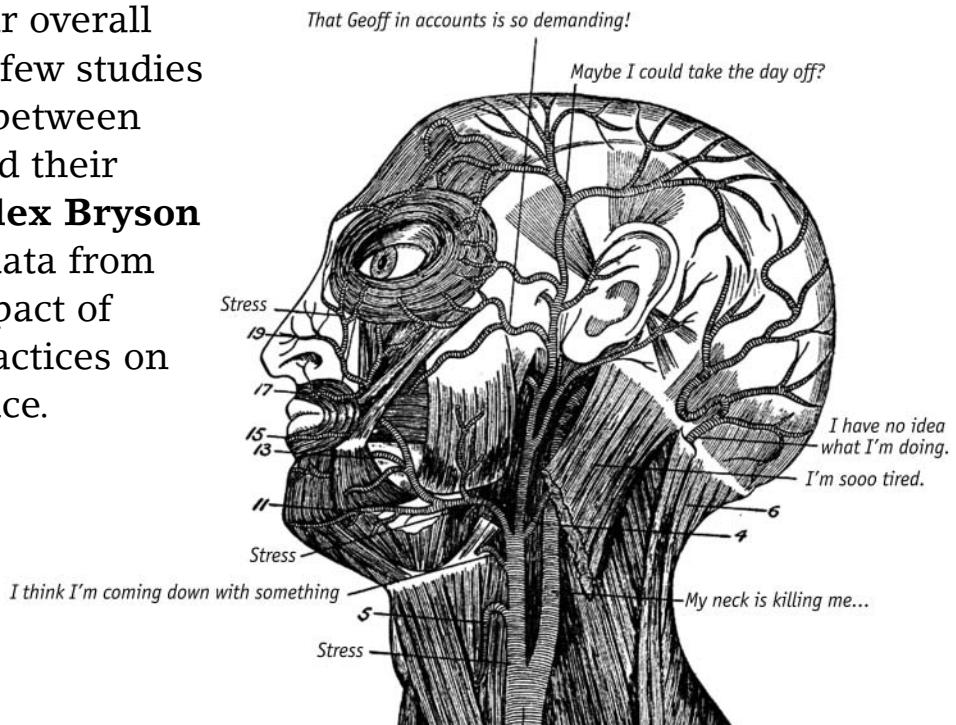


How people feel about their jobs is an important part of their overall happiness yet until now, few studies have explored the links between employees' wellbeing and their working environment. **Alex Bryson** and colleagues analyse data from Finland to assess the impact of modern management practices on wellbeing in the workplace.



Wellbeing in the workplace: the impact of modern management

There is a growing body of evidence that modern practices of 'high involvement management' increase the profitability of firms. These techniques – which seek to engage employees more fully in their jobs – were first articulated and advocated by management thinkers in the early 1980s. But it is only recently that economists have realised their impact on firm performance (Bloom and Van Reenen, 2010).

High involvement management presumably improves firm performance through its impact on employees. But what does it do for their happiness at work? Modern management practices could be beneficial for employees' wellbeing – by enriching their jobs, by giving them more autonomy, by rewarding effort fairly or by building effective

teamwork – or they could be damaging – by monitoring performance and enforcing targets in an overbearing way or by demanding more effort for less pay.

The scant evidence on this question is mainly based on case studies of particular occupations or self-selected samples of employees. Initial studies of high involvement management indicated clear productivity improvements but a barely discernible negative impact on employees' wellbeing (Appelbaum et al, 2000). A second generation of studies, however, paints a more complicated picture.

For example, high involvement management can enrich people's work, leading to improvements in job satisfaction, but sometimes these come at the expense of increased absenteeism (Frick and Simmons, 2011). This is because greater job demands, which are often

valued by employees, induce stress unless they are able to tackle demanding tasks in a fashion that best suits them.

But in many workplaces, job control is not ceded to employees and, to make matters worse, the social support from

High involvement management is associated with higher job satisfaction, less tiredness and a lower probability of accidents

which employees might benefit psychologically – supportive supervision, for example, or effective union representation – are also lacking (Wood and Bryson, 2009).

In a new study, we analyse nationally representative data for Finland, a country renowned for being an 'early mover' in high involvement management. It is also a country whose work practices are located within a wage structure and industry mix that, one might imagine, would be conducive to 'work enriching' high involvement management rather than being geared towards labour intensification.

Our survey asked employees which practices they are exposed to in their job, including autonomous teamwork, performance-based incentive pay, systematic training and information-sharing by management. We estimate the effects of these practices on accidents in the workplace and three measures of wellbeing:

- Sickness absences, both short- and long-term.
- Subjective wellbeing – that is, self-reported job satisfaction, work capacity, state of health and feelings of tiredness.
- Physical discomfort at work, as measured by the experience of pain in four different parts of the body: the lumbar region, legs, arms and neck.

In seeking to identify any causal linkage between high involvement management and employees' wellbeing, the chief obstacle is non-random exposure to high involvement management. It is likely that those who do not feel up to high involvement will simply avoid it, potentially biasing any positive association between high involvement management and wellbeing.

We are able to overcome this problem with very rich data on employee absence and earning patterns that go back eight years prior to the survey. We are thus able to account for patterns and incidence of prior sickness absence, thus ensuring that our estimates are not simply a product of employee selection.

We find that high involvement management is positively associated with various aspects of employees' wellbeing. In particular, it is strongly associated with higher evaluations of subjective wellbeing,

In some circumstances, high involvement management can have negative effects on employees' wellbeing

including higher job satisfaction and fewer feelings of tiredness at work. It is also associated with a lower probability of having a workplace accident.

But high involvement management is also associated with having more short absence spells. This may be because working in such a system is more demanding than standard production and because multi-skilled employees cover for each other's short absences.

So the nature of high involvement management appears to be important for employees' wellbeing, but it is not the only aspect of modern management that influences wellbeing. Another is the way in which new practices are introduced. What appears to matter here is employee involvement in the process of consultation and negotiation leading to change.

In a separate study of UK data, we find that organisational change is positively associated with increased job-related anxiety, but this anxiety is absent where employees are covered by a union involved in organisational changes (Bryson et al, 2012). Where employees are not covered by a union, however, the anxiety effects of high involvement management are still apparent, even if they are involved in consultation over change.

Overall, this body of research indicates the potential benefits of high involvement management for firms, but it also shows that there are circumstances in which it can have negative effects on employees' wellbeing. In trying to minimise these costs, firms should consider not only what combination of practices will improve performance, but also how best to introduce those practices and monitor the effects on their workforce.

This article summarises 'Does High Involvement Management Improve Worker Wellbeing?' by Petri Böckerman, Alex Bryson and Pekka Ilmakunnas, CEP Discussion Paper No. 1095 (<http://cep.lse.ac.uk/pubs/download/dp1095.pdf>).

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Further reading

Eileen Appelbaum, Thomas Bailey, Peter Berg and Arne Kalleberg (2000) *Manufacturing Advantage: Why High-performance Work Systems Pay Off*, Cornell University Press

Nicholas Bloom and John Van Reenen (2010) 'Human Resource Management and Productivity', CEP Discussion Paper No. 982 (<http://cep.lse.ac.uk/pubs/download/dp0982.pdf>)

Alex Bryson, Harald Dale-Olsen and Erling Barth (2012) 'Do Higher Wages Come at a Price?', *Journal of Economic Psychology* 33(1): 251-63, earlier version available as 'How Does Innovation Affect Worker Wellbeing?', CEP Discussion Paper No. 953 (<http://cep.lse.ac.uk/pubs/download/dp0953.pdf>)

Bernd Frick and Rob Simmons (2011) 'The Hidden Costs of High Performance Work Practices: Evidence from a Large German Steel Company', mimeo

Stephen Wood and Alex Bryson (2009) 'High Involvement Management', in *The Evolution of the Modern Workplace* edited by William Brown, Alex Bryson, John Forth and Keith Whitfield, Cambridge University Press

Firms should monitor the effects of new management practices on their workforce