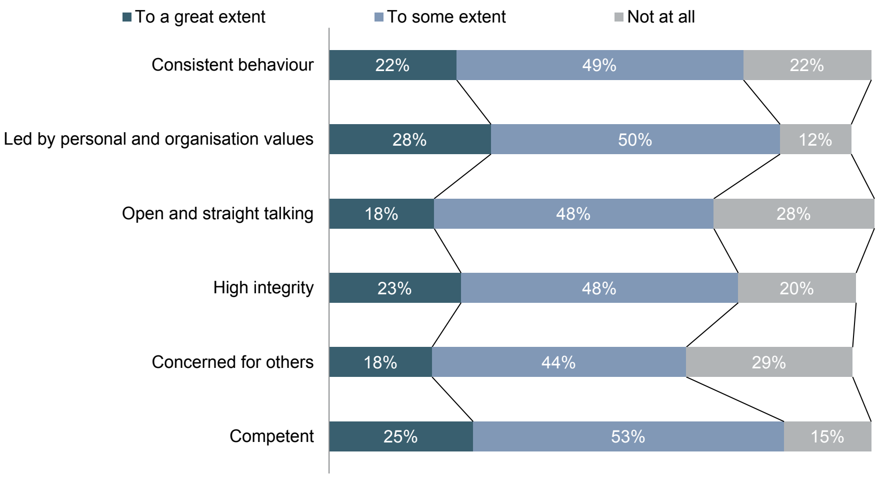
relationship with their line manager, just 33% were satisfied with top management's leadership and 35% were satisfied with the way that the organisation was managed.

Similarly, the autumn 2012 *Employee Outlook* survey collected data on employee perceptions of how often 'leaders of their organisation' displayed various behaviours associated with trustworthiness (see Figure 61). Only small minorities of employees – typically less than a quarter – thought they displayed these behaviours to a great extent.

The data suggest that a 'them and us' culture may exist to varying degrees within most organisations. By this we mean a culture where most employees regard themselves and the people around them ('us') differently from those in charge of the organisation ('them') who are seen as responsible (or culpable) for making the big decisions that affect employees. Trust in 'them' is low, as shown in recent data on the trustworthiness of 'senior management' taken from the spring 2014 CIPD *Employee Outlook* survey (see Figure 62).

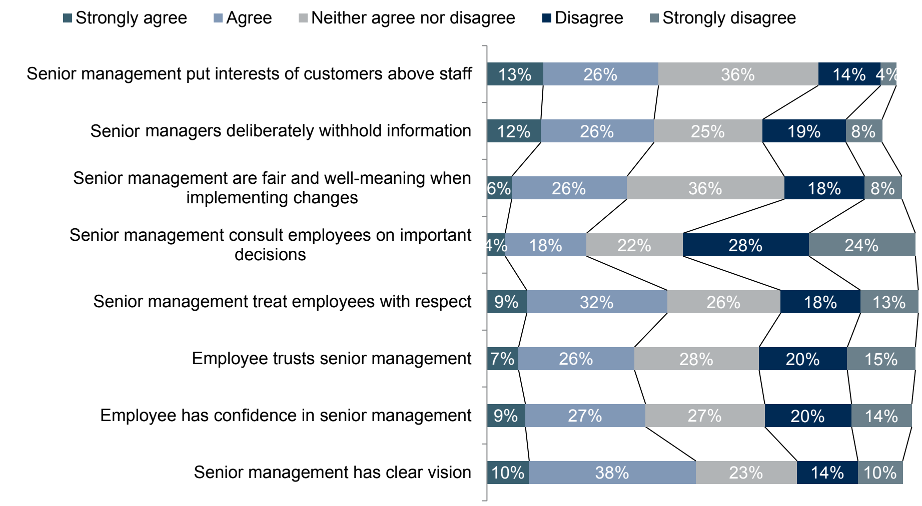
The dividing line between 'them' and 'us' is not as simple as managers versus managed. It appears to depend on position in the organisational hierarchy, the precise issue under consideration and the nature of the organisation. Trust in 'senior management' is much lower in the public sector than in the private sector and this has been a consistent pattern in the data ever since the CIPD *Employee Outlook* survey commenced in 2009. In both sectors, though, middle managers and junior managers/supervisors are little more trusting of their superiors than employees without managerial responsibility (see Figure 63).

Figure 61: Employee views of the behaviour of the leaders of their organisations, autumn 2012 (% of employees)



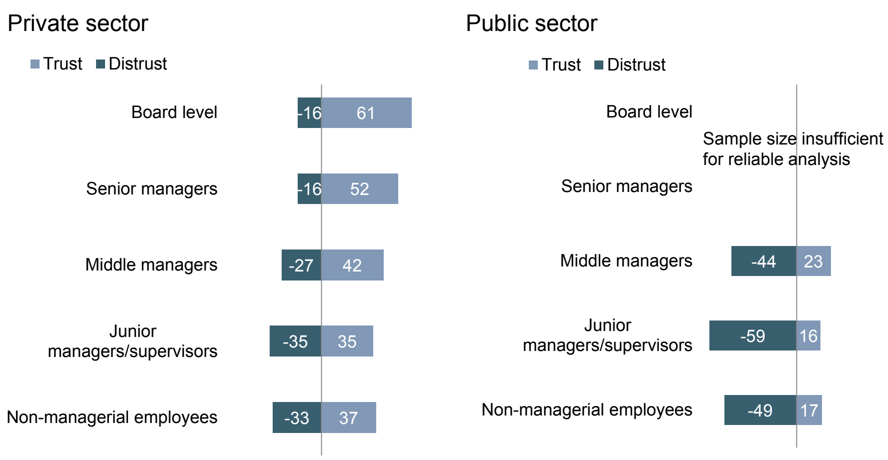
Excludes owner/proprietors and partners. 'Don't know'/'Not applicable' responses not reported.
Source: CIPD *Employee Outlook* survey, autumn 2012.

Figure 62: Employee views of senior management, spring 2014 (% of employees)



Excludes owner/proprietors and partners. Responses do not add to 100% because 'Don't know'/'Not applicable' responses are not reported.
Source: CIPD *Employee Outlook* survey, spring 2014.

Figure 63: Trust in senior management by managerial status, autumn 2014 (% of employees)



Excludes owners/proprietors and partners. 'Trust' is measured by the percentage of employees who agreed or strongly agreed with the statement 'I have trust in the senior management in my organisation' and 'distrust' is measured by the percentage who disagreed or strongly disagreed. 'Neither agree nor disagree', 'don't know' and 'not applicable' responses are not reported.
Source: CIPD *Employee Outlook* survey, autumn 2014.

The existence of such a culture is likely to have an impact on the behaviour of both managers and employees. For example, in organisations where there is a clear gap in trust between senior managers and middle managers, resistance can be expected from middle management to change that is seen as being imposed from above. Leaders may anticipate this and implement change in ways designed to minimise middle management discretion – for example, mandatory processes that *require* specific actions from middle and junior managers, including evidence of completion and checks by superiors. But this, of course, simply reinforces attitudes on both sides.

Is a lack of ambition holding organisations back?

The Porter and Ketels report emphasised the importance of context in shaping the performance of UK management. A decade later, are the factors that were thought to be holding organisations back still in place?

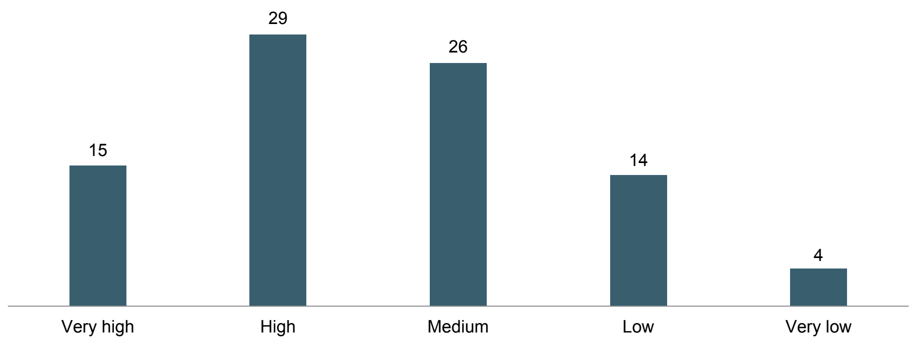
One important factor is product market strategy, the decisions that firms take about which markets to compete in and how to compete. The 2013 Employers' Skills Survey collected data from private sector businesses, asking them to rate the importance to their strategy of price, quality, of leading the way and customisation, and this was subsequently used to produce a product market strategy (PMS) rating (see Figure 64).

The distribution is skewed, with half of the establishments where a PMS rating could be calculated being in the 'very high' or 'high' categories (meaning a strong focus on quality, customisation and innovation). Changes to some questions mean that direct comparisons are not made between the distribution of PMS ratings in the 2013 and 2011 surveys, although responses to the questions used to construct the rating suggest little change.

The 2013 survey data show that firms with high PMS ratings are – even taking workplace size into account – more likely to train their workforce and more likely to adopt HPW practices.

Similarly, the summer 2014 CIPD *Labour Market Outlook* survey collected data from private sector employers on their competitive strategy (see Figure 65).

Figure 64: Distribution of private sector product market strategy (PMS) ratings, 2013 (% of private sector establishments with 2+ employees)



Excludes establishments where PMS rating could not be computed.
Source: Employers Skills Survey, 2013.

Figure 65: Distribution of private sector organisations by competitive strategy, summer 2014 (% of private sector organisations)

'Don't know' responses are excluded from the analysis and people without a line manager.
Source: CIPD *Labour Market Outlook* survey, summer 2014.

Of the options given to respondents, competing on the basis of customer service was most commonly selected, by almost 37% of firms, with just over a quarter selecting added value and high quality. Just under 8% of firms said they competed on the basis of low cost. Firms were also asked whether their product/service strategy relied on premium or standard quality. Nearly three-quarters (73%) of firms said their strategy relied on premium quality. Three-quarters of the firms competing on the basis of low cost said they competed on the basis of standard quality, whereas this was the minority response for other competitive strategies.

These data also suggest a clear relationship between competitive strategy and investment in workforce training (see Figure 66). When asked what proportion of the workforce had received job-related training (formal or informal) within the last 12 months, the majority of firms competing on low cost said that less than 25% of the workforce had received training. In contrast, 50% of the firms competing on the basis of customer service said that the majority of their employees had received training. Firms competing on the basis of added value or high quality fell between these two extremes, although closer to the customer service firms than the low-cost firms.

Choices of where and how to compete need to be reflected in the organisational culture, in the recruitment and development of people and in the choice of management style and practices. Commenting on this, a review of managerial capability covering firms in the UK, Spain, Germany and Norway suggested:

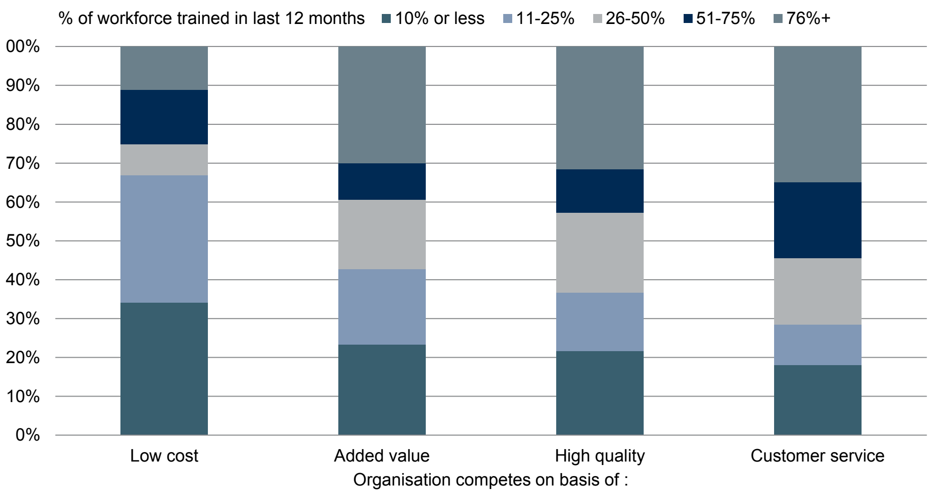
> *It may be that the problem does not rest with managerial capability per se in the UK, but rather there is a lack of vision and strategic direction in some organisations. The ways in which the UK does less well seem to be issues of leadership rather than direct management, issues of creating a HR strategy, creating a [management development] ethos, creating a strong sense of culture and a direction and understanding which enables managers to thrive.*[65]

There is a lack of relevant, internationally comparable and robust data so it is difficult to assess whether the strategic orientations of the UK business population have changed over time or how they compare with other countries. The Porter and Ketels report and a recent report prepared for the CIPD by Ewart Keep and Ken Mayhew suggest, however, that the UK has excessive numbers of firms getting by on the basis of 'low road' product market strategies emphasising low cost and low price rather than 'high road' strategies focusing on quality and innovation.[66]

The problem is that changing strategic orientation is not simply a matter of making a different choice. Achieving it requires vision and leadership from the top as well as investment in R&D, capital and workforce skills (managerial and non-managerial). Firms may possess the will but lack the capabilities or resources to change.

Barriers to change within organisations mean that competition is an important contributor to improvements in management. Poorly run firms lose market share to better-run rivals and inefficient individual managers are replaced. These effects can in practice be quite significant.[67] Although benchmarking suggests that the UK's competition policy regime compares well with other countries, this does not by itself guarantee

Figure 66: Workforce training by competitive strategy, summer 2014 (% of private sector organisations)



'Don't know' and 'other' responses are excluded from the analysis.
Source: CIPD *Labour Market Outlook* survey, summer 2014.

there is sufficient entry and exit of firms to ensure that incumbents are kept on their toes and the latest technologies and processes are diffused swiftly.[68]

The education profile of the UK workforce may be a constraint on UK organisations' ability to change strategic orientation and embrace HPW practices. Compared with the OECD average, the UK has relatively high proportions of its population aged 25–64 with both low-level qualifications (below upper secondary level) and high-level qualifications (tertiary education). As a result, this means the proportion in the UK with intermediate skills is well below the OECD average (see Figure 67).

However, unless employers try to raise their ambitions and commit the necessary energy and resources, the qualifications profile of the UK workforce is unlikely to change substantially in the short to medium term.

Conclusions

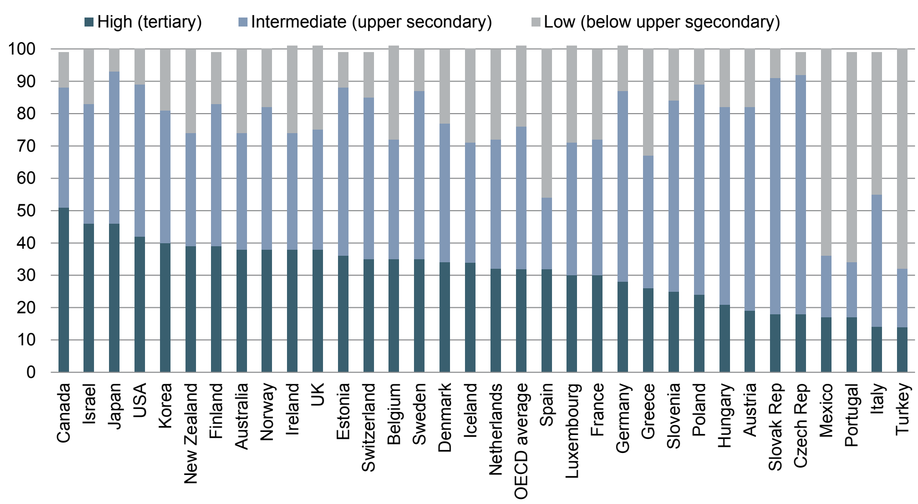
The recession has clearly had an impact on businesses – but, it would seem, not always for the worst. Some organisations had to implement radical change in order to survive, such as cutting or freezing pay. In many cases, this will have been a distraction or diversion from pre-recession plans or aspirations for growing the business. But in some cases it does seem that managers took the opportunity to implement workplace change that in 'better' times might have been regarded as unthinkable or likely to encounter too much resistance from employees to be worthwhile.

Managers are better qualified than they used to be, but this seems to be a reflection of the general trend towards a better-qualified workforce. There is little evidence of rapid improvement in managerial competence or in the size of investment that managers or employers make in managerial capability. International comparisons suggest that UK organisations (and UK managers) might not consider management development as strategically as organisations in other countries or indeed take it as seriously.

There are signs that the apparent increase in adoption of HPW practices and increased focus on employee engagement may be having an impact on employees, especially through increased organisational commitment and strong levels of job satisfaction. However, employees' trust in leadership still appears to be low in many workplaces.

There is also the question of whether some of the potential drivers for managerial change (such as competition, foreign ownership or investment, privatisation and public service reform) might have begun to run out of steam. Furthermore, there is the question of whether many UK organisations possess the capability or ambition to raise their game. While many private sector UK businesses now say they compete at the higher end of the price–quality spectrum, or describe their competitive edge using words such as 'added value' or 'customer service' rather than price, this does not guarantee that they have the people management practices in place to deliver on these ambitions or make the changes necessary to do so. Workforce as well as managerial skills may be a significant constraint.

Figure 67: International comparisons of adult population by qualification level (% of population aged 25–64)



Source: BOSWORTH, D. (2014) *UK skills and international competitiveness, 2013*. UK Commission for Employment and Skills Evidence Paper No. 85.

What are the implications?

Does management practice have an impact on economic performance and employee well-being?

While the evidence base is far from perfect, there appears to be a positive relationship between the use of HRM or HPW practices and increased productivity, although this will, of course, depend on how well these practices are executed and the extent to which they are aligned with the broader orientation and culture of the business.[69]

The WMS research team have also found consistent evidence that the adoption of more structured management practices – measured by management practice scores – is associated with improvement in various measures of business performance.[70]

A recent US study has looked directly at the impact of management quality on employee productivity. Using data collected between 2006 and 2010 from over 20,000 employees in a large technology-based services company, the authors concluded that the average supervisor was 1.75 times as productive as the average employee. Moreover, if a manager judged to be in the bottom 10% of the ability distribution was replaced by a manager in the top 10% of the ability distribution, the impact on output was about the same as adding an extra member to an existing nine-person team.[71]

A study using the WMS methodology across manufacturing plants in the USA, UK, France and Germany found that greater use of advanced management practices was associated with greater provision of work–life balance policies (such as subsidised childcare and flexible working).[72]

HPW practices are associated with higher levels of job satisfaction and job discretion, so the more widespread use of HPW practices may well be a factor helping to explain the turn-around in these variables since the late 1990s.[73]

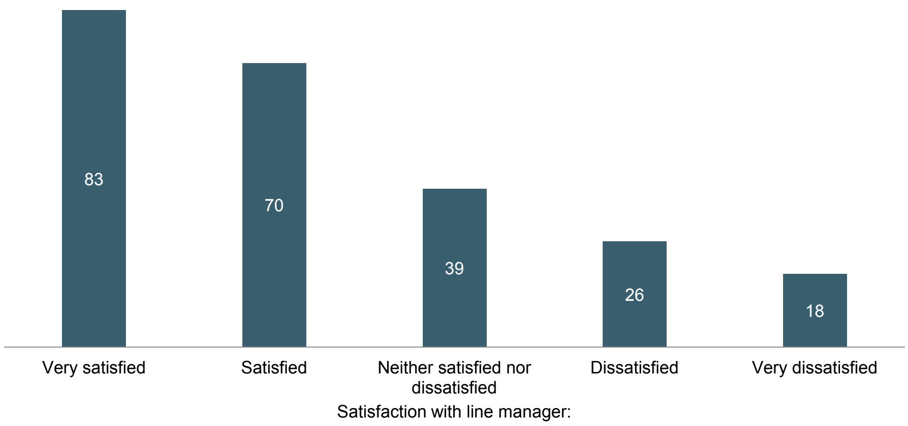
What are the implications for employees?

Consistent and effective people management may, from an employee's perspective, come with some drawbacks – such as less scope for shirking – but it should also mean there is less arbitrary decision-making. There is a strong positive association between employees' satisfaction with their line manager and overall job satisfaction (see Figure 68).

Employee engagement is an expressed priority for many employers.[74] Its adoption as an objective by increasing numbers of organisations provides opportunities for more meaningful work, although the impact on the workforce will depend on the actions of employers.

Of course, approximately 30–45% of employees are managers. The evidence presented in this report does raise the question of whether managers invest enough of their time and energy in managing – now and for the future. Do they take their development seriously – or is this undermined by the incentives they face or by other messages or behaviour?

Figure 68: Job satisfaction by satisfaction with line manager, autumn 2014 (% of employees 'very satisfied'/'satisfied' with their job)



Excludes owner/proprietors.
Source: CIPD *Employee Outlook*, autumn 2014.

What are the implications for employers?

There may be significant advantages for employers (and employees) in more widespread adoption of HPW management practices. An analysis of the 2004 WERS suggested that increased use of HRM/HPW management practices was associated with higher levels of job satisfaction and organisational commitment but with some evidence of non-linearity – in other words, there may be a threshold below which small-scale and piecemeal implementation had negative effects on employees; whereas above this threshold, more widespread implementation was associated with greater employee satisfaction and commitment. In 2004, many UK workplaces were still below the threshold stage.[75]

But introduction of HPW practices needs to be combined with a careful focus on organisational culture. A study of service businesses in Australia found that three types of business culture – those focused on people and their development, on the achievement of results and on innovation and change respectively – were all positively correlated with high-performance working. However, there was a negative correlation between high-performance working and business cultures focused on stability and management control.[76]

Among SMEs, adoption of HPW practices was often regarded as a 'trigger'.[77] This could simply be becoming aware of the practices and their potential benefits or it could arise from a more general desire to improve positioning in the market and/or to be a 'good employer'.

For SMEs in particular, access to networks and sources of advice is also important. One study of SMEs found a robust association between implementation of HPWs and the number of business networks that firms were connected to.[78] Training and advice for SMEs on HPW is available and accessible, but awareness and take-up appear to be low.[79]

SMEs that had access to an HR specialist and had formalised policies were more confident in their ability to comply with employment regulation in comparison with those (mainly smaller) firms that did not have access to specialist advice or who preferred informality (for example, because they adopted a 'family' approach to running the business).[80]

Both management and workforce skills may constrain the ability of firms to improve the operation of existing management practices as well as implement change. One factor likely to be holding back investment in people, and contributing to short-termism in general, is the lack of effective human capital reporting in most UK organisations.[81] In addition, the evidence points to the importance of linking HR strategies to business strategies, especially in developing a managerial ethos – a guiding philosophy of what good management looks like within an organisation – and implementing it systematically.

Thinking for the longer term, the ability to innovate becomes critical to survival, let alone growth. A study of UK enterprises based upon the 2002–04 UK Innovation Survey found that 'organisational innovation' (major changes to strategy, organisation, management practices and marketing) complements technological innovation.[82] Organisational cultures, management styles and practices thus need to balance short-term operational priorities with the development of long-term innovation capabilities. Again, human capital reporting could be a useful tool in helping organisations make choices between short-term and long-term priorities.

What are the implications for public policy?

The Porter and Ketels report was jointly commissioned by the UK Department of Trade and Industry, but its impact on policy decisions appears to have been minimal.

BIS and the devolved administrations are responsible for various programmes designed to support business growth, especially in SMEs, which include coaching and support for senior management in addressing the barriers to growth, such as the Growth Accelerator programme for SMEs.[83] But these are small scale (the Growth Accelerator provides up to £2,000 of support and requires matched funding) and tend to focus on individual businesses.

The recent CIPD report by Keep and Mayhew argues that a much wider range of policy instruments may need to be considered if the policy objective is to shift the strategic orientation of UK businesses rather than support them in devising and executing an improved variant of their existing strategy.[84] These might include regulations or other forms of instrument directed at product markets rather than labour markets or in building up the capability of innovation eco-systems rather than individual firms.

There may be viable policy approaches that could promote the adoption of HPW practices in firms. A study looking at both the take-up, and the barriers to take-up, of HPW practices in SMEs concluded:

The research concludes that there is a rationale for policy development which is worthy of careful consideration. There are a number of policy options, most of which, if properly designed, would be relatively low cost and capable of having positive impacts on SME performance.[85]

Government promotion of standards such as IiP can have a useful supporting role by acting as a behavioural trigger and by facilitating access to external advice. However, the impact appears to be greatest for those firms with pre-existing growth ambitions and/or firms seeking to improve their market positioning.[86] So while IiP can help organisations move in a 'high road' direction, it is unlikely in most cases to engineer a shift in ambitions.

A review of approaches taken in a number of countries to stimulate HPW emphasised the importance of skills utilisation as a driver for improvement:

In most of the countries investigated, skills utilisation is more of a concern than skills development per se. A strong message … is that skills development alone is not guaranteed to result in innovation and increased productivity. Typically, the countries investigated possess a high level of workforce skills and effective VET systems. The background to HPW policy in all case study countries was recognition that a stronger focus on leadership, management and culture at the workplace level provides opportunities to better utilise existing skills and that productivity gains can be achieved by engaging workers in realising their greater potential.[87]

It also provided pointers to an approach towards the promotion of HPW that could have a reasonable chance of proving viable and effective in the UK context:

- Operate on a voluntarist, 'coalition of the willing' basis.
- Concentrate on the provision of information and assistance.
- Be research-led and allow plenty of space for experimentation (including failures) and mutual learning.
- Be there for the long term and be patient – premature attempts to 'scale up' based on incomplete learning could stretch the capability of the emergent system and damage its credibility.

What about the future?

According to the CBI/Accenture Employment Trends Survey 2013, improving leadership skills and capabilities was the most commonly cited workforce priority for the year ahead, cited by 60% of businesses.[88] Businesses clearly think there is still much room for improvement.

Nor does the demand for managers seem to have abated. The latest set of *Working Futures* labour market projections has a central estimate of employment in the 'managers, directors and senior officials' occupational group increasing by 586,000 between 2012 and 2022, from 10% to 12% of total employment.[89]

These projections rely heavily on continuation of past trends and there are many factors that could change and mean that future employment of managers is less than, or more than, projected. But as well as *how many* managers might be employed in the future, there is also the question of *what will these managers do (and how will they do it)*?

Population ageing means that we can expect to see greater numbers of people working into later life. One potential implication of this – termed the 'four generation workplace' – was highlighted in a recent UKCES report into the future of work.[90] More workplaces are likely to contain employees in their 60s, 70s or even 80s working alongside younger employees. This is likely to create challenges for at least some managers – how do they approach supervision of someone who might be 40 or 50 years their senior (or junior)? There is also the general challenge for employers in how to exploit the benefits of workforce diversity. Recent CIPD research suggests that the majority of employers have done little yet to address the issue strategically: *'HR tends to respond to ageing population issues in general in a reactive way. HR respondents are most likely to say that they deal with issues as they arise rather than having a strategy and some don't even think their organisation has considered it.'*[91]

Technological change could also have profound impacts. If it leads to 'hollowing out' of the employment structure – with more highly skilled but with many mid-level jobs being replaced by technology – what will this mean for the future supply of front-line managers?

More fundamentally, will technology take over (more of) the monitoring, measurement and workflow scheduling tasks that are currently central to most line management roles? What will a 'manager' need to do? Will the 'general purpose' line manager increasingly be replaced by people in specialist roles taking advantage of the division of labour (such as specialists in coaching or counselling)? While large organisations may continue to need hierarchical structures of some form in order to take decisions effectively, the skills and capabilities needed by future generations of managers may not be the same as in the past.

Endnotes

1 PORTER, M. and KETELS, C. (2003) *UK competitiveness: moving to the next stage [online]*. London: DTI Economics Paper No. 3. Available at: http://www.berr.gov.uk/files/file14771.pdf [Accessed 17 June 2014].

2 AGHION, P. et al (2013) *Investing for prosperity: skills infrastructure and innovation*. Report of the London School of Economics Growth Commission. London: London School of Economics.

3 BARNETT, A., BATTEN, S., CHIU, A., FRANKLIN, J. and SEBASTIA-BARRIEL, M. (2014) The UK productivity puzzle. *Bank of England Quarterly Bulletin.* 2014 Q2. pp114–28. London: Bank of England.

4 CHARTERED INSTITUTE OF PERSONNEL AND DEVELOPMENT. (2014) *Have we seen the end of the pay rise? [online]*. London: CIPD. Available at: http://www.cipd.co.uk/binaries/6483%20Megatrends-Pay%20Rise%20ProRep%20(WEB).pdf [Accessed 17 June 2014].

5 In the spring 2012 *Employee Outlook* survey, a slightly smaller proportion (29%) said they were directly responsible for other employees. Slight differences in the questions means it is not possible to form a judgement on whether this represents any change over time.

6 Five per cent of those working for one to eight hours each week are at board level. These people are almost certainly in non-executive roles (such as directors or charity trustees).

7 According to the National Management Salary Survey 2009, the proportion of managers who were female increased from 18% in 1994 to 33% by 2005. See WILSON, F. (2011) Women in management in the UK. In: DAVIDSON, M. and BURKE, R. (eds) *Women in management worldwide: progress and prospects*. London: Gower.

8 According to the 2013 National Management Salary Survey, women CEOs earned, on average, 73.6% of the salaries of men at the same level, with the comparable figure for deputy CEOs being 63.6%. Excluding directors – where there is a gender pay gap in favour of women, which may be due to differing proportions in non-executive and executive roles – the comparable proportions for other managerial categories (function heads, senior managers and middle managers) were all over 90%. CHARTERED MANAGEMENT INSTITUTE. (2013) *Four decades in management pay: the 2013 National Management Salary Survey*. London: Chartered Management Institute.

9 The four occupations in the 2010 Standard Occupational Classification were 'HR managers and directors' (SOC group 1135), 'HR and industrial relations officers' (3562), 'vocational and industrial trainers' (3563) and 'HR administrators' (4138). The latter group was created for the 2010 revision. People classified to this activity were presumably classified previously as part of 3562, although there is no certainty about the extent to which any discontinuity might be involved.

10 For example, some professional services firms operate a model where an individual discusses their development needs and career path with a counsellor who may not have any direct responsibility for their work.

11 The mean figures are affected by small numbers of responses providing very high estimates of the number of hours spent per month on work-related discussions. This is probably the result of a few respondents giving a figure in terms of minutes, even though they were asked to provide it in hours. The data in Figure 19 and the statistics quoted here exclude all responses greater than 60, but it may well be that the data ought to be trimmed using a lower threshold.

12 Those very satisfied with the amount of time spent by their line manager talking to them reported mean time together of 5.27 hours each month, compared with 1.62 hours for those who were very dissatisfied.

13 BELT, V. and GILES, L. (2009) *High performance working: a synthesis of key literature*. Evidence Report No. 4. Wath-upon-Dearne: UK Commission for Employment and Skills.

14 In their report for the Council for Excellence in Management and Leadership, Tamkin, Hillage and Willison refer to these as 'high level work practices' (TAMKIN, P., HILLAGE, J. and WILLISON, R. (2002) *Indicators of management capability: developing a framework*. London: CEML).

15 BELT, V. and GILES, L. (2009), op cit.

16 SHURY, J., DAVIES, B., RILEY, T. and STANFIELD, C. (2008) *Skills for the workplace: employer perspectives*. UKCES Evidence Report No. 1. London: UKCES.

17 See WOOD, S., BURRIDGE, M., GREEN, W., NOLTE, S., RUDOFF, D., and NI LUANAIGH, A. (2013) *High performance working in the Employer Skills Surveys*. UKCES Evidence Report 71. London: UKCES. This report does not give a like-for-like comparison of HPW establishments in 2007 and 2011. Table 5.3 of this report suggests that 21% of establishments had 10 or more of the 16 practices in place but the survey coverage changed between 2007 and 2011, with the very smallest establishments (those with a single employee) omitted from the 2011 survey. Given the relationship between adoption of these practices and establishment size, this suggests that the comparable figure in 2007 would have been less than the 30% reported.

18 See Table 2.2 in BLOOM, N. and VAN REENEN, J. (2010) *Human resource management and productivity*. CEP Discussion Paper No. 982, May.

19 FORTH, J., BRYSON, A. and STOKES, L. (2014) *Are firms paying more for performance?* CEP Discussion Paper No. 1272. June.

20 In the 2003 and 2004 surveys (the latter not reported in Table 1), training expenditure did not include in-house wage costs, which are the principal cost incurred by employers. The 2005 and 2007 surveys used a different methodology to calculate training days.

21 Anecdotal evidence from self-employed learning and development providers suggests that organisations have also been putting downward pressure on the fee rates charged by external training providers.

22 The Employer Skills Survey reports contrast their estimates of total expenditure with changes in the general inflation rate (the Consumer Price Index). However, it is not obvious that this is an appropriate cost-deflation measure for training expenditure. In particular, the largest cost category is wage costs (of the people being trained, of the trainers and of those supporting the process). Average hourly earnings increased at a higher rate than the CPI in the period from 2003 to 2009 but have since fallen by some 8% in real terms.

23 Qualitative work undertaken to support the Employer Skills Survey found that few employers regarded guidance from supervisors or colleagues as training, see WINTERBOTHAM, M., SHURY, J., DAVIES, B., GORE, K., NEWTON, J. and MANSON, K. (2011) *Defining and measuring training activity*. UKCES Evidence Report No. 29. London: UKCES.

24 WINTERBOTHAM, M., VIVIAN, D., SHURY, J., DAVIES, B. and KIK, G. (2014) *The UK Commission's Employer Skills Survey 2013: UK results*. UKCES Evidence Report No. 81. London: UKCES.

25 BROWN, A., CHARLWOOD, A., FORDE, C. and SPENCER, D. (2006) *Changing job quality in Great Britain 1998–2004*. DTI Employment Relations Research Series No. 70. London: DTI.

26 We take the ONS acknowledgement that the most recent changes to the occupational classification were designed to reduce the number of people in division 1 because this was large relative to other European countries as evidence that the ONS believe that reporting or classification issues are part of the explanation for the high proportion of UK employees in division 1.

27 STONE, I. (2011) *International approaches to high performance working*. UKCES Evidence Report No. 37. London: UKCES.

28 BEVAN, S. (2012) *Good work, high performance and productivity*. London: The Work Foundation.

29 Full details of the survey methodology as well as the data and research papers can be found at worldmanagementsurvey.org

30 Of course, it could also be argued this is a consequence of the survey design. A metric of management practice developed from a model of 'lean' manufacturing in association with McKinsey might be expected to be 'US-centric' and lead to relatively high scores being given to US firms. It may be significant that the biggest difference between overall score and people management score is for Sweden (a difference of 0.38 percentage points). This could be because Swedish application of management practices in other domains is especially strong. It could also be because Swedish people management practices really are applied quite weakly in comparison with their peer countries. But it could also be because Swedish firms have a different approach to management of their employees that is effective but does not score highly in the WMS.

31 TINDLE, A., LARGE, A. and SHURY, J. (2014) *Multinational employers' perceptions of the UK workforce*. BIS Research Paper No. 170. London: BIS.

32 According to the SHRM Employee Job Satisfaction and Engagement Survey 2014, 70% of employees in the USA in 2013 were 'very satisfied' or 'somewhat satisfied' with their line manager or immediate supervisor. According to the autumn 2014 CIPD *Employee Outlook*, shown in Figure 16, 65% of UK employees were 'very satisfied' or 'satisfied' with their line manager.

33 BIS. (2012) *Leadership and management in the UK – the key to sustainable growth*. July. London: BIS.

34 See Chapter 9 of VAN WANROOY, B. et al (2013) *Employment relations in the shadow of the recession*. Basingstoke: Palgrave Macmillan.

35 In particular, similar (negative) effects from recession-induced changes were found for the proportion of employees who were satisfied with their line manager and with the proportion expressing confidence in senior management.

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37 WILTON, P., WOODMAN, P. and ESSEX, R. (2007) *The value of management qualifications: the perspective of UK employers and managers*. London: Chartered Management Institute.

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40 WINTERBOTHAM, M. et al (2014) op cit.

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42 The correlation coefficient across the entire sample is 0.1654. Correlation coefficients for the UK and the USA are 0.1974 and 0.2549 respectively.

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46 See, for example, GALLUP. (2013) *Employee engagement at work: its effect on performance continues in tough times*.

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48 An analysis of these data suggest that managerial status is the most important factor affecting perceived influence. See http://www.cipd.co.uk/blogs/cipdbloggers/b/mark_beatson/archive/2014/07/09/is-talking-to-your-boss-bad-for-your-voice.aspx.

49 A study focusing on information and consultation in medium-sized organisations concluded that IiP had a greater impact on practices in the firms studied than legislation (HALL, M., HUTCHISON, S., PARKER, J., PURCELL, J. and TERRY, M. (2008) *Implementing information and consultation in medium-sized organisations*. BERR Employment Relations Research Series No. 97. London: BERR.) An analysis of the 2004 WERS found that IiP was positively associated with the use of HPW management practices in SMEs (WU, N., BACON, N. and HOQUE, K. (2014) The adoption of high performance work practices in small businesses: the influence of markets, business characteristics and HR expertise. *International Journal of Human Resource Management.* Vol 25, No 8. pp1149–69).

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51 WINTERBOTHAM, M., HUCKLE, C. and SKONE JAMES, A. (2013) *Research to support the evaluation of Investors in People: Employer survey (year 2)*. UKCES Evidence Report No. 68. London: UKCES.

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62 EDWARDS, P., RAM, M. and BLACK, J. (2003) *The impact of employment legislation on small firms: a case study analysis*. DTI Employment Relations Research Series No. 20. London: DTI.

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64 CHARTERED INSTITUTE OF PERSONNEL AND DEVELOPMENT. (2013) *Are organisations losing the trust of their workers? [online]*. London: CIPD. Available at: http://www.cipd.co.uk/binaries/6413%20Megatrends%20provocation_WEB.pdf [Accessed 17 June 2014].

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