

Fair, innovative &  
transformative work  
the FITwork Project



# Harnessing knowledge, research and networks to drive Fair, Innovative and Transformative work (FITwork) in Scotland, Project Report.

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2018

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## Foreword

Workplace innovation (comprising technical, organisational and social innovation) is increasingly recognised as a source of competitive advantage and worker well-being, and the OECD and EU have urged governments and businesses to prioritise it in the analysis and practice of innovation.

Workplace innovation research focusses on innovation through job redesign, work organisation and Human Resources (HR) practice as a driver of improved performance. As a group of critical work and employment scholars, our work with a variety of partners and over many decades has focussed on the importance of job quality and progressive HR practice, and the opportunities to innovate in workplaces both to deliver high quality jobs and to drive organisational performance. Crucially, our research has prioritised mutual gains approaches to social and workplace innovation where workers and employers are able to benefit.

From 2013 onwards, Strathclyde's Scottish Centre for Employment Research (SCER) developed an original conceptual and empirical approach to mutual-gains workplace innovation to advance academic, practitioner and policy debates on, and support the practice of, workplace innovation. Using knowledge exchange funding from the University of Strathclyde, an industry-facing Workplace Innovation Consortium (WIC) was established in 2013 to drive support for organisational change and innovation in organisations. Drawing on research on employee-driven innovation, workplace development and entrepreneurial state activity in improving productivity and the quality of working life, SCER thereafter led the WIC in establishing the '*Innovating Works...improving work and workplaces*' pilot in 2014, funded by the European Regional Development Fund (ERDF), the Scottish Funding Council (SFC) and Scottish Enterprise to support workplace innovation in Small and Medium-sized Enterprises (SMEs) – available at [https://www.innovatingworks.org.uk/download/2015/Findlay\\_etal\\_2015\\_Innovating\\_works\\_improving\\_work\\_and\\_workplaces\\_workplace\\_innovation.pdf](https://www.innovatingworks.org.uk/download/2015/Findlay_etal_2015_Innovating_works_improving_work_and_workplaces_workplace_innovation.pdf)

The success of the pilot established '*Innovating Works*' as an ongoing programme of research, leading to the more extensive FITwork project (2015-2019), supported by Scottish Government and multi-agency funding and overseen by an Advisory Group of key partners, which investigated the range of management practices that impact on innovation, business performance and employee outcomes. A key part of this programme of work was analysing the relationship between specific workplace practices which capture or influence ability, motivation and opportunity (mediating processes) and other positive business and employee outcomes. The unifying theme across this research was the delivery of a holistic approach to skills use and upskilling, deploying people, designing jobs and management practice that delivers motivation, innovation, inclusion, productivity and material benefits to workers, while maximising returns from individual and public human capital investments.

This Report combines the annual reports from the FITwork project. Part One charts existing knowledge on the importance and practice of workplace innovation. It outlines the FITwork framework for analysing fair, innovative and transformative work and describes the design and deployment of a tool for use in organisations to better understand workplace innovation, innovative outcomes and the potential for organisations to adopt practices that are supportive of innovation. Part Two focusses on the existence and development of collaborative networks to enhance workplace innovation and the nature of multi-stakeholder

interests in such innovation. Part Three spans the generation and analysis of a primary data set on the practice of workplace innovation across 37 organisations and short anonymised case studies of business practice. Part Four presents findings from analysis of the aggregated dataset of these 37 businesses and 2091 respondents – employees and managers - at all levels.

Taken together, the data outlined in this Report support our starting hypothesis that fair work aligned with opportunities for workplace innovation can generate benefits for organisations and their employees. The unifying theme across this research is the delivery of a holistic approach to skills use and upskilling, deploying people, designing jobs and management practice that delivers motivation, innovation, inclusion and productivity while maximising returns from individual and public human capital investments.

Conceptually, this research deployed Ability-Motivation-Opportunity approaches for the first time to analyse innovation, conceptualising and integrating analyses of skills acquisition, formation and utilisation (ability), job design and management practice that supports discretion and autonomy (opportunity) and high job quality and involvement in governance (supporting employee motivation) to support discretionary effort, worker well-being, product/service innovation and productivity. It also emphasised the role of mutual gains not just in processes of value creation, but also in relation to value distribution, and in business model variation that underpins fairer sharing in the rewards of innovation by better aligning individual, business and societal interests, while also recognising the contested nature of work and business. Put simply, the research explored the potential of designing and delivering organisational, technical and social innovations that enhance value creation while simultaneously improving job quality, equality and wellbeing – but which may not do so for all, unless specifically designed with these outcomes in mind.

Empirically, the research programme generated an extensive evidence base that helped participating employers to identify the management and workplace practices that shape business outcomes (performance, innovation, productivity), elicit employee behaviours (discretionary effort and innovative practice) and deliver for employees (enhanced job quality and well-being). The overwhelming conclusion across the data presented in this report is that workplace practice matter. Positive workplace practices are commonly associated with valued business and employee outcomes. These relationships are maintained across managers and non-managerial employees, and often across companies of different sizes.

One crucial point to note is the prevalence of practices that appear to be associate with positive outcomes. HR practices that explicitly target innovation are associated with employees' discretionary effort and employee-driven innovation. But these practices are not widely adopted across the sample. Similarly, effective skills utilisation is strongly associated with discretionary effort, EDI and high trust workplace relationships, but around half of the sample report effective skills utilisation as low prevalence. Part of the challenge, therefore, is to encourage employers to increase their adoption or reliance on such positive practices.

There is a need to share contextualised lessons from a range of evidence bases, including from the FITwork data, on the value of interventions to: more effectively deploy employee skills; provide opportunities for voice and the sharing of ideas and innovations; redesign jobs and teams to create spaces for reflexive learning and collaboration; and distribute leadership to empower employees to innovate. To reiterate, the evidence presented in this

report focuses not on topical 'best practices' but on configuring a range of workplace practices in context to align support for strengthening employees' ability, identifying opportunities for more employees to make a difference, and leveraging positive employee orientations and behaviours by providing fair work. The data presented here suggests that FITwork practices so aligned are good for workers and for employers, and in supporting business performance and innovation, are good for the Scottish economy and wider Scottish society.

This Report emanated from a genuinely collaborative network of researchers, business representatives, trade unions and policymakers and campaigning organisation. The Report – and the crucial insights it contains – could not have been generated without the funding support we received or the insights and knowledge of our various Advisory Groups from 2014 onwards. We wish to record our thanks to our funders and key partners in workplace innovation in Scotland: The Scottish Government, the European Union, the Scottish Trade Union Congress, the Scottish Funding Council, Scottish Enterprise, Highlands and Islands Enterprise and Skills Development Scotland, as well as to our individual business experts who provided us with their time, expertise and support.

Crucially, this research would not have been possible without the participation and engagement of the managers and employees in our pilot and case study companies across Scotland and we are immensely grateful for their support. It is their voices and insights that have provided the evidence that providing fair work and opportunities for workplace innovation help transform organisational performance, creating a virtuous cycle in which all can share in improvements.

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*Director, Scottish Centre for Employment Research*



## **Part One - The FITwork framework: linking workplace innovation and fair work**

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# **Harnessing knowledge, research and networks to drive fair, innovative and transformative work in Scotland**

## **The Fair, Innovative and Transformative Work Project**

### **FITwork in Scotland**

#### **Year 1 Report**

**July 2016**

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## 1. Introduction

Supporting fair work and workplace innovation are key priorities for the Scottish Government, as part of a strategy to promote the complementary aims of growing productivity and competitiveness and reducing inequality. The work reported here has sought to engage with these issues through a framework for exploring the potential for fair, innovative and transformative work (FITwork) in Scotland.

The FITwork project has consistently sought to contribute to knowledge and debates around this important policy agenda. The aim of this Year 1, Part 1 Report on the FITwork project is to review the policy and economic context and evidence base for our work; describe how we have operationalised FITwork through a conceptual framework and diagnostic tool; highlight potential benefits for employees, employers and the broader policy agenda around inclusive growth; and identify next steps for this important research agenda.

Following this Introduction, in Section 2 we discuss the broad economic and policy context for our work in this space. We briefly locate our interest in work and the workplace in the context of important challenges facing Scotland, namely low relative productivity, levels of innovation and income inequality and the links between these ‘wicked problems’. We reflect on how these challenges are influenced by the particular nature of the Scottish economy.

Section 3 reflects on the evidence base for, and underpinnings of, our approach to exploring the challenges, opportunities and experiences of workplace stakeholders around fair, innovative and transformative work. We draw on data from a wide range of sources and literatures to reflect on our understanding of fair work and workplace innovation in Scotland, the UK and elsewhere. We provide an – admittedly far from exhaustive – discussion of the evidence and debate around the components of fair work (as outlined in the framework adopted by Scotland’s Fair Work Convention), and the factors that define workplace innovation. The purpose here is to provide a brief discussion of ‘what we know’ and ‘what we don’t know’ about fair work and workplace innovation. These two concepts are central to the ‘FITwork framework’ that has informed the work of the Fair Work Convention and has been developed into a conceptual framework for our own research and stakeholder engagement work.

In Section 4, we introduce the FITwork tool, a bespoke data collection instrument underpinned by the FITwork conceptual framework. We discuss the evidence base for specific elements of the tool, and indicate how its deployment can advance knowledge and understanding of FITwork in context.

In Section 5, we discuss the types of impacts and outcomes that FITwork might produce for employees, employers and for Scotland, and reflect on the challenges in defining and generating appropriate outcome measures to chart progress towards FITwork.

In Section 6, we look prospectively to next steps involving the deployment of the FITwork framework and tool and their potential to generate impactful research evidence for consideration and use by workplace stakeholders. We conclude that the FITwork framework is closely aligned with the prevailing policy emphasis on fair work as central to

Scottish Government's overarching inclusive growth objective, and our long advocated view that workplace innovation has an important role to play in how fair work practices can generate improved business and societal outcomes.

Accompanying this report is a technical appendix comprising a series of evidence reviews produced over the course of the FITwork project to date that have been shared with, and become the evidence backdrop of, the Fair Work Convention's Fair Work Framework.

## **2. Work and workplaces in contemporary context**

Work and the workplace matters – to employees and their families, to employers, to government and to society. Outside of family and kin relations, work is arguably the most significant domain for most people. The economic value of work as a source of income, profits and national prosperity is evident. Work also plays a key role in individual identity and shared social values.

As Findlay and Thompson (2017) have argued, “The questions that social scientists ask concerning the meaning of work can be initially separated into what work wants from us and what we want from it. The former relies on identifying recurrent objective trends in how we are managed and rewarded, the kinds of jobs that are being created and the challenges they do or do not offer, and how secure or precarious they are. The latter tends to focus on subjective measures of satisfaction, (dis)engagement, attachment and identity. Both are highly contested in academic research and public discourse.” The balance between what work wants from us and what we want from work is played out every day in workplaces.

But the importance of this balance is not simply a concern of employers and employees. Researchers have long critiqued the tendency in the UK and other liberal market economies to see the workplace as a ‘black box’, often free of critical insight and policy intervention. More recently, and particularly in Scotland, greater attention has been paid to work and workplaces against a backdrop of economic and social challenges – many of which are longstanding - that have encouraged greater reflection on the link between what happens in workplaces and how this interacts with broader economic and social life.

The slow pace of recovery from the 2008 economic crisis, rising income inequality, stagnating wages, poor economic growth and lagging productivity have directed the attention of stakeholder organisations to issues related to the state of the labour market, employment and workplace issues.

### **2.1 Brief overview of Scottish Economy**

#### **Productivity**

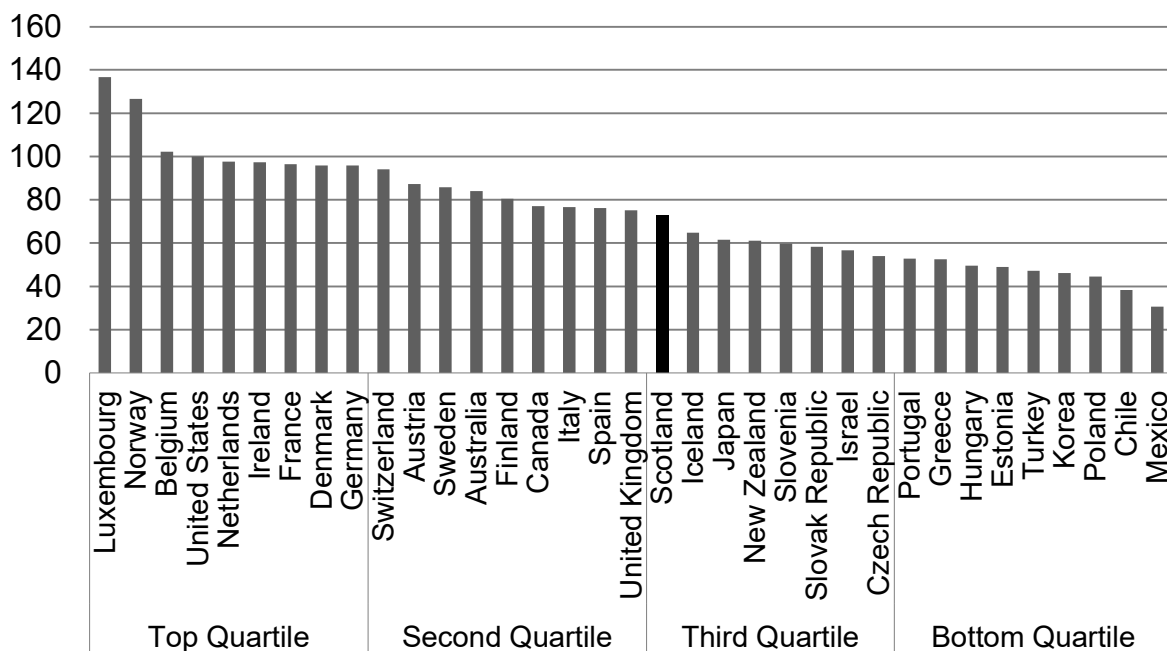
Recent attention has been drawn to two connected problems in the UK, and Scotland, related to productivity (e.g. Thompson, Colebrook, Hatfield, & Doyle, 2016). The UK, and Scotland, lag behind other EU and G7 economies in terms of productivity. In the post-recessionary period, productivity has stalled. The UK's ‘productivity puzzle’ has become

the focus of media and government interest, with stakeholders from civil society organisations, trade unions and employers/business organisations expressing varying views.

Compared to the G7 average, output per worker in the UK was 19 percentage points below the average for the rest of the G7 in 2013 (ONS, 2015). The UK's GDP per worker was 6 percentage points below Germany, 13 percentage points below France, and 15 percentage points below Italy (ONS, 2015). Compared to the United States, the UK's GDP per worker was 40 percentage points below the US, the largest differential since the series began in the 1990s.

Looking specifically at Scotland we see that in terms of growth and trajectory Scotland is recovering a little more quickly from a slightly lower base. Alongside the 35 OECD countries, Scottish Government analysis suggests that it is ranked 19<sup>th</sup> on productivity levels, lying slightly behind the UK as a whole for 2014 (Scottish Government, 2016), shown in **Figure 1**.

**Figure 1 OECD Productivity Levels Chart (2014 GDP per hour worked - USA=100)**

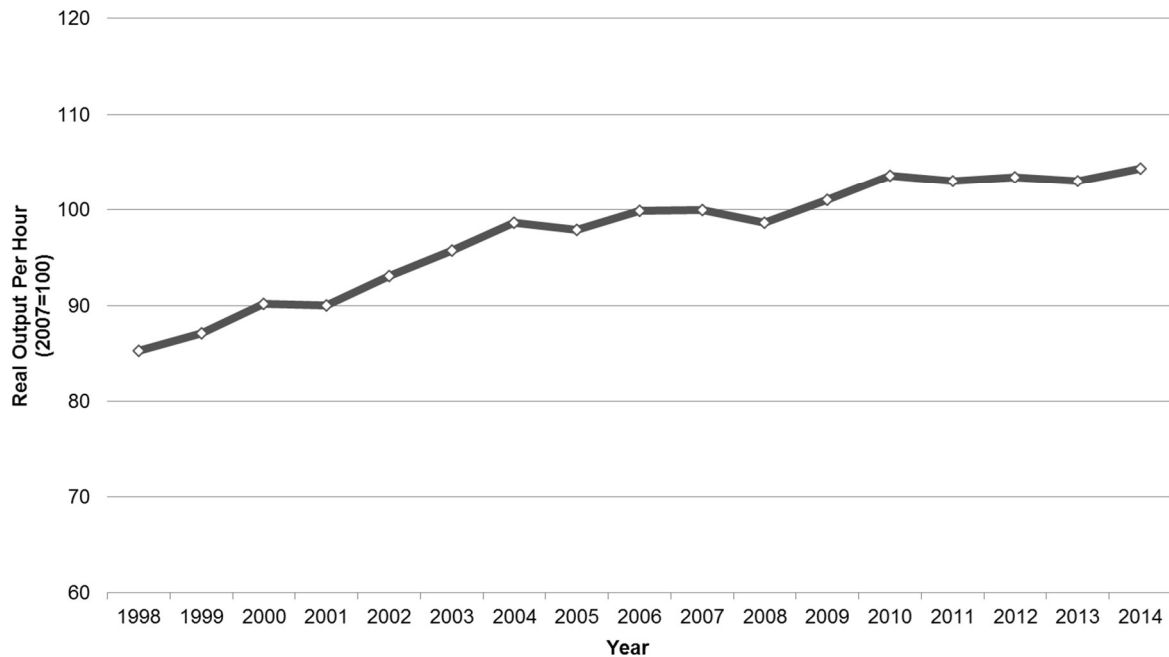


Reproduced from: Scottish Government (2016);

Sources: 2014 Productivity levels from OECD Statistics Portal - data extracted on 19 February 2016; Output per Hour worked from Scottish Labour Productivity 1998-2014 - 20 January 2016

In terms of output per hour worked, Scotland's productivity had increased by 1.3 per cent in real terms following a decrease of 0.4 per cent in 2013. It is now 4.4 per cent higher in real terms than in 2007. As shown in **Figure 2**, the gains have been relatively small and stagnant. This is similar to broader UK trends in productivity (ONS, 2015).

**Figure 2 Productivity Growth in Scotland (Real Terms Productivity)**



Reproduced from: Scottish Government (2016)

Sources: 2014 Productivity levels from OECD Statistics Portal - data extracted on 19 February 2016; Output per Hour worked from Scottish Labour Productivity 1998-2014 - 20 January 2016

## **Innovation**

Innovation is seen as crucial to both competitiveness and national progress (OECD, 2010a). On some innovation measures the UK is seen to be doing well, but more general measures are less encouraging. The World Economic Forum (2016) ranked the UK 12<sup>th</sup> globally in innovation its 2015-2016 world competitiveness rankings (10<sup>th</sup> in the overall rankings). Among European nations, Switzerland, Finland, Germany, Sweden, Netherlands and Denmark all rank higher on innovation. The World Economic Forum notes that “thanks to its ability to attract talent from abroad and some of the best universities in the world, the United Kingdom can count on a well-educated workforce, contributing to high levels of technological adoption (9<sup>th</sup> in the 144 ranked economies) and ICT penetration (2<sup>nd</sup>)”. However, the innovation ranking does not reflect the low ranking of UK productivity in the G7 and OECD. The EU Innovation Barometer for 2015 (European Commission, 2015) reported that within the EU 72 per cent of companies reported introducing at least one innovation (reported as at least one of new or significantly improved products – services and/or goods, processes, marketing strategies, or organisational methods) since January 2012. This was an increase across the EU of 6 per cent compared with the 2014 survey. The UK, with no increase, lagged the EU increase, with 69% of companies reporting innovation activity. There was an increase in the percentage of UK companies reporting the development of new organisational methods

(indicated in the questionnaire as “e.g. knowledge management or the work environment”) up 2 per cent to 36 per cent. This too is lower than the EU level of 38 per cent (up 8 per cent).

In terms of innovation, the most recent UK Innovation survey reported a slight increase in the number of UK firms engaging in innovation activities to 53 per cent of enterprises compared to 45 per cent in the 2013 survey (BIS, 2016).

Large firms with more than 250 employees are more likely to be ‘innovation active’, compared to small and medium sized enterprises (SMEs – between 10 and 250 employees): 61 per cent compared with 53 per cent for SMEs. The same difference is consistent with the 2013 survey (BIS, 2016).

Among the activities which enterprises engage in, the top three highest expenditure categories have remained unchanged since 2013. These are ‘internal R&D’ (42 per cent), ‘acquisition of capital’ (i.e. advanced machinery, equipment and software) with 26 per cent, and ‘acquisition of external R&D’ with 8 per cent compared to 14 per cent in the 2013 survey (BIS, 2016a, p. 201). In terms of non-technical forms of organisational innovation, less than half of businesses (42 per cent) engaged in one or more types of non-technical innovation in the 2015 survey. As with other forms of innovation activities, forms of organisational innovation are more common among larger firms than SMEs but again by a small majority (30 per cent of large firms compared to 27 per cent of SMEs).

Notably, the least frequently reported form of wider, organisational forms of innovation activity is ‘new methods of organising external relationships’, only 7 per cent of businesses (down from 8 per cent in the 2013 survey). This is consistent with other findings of limited access of external forms of knowledge, whether that be from higher education research or from other knowledge communities (BIS, 2016). The Dowling (2015) report confirms the potential of UK universities to drive innovation. However, he notes that the support mechanisms are overly complex and a potential deterrent in businesses engaging with universities and benefitting from knowledge transfer. In particular, clearer paths for interaction with universities need to be developed for SMEs. The report also points to a pattern of short-term, opportunistic engagement, often driven by immediate funding availability. There is a concentration of collaboration, both in terms of the areas of collaboration (with a particular concentration in science and engineering) and in the companies engaged in collaborating.

## **Inequality**

The second, and related problem, concerns the broad consensus view that the UK’s productivity gap is connected to low-wage work, income inequality and poor scope for social mobility relative to other OECD economies. Inequality has implications for individual wealth as well as societal economic growth. In OECD countries, the gap between the richest and poorest members of society is at its highest level in 30 years (Cingano, 2014). In 2014, the richest 10 per cent of the OECD population earned 9.5 times the income of the poorest (currently around 10:1 in the UK), compared to a ratio of 7:1 in the 1980s (Cingano, 2014). This trend in income inequality has been exacerbated not only through surging incomes at the top end, but also by the trends at the lower end: slow growth during

the prosperous years and falling income during the downturn (Cingano, 2014). While this raises issues of both relative and absolute poverty in many OECD countries, it may also have implications for overall economic performance.

The UK's low-wage sectors (defined by the IPPR as including retail, accommodation, food and administrative services) account for roughly a third of all workers in the UK, and produce 23 per cent of the UK's gross value-added. However they are, on average, 20 per cent less productive than the economy as a whole (Thompson et al., 2016). High levels of income inequality and poor social mobility are recognised as problematic for individuals, society and business in aggregate terms. Stakeholder reports (e.g. CBI, 2015a), also drawing from the international evidence, suggest that economies with lower income inequality and which make better use of all the skills and talents of its people are more productive (examples of evidence cited Cingano, 2014; OECD, 2015).

As noted in Part 2 of this report, the challenges and opportunities associated with delivering the Scottish Government's complementary objectives of increased productivity and competitiveness and a reduction in inequality can be seen as a 'wicked problem', complex in its nature, and requiring a joined-up and holistic policy response. It is clear that improving innovation potential and performance can be a key component of that response. This will need policy impacting at the national, sectoral and industrial, and workplace level. Clearly, our main focus is on the latter, and how best to support action led by employees, employers and interested stakeholders to deliver fair, innovative and transformative work.

### **3. Towards fair, innovative and transformative work**

We now move to a discussion of the components of, and evidence base for, the FITwork framework, which has been central to the thinking of Scotland's Fair Work Convention, and has informed (and will continue to inform) our own engagement with employees, employers and stakeholders on fair, innovative and transformative work.

A review of relevant Scottish, UK, European and other literatures around work and the workplace has been undertaken and is outlined in more detail below. This literature is wide-ranging in scope, multidimensional in character and contains analysis and data at multiple levels. It is drawn from economics, psychology, management, work and employment studies. This literature has been accessed, assessed and evaluated over the course of this project in order to generate a working conceptual framework (the FITwork framework) for analysing the prospects for, and interventions required to support, fair, innovative and transformative work. In the discussion below, we first describe some of the evidence informing (and/or missing from) discussions of fair work and workplace innovation (the key concepts at the heart of our FITwork framework). We have sought to highlight evidence around 'what we know' is important to fair work, workplace innovation and the outcomes that they produce, as well as 'what we don't know', in terms of gaps in data, especially at the workplace level. Nevertheless, it is important to acknowledge at this point that the discussion of evidence below is far from exhaustive.



The components (and the evidence base around them) that we discuss cover the dimensions of fair work (as articulated by the Fair Work Convention) and workplace innovation. Both evidence bases and sets of components are central to the FITwork framework (which has been endorsed by the Fair Work Convention) and have been operationalised through the FITwork diagnostic tool, discussed in detail in the next section of this report. Below, we describe the framework and its conceptual underpinnings, outline its dimensions, and consider the potential outcomes for workplace stakeholders.

### 3.1 The FITwork framework

Reflecting on international research, we have developed the FITwork framework as a way of exploring the components of fair, innovative and transformative work, the workplace practices that facilitate it, and the contextual factors that shape or constrain organisations' and employees' access to fair work and opportunities for workplace innovation. Clearly, a core feature of the FITwork framework is an operationalisation of the workplace practices identified by the Fair Work Convention as key to delivering fair work for employees, and the related benefits for people, organisations and our broader economy and society. **Fair work practices** include interventions to facilitate:

**Effective voice:** meaning practices that facilitate dialogue among employees, and between employees and management. This requires structures and systems whereby employees' ideas and views are sought and listened to, and where there is the opportunity to offer constructive challenges to management. Obviously, in unionised environments collective bargaining and other trade union-facilitated engagement is important in providing a clear, effective voice. But the literature on employee engagement suggests that – irrespective of union presence – employees' views are important for conflict resolution, can facilitate involvement and idea sharing, and therefore have the potential to contribute to a range of positive individual and organisational-level outcomes (Charwood, 2015).

**Opportunity:** meaning practices to facilitate fair access to, and progress in, work. At a basic level, this involves meeting legal obligations in terms of ensuring equal access to work and equal opportunities in the workplace. However, fair opportunity practice implies a more proactive approach – for example, in valuing diversity, where the talents and resources of all groups in the labour market are tapped, valued, developed and utilised. The evidence on the impact of equal opportunities and diversity strategies is mixed and fragmented, partly because of the range of different strategies deployed by organisations depending on workplace and labour market context. Nevertheless, there is an emerging evidence base that “increased diversity can lead to a better understanding of local markets and customers, increased ability to attract and retain the best people, greater creativity, better problem solving and greater flexibility for organisations” (Department for Business, Innovation and Skills, 2013) There are also potential benefits for economy and society in tackling the exclusion of groups of workers who would otherwise make a positive contribution in the labour market.

**Security:** defined in terms of the security and predictability of employment. Work and income are important foundations of a successful life. While complete security can never be guaranteed in competitive labour markets, the Fair Work Convention has argued that

we cannot deliver fair work “where the burden of insecurity and risk rests primarily on workers” (Fair Work Convention, 2016). However, the evidence suggests that the UK and Scottish labour markets provide a challenging context for the promotion of some aspects of security. For example, a substantial minority of workers experience under-employment (wanting more hours of work) In 2014, around 9.9 per cent of people in employment in the UK wanted more hours than they are currently employed to do, while in Scotland the underemployment rate was 8.6 per cent Some employees also report perceived insecurity of tenure – for example, in autumn 2014, CIPD reported that 16 per cent of UK employees feared that they were likely or very likely to lose their job (CIPD, 2014). Finally, income insecurity remains a key concern for lower-paid workers. It is estimated that there are 427,000 people (just over 18 per cent of the workforce) earning less than the living wage in Scotland (SPICe, 2014), compared with roughly 22 per cent of all UK employees earning less than the living wage (Markit, 2014). The Fair Work Convention (2016) notes that security can be supported in a number of ways: by building stability into contractual arrangements; by having collective arrangements for pay and conditions; by paying at least the Living Wage; by supporting work-life balance; employment security agreements; and by providing access to sick pay and pensions.

**Fulfilment:** defined in terms of workers having the capacity to use and develop their skills; having some control over their work and scope to make a difference; taking part in appropriately challenging work and taking up opportunities for personal growth and career advancement. A number of studies have found that these factors are associated with higher levels of employee engagement and wellbeing (Peccei, 2013). There is also evidence that indicators of fulfilling work are associated with higher productivity and innovation within organisations across EU states (Brown, 2016). However, there are again challenges in the UK and Scottish labour markets. In Scotland, 51 per cent of responding establishments in the UKCES Employers Skills Survey reported problems of skills under-utilisation and 17 per cent of staff were reported as over-qualified and over-skilled for their current role. At UK level, 48 per cent of workplaces reported having some employees with both qualifications and skills that are more advanced than required for their current job role. This represents 4.3million workers or 16 per cent of the workforce having under-utilised skills (UK Commission for Employment and Skills, 2014). The European Working Conditions Survey gathers a range of data on employees’ control over tasks, work methods and the pace of work to form an index of task discretion – the UK ranks slightly above the EU average in the level of control that employees could exercise over their immediate work (Gallie and Zhou, 2013).

**Respect:** defined in terms of work in which people are respected and treated respectfully, whatever their role and status. For the Fair Work Convention (2016), respect involves ensuring the health, safety and well-being of others, but also reflects everyday social exchange and relationships in the workplace. Crucially, mutual respect involves recognising the views, autonomy, status and contribution of others. Much of the evidence in relation to the respect agenda focuses on the need to promote dignity at work, and to eradicate bullying and harassment. While the extent of the problem is difficult to capture through national survey data, there remains a clear case for action on bullying and harassment. UK survey evidence has previously suggested that 80 per cent of managers

reported knowing of bullying occurring in their workplace (Harrington, 2010). The Workplace Harassment and Bullying in 2009 report to Unison by the Centre for Organisation Research and Development reported that over a third of the union's members had been subject to bullying at work at some time, with over a quarter leaving to resolve the problem. In 2011, a similar survey for Unison reported that 6 in 10 public sector workers were bullied or witnessed bullying over the previous six months. Public sector workers are frequently cited as the most vulnerable to bullying in the workplace (Ariza-Montes et al., 2015). The CIPD (2004), among others, report that line managers and peer colleagues as most likely to be accused of bullying behaviour. The individual cost of bullying in the short term includes absence from work often leading on to leaving the organisation (EWCS, 2005). There is also some international evidence of the relationship between bullying and mental health problems (Langeland, 2012). That said, the Fair Work Convention argues that respect as a dimension of fair work includes and goes beyond measures to combat bullying and harassment to include dignified treatment, social support and the development of trusting relationships. Such respectful workplace relations may improve conflict resolution, reducing the need for public intervention to resolve and remedy disputes between employers and employees or workers. The Fair Work Convention argues that respect at work can be supported in a number of ways, such as organisational policies, practices and training on dignity at work. The adoption of, and genuine engagement with, respect as a key organisational value, and collaborative approaches to conflict resolution and employee voice are also important.

### **3.2 Linking the fair work and workplace innovation agendas**

The FITwork framework has also been informed by evidence of the impact of other complementary (and sometimes overlapping) workplace practices in relation to **high performance and high involvement working**, which aims to deploy HR and work design to fully engage employees' talents and resources, and **workplace innovation**, which aims to create spaces where employees' ideas and creativity can make a positive difference to business outcomes (e.g. Appelbaum, 2000; Boxall & Macky, 2009; Groen, Wilderom, & Wouters, 2015; Meuer, 2016). There is evidence that high performance/high involvement working can produce employee outcomes that are associated with improved individual and organisational performance. A recent analysis of successive waves of the UK Skills and Employment Survey found a positive association between workplace involvement strategies (where employees reported opportunities to express their views on initiatives within the organisation) and both job satisfaction and commitment (Charlwood, 2015). Small scale research from Finland's Workplace Development Programme has suggested that high involvement practices that support cooperation across management and employees might be associated with higher levels of wellbeing and job satisfaction and perceived productivity gains (Ramstad, 2014). The emerging evidence base on the potential importance of high involvement approaches provides a counterpoint to longer-established 'high performance work systems' models that have relied upon performance management and contingent reward to incentivise employees. While there is mixed evidence of positive impacts on employee performance associated with these practices, there are also a number of studies identifying negative impacts on employee wellbeing and commitment (Heffernan and Dundon, 2016).

Crucially, our own research and stakeholder engagement has demonstrated the potential value of workplace innovation practices (Findlay et al., 2015). Drawing on European Commission (2014) analysis, we developed an understanding of workplace innovation as being about getting the best from an organisation's key resources (people, processes and relationships). In doing this, workplace innovation can deliver organisational objectives and improve the quality of work for employees – creating better workplaces and better work through collaboration. Workplace innovation departs from 'business as usual', driving value creation while simultaneously delivering rewarding work for employees (Findlay et al., 2015). Workplace innovation is therefore both a process and an outcome. The process includes the way things are done in an organisation. The outcomes may be new ideas about products/services, processes, policies and ways of organising and working, and more conventional business outcomes, for example, increased productivity, profitability and growth.

Workplace innovation can deliver positive employee outcomes, such as retention, satisfaction and engagement (Findlay et al., 2015). During our 2014-15 *Innovating Works...* project, we found that employer strategies to empower employees to identify and solve problems included: the design of work teams in an explicit effort to encourage 'creative problem-solving'; making use of online tools to encourage employees to share ideas and incentivised suggestion schemes. These mechanisms were reinforced by a climate that supported employee empowerment. Employees had a strong stake in the organisations where they felt secure, valued, well-treated and involved in their work i.e. they were engaged in good work in good workplaces (Findlay et al., 2015).

Kleinknecht (2015) provides supporting evidence for this link from the opposite direction.i.e. from *unfair* work to negative impacts on innovation,. He presents both the mechanism by which this negative effect could happen and the evidence to support the hypothesis that it has happened. Kleinknecht (2015) describes the 'hire and fire' culture embodied in the 'structural reforms' which took place in the 1980s in the UK and elsewhere as leading to a decline in firm-specific training; an increase in transactions costs (as a consequence of higher turnover); fostering weak management which in turn fosters risk-averse behaviours when it comes to innovative projects; and a decline in firm-specific or path dependent tacit knowledge that has been deployed in organisations for many years and on which the 'creative accumulation' model of innovation is based. He argues in favour of 'good insider protection' and 'high wage cost pressures' – capturing at least some of the characteristics of fair work – as a means to trigger:

*'quick diffusion of labour saving technology...exploiting more fully the potential of the IT revolution...(supporting) the Shumpeterian process of 'creative destruction' in which innovative market leaders see off technological laggards competitively'.*

Within the FITwork framework, we have drawn upon international evidence to explore six key dimensions related to workplace innovation. Our reading of the evidence suggests that workplace innovation is defined in terms of:

***How organisational structure shapes or constrains innovative potential:*** The evidence suggests that the way in which an organisation is structured can support the prerequisite conditions for innovation. The organisation's structure supports internal

communication can facilitate the dispersion of ideas and practices in the organisation, increasing their amount and diversity. This, in turn, can encourage the cross-fertilization of ideas (Adams, Bessant, & Phelps, 2006; Damanpour, 1991; Kistruck & Beamish, 2010). Strongly hierarchical organisational structures can make it difficult to communicate changes and inhibit the flow of innovative ideas (Damanpour, 1991; Kassing, 1998). Collaboration across vertical levels and functions of the organisation encourage ideas to be elaborated upon and encourage changes to be introduced (Damanpour, 1991). The strength of communication and collaborating networks can help ideas to be diffused within the organisation (Bohlmann, Calantone, & Zhao, 2010). Flexibility among work roles can encourage innovation. It can permit openness, which encourages ideas and innovation. Importantly, structures which support openness and communication can mediate the stress of innovating (Janssen, 2004) and increase perceptions of fairness (Schminke, Cropanzano, & Rupp, 2002).

***How organisations manage human resources:*** An organisation's capacity to identify, assimilate, and exploit knowledge about its environment and ability to learn are important conditions to make use of innovations as they occur (Albino, Garavelli, & Schiuma, 2001; Cohen & Levinthal, 1989; Felstead, Gallie, Green, & Zhou, 2010). It is not enough to only invest directly in new processes or products, but to also develop and maintain the organisation's broader capabilities to identify and use information (Cohen & Levinthal, 1989; Lichtenthaler & Lichtenthaler, 2009). The accumulation of knowledge capital in the organisation allows the firm to innovate more often over time, having a positive effect on profitability (Geroski, Machin, and Reenen, 1993). New knowledge, expertise and problem-solving skills are rooted within individuals and are the source of potential employee-driven innovation (Høyrup, 2012). The ways that HR policies, such as pay and skills development, are used has been positively associated with forms of innovation (Beugelsdijk, 2008). These policies, where consistently and fairly applied across the organisation, can also buffer the stresses and demands of being innovative (Janssen, 2000, 2004). This offers the potential for longer term, sustainable growth.

***How internal decision making shapes or constrains innovative potential:*** Factors in the work environment, such as supervisory and social support from group interaction and involvement are important antecedents to creativity (Baregheh, Rowley, & Sambrook, 2009; Beugelsdijk, 2008; Cohen-Charash & Spector, 2001; Parker, Johnson, Collins, & Nguyen, 2013). The way decision-making and power are centralised or distributed through the organisation can play a role in empowering and engaging the workforce. Decentralised organisation with a focus on employee empowerment have been found to generate more product innovations (Beugelsdijk, 2008). Participatory work environments facilitate innovation by increasing organisational members' awareness, commitment and involvement in change (Damanpour, 1991; Janssen, van de Vliert, & West, 2004). Conversely, concentrated leadership and decision-making can prevent innovative solutions (Damanpour, 1991).

***Relationships with external stakeholders and networks:*** Environment scanning and extra-organisational relationships can bring in new ideas and ways of working. Innovative organisations exchange information with their environment (Andriopoulos & Lewis, 2009; Burt, 1992; Damanpour, 1991; Meuer, 2016). Innovative, valuable ideas can be generated

from flows of information with the organisation as well as external, coming into the organisation (Chesbrough, Vanhaverbeke, and West, 2006). Organisation that use an open innovation approach explicitly incorporate external sources of knowledge into their business model as a source of value creation and value capture (Chesbrough et al., 2006; Lichtenthaler & Lichtenthaler, 2009). If firms cannot or do not want to develop sufficient absorptive capacity, they can draw on their strategic alliances to gain knowledge or utilise complementary resources (Chesbrough et al., 2006).

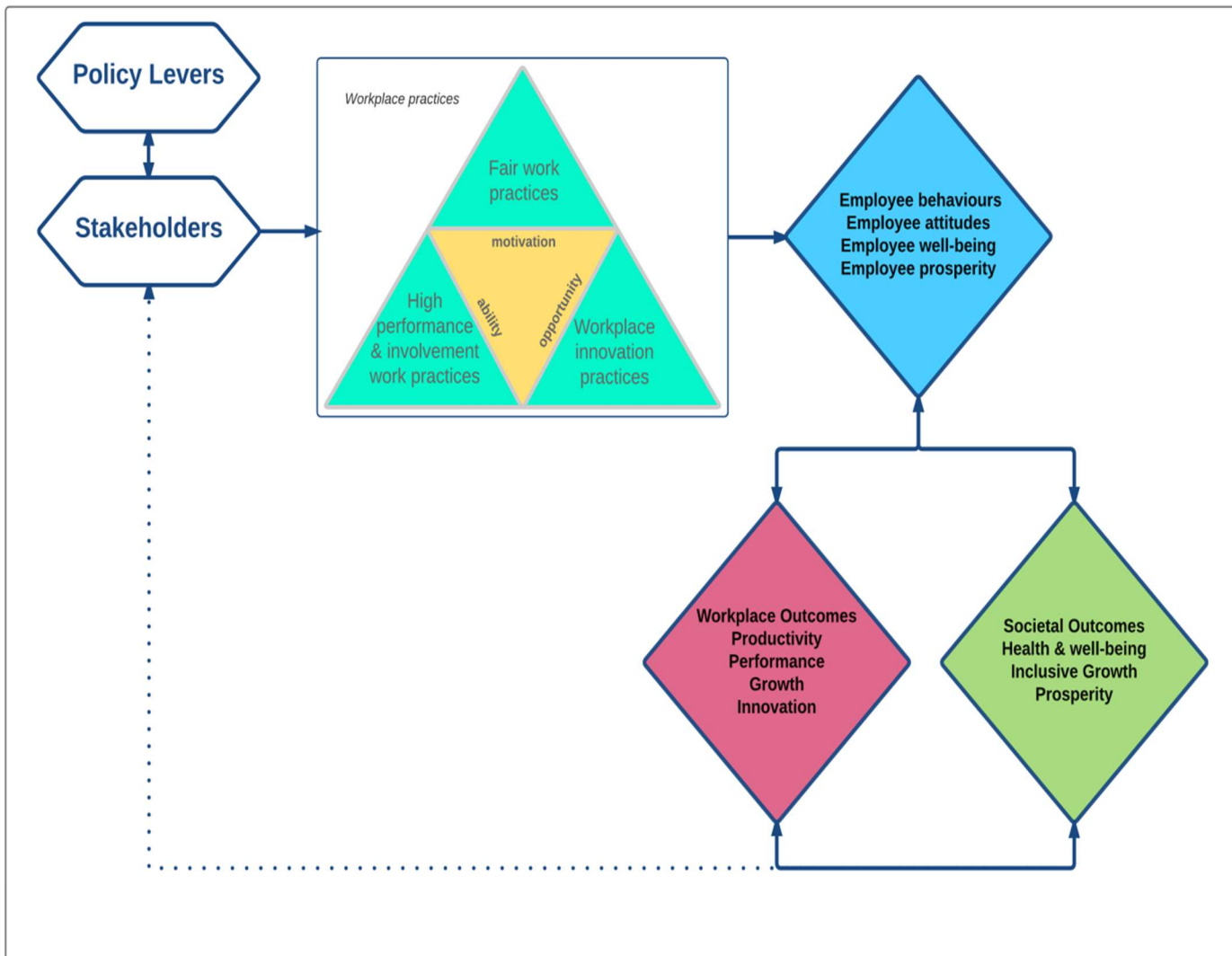
***Potential to innovate in the way the organisation designs its work and internal support systems:*** Innovation can be linked to ideas of creativity and problem-solving. The way jobs are designed and organised can encourage creative and problem-solving (Amabile, 1996). Jobs associated with high levels of autonomy, skill variety and feedback are expected to support and foster creativity (Beugelsdijk, 2008; Janssen, 2000; Newton & Jimmieson, 2008). Employee support mechanisms enable employees to cope with change, create social dialogue and participate in the changes (c.f. Demerouti, Bakker, Nachreiner, & Schaufeli, 2001). This in turn allows changes and innovative ideas to be embedded within the organisation (Cox et al., 2012).

***Potential to innovate in the way the organisation supports entrepreneurial attitudes and behaviours:*** Enterprising attitudes consider an organisation's proactiveness to opportunities and propensity towards risk-taking (Kistruck & Beamish, 2010; Lee, Lee, & Pennings, 2001; Tims, Bakker, & Derks, 2012). This is embedded in the organisation's routines, the way it learns from past experiences and how individuals see taking calculated risks. Advancing any innovative idea involves at least some degree of uncertainty (Di Domenico, Haugh, & Tracey, 2010; Lee et al., 2001), so the extent to which the organisation is willing to take risks – and support the calculated risk-taking of their workers, is important for innovation.

The FITwork framework sees these three elements of workplace practice – fair work; high performance and high involvement working; and workplace innovation – as the key components to delivering fair, innovative and transformative work. A final, but crucial, element of our thinking here relates to the mechanism by which these practices are turned into positive outcomes. We argue that the evidence suggests that these types of practice are likely to be important in shaping experiences within organisations, because they define employees' **ability, motivation and opportunity** to engage in the workplace. The 'ability–motivation–opportunity' framework is a well-established model in employment research (Boxall and Purcell, 2003, 2016), which argues that for people to add value within organisations (for example, by engaging in workplace innovation or other positive discretionary behaviours), then they must have the ability (skills, experience and knowledge, supported through workplace learning and development) to do current and future jobs; the motivation to get involved (which may be linked to financial rewards, but is also likely to be strongly associated with recognition of employees' contributions by colleagues and leaders); and the opportunity to act (in terms of discretion within day-to-day work tasks, participation within teams and 'voice' within the broader organisation, as discussed above).

The discussion of evidence and literature above is far from exhaustive – a more detailed exploration of the range of international evidence is beyond the scope of this report. Nevertheless, we have presented some key elements of the evidence on ‘what we know’ (the evidence that has informed recent thinking on the components and potential outcomes of fair work and workplace innovation) and ‘what we don’t know’ (gaps in data, especially at the workplace level). Engaging with these issues has been central to our approach to building a FITwork framework, operationalised through our FITwork diagnostic tool. The argument of the FITwork framework is that we have the capacity to identify opportunities to promote fair, innovative and productive work, and that this will in turn drive transformative benefits for individuals, businesses, and Scotland’s economy and society. We believe that this framework (endorsed by the Fair Work Convention) and an associated research agenda have the potential to assist organisations to explore opportunities for progressive workplace practice, and to inform Scotland’s policy agenda on fair, innovative and productive work.

## The Fair, Innovative and Transformative Work (FITwork) Framework



Source: Fair Work Convention (2016) *Fair Work Framework*.



## 4. Building the evidence base on FITwork

### 4.1 The FITwork tool

The Fair, Innovative and Transformative Work tool (FITwork tool) has been developed, in consultation with Scottish public agency and industry partners, to better understand the practices in workplaces and the implications for fair work, workplace innovation, productive behaviours and innovative outcomes. The tool draws on international evidence on the antecedents and drivers of organisational and employee-driven innovative outcomes, productive and discretionary behaviours, and the practices which support fair and good work. It also draws on established questions and measures from existing surveys, for example the European Working Conditions Survey (EWCS), the Workplace Employment Relations Survey (WERS), the UK Innovation Survey and on existing tested scales and workplace assessments in related fields.

The FITwork tool is a multi-stakeholder workplace survey, designed to be completed by an organisation's management as well as employees at all levels and across all functions. For organisations, it can be used both cross-sectionally (i.e. at several points in time) and evaluatively (e.g. before and at a time after a change has occurred/been implemented). When completed by one person in the organisation, the respondent receives automated feedback. However, all responses from an organisation are analysed to provide a collective view of the organisation. The more representative the sample is of the organisation's workforce, the more the survey can provide useful insights and contribute to overall knowledge about practices in Scottish workplaces. The FITwork tool has been used alongside qualitative interviews and workplace workshops with senior managers, employee representatives and employees. In this way, it acts as a 'conversation starter' to understand practices and experiences of work in the context of the organisation.

The FITWork tool asks about individual or collective views of structures, practices and procedures which enable or constrain innovative behaviours, employee participation and collaboration along 11 dimensions identified from the research evidence (see **Figure 3**). The survey itself is divided into four sections. The first and second sections provides organisational and sectoral level variables, with the second section targeting only senior managers, owners and owner-managers. The third section represents the largest portion of the FITwork tool, comprising workplace level questions along the 11 dimensions. The final section asks individual-level questions, including demographic and protected characteristics, occupation and supervisory tasks, sufficiency of hours, and weekly take home pay.

**Figure 3 The 11 dimensions of the FITwork tool**



Before discussing the 11 dimensions of the FITwork tool (derived from the FITwork Framework discussed in this report) it is worth highlighting the key differences in the FITwork tool as a research and data collection tool relative to existing instruments. As argued thus far in this report, there are gaps in the existing evidence of what happens in Scottish workplaces. Furthermore, much of the existing evidence, notably in the areas of occupational psychology and organisation development, views the workplace as a collection of individuals. Instruments such as the Workplace Employment Relations Survey (WERS), organisational citizenship behaviour (OCB) scales, the Utrecht work engagement scales and the European Working Conditions Survey (used in deriving the Job Quality Index) among others, are operationalised at the level of the individual and the job role. Understandings of the workplace are thus derived from aggregations of individual responses. When workplace-level views are sought, the questions are directed to managers and often only to one manager. **Figure 4** and **Figure 5** provide examples from the management questionnaire of WERS and the EWCS of related, yet individual level questions used in these survey instruments.

#### **Figure 4 Example of questions from Sixth Workplace Employment Relations Survey (WERS) - Management Questionnaire**

**We do not introduce any changes here without first discussing the implications with employees.**

1. Strongly Agree
2. Agree
3. Neither
4. Disagree
5. Strongly Disagree

**Looking at the following list, which three issues are most often discussed at [meetings between senior managers and the whole workforce]?**

1. Product issues (e.g. level of production or sales, quality of product or service)
2. Employment issues (e.g. avoiding redundancies, reducing labour turnover)
3. Financial issues (e.g. financial performance, budget or budgetary cuts)
4. Future plans (e.g. changes in goods produced or services offered, company expansion or contraction)
5. Pay issues (e.g. wages or salary reviews, bonuses, regrading, job evaluation)
6. Leave and flexible working arrangements, including working time
7. Welfare services and facilities (e.g. child care, rest rooms, car parking, canteens, recreation)
8. Government regulation (e.g. EU Directives, Local Authority regulations)
9. Work organisation (e.g. changes to working methods, allocation of work between employees, multi-skilling)
10. Health and safety
11. Equal opportunities and diversity
12. Training
13. Other (please specify)

Source: Department for Business, Innovation & Skills (2011) Management questionnaire (MQ): sixth workplace employment relations study 2011 (WERS6). Available from: <https://www.gov.uk/government/publications/the-2011-workplace-employment-relations-study-wers>

The individual-level focus is not without its limitations. It assumes that by aggregating individual views of their own job roles, the sum is an understanding of the workplace – and implicitly a more accurate view of the workplace. The workplace, however, is not the sum of individual responses and experiences. Therefore, the individual-level approach overlooks interactions and relationships, and the interplay between policies and practices – both formal and unwritten in the organisation. It also downplays the variation of individual factors and the impact on individuals' responses. The reduction of the workplace and its challenges to an individual level leads to an emphasis on supply-side interventions (Guest, 2014). Given this focus, interventions might include additional training and strengths development for individuals, recruiting and selecting for innovative potential and performance strategies that reward particular behaviours.

Furthermore, other approaches draw on managerial responses to reflect on the workplace, placing an implicit value judgement on the views and responses of managers – often single management responses – as the accurate reflection of the workplace. This

is particularly problematic in the context of the positive biases observed from their responses when compared with the workforce.

From a policy perspective, there are clear challenges related to the benchmarking and assessing many dimensions of fair work, and indeed in the Scottish Government's Business Pledge. Certain elements are more easily observed and counted relative to others. For example, the number of interventions (e.g. instances of training) or individuals with particular accreditations, pay ratios and the extent to which an organisation pays the living wage are easily observable within organisations. These more readily observable elements are those which tend to gain policy traction.

Changes in job autonomy, respect, fulfilment and opportunity present real challenges for monitoring. Surveys such as WERS are expensive to implement and draw only from a sample of organisations and their employees. They are not a census of workplaces, and indeed there are known limitations to the size of Scottish samples. Furthermore, the surveys are cross-sectional and do not follow the same organisations across iterations. Therefore for policymakers and employers, these are not monitoring tools for internal change. Many of the practices may not be directly observable in organisations, thus presenting challenges of measurement. Others may have too much variability in how they are configured to yield optimal or good outcomes for individuals and businesses. Furthermore, changes may not lead to observable differences in the short-term, but rather require a more systemic, medium- and long-term approaches. As many different stakeholder organisations in the Fair Work Convention's consultations have identified, changing behaviours and attitudes (or minds and hearts) following changes in practices may be a longer-term endeavour.

**Figure 5 Example of individual and job role-level questions from the 5th European Working Conditions Survey 2010**

**Q51. For each of the following statements, please select the response which best describes your work situation (scale: always, most of the time, sometimes, rarely, never)**

- A. Your colleagues help and support you.
- B. Your manager helps and supports you [Ask employees only]
- C. You are consulted before targets for your work are set.
- D. You are involved in improving the work organisation or work processes of your department or organisation.
- E. You have a say in the choice of your working partners.
- F. You can take a break when you want to.
- G. You have enough time to get the job done.
- H. Your job gives you the feeling of work well done.
- I. You are able to apply your own ideas in your work.
- J. You have the feeling of doing useful work.
- K. You know what is expected of you at work.
- L. Your job involves tasks that are in conflict with your personal values.
- M. You get emotionally involved in your work.
- N. You experience stress in your work.
- O. You can influence decisions that are important for your work.
- P. Your job requires that you hide your feelings.

**Q77. How much do you agree or disagree with the following statements describing some aspects of your job? (scale: strongly agree, Agree, Neither agree or disagree, disagree, strongly disagree)**

- A. I might lose my job in the next 6 months.
- B. I am well paid for the work I do.
- C. My job offers good prospects for career advancement.
- D. I feel 'at home' in this organisation.
- E. I have very good friends at work.
- F. If I were to lose or quit my job, it would be easy for me to find a job of similar salary.
- G. The organisation I work for motivates me to give my best job performance.

Source: Eurofound (2010) Fifth European Working Conditions survey – 2010. Available from <http://www.eurofound.europa.eu/surveys/2010/fifth-european-working-conditions-survey-2010>

There are, however, benefits to shared understanding of issues and comparability across data sets. The questions highlighted by the EWCS and WERS in Figures 4 and 5 highlight areas of similarity with some of the items in the FITwork tool. Furthermore, the FITwork tool makes use of standardised classifications of sectors, occupations, demographic and protected characteristics and asks the information required to derive the National Statistics socio-economic classification (NS-SEC). The FITwork tool uses the same questions to determine employees' pre-tax and deduction income bands for comparability with WERS. However, the age bands are modified to reflect minimum wage and the new 'National Living Wage' – or the new minimum wage floor for over 25s. Furthermore, the 'Innovative

Outcome items are also comparable to those asked in the UK Innovation Survey and are similar to questions asked in academic research.

Given the measurement challenges and the potential scope for variation in what fair work looks like – and how the practices of fair work are (re-)configured in organisations – the *Innovating Works...* approach presents an alternative, contextualised way of looking at workplace issues. The units of analysis should still be jobs, but rather than viewing these jobs as situated in an aggregated representation of an economy, jobs and their jobholders should – in the first instance – be situated within the workplace. The workplace is the site at which an intervention around the quality of those jobs would take place, notwithstanding the role of government in (dis)incentivising particular forms of job and work design. Furthermore, by situating jobs in their workplaces of origin, two further aspects to fair work can be explored. The first is the issue of relativity, which considers notions of procedural, distributive and interactional fairness within an organisation. Procedural fairness concerns the procedures used by the decision-maker. Notably where people feel they have voice in a process and that the process involves consistency, accuracy, and a lack of bias, they feel a greater sense of procedural justice. Distributive fairness is about the decision itself and the how resources (e.g. rewards and pay) are distributed among people. Interactional fairness refers to the treatment a person receives during the process, such as delivering decisions with sensitivity and respect.

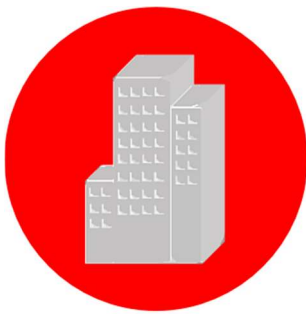
The FITwork tool permits an interrogation of how, or if, individuals have a collective voice or whether there are mechanisms for individuals to express an effective voice within the organisation. Arguably, within an organisational context that permits and even encourages individuals to disagree or to voice concerns, other limitations around job quality such as job design may be negotiated. The extent to which jobs are of good quality and fair in and of themselves is important, but their relative fairness and quality to each other is also of importance for individuals understanding of work and as a site of intervention to improve work and workplaces. This latter space appears to be under developed.

## **4.2 Dimensions of the Fair, Innovative and Transformative Work Tool**

The 11 dimensions in the FITwork Tool are drawn from the international and national research on antecedents and drivers of organisational and employee-driven innovative outcomes, innovative and productive behaviours and the practices that shape fair work. The FITwork tool asks respondents to consider practices (formal and informal), behaviours and attitudes in the workplace, including the extent to which a practice occurs and for how many employees. This is because the workplace and the perceptions of work in that workplace is the unit of our analysis, rather than the individual and the individual job. The statements use three different 4-point Likert scales related to frequency/depth of practice (i.e. 'all of the time' to 'none of the time'), breadth of practice (i.e. 'for all employees' to 'for no employees', and agreement (i.e. 'strongly agree' to 'strongly disagree'). This section provides a brief overview of the rationale driving the dimensions of the tool and some examples of the statements. This is not an exhaustive overview of the rationale and evidence for the dimensions, nor a full list of the 94 items in the FITwork tool.

It is worth noting that there is some overlap in the concepts that support innovative behaviours and outcomes and those which make up good jobs and fair work, for example, having the autonomy to make changes to one's own job and understanding how one's job fits into what the organisation does. The FITwork tool poses statements and provides feedback related to the 11 dimensions discussed below.

### The design and structure of the organisation



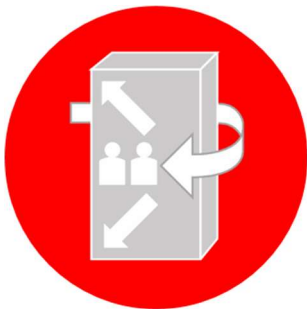
Organisation design features – such as how hierarchical the organisation is, how good communications are, how ideas are shared – can support or hinder innovation. Organisational design influences whether people interact in their work activities, how well people work together, how flexible roles are and opportunities for shared information and collaborating.

Multi-directional communication and collaboration across business functions supports idea generation and implementation.

Some of the items in the FITwork tool to explore structure include:

- Our organisation encourages people from different areas of the business to work together (e.g. cross-functional teams).
- Our organisation has practices that encourage employees and managers to learn from each other.
- Our employees know about what's going on in other areas of the organisation.
- \*Our organisation has strict lines of demarcation between jobs. [*This statement is negatively scored*]

### Approaches to decision-making and new ideas



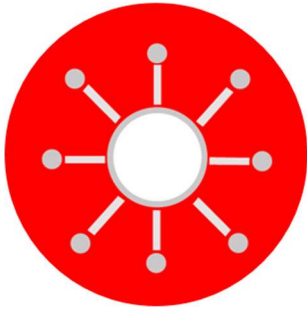
Organisational decision-making refers to both formal decision-making processes and to informal processes around managerial/supervisory relations and employment engagement. Centralised and closed decision-making can close off new ideas, thereby failing to tap into unused information, expertise and insight.

Where employees see themselves as having a real stake in a business, decision-making at every level can provide an opportunity to engage and empower employees to harness and apply their knowledge to the current and future challenges a business may face.

Some of the items in the FITwork tool to explore approaches to decision-making include:

- Before our organisation adopts new processes/technologies, employees are actively involved in the design of new work processes.
- Employees have a strong collective voice in this organisation.
- Opportunities to lead on tasks are shared across employees at different levels of the organisation.
- In our organisation, employees can disagree over work issues without fear of retribution from colleagues or managers

### Approaches to external relationships

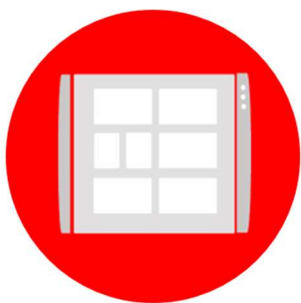


Clients, partner organisations (e.g. suppliers or delivery partners), competitors and external knowledge sources (e.g. universities and research) can be invaluable sources of knowledge and expertise. Scanning the environment and making the most of external relationships – by managing exchanges of information, collaborating and asset and risk sharing – can open up new ways of working, new ways of accessing resources and new market opportunities.

Some of the items in the FITwork tool to explore approaches to external relationships include:

- In the recent past, our employees have collaborated with external organisations.
- Our organisation involves its customers and/or end users in generating product and service design ideas.
- Our organisation involves its supply chain or delivery partners in generating products and service design.
- \*Employees in this organisation would be nervous about collaborating with external organisations. *[This statement is negatively scored]*

### Design of work and support systems



Innovation is closely linked to creativity and problem-solving. Job design can either support problem-solving and creativity or limit the potential for both. Aspects of fair work, such as fulfilment, may involve having the knowledge but also the time and confidence of management to make changes to how work is done. In the right circumstances, these features may enable the design of change, allowing innovative ideas to be embedded within the organisation and owned by all.

Some of the items in the FITwork tool to explore approaches to the design of work and support systems include:



- The way jobs are designed encourages people to interact.
- Our employees have enough time to reflect on their work and propose solutions to problems.
- Our employees have enough autonomy to change the way that they do their work.
- Managers in the organisation have confidence in employees' capabilities.

### The ways that people are managed

HR practices impact on employee capability and development, motivation and opportunity to deploy their talents, and these features are closely related to innovative potential. Certain HR management and employment practices can buffer the stress of innovation and change, reframing it as an opportunity rather than a threat.



New knowledge, new combinations of knowledge, expertise and problem-solving skills are rooted within individuals and teams and can be the source of employee-driven innovation, offering the potential for ongoing, sustainable solutions.

Some of the items in the FITwork tool to explore how people are managed include:

- Our organisation uses training specifically to encourage our employees to come up with new ideas.
- Our organisation uses performance management to encourage people to come up with new solutions.
- Employees take part in work-related learning that is not directly related to their current job.
- \*Lack of diversity in our workforce is an obstacle to innovation and change. *[This statement is negatively scored]*

### Enterprising attitudes



Advancing any new or innovative idea involves at least some degree of uncertainty. Attitudes to uncertainty, risk and trying new things impact on an organisation's innovative potential and how well it can respond to opportunities. An organisation's pro-activeness to new opportunities, change and calculated risk-taking can be seen in their day-to-day operations and the way the organisation learns from past experiences and responds to errors.

Some of the items in the FITwork tool to explore enterprising attitudes include:

- Our organisation seeks out new ways to do things.
- Across this organisation, we actively learn from trial and error.
- People in our organisation are not afraid to try things that could fail.
- Our employees see doing new things (or doing things differently) as an opportunity and not a burden.

## Organisational approaches and support for fair work



Fair work and good quality jobs are important for individuals, their households, society and the organisation. How the organisation's policies and practices come together affect how individuals experience fair work. Good jobs can bring organisational benefits in terms of individual performance, flexibility and willingness to change and innovate. Employers who offer good jobs identify benefits in terms of recruitment and retention. Well-designed tasks encourage staff to use their skills and talents and encourage better performance. Fair work contributes to economic competitiveness, social cohesion and better societal health and well-being outcomes.

Some of the items in the FITwork tool to explore the organisational approach to supporting fair work include:

- Help is available from the organisation when employees have a non-work related problem.
- This organisation prioritises providing stable employment.
- Where conflict arises, the organisation deals with it fairly and objectively.
- Any barriers to getting a job here faced by specific groups are identified and addressed.
- This organisation takes practical steps to provide employees with a healthy workplace.

## Experiences of fair work



The experience of working in poor quality jobs can impact negatively on physical and mental health and well-being. Poor quality jobs contribute not only to in-work poverty but to lifelong poverty beyond working life.

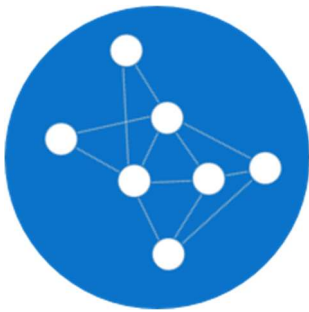
Good jobs can bring organisational benefits in terms of individual performance, flexibility and willingness to change and innovate. Employers who offer good jobs identify benefits in terms of recruitment and retention. Well-designed tasks encourage staff to use their skills and talents and encourage better performance.

Some items in the FITwork tool to explore perceptions of how fair work is experienced include:

- \*Employees here find their jobs stressful. *[This statement is negatively scored]*

- Employees here are fairly rewarded compared to people doing the same job elsewhere.
- People in this organisation treat each other with respect.
- Jobs here are meaningful and provide employees with a sense of purpose.
- \*Employees in this organisation worry about job security. *[This statement is negatively scored]*

## Productive and discretionary behaviours



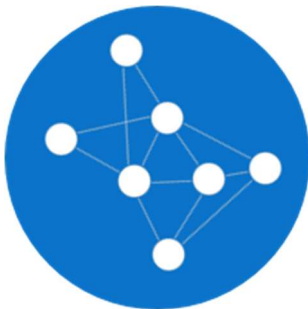
Where employees have the inclination, employees may go beyond the minimum expected of them in their efforts and behaviours. They may voluntarily assist their colleagues in solving work-related problems and exhibit attributes of organisational 'citizenship' behaviours.

Productive behaviours are also shaped and constrained by the expectations put on them and how performance is measured. Where expectations are perceived to be unreasonable and unachievable, individuals can be discouraged from trying to achieve them.

Some examples from the FITwork tool to explore productive and discretionary behaviours include:

- Employees here go beyond what is required of them in their jobs.
- Employees would recommend this a good place to work.
- Employees here see performance expectations as reasonable and achievable.
- In our organisation, performance management emphasises employee development.

## Innovative workplaces



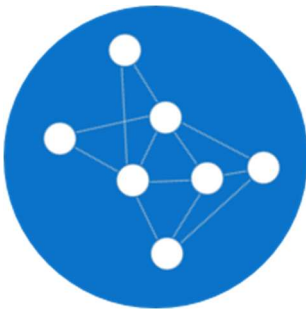
Innovation is crucial to improving productivity, performance, competitiveness and growth, as well as improving living standards. For the UK, innovation is predicted to account for up to 70% of economic growth in the long term. Innovative businesses are expected to grow twice as fast and be less likely to fail than non-innovators (BIS, 2014b). Crucially, the social and economic impact of innovation may be linked: recent OECD data suggests that higher levels of social inequality are associated with lower levels of innovation (OECD, 2014).

Some examples from the FITwork tool to explore innovativeness and innovative outcomes include:

- Our organisation has introduced one or more new processes in the last 12 months.
- Our organisation has made major changes to our processes in the last 12 months.
- Our organisation's performance has been improved through innovation.
- Our organisation's productivity has been introduced through innovation.

### Employee-driven innovation

Innovation can be important for organisational success. People make innovation, but are often the residual in innovation research and policy. The process of generating ideas and the process of bringing them to fruition can be highly stressful and have a level of individual risk (Janssen, 2000; 2004). Ideas that come from different sources, such as from employees at all levels, can increase the amount and the diversity of ideas available to the organisation.



- Some examples from the FITwork tool to explore employee participation in innovation include:
  - Our organisation makes changes to our products or services based on ideas from our employees.
  - Employees make changes in the way they do their work that benefits the organisation.
  - Employees promote their new ideas to others in the organisation.
  - Managers support employees in putting their ideas into practice.

### 4.3 Feedback

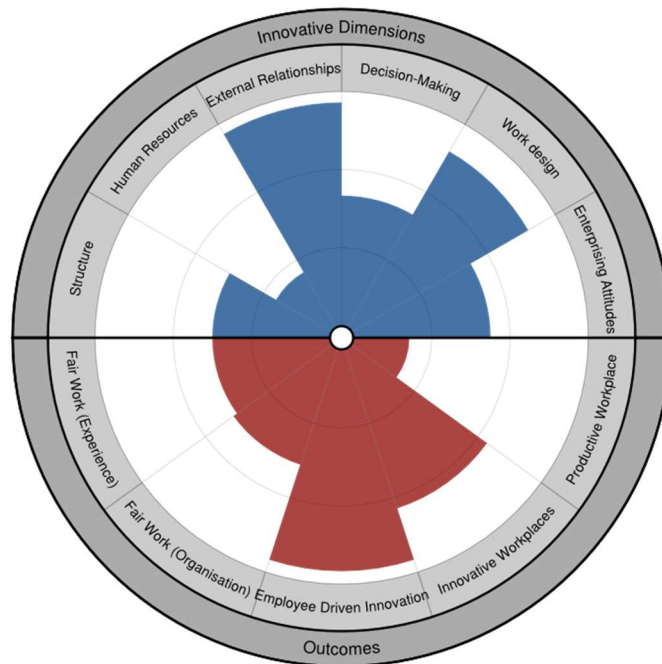
The FITwork tool is more than a data collection instrument, although as argued, it collects new and different data than is currently collected elsewhere. It is an instrument that has been piloted (see the 2015 *Innovating Works* pilot report) and redeployed in public, private and third sector organisations in 2016 as an action research and 'conversation starter' for practically engaging with issues of workplace innovation and fair work. The feedback mechanisms in the FITwork tool are primarily for presentational and engagement purposes as a more detailed analysis of the data sits behind these interfaces.

The configurations of the practices explored in the FITwork tool varies between organisations. Indeed, similar practices deployed in different contexts may lead to differences in outcomes depending on the specific circumstances of the organisation. The FITwork tool provides feedback on each dimension. Where there are sufficient responses from the workplace, more detailed exploration and analysis of the data can be done and fed back to the organisation. This section provides a few visual representations of responses from the FITwork tool and examples of feedback statements. These are for illustrative purposes only and are anonymised.

#### 4.4 Example 1

As illustrated, the responses suggested this organisation was strong in elements of external relationships, the design of work and support systems and in employee-driven innovative behaviours. On the other hand, there were areas for potential improvement related to how people are managed in the organisation and related to productive and discretionary practices and behaviours. While the organisation would be provided with feedback for all 11 dimensions, looking specifically at the dimensions of ‘decision-making’, ‘human resources’ and ‘external relationships’, the feedback would be:

**Figure 6 Visual of response and select feedback for example 1**



**In the way your organisation makes decisions and approaches new ideas:**

From your responses, while decision-making is sometimes centralised, employees appear to have a strong voice in decision-making processes. Specific mechanisms and opportunities exist for employees to offer ideas, and these are regularly taken up by the organisation.

**In the way people are managed in your organisation:**

From your responses, employee capabilities appear to be developed ‘as needed’ and investment in employee capability beyond immediate needs appears limited. HR practices do not seem to be directed towards promoting innovation and involving employees.

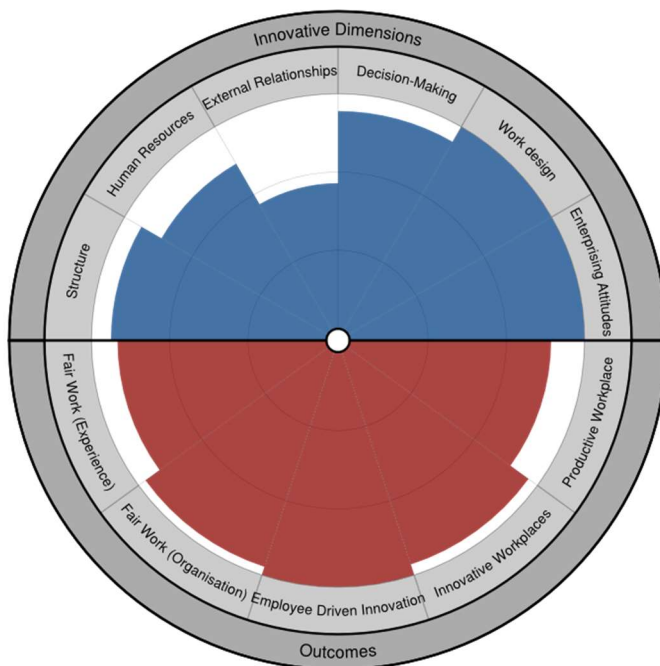
**In the way your organisation organises its external relationships with partners, clients and sources of external knowledge:**

From your responses, employees' exposure to external knowledge and information appears to enable them to understand the organisation's environment and this understanding may drive internal innovation. The organisation appears to engage in continuous co-operation and collaboration with partners, customers and other networks to identify value creating opportunities.

## 4.5 Example 2

As illustrated, the responses suggested this organisation scores strongly on a number of the dimensions. This suggests that practices and behaviours reach most or all of the employees, most and all of the time. That said, the responses for external relationships is noticeably different from other dimensions. In this example, the organisation operates in a highly competitive sector with poaching of employees from competitors and others in the sector, including the suppliers. This may offer some insight into the responses. Focussing specifically on feedback related to the design of work and support systems, employee-driven innovation and organisational innovation outcomes, the feedback would be:

**Figure 7 Visual of response and select feedback for example 2**



### **In the way your organisation designs work and support systems:**

From your responses, employees appear to have a high level of understanding of their roles, and jobs are designed to stimulate, challenge and provide time for employees to interact to solve problems. Managers appear to be confident in the capabilities of employees, and are comfortable with allowing them the scope they need to perform and improve their work.

### **In the way employees participate in and drive innovation:**

From your responses, it appears that employees are crucial in informing and driving innovation in products/ services, processes and ways of working. Employees are active in solving problems facing the organisation with the support of managers.

### **In the way your organisation innovates:**

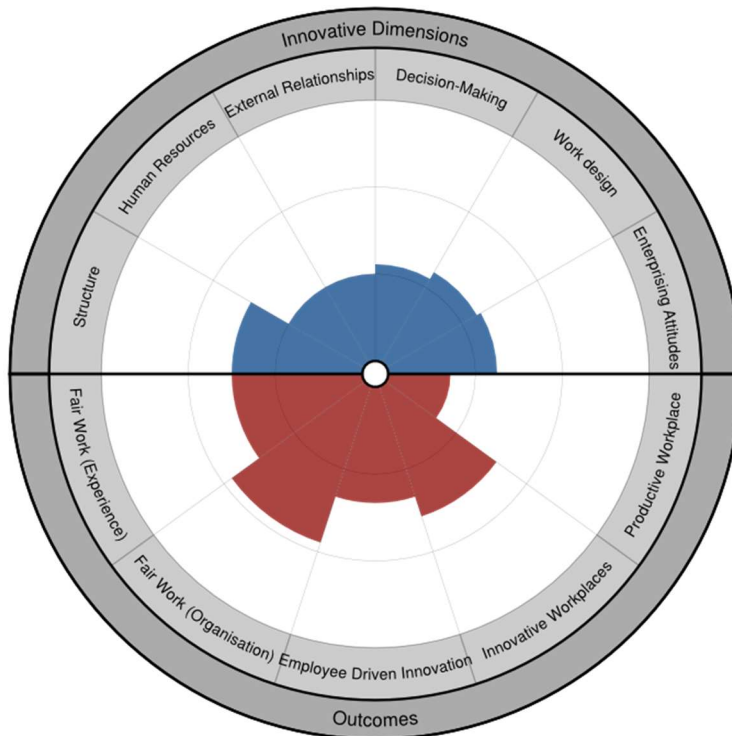
From your responses, it appears that innovation in products, services or processes is a key characteristic of your organisation, and that innovation is perceived as something that can deliver improved productivity and performance.



## 4.6 Example 3

As illustrated, the responses from this organisation were quite different from the previous two examples. The visual indicates that their responses suggested many behaviours and practices were experienced by some employees, but not most or all; and/or were experienced only some of the time. However, looking specifically at the organisational approach to fair work dimension, the responses suggest that the organisation has practices in place which aim to support this fair work. The feedback might be:

**Figure 8 Visual of response and select feedback for example 3**



### **In the way the organisation supports fair work for its employees:**

Your responses suggest that, in the main, your organisation prioritises equal opportunity for employees, fairness and well-being. Your responses also suggest that your organisation takes some steps to respond to conflicts and problems affecting employees. Engaging more with employees on issues of opportunity, fairness and well-being may improve employee buy-in.

### **Furthermore, in the way fair work may be experienced:**

Your responses raise concerns over the quality of work in your organisation in terms of progression and reward, work-life balance, interesting and/or challenging work. The implications of this for employee satisfaction and commitment are likely to restrict productive behaviour and innovative potential.

### **In the productive behaviours within the organisation:**

Your responses raise concerns that your organisation does not tap into employees' discretionary behaviours and best efforts. This may be connected to how performance is managed. Employees do not appear to have a voice in shaping performance management approaches and expectations.

In summary, the FITwork tool, developed in consultation with industry, policy and trade union partners, offers a workplace-based approach to examining workplace issues and collecting relevant data. It draws on the existing international research evidence base on the antecedents and drivers of innovation and conditions for fair work. It offers the potential for two main interventions: Firstly, it provides evidence on practices – and the (re-) configuration of those practices in Scottish workplaces. This has the potential to inform policymaking, intervention and debates. Secondly, it offers an interactive, workplace-centred tool to begin to engage in complex discussions with employers, employees, employee representatives and other workplace and policy stakeholders on ways to better understand and implement fair work, and in turn reap the benefits of workplace innovation.

## **5. Capturing the impacts and outcomes of fair, innovative and transformative work**

### **5.1 Impacts/outcomes for employees**

The FITwork framework poses that employees will turn their abilities into behaviours and attitudes that enhance business outcomes (1) where they are motivated to do so by fair work and (2) where they are offered the opportunity to do so through workplace practices that offer them scope to make a difference. Of key interest therefore, is how we measure and capture change in employee behaviour and attitudes. In addition, the assumption of shared gain central to fair work posits that as employees benefit from better business outcomes, this feeds back into their behaviours and attitudes in a reinforcing loop. Thus, it is important to capture in some way the impact of workplace and business practices on employee assessments of relative pay, rewards and career development.

In terms of behavioural measures, much of the literature emphasises discretionary effort – i.e. that effort which is not clearly specified contractually nor demanded in terms of direct and indirect organisational control and performance managements systems. Green (2006) uses the term ‘demanding work’ in relation to attempts to harness more of employees’ tacit knowledge and skills. The issue of balance and context is crucial here. Harnessing discretionary effort can be seen as employers expecting ‘more for less’, but there is also evidence that employees welcome more challenging and involving work (Gallie et al., 2016).

As noted above, the FITwork tool captures employee behaviours in a variety of ways. These include going beyond what is required in their jobs and supporting their colleagues to solve problems. Other employee behaviours relate more directly to idea generation, development and implementation which are crucial stages for innovating. These behaviours include coming up with new ideas to solve problems facing the organisation, making changes to the way they do their work that benefit the organisation and promoting and supporting others to share and develop ideas.

In terms of employee attitudes, the FITwork tool is designed to go beyond simply measures of motivation, satisfaction or engagement. We define motivation much more broadly than in occupational psychology, including perceptions of equality but also



incorporating job quality. Subjective measures of job satisfaction are sometimes used, but are a poor proxy for, job quality and “the empirical distribution of job satisfaction across countries does not seem congruent with anything we know about the conditions of work and employment across the world” (Munoz de Bustillo, 2011:451). There is also much unease with the concept of employee engagement (Guest, 2014; Rayton et al., 2012). There is significant criticism of its deployment and little evidence that employers are able to tap into it. Survey evidence reveals an employee engagement deficit: “Survey after survey indicates that only one third of UK workers say they are engaged” (Rayton et al., 2012). This is not only confined to the UK. Two global employee surveys found very low levels of engagement. In the first (Towers Watson, 2012), 43 per cent were either disengaged or detached, with 35 per cent highly engaged and 22 per cent unsupported. An even more pessimistic picture is reported in the second (Gallup, 2012) with only 13 per cent of employees engaged at work, 62 per cent not engaged and 24 per cent actively disengaged. Here, because of the wider range of countries, UK levels were higher than the average at 17 per cent engaged, though still dwarfed by those reporting neutrality or disengagement. National surveys produce similarly negative results.

We have seen that in the FITwork tool, we capture employee attitudes by looking at trust between managers and employees, the extent to which people treat each other with respect and the extent to which people would recommend the organisation as a good place to work. FITwork should also, from the wider evidence base, be related to employee health and well-being. Recent evidence from NHS Scotland (Taulbut and McCartney, 2016) points to the relationship between good quality work and labour market experience and improved health and reduced health inequalities. It also suggests that the role of workplaces and the labour market in driving these outcomes is not inevitable. The FITwork tool provides responses on issues related to well-being through multiple lenses. It collects information relating to stress, overwork and the reasonableness of expectations placed on employees through performance targets, compared with finding the work to be challenging. In addition, it explores issues of healthy workplaces and alignment to personal circumstances, and asks individuals to rate their own health.

## **5.2 Impacts/outcomes for employers, the broader economy and society**

As stated in the preceding section the FITwork framework proposes that fair work will enhance business outcomes. These positive business outcomes can be characterised under the headings of productivity and innovation, which might ultimately lead to improved business performance. In this section we consider the tools that we need to develop or adapt in order to better understand productivity and innovation at workplace level.

### **Innovation**

For employers, the benefits of fair, innovative and transformative work have been outlined above. In terms of innovation, job satisfaction has been found to be positively linked to production technology/process innovations (Shipton et al., 2006). They observed that innovation was higher where harmonisation of non-pay terms and conditions was a factor in the work environment. However, making the link between specific work features and innovation success can be very difficult. The OECD points to the problems of current

innovation measures, and the fact that they fail to capture important information: “knowing, for example, that 60 per cent of a country’s firms have introduced some type of innovation does not help to understand why and how innovation happened, what its impacts are on the economy and how it can be encouraged” (OECD, 2010). Similar problems exist for individual employers: while it is possible for organisations to report in surveys whether or not they have been involved in particular forms of innovation, measuring the impact of these innovations and the benefits and costs resulting from them can be very difficult. The impact of individual new product or families of products can be evaluated using financial measures such as profitability, revenue achieved compared to forecast revenue (Cooper and Edgett, 2008), time to market, new product sales and return on investment (BCG, 2006).

Many types of innovation are, however, not amenable to such direct measures. For example, process innovations may change the means of producing and delivering several different goods and/or services, some directly and others indirectly. Assessing the impact of even an individual process improvement can therefore be difficult. This becomes particularly difficult when the processes are linked to information technologies that span large parts, or the whole, of organisations, and where the implementation may be – and in order to maximise the benefits often should be - accompanied by innovations in working practices. The measurement problem becomes even more difficult for organisational innovations that often have no direct links to products but may, for example, involve changes in working practice designed to encourage employee innovation. Although under these circumstances it is possible to consider the overall performance of the organisation, separating out the contribution of broad organisation-wide innovations is often too complicated to be worthwhile. There may also be lags – increases in other forms of innovation may be observed months or even years after changes in working practices are initiated and proving causal links will thus be very difficult to demonstrate.

The FITwork tool can help us to start to evaluate how many organisations support fair, innovative and transformative work and examine the different forms of innovation that they undertake. Both its role in gathering data and starting conversations are important here.

## **Productivity**

A consideration of productivity measures at workplace levels must also be informed by thinking about how such measures might relate to sectoral regulation; how we can adjust for quality of output when we are producing services and not goods; and finally how this relates to the quality of the jobs which give rise to the quality-adjusted output in question. Deeper understanding of all these matters will allow us to address the question of the impact on productivity of fair work.

Our understanding of the level and trajectory of productivity presented in Section 2 and the forces that underpin these figures, is fragmented in a number of ways. There are existing bodies of literature on productivity, efficiency, competitive advantage and value coming from different disciplines, but these concepts, which are very closely related in principle, are not compared, contrasted or otherwise usefully combined anywhere. The level at which each of these concepts is discussed also varies, which further compounds

the difficulties in synthesising multidisciplinary research. For instance, it is most common for economists to discuss productivity at the level of the economy or possibly the sector but much less likely for measures to be constructed at the level of the firm or the workplace.

The level at which measures are constructed is selected in order to align with the levers that policymakers are interested in using. Economists discuss productivity mainly at the macro level because often the drivers they are interested in are organised at that level (e.g. infrastructure and education). There are also, of course, identifiable drivers of sectoral productivity (e.g. competition, capital investment and skills) that exhibit a much wider variation than that between countries.

Our interest here is whether there are levers that are under the control of the owner/manager of a firm/workplace which can increase the productivity of that unit. Individual firms don't control the market, the environment or the infrastructure but they do have control over their labour force policy in respect of recruitment, training, terms and conditions and the extent to which they facilitate and encourage human capital investment and development in both company specific and transferable skills; in short they have control over whether they provide fair work or not. The impact of fair work, in all its component parts, on productivity is still largely unmeasured. In order to be able to measure the impact of fair work we have to decide what precisely we want to measure and to what extent the appropriate measures will vary by sector.

Productivity measures can be, and are, constructed at the level of the firm (Gal, 2013) but not always to useful effect. Such evidence as there is seems to point to the general principal that such measures are more useful if they are simple and understood rather than complicated and accurate. Organisations are more likely to collect information if they are clear about its use to them.

## **Sectoral issues**

Having focussed our attention on organisations/workplaces it is useful to look at sectors in order to consider the context in which its constituent organisations/workplaces operate. There are discussions which imply that all sectors can be made more productive if the correct policies are implemented. The question of whether or not some sectors have already reached the limits of productivity growth – as it is commonly defined and measured – is insufficiently considered. One useful line of enquiry, considered here, is whether or not different measures of productivity (levels and growth) should be used for different types of outputs.

One obvious example of this problem relates to the care sector. The reliance of that sector on what has become known as emotional labour means that the opportunities for productivity growth, as it is commonly defined and measured, are extremely limited. In principle, all measures of productivity involve a standardised measure of output. Specifically, outputs should be quality adjusted – i.e. measured in units which are homogeneous in quality as well as other characteristics. This is easy enough to do in principle and in practice for many physical outputs but far less easy for services and other

outputs which are not defined in physical space. The care/service sector is a striking example of this as are other sectors which rely to a very large extent on emotional labour.

Often the way round this is to measure output in terms of the amount of labour embedded in the production of the service (e.g. the amount of labour time allocated to the care of a single client). However, not only does this not allow for quite extreme variations in the quality of the care provided but it involves using the same variable to measure both inputs and outputs.

The *input equals output* principle was very commonly used in producing measures of public sector output up until a decade ago but this necessarily meant constraining productivity to be constant. Following the Atkins Review in 2005 there was significant work carried out in both England and Scotland to produce quality-adjusted measures of different elements of public sector output. This has been done to some extent for health and education but not for Adult and Children's Social Care and indeed a sizeable proportion of the output from this sector is still measured on an *input equals output* basis. ONS data on the productivity of adult social care in the UK for the period 2007-2013 shows that productivity, measured as the ratio of the indices of outputs and inputs [aggregated over specific activities weighted by their share of expenditure] has fallen from the 1997 base level to 78.9 by 2013 (a fall of over 21 per cent). In respect of children's social care the fall is less than 10 per cent. An examination of the underlying indices shows that in each case the fall in productivity arises from inputs increasing more rapidly than outputs.

In the production of care services, technology can potentially increase productivity for instance by the use of software programmes for scheduling, case note recording or staff monitoring. However, while this can make administration more efficient it does not directly affect the quality of the care and may only have an indirect affect if y if it allows more time with the client.

The question of who controls the sector is also important here. Again, looking at the care sector, the extent to which the regulator can impose a consistent quality of care – or a minimum level of quality – can mediate this measurement problem. Although there is some debate around whether, this amounts to a productivity increase (Skills for Care and Development, 2007). In other sectors, trade associations could potentially play a role in standardising output quality by making quality standards a condition of membership or by awarding and monitoring different quality marks to denote different quality of output.

### **Quality of jobs - quality of output**

It is already well-established that there is no necessary relationship between job quality and job satisfaction. Hairdressing, for example, scores low on most job quality measures but much more highly when it comes to job satisfaction measures. Another interesting question is whether there is any relationship between the high and low end of markets (in terms of the quality of the output) and the quality of the jobs created by firms serving either end of those markets. Does the production of higher quality outputs involve a workforce whose jobs embody some or all of the characteristics usually associated with job quality – e.g. voice, discretion and good pay and conditions? This potential interaction between the policy aim of providing good quality jobs and improving productivity (properly defined

using a quality-adjusted measure) can only be examined at the micro level, i.e. at the workplace.

### **Long term and short term measures of productivity**

Innovation – technology, management and regulation (or combinations of both) - can reduce productivity in the short term and increase it over the long term. Alternatively, as in the case of the impact on some government services following the Gershon Efficiency Review of 2003-4, some changes (e.g. cutting staff) can increase productivity in the short run but damage it in the long run. In the context of introducing fair work practices the timescale for measuring any productivity outcome must be carefully considered.

### **The Care Sector: an illustration**

We have seen that the non-quality-adjusted measure of productivity has fallen across the public sector over the past nearly two decades with productivity in children’s social care rising fairly steeply in the five years leading up to 2013 after a prolonged decline since the late 90s. Adult social care, on the other hand has continued to decline over the period apart from the last year in which it rose by over six percent.

Over that period the regulation of the sector has undergone significant changes that vary across the UK. These changes include regulation/registration of parts of the workforce on a voluntary or statutory basis; regulation/registration of providers; fitness to practice monitoring systems; workforce development; and complaints handling mechanisms. The way in which regulation interacts with measures of productivity is complex and may vary over time. For instance, as suggested above, new systems may impact output differently in the short and longer term as they bed in and providers and workers become familiar with them. In addition, regulation has the potential to raise quality adjusted output but lower unadjusted output which by some measures would mean a decline in productivity. These are all factors which must be considered in developing and tracking any measure of productivity of a regulated sector.

A comparison of social care to other parts of the public sector using the same measure is provided in Table 1.

**Table 1 Productivity Index (1997=100)**

<b>Sector</b>	<b>Healthcare</b>	<b>Education</b>	<b>Public order and Safety</b>	<b>Social Security Admin</b>	<b>Police, Defence and other services</b>	<b>Adult Social Care</b>	<b>Children’s Social Care</b>
2000	100.1	105.7	84.4	82.8	-	96	98.9
2010	107.5	99.1	67.9	115.4	-	80.2	81.6
2013	114.9	99.7	72	123	-	70.9	90.6

The outputs for some of these sub-sectors are quality adjusted to some degree as recommended by the Atkinson Review (2005). Health Care uses indicators of health gain, short term survival rates, waiting times, results of National Patient survey and selected primary care measures. For Education the average point score (APS) for GCSEs is used in England and for Standard Grades in Scotland as well as an adjustment to reflect numbers in teacher training. For Adult Social Care there is no quality adjustment and outputs are measured as quantity of social service activities measured in time (e.g. number of weeks of residential care) or number of items (e.g. meals provided). For England 23 activities are included and for Scotland 17 are included, all weighted by share of net expenditure.

For children's social care, output is measured as total number of days looked-after children spend in placements and other activities relating to looked-after children; fostering services; number of children in secure accommodation and children's homes. For non-looked-after children outputs are measured as inputs of labour (around 75 per cent of total expenditure) and procurement, deflated separately.

A large proportion of social care services are provided by the private and voluntary sector (who are not included in these figures). The production of analogous figures for that part of the market could provide challenges in terms of finding suitable data although the same definitions of output could be used. This, however, does not deal with the issue of quality-adjustment which has proved to be a much more intractable problem. One route which future work could focus on is to consider user-defined quality (i.e. user satisfaction surveys) which are linked to workplace level output measures. On any view, a failure to consider the quality-dimensions of output mean that we are inaccurately measuring productivity in this sector. Finding a solution to this for one sector might allow us to make advances in productivity measurement for other service sectors.

### **5.3 Reflections on impacts and outcomes of fair, innovative and transformative work**

The word productivity is used and understood in a variety of different ways. The way that productivity is measured should relate to the purpose for which the measurement is being done – 'horses for courses'. In that sense, and not as a full taxonomy, we suggest the following:

- national measures are useful in making comparisons across time and space;
- national measures are not useful in identifying determinants/levers and influencing business practice;
- focus on some measures can reduce the quality/fairness of work/place;
- focus on workplace measures have the potential to increase the quality/fairness of work/place.

Put more succinctly, national measures identify a problem, sectoral measures point us to where the problem is and workplace measures have the potential to help us to fix it.

The purpose for which measurement has been done in this instance is to consider the question of whether, and to what extent, the implantation of fair work practices – i.e.

practices which are in the gift of employers, can increase productivity at the firm level. Returning to the HRM literature we can find methodological guidance as well as pre-existing evidence to suggest that there is such a link. Using measures of a wide set of HRM practices, measured in both incidence and intensity and containing some of the characteristic factors of fair work, there is clear evidence that 'superior human capital strategies will be reflected in valued firm-level outcomes' (Becker and Huselid, 1998).

In terms of the data which the FITwork tool is designed to produce there are indicators across a range of categories such as decision-making, discretionary effort, work design, compensation and perceptions of fair work. This data can be used to construct an index which would be flexible enough to capture differences in the incidence and intensity of varying combinations of fair work practices. In principle, where productivity measures are available – or can be constructed – then the relationship between the two can be measured directly. Alternatively, where productivity data is not available then some measure of the performance of the firm such as profit, value-added or market value could be used on the grounds that these are the ultimate outcomes of changes in productivity.

Finally, our work, of course, has far less to say about outcomes for the broader economy and society. The FITwork project has focussed on the workplace, and employees' experiences of opportunities around fair, innovative and transformative work. However, as noted in Part 2 of this report, there is consensus that intervention at the workplace level is one crucial component in strategies to promote Scotland's mutually supportive aims of reducing inequality and improving productivity and competitiveness. Complex relationships govern how the workplace interacts with other economic and societal factors to shape outcomes ranging from health and wellbeing to economic security and (at the level of the national economy) productivity and inclusive growth. But the complexity of these relationships does not detract from the importance of the workplace as a unit of analysis and space for action. The discussion above demonstrates that experiences of fair work and workplace innovation matters for employees and employers, and has the potential to impact positively for both. This means that continuing to explore opportunities, constraints and benefits associated with fair work and workplace innovation has the potential to identify important lessons of value for policymakers. We remain committed to working with employees, employers, policymakers and key stakeholders to explore challenges, opportunities and outcomes associated with promoting fair, innovative and transformative work.

## 6. Moving forward

The establishment of the FITwork framework provides a crucial underpinning for new research and knowledge exchange with employees, employers and other relevant stakeholders to explore fair, innovative and transformative work in Scotland.

The FITwork framework is central to the Fair Work Convention's understanding of how fair work and workplace innovation can be operationalised and explored within Scotland, and Scottish Ministers have committed to building upon its work. The Scottish Government and its partners are also committed to a range of other practical measures to support progressive workplace practices, including the Scottish Business Pledge initiative. The Scottish Business Pledge is a voluntary commitment by organisations to adopt fair and progressive workplace practices. Organisations are asked to commit to pay employees the Living Wage, and to at least two other progressive practices, including engaging in workplace innovation activities. We anticipate that engaging with the Scottish Business Pledge community will prove fruitful in helping to build a stronger evidence base on the potential for, and constraints on, fair work and workplace innovation practices in these organisations. While the Scottish Business Pledge is performing well, there is relatively little information available on the quality of work and workplaces within participating organisations. The deployment of the FITwork tool, and complementary case study research conducted by the team, will add to the quantitative and qualitative evidence base on progressive work practices in these organisations and the benefits that accrue for people and businesses. The same research will enable us to explore barriers and constraints faced by these organisations in pursuing fair, innovative and transformative work. This will allow us to share good practice, identify the circumstances and practices that produce fair work and workplace innovation in specific contexts, and offer advice on how business support services (and perhaps even the Scottish Business Pledge initiative itself) can best assist participating organisations. As always, our engagement within individual workplaces will also involve providing intensive support to participating organisations to help them to reflect on the outcomes of the FITwork process and consider actions for progressive practices given their specific business context.

We also believe that further FITwork research will be of value in targeted sectors. For example, following consultation with key stakeholders, we believe that there will be benefit in deploying the FITwork tool and complementary research and support activities in Scotland's food and drink sector. It is a sector that comprises large and small employers and in some spaces operates labour intensive business models. Pay and job quality is also variable across the sector. Accordingly, we propose a substantial programme of FITwork engagement with organisations across the food and drink sector. Finally, we will continue to work with organisations in the health and social care sector. Social care is a key public service, staffed by a highly committed but sometimes under-supported and vulnerable workforce. As we have noted in this report, it is also a sector where capturing productivity and the added value delivered by employees is a complex challenge. Employers in the sector face the twin challenges of tight public sector resources (which fund many jobs) and a desire to respond to the demand for high quality, personalised care services. The FITwork team is currently working with Scottish Care (the largest employer representative body for the independent care sector in Scotland) and two care sector



organisations. The FITwork tool and qualitative case study work has been conducted with these organisations, and ongoing analysis is informing discussions on the potential for more progressive approaches in their workplaces. Given the crucial role of the sector in delivering high quality, personalised and innovative public services, we believe that there is a compelling case for continuing and extending the FITwork project to engage more widely across social care.

This Year 1 Report has sought to stake out the evidential foundations and context for our engagement with employers and key stakeholders on fair, innovative and transformative work. We have described the FITwork framework that has proved important to Scotland's fair work agenda; discussed the research literatures and 'what we don't know' about fair work and workplace innovation; presented the evidence that has informed our own research; and described the FITwork diagnostic tool that we believe to be an effective mechanism for exploring these issues with employers and employees.

We take the view that the development and design phase of this project is now complete. A period of concerted action is required, during which we hope to demonstrate the value of the FITwork approach in informing and supporting the fair work and workplace innovation agendas among Scotland's policy stakeholders, and most crucially in supporting progressive practices in Scotland's workplaces.

## **Part Two - The role of networks in driving FITwork in Scotland**

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## 1. Introduction

In Part Two of this Report, we examine how issues related to fair work, workplace innovation and innovation policy have been presented and debated by policymakers and stakeholder organisations, including employer representative organisations, civil society organisations and trade unions, over the last decade to 2016. We frame the contemporary debate in Scotland and, where relevant, the UK by looking to the recent past in terms of the development of debates around the workplace and business innovation. Our main focus is on current stakeholder views on the broader FITwork terrain, and to the challenges facing stakeholders, particularly in relation to the challenges of building collaborative activity that might support and deepen FITwork.

This report draws from relevant published documents and some unpublished material from, for example, the Fair Work Convention's stakeholder consultation conducted in 2015, anonymous stakeholder interviews from the *Work, Employment, Skills and Training: Where next for Scotland?* project undertaken by the Scottish Centre for Employment Research and the ESRC Centre for Skills, Knowledge and Organisational Performance prior to the 2014 Scottish Referendum. It draws on data and analysis from a variety of government, policy and stakeholder sources in the spheres of fair work, workplace innovation and innovation policy. We do not present an exhaustive review but highlight key debates, developments and milestones. This report has been written for a policy and practitioner audience.

In Section 2, we consider whether greater consensus is emerging among some stakeholders in Scotland on how workplace practice might develop to address key economic and social challenges.

In Section 3, we trace the development of an emergent FITwork eco system where distinctive stakeholder interests and activities have coalesced around the need to pursue fair and innovative work.

In Section 4, we look at the common themes and shared interests that have emerged from diverse stakeholder activity and highlight how formal and informal networks have developed around these themes to drive activity and change.

In Section 5, we look at how stakeholders perceive key elements of the FITwork agenda.

In Section 6, we summarise and evaluate these developments in debates around workplace practice, drawing on broad evaluation criteria adapted from Payne's (2012) analysis of skills utilisation, and highlight contemporary challenges in changing workplace practice.

In Section 7, we outline some of the ways in which contemporary challenges might be addressed through collaborative activity, shared priorities and measures and better alignment of analysis, strategy and delivery.

## 2. The FITwork policy space – an emerging consensus?

In Section 1, we consider whether greater consensus is emerging among some stakeholders in Scotland on how workplace practice might develop to address key economic and social challenges.

The stakeholder engagement and network development activities discussed below have not happened in a vacuum. Rather, they are a loosely coupled collective response to the need for action around some key challenges facing the Scottish economy. As noted in Part One of this report, there has been an increasing recognition in recent years of:

***The need for action on productivity:*** As noted in Part One, UK productivity lags many of our EU and international competitors, and Scotland in turn underperforms relative to the UK. While it remains challenging to capture the impact of organisation-level practice on national productivity, there is increasing recognition of the need to promote fair work and workplace innovation as part of the approach to improving productivity (along with a range of complementary strategies to stimulate investment and trade, support innovation and drive inclusive growth). Fair and innovative work have emerged as recurring themes on the future of the Scottish economy and are reflected in the priorities of Scotland's Economic Strategy.

***The value of workplace innovation:*** We have noted that UK organisations lag the EU average in reported innovation activity, with SMEs less likely than larger firms to innovate. We also noted relatively low levels of 'non-technical' innovation. Both of these patterns impact productivity and growth, stimulating Scottish Government, EU and international interest in how to promote innovation more broadly and, in recent years, workplace innovation.

***Improving job quality:*** While the UK scores relatively well in international 'job quality index' league tables, substantial numbers of employees, including in Scotland, experience problems associated with skills under-utilisation, pressures associated with work intensification, under-employment (in terms of having too few hours of work) and low pay. Employers can, and have the right to, pursue a range of different business models, but there is a growing concern that poor job quality has contributed to Scotland's productivity gap, and may have a role in explaining problems such as work-related ill health and in-work poverty.

***The value of promoting fair work across sectors:*** The potential employee and business benefits of fair work may play out quite differently in different sectors, and measures of productivity may be insufficient to capture the importance and contribution of fair work and innovative work practices to the Scottish economy. To illustrate, in sectors such as social care where work is labour intensive and opportunities for productivity growth are limited, intervention to improve jobs and workplaces can still impact on a large and growing workforce, improving opportunities for fair work and contributing to better quality services (as illustrated through the FITwork in Social Care project currently being carried out by SCER in collaboration with Scottish Care).

***Combating inequality:*** As noted elsewhere in this report, greater consensus is emerging around the view that the UK's productivity gap is related to problems of low-wage work,

income inequality and limited social mobility. High levels of income inequality and poor social mobility are recognised as having negative impacts for individuals, businesses and society. Scotland's Economic Strategy sees tackling inequality and improving economic competitiveness as mutually supportive goals linked by a commitment to fair work and innovation.

These challenges can be seen as complex and interconnected – 'wicked problems' in the parlance of policymakers – and therefore require smart, joined-up and holistic policy solutions. Different stakeholders bring different insights at macro-, meso- and micro-levels. Evidence-based policy-making creates the basis for close collaboration between policy makers and researchers to share information on patterns, trends, challenges and opportunities connected with Scotland's approach to tackling inequality and improving economic competitiveness and to use that evidence to develop policy and interventions.

Focussing on the workplace level, the FITwork project has been the culmination of a range of activities that have connected researchers, policymakers and practitioners in engaging with and driving progressive organisation-level interventions that represent a departure from UK 'business as usual'. In Sections 3 and 4 we examine some of these activities.

### **3. Developing a FITwork eco-system**

In Section 3, we trace the development of what we believe has become a FITwork eco-system where distinctive stakeholder agendas have coalesced around the need to pursue fair and innovative work.

In broad terms, the discourse around a fairer and wealthier Scotland is not new – it has appeared in successive Programmes for Government since at least 2007-08 (Scottish Government, 2007, 2008, 2009, 2010, 2011, 2012, 2013). These focussed on driving fairness and prosperity through, for example, the implementation of universal policies such as freezing council tax and prescription fees (ultimately abolished) as well through fee-free higher education. While job creation and skills development have long been core to driving fairness and prosperity, the focus on better quality jobs, fair work and workplace innovation has emanated from engagement with the broader research base and in particular by a series of key networks that have debated, advocated and developed a broad and ambitious workplace agenda (Scottish Government, 2014, 2015a, 2015b).

We do not offer an exhaustive review here. Rather, we identify distinct debates – for example, on encouraging innovation; on business development and support; on leveraging returns from skills and on union priorities around labour market and workplace issues – which have overlapped and where shared priorities have been crafted creatively to build a significant degree of support for the view that fair and innovative work can transform lives, businesses and Scotland. We identify five key groups whose priorities and activities have coalesced into the current FITwork space below.

### 3.1 Researchers

Researchers have a long-established interest in what happens within workplace and how this connects to, and impacts on, other spheres of individual, economic and social life. Different disciplines - economics, management, sociological or employment studies perspective among others - study the workplace in very different ways and generate distinctive insights. In terms of FITwork, innovation research combines interest in technical and non-technical or organisational innovation.

Van de Ven et al. (2008) describe the innovation process as a “journey” that incorporates five key concepts: “new *ideas* that are developed and implemented to achieve desired *outcomes* by *people* who engage in *transactions* (relationships) with others in changing institutional and organizational *contexts*” (p. 6 emphasis in original). This broad-based approach to innovation points to the need for an understanding of the complex situation in which innovations are implemented which gives due recognition to technical and non-technical innovation and change.

There is a long history of broad-based innovation research in Scotland. Indeed, one of the earliest and most influential research studies of broad-based innovation was carried out in Scottish firms by Burns and Stalker in their seminal work on *The Management of Innovation*. Findlay (1992) analysed the role of innovation in HR practice in the Scottish electronics industry in the late 1980s, while social innovation in Scottish-based businesses in the spirits industry was also the focus of research in the mid-1990s. This research included attention to changing new forms of work organisation, team-working, progressive HR practices (including employment security guarantees) and partnership forms of industrial relations and workplace governance, all aimed at supporting technical innovation and business improvement while providing high quality jobs (Findlay, McKinlay, Marks, & Thompson, 2000a, 2000b; Marks, Findlay, Hine, Thompson, & McKinlay, 1998)

SCER researchers have played a prominent role in leading, with partners and alongside others, a range of research and knowledge exchange on broad-based workplace innovation for more than a decade in conjunction with businesses, other organisations, trade unions and employees. Key themes have included research on skills, learning and improving skills utilisation (e.g. Findlay, Commander, & Warhurst, 2011; Warhurst & Findlay, 2011); bad jobs and how to improve job quality (e.g. Findlay, Kalleberg, & Warhurst, 2013); technical innovation and automation (e.g. Bennie et al., 2013; Lindsay et al., 2014). Across the Scottish universities, SCER has led engagement with broader organisational innovation within an approach that explicitly acknowledges firstly, the need to look at innovation from an individual, organisational and society perspective and secondly, the need for mutual gains to deliver sustainable innovation, an approach that has influenced and created alignment with contemporary debates on fair work.

### 3.2 STUC and unions

It is unsurprising that trade unions and the STUC as the voice of affiliated unions have been prominent in debates that have led to current interest in FITwork in Scotland since improving the work experience, terms and conditions of working people is central to unions’ mission. In representing members at all levels and engaging in collective

bargaining and campaigning, unions in Scotland engage with issues of fairness and balance on a daily basis. STUC has developed its role to support unions in traditional and new spheres over recent decades, notably with the development of sustained and stable engagement in the skills and learning space. The work has been crucial in defining STUC and unions as key stakeholders not just in workforce development but also in workplace development. Well-functioning businesses and organisations are key to delivering stable productive jobs that not only protect all workers in terms of health and safety but also enhance their well-being in a crucial domain that shapes identity and life prospects and quality. In response to emerging labour market and workplace trends, STUC and unions have led initiatives against casualization of work (for example, in the Better than Zero campaign) and for improved employment rights and protection. As part of a broader anti-austerity agenda, STUC and unions have focussed on defining and attempting to shape constructive debate around workplace practice that delivers for workers, employers and society, advocating and campaigning for A Better Way across Scottish society by engaging widely with influential stakeholders at all levels in government, public agencies and beyond.

### **3.3 Employers and their representatives**

While employers are a heterogeneous group varying in sector, industry, size, ownership and orientation in ways that shape significantly workplace practice and workforce experience, they are also the key ‘architects of job quality. The strategic and operational choices they make are real choices with real consequences (Findlay et al., 2017). This heterogeneity makes it difficult to define a clear employer voice at times, but over the last decade there have been key themes in the narrative of employers’ organisation. Economic conditions in the period after the global financial crisis have stimulated concerns over cost containment, efficiency and productivity. Continuing requirements for flexibility to deliver on these concerns have impacted significantly on employment and workplace practice, albeit in an uneven way across firms. Two central concerns of employers’ organisations stand out: concern over accessing the right talent and skills to support their businesses, particularly in relation to young workers and the operation of apprenticeship systems; and concern over regulation that generates cost to businesses. Across many of these areas of employer concern, the potential of employee engagement in businesses and organisations – particularly those facing business and operational challenges – is recognised, and understanding what drives employee engagement is of interest for many employers.

### **3.4 Civil society organisations**

What happens in Scotland’s workplaces and in the labour market, and particularly the outcomes produced, are crucial to the life experience, prospects and well-being of citizens. Consequently, a range of civil society and campaigning organisations are prominent in debates relevant to fair, innovative and transformative work. Many of these organisations focus their efforts heavily (though not all exclusively) at the lower end of the labour market where problems are most pressing. Core concerns over the last decade have focussed on activities to combat poverty (through work by organisations such as the Scottish Poverty Alliance and Oxfam), with a particular concern over in-work poverty

driving campaigning to support adoption of the Living Wage Foundation's Living Wage (through the collaborative partnership of the Scottish Living Wage Campaign). Others have focussed on equalities issues in the workplace (and elsewhere), with organisations such as Engender, Close the Gap and the Scottish Disability Alliance highlighting the distinct experiences of different groups of workers. A theme that runs across both anti-poverty and equalities work is the impact of job insecurity and low quality jobs in generating and perpetuating disadvantage and inequality. More insecure work also features in campaigning, advocacy and advisory activities of organisations such as Citizens Advice Scotland who have been prominent in promoting better employment rights and remedies in Scotland albeit within the constraints of powers reserved at Westminster. Given the well-documented cumulative impact of disadvantage, an important stream of work has grown up around health and well-being, with campaigning organisations and public health stakeholders highlighting the costs in health terms to individuals and society of low quality work and labour market inequality.

### **3.5 The policy community**

In response to all of the above concerns, the broader policy community in Scotland – Scottish Government, local authorities, public agencies and public bodies – has been active in adducing evidence, identifying proposed solutions, designing interventions and evaluating outcomes in the face of a myriad of complex and connected policy 'problems' and in the context of challenging economic circumstances and the complexities of multi-level governance in the UK. Many of the key concerns of policymakers are long-standing but have been exacerbated by the global financial crisis and its consequences: concerns over competitiveness and economic development, including over how best to support innovation to drive competitiveness and growth; a particular focus on equality of labour market access and experience, including the pressing issues of post-16 education, learning and employment; the nature and impact of regional economic and social inequalities, and the challenging nature of deprivation and its impact on public health. Work and employment lie at the heart of many of the proposed solutions to these intersecting and intractable problems which require increasingly multi-dimensional and multi-layered interventions and support.

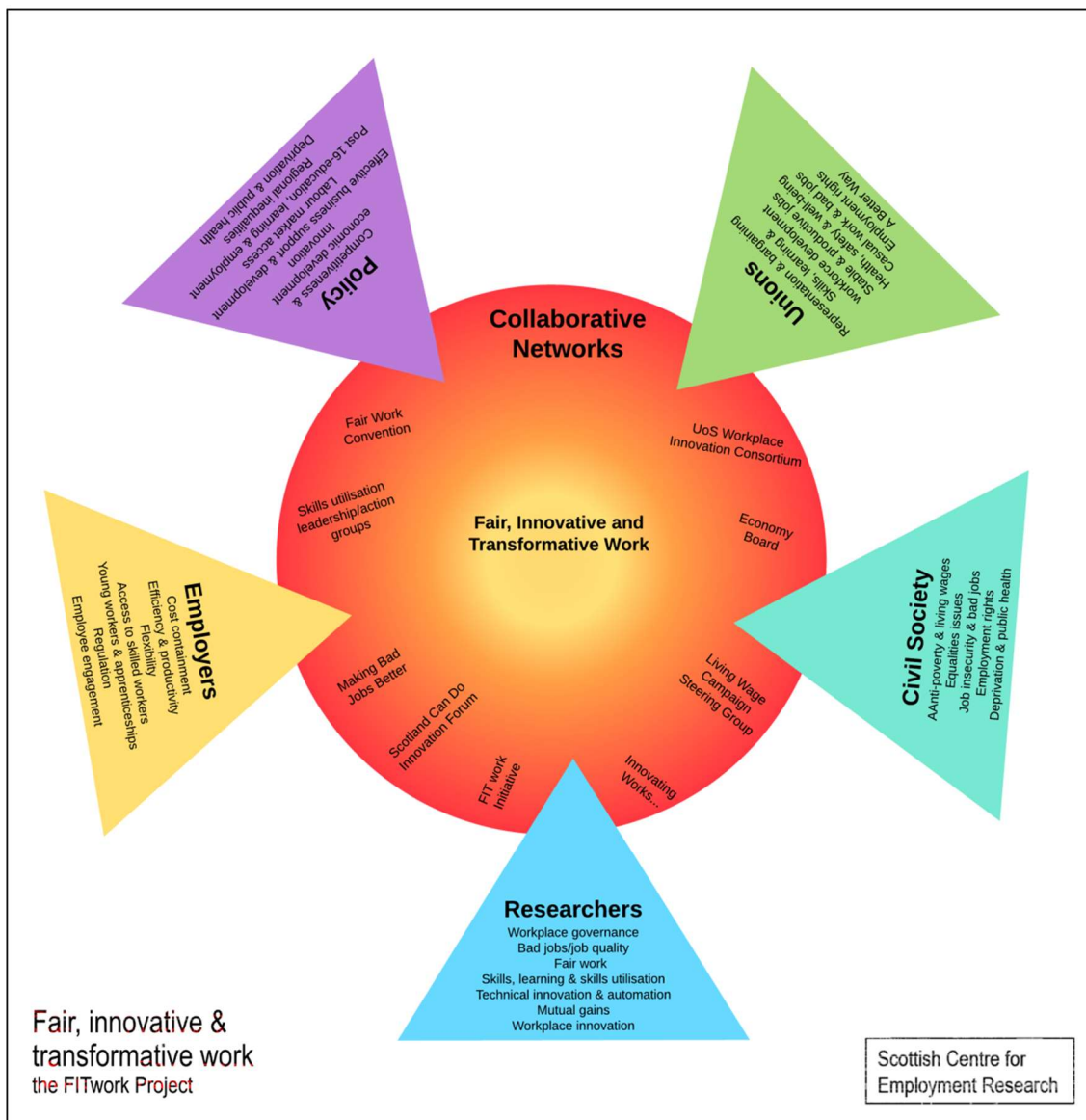
## **4. Common themes, shared concerns and collaborative networks**

From the discussion of stakeholder interests outlined above, it is clear that a number of common themes and shared concerns have emerged over the last decade or more that have shaped the debate on work and workplaces in Scotland. Below we discuss these themes in more detail and indicate how formal and informal collaborative networks have emerged to deepen understanding, develop policy and practice, support implementation and change and try to establish measures of success in each of these areas.

The diagram below captures the actors, debates and networks that comprise the FITwork eco-system. We conclude this section by outlining how these collaborations have driven a more holistic and ambitious agenda for FITwork in Scotland.



## Scotland's FITwork eco-system



### 4.1 Skills and skills utilisation

There has been a longstanding tendency in the UK (and elsewhere) to see investment in education, skills and qualifications as a ‘silver bullet’ to address the range of economic and social challenges identified above. This policy emphasis on skills supply found its most recent exposition in the Leitch Review established in 2004. The Leitch Report (2006) reflected a core assumption of a “direct correlation between skills, productivity and employment” and articulated a vision of the UK as a world leader in skills by 2020 through increasing (indeed doubling) attainment at all levels. To deliver this, Leitch proposed shared responsibility for economically valuable and demand-led skills between individuals, employers and government, but where employer voice, engagement and investments in skills led an agile and responsive skills system.

Education, skills and qualifications are undoubtedly important, and the Leitch targets have impacted on skills strategies and qualifications. Particular attention has been paid to those

at the bottom end of the labour market (Keep & James, 2010, 2012), often non-traditional learners, and initiatives such as union-led learning have been important in broadening access in Scotland's workplaces (Findlay et al., 2011).

But increasing concerns have been raised by academics, unions and policy makers about the effectiveness of skills interventions to address either low productivity or high inequality. These concerns have been well summarised by Keep and Mayhew (2010) as part of a broader critique that too much is being asked of skills supply as a lever of change. Keep and Mayhew argue that recent skills initiatives reflect a personal deficit model that takes little account of labour market and workplace factors. Given this, they contest the view that skills supply will have much impact. They point to how skills supply may lead to occupational congestion and over-qualification. On the former, as Brown (2013) has argued, education and training can add to the number of competitors in the race but it cannot alter the numbers of prizes on offer, as the labour market determines the opportunities available, and workplace practice and work organisation define the scope to deploy skills. Keep and Mayhew note that the UK is 21<sup>st</sup> out of 22 countries on what proportion of jobs require post compulsory education (OECD, 2013). On the latter, they note that the UK are second only to Japan in the OECD in levels of over-qualification. Over-qualified staff are not pushing firms to do bigger and better things in part because business models, the organisation of work and job design do not support this. Skills are therefore a necessary but not a sufficient condition to drive individual, organisational and economic performance.

Given this, why does skills supply feature so prominently in policy? One part of the critique of an over-emphasis on skills supply suggests that governments focus on skills supply because they can – or because their alternatives are limited. Keep and Mayhew (2014) suggest that ideological framing has limited the options that governments might choose to influence workplace change. As Holmes (2007) notes: “with the notable exception of the era of the industrial training boards, the use of regulatory powers for enforcement of employer investment has been eschewed in favour of exhortation and financial inducements, delivered through a changing set of institutions and agencies, and modifications to qualifications espousedly to make these ‘more relevant’ to the workplace”.

It can be argued, however, that an earlier and more pro-active response to the limitations of skills supply interventions was witnessed in Scotland than elsewhere in the UK. Concerns over limitations of such interventions were picked up by range of labour movement, research, policy and business stakeholders in Scotland in debates on improving skills utilisation. The Scottish Skills Strategy 2007 highlighted the importance of skills deployment and utilisation. This was followed by the establishment of the Skills Utilisation Leadership Group in 2008, supported from 2009 by the Skills Utilisation Action Group tasked with a more delivery-focussed role.

While a review commissioned by Scottish Government (CFE, 2008) noted the lack of evidence of a causal connection between investment in skills and productivity, it also suggested a link between skills utilisation and other workplace factors such as motivation, participation and well-being. A small number of case studies were commissioned (Findlay et al., 2011) that illustrated the benefits of more effective skills utilisation but which also

pointed to the need to see skills utilisation in the context of broader workplace practice. Findlay and Warhurst (2012) argued strongly that skills supply push arguments were not supported by evidence and that “a failure to recognise skills utilisation and skills as third order considerations [after business development and organisational development] risks loading onto the shoulders of skills utilisation the same burden as has previously been carried by supply-side skills interventions”, suggesting that the the focus of policy intervention should be to encourage the adoption of business strategies that required better use of skills and the use of better skills.

## **4.2 Bad jobs, good jobs and the double edged nature of flexibility**

As the impact of global financial crisis progressed, however, concerns over skills utilisation waned somewhat, being displaced by concerns over job loss and ‘bad jobs’. The ESRC funded ‘Making Bad Jobs Better’ seminar series, designed and delivered by SCER and SKOPE in 2009-2011, involved researchers, employers and their representatives, unions, civil society organizations and employees from across the UK, the EU and from the US in debating why ‘bad jobs’ were emerging and what might be done about them. Discussion of ‘bad’ (and good) jobs broadened debates from skills utilisation (one element of job quality) to a more multidimensional approach to job quality that recognised the costs of poor job quality not just to job holders but to businesses and to society. Specific concerns emerged over the relatively high proportion of ‘bad jobs’ in Scotland and the UK relative to other countries (Plunkett & Hurrell, 2013), particularly in terms of low paid work in care, cleaning and retail, and over the phenomenon of a ‘bad jobs trap’.

While overwhelmingly an academic debate, interest in job quality in Scotland overlapped significantly with trade union concerns over deteriorating conditions at work, illustrated in STUC’s the anti-austerity Better Way campaign. In addition, and connected to broader research dissemination, policymakers began to engage with concerns over the externalities of poor job quality, with implications for how government, for example, addressed some of these issues with their own staff through workforce development and modernisation initiatives in the public sector alongside a commitment to avoid compulsory redundancies. Civil society organisations also engaged in debates around poor job quality including important work by Oxfam in developing a Humankind index and the work of the Scottish Living Wage Campaign, a collaborative endeavour involving campaigners, unions, employers and academics.

Businesses and their representative organisations’ response to job quality concerns were more mixed. While many felt and recognised a responsibility to provide good quality jobs and saw these as a way to enhance business performance, others capitalised on increasingly flexible labour markets to the detriment of job quality, leading to growing concerns over the growth of zero hours contracts and precarious work, stagnant or declining real wages and rising levels of work stress and punitive performance regimes.

In a similar way, flexibility – in the labour market and in the workplace – generated a mixed narrative in Scotland and elsewhere in the UK, with the term encompassing very different perspectives. Flexibility is widely seen as a driver of productivity and service and, in some accounts, as a positive option for employees. As Findlay and Thompson (forthcoming) have argued, “New forms of flexible work and employment have emerged in recent years

that go beyond ad hoc arrangements to deal with businesses' need for occasional flexibility. While a positive case can be made for some forms of labour market flexibility that can benefit employers as well as distinctive groups such as high skilled 'itinerant' workers, the experience of much non-standard work is largely negative". The burden of flexible working and of risk and uncertainty falls disproportionately on many of the 20 per cent of UK employees not in full-time regular forms of employment (Green, 2006; Kalleberg, 2009). Evidence from the OECD (2015) is clear – non-standard workers are worse off in most aspects of job quality (paid leave, sick pay, training opportunities and career development) and non-standard working fuels inequality and income disparity (OECD, 2015; ONS, 2014). Their disadvantaged position is not unconnected to their more limited access to protective employment legislation and their lower likelihood of being covered by collective bargaining. While job security remains the most valued aspect of work in many countries (Munõz de Bustillo, Fernández-Macías, Antón, & Esteve, 2011), non-standard working is inherently more contractually insecure.

Demands for flexibility and other developments in management practice, frequent organisational change, increasing performance expectations, closer monitoring and stronger sanctions for underperformance can generate anxiety about valued job features – what Gallie et al. (2016) term 'job status insecurity' and which, in their UK survey, is reported by at least 38 per cent of respondents and which is increasing, even when controlling for personality characteristics. Those in lower class/occupational positions were most insecure as the costs of internal flexibility fell most heavily on those at the bottom.

While there is little doubt that businesses may benefit in the short term from a range of flexible practices, there are competing arguments as to whether flexibility improves productivity, but as we reported in Part One, it is unlikely to encourage innovation (Kleinknecht, 2015).

### **4.3 Social partnership and workplace governance**

Trade union organisations, and STUC in particular, have been key players in the pursuit of fair and innovative work in Scotland. Scottish Government has also adopted a constructive relationship with unions. Support for union-led learning has continued for almost two decades, recognising the role that unions play in the skill formation of learners in the workplace, especially non-traditional or difficult to reach learners. Strongly developed partnership-working in the NHS has been enshrined in staff governance structures underpinned by legislation. Both the previous Scottish Executive and the current Scottish Government were/are signatories, with STUC, to a Memorandum of Understanding that supports co-operative and constructive working.

This approach by the Scottish Government is in sharp contrast with the approach of the UK Government. In November 2013 the Secretary of State for Business, Innovation and Skills and the Minister for the Cabinet Office commissioned an Independent Review (the Carr Review) into the Law Governing Industrial Disputes focussing on how the existing legal framework did and should regulate tactics in industrial disputes. While the Carr Review ultimately failed to deliver any recommendations for change, by contrast the Scottish Government commissioned an independent review (Working Together Review,

2014) in 2014 to consider the evidence on trades unions' constructive contribution to workplace practice. The Working Together Review (WTR) Group combined (former) government, employer, union and academic members and civil servants in a broad partnership model of activity, and delivered a series of recommendations in 2014, including the formation of a stakeholder body, to influence workplace practice and governance. These recommendations were largely accepted by Scottish Government and bore fruit in the establishment of the Fair Work Convention (see Section 7 below).

Again in contrast with the UK, while the Westminster government has sought through the Trade Union Act 2016 to legislate in areas that trade unions believe will constrain their activities and impact, the Scottish Government voiced significant opposition to the Bill on its route through Parliament and sought significant concessions from the UK government on aspects of the Bill.

#### **4.4 Innovation**

There is a voluminous literature that highlights the nature, distribution and impact of innovation. Focussing on the nature of organisational innovation, researchers distinguish between *technical* innovations, which relate to goods, services and production process technologies, and *administrative* innovations, which relate to organizational structure and administrative processes that influence the management of organizations (Damanpour, 1991). Mainstream innovation studies concentrate heavily on technical innovation in the form of new goods and, to a lesser extent, services, with particular emphasis on new product development (NPD) in hi-tech industries such as electronics, energy and biotech, numbers of patents and with R&D spend. Non-technical innovations are variously described as administrative, organisational, social or, in recent debates, workplace innovations.

Further distinction is often made between *product* innovations (innovations in the content of goods and services) and *process* innovations (the means of delivery of goods and services). Process innovations may include initiatives such as six sigma, lean, and other clearly defined improvement initiatives, or local ad hoc initiatives that may originate with managers or with employees informally identifying and implementing changes that bring about improvements. However, the distinction between product and process innovations is blurred, particularly in services where the consumer's experience of the service is often inseparable from the process through which it is delivered. Process innovations can thus play a role in the service sector innovation, but need to be accompanied by appropriate organizational innovations (Evangelista & Vezzani, 2010).

While any firm can innovate, research highlights that innovation is not distributed evenly across the economy – the majority of UK firms are not particularly innovative and roughly 20 per cent of firms are responsible for most innovative activity (Coad et al., 2014). The UK has typically been classed as an 'innovation follower' within the four-category Innovation Union Scoreboard reports. Across the various innovation dimensions, 'innovation followers' tend to trend around the EU average – scoring slightly above or below. In the 2014 Innovation Scoreboard report, the UK was scored at an aggregate level in 8<sup>th</sup> position and above the EU average following Belgium, the Netherlands and Luxembourg in the 'innovation followers' category. The 'innovation leaders' category

continues to be dominated by Finland, Germany, Denmark and Sweden (European Commission, 2014). While the UK has tended to lag behind its EU counterparts in previous innovation surveys, within the UK, Scotland lags behind Wales and England in terms of the number of 'innovation active' enterprises (Department for Business, Innovation and Skills, 2014)

This begs the longstanding research question of why some firms innovate and others do not, particularly since innovation appears to generate positive impacts. Studies have shown that firms that innovate do better than those that do not and that innovation drives productivity growth (Department for Business, Innovation and Skills, 2011). Firms that undertake complex innovation (both technical and organisational) gain a clear competitive advantage compared to those that undertake only technological innovation (Evangelista & Vezzani, 2010). It has also been noted that the economic impact of innovation type varies by sector: pure technological innovation (product and/or process) had a positive impact in the manufacturing sector, but not in the services sector where organisational innovation is also required to bring about successful business improvement.

Over a third (37 per cent) of SMEs responding to the 2013 UK Innovation Survey engaged in one or more type of wider non-technical innovation, relative to 39 per cent of large firms (Department for Business, Innovation and Skills, 2014). SMEs are less likely to have engaged in non-technical innovative activities, with the least likely form being changes to the ways external relationships were organised.

Innovation is crucial to improving productivity, performance, competitiveness and growth, as well as living standards. Innovative activity can and does occur across industries, and it is often collective in nature – involving interactions between many different actors, it can be cumulative over time and involves a degree of risk and uncertainty (Department for Business, Innovation and Skills, 2011). Notably, innovative activities do not solely rely on entrepreneurial actors but are shaped by a broader *innovation system* in a particular economy (Department for Business, Innovation and Skills, 2011). This *innovation system* involves the connected set of organisations (firms, universities, financial institutions) and institutional factors (including laws, regulation and infrastructure). These organisational actors and institutional factors interact to shape the environment in which specific organisations and individuals innovate and produce. How the environment is structured and functions influences the incentives to behave in particular ways and the range of opportunities available.

The innovation system in Scotland is complex, with many different organisations, both public and private, involved in the development and diffusion of innovations. A report in 2006 mapped the main components of the system (Roper, Love, Cooke, & Clifton, 2006). While some of the names of bodies have changed, the system remains broadly similar. Some of the bodies involved in policy development and delivery are organized at a broader EU level (for example, the European Commission, which oversees sources of innovation funding such as EU Structural Funds and EU Framework Programmes), some at the UK-level (notably through UK government departments such as the Department for Business, Innovation and Skills) and some at the level of the devolved Scottish Government. Within Scotland, bodies include the Scottish Government and the Scottish Science Advisory

Council, which are involved in policymaking, and Scottish Enterprise and Highlands and Islands Enterprise, which oversee the formulation and delivery of policy. Other bodies aim to direct and facilitate research and development including Enterprise Areas, the Scottish Higher Education Funding Council and private equity providers. There are then the performers of innovation (private companies, including both locally owned and foreign-based companies, higher education providers, and other publicly funded bodies such as the NHS). There are also institutions set up specifically to facilitate diffusion of technologies, such as the Innovation Centres mentioned above, Higher Education technology transfer organisations and science parks and incubators. All these bodies help to shape the innovation agenda within Scotland. Many, if not all, place a strong emphasis on new products with a particular focus on new technologies and manufacturing. The innovation landscape is thus fragmented and can be difficult for organisations to negotiate.

Although the drive for new products remains high on the agenda in innovation in Scotland, recent initiatives suggest a broader emphasis. For example, the *Scottish Manufacturing Action Plan*, launched in February 2016, talks broadly of the need to invest in “product, process, service and workplace innovations” (Scottish Government, 2016). However, a strong emphasis remains on the role of technology with a desire for further investment in skills through not only investing in attracting new employees but also enhancing the skills of existing employees to address the growing capability requirements in digital manufacturing. Likewise the circular economy initiative *Making Things Last* (Scottish Government, 2016) requires the development of new skills in manufacturing and design to support the move to reduce waste. Within the realm of innovation policies, many initiatives concentrate on specific areas, emphasising technology solutions. The circular economy initiative, for example, is concentrated in the areas of food and drink, energy, construction and remanufacture. Similarly, much attention is paid to creative sectors that often employ a small fraction of the workforce. For example, the Gaming industry is often cited as an example of a success story, but in 2014 it employed just over 1,000 people in roles directly attributed to the gaming industry, and supported a further 1,920 people in indirectly related roles (TIGA website figures, 2014). There is less evidence of policy initiatives in service the service sector, despite the crucial role that services play within the Scottish economy. *What Works Scotland* (Sheill-Davis, Wright, Seditas, Morton, & Bland, 2015), an evidence review, considers the mechanisms by which successful innovations can be adapted by and diffused to other users, and takes some cognisance of the diffusion of innovations in the service sector. Nevertheless, in short, large swathes of the Scottish economy, and in particular the service sector, have no central role in much of what is being debated around innovation.

Over the last decade in the EU, there has been a growth in support for non-technical, organisational innovation. Despite the growth in this space, funding priorities have not significantly changed in any EU country and remain strongly focussed on R&D and scientific and technology research (European Commission, 2013). An examination of UK government approaches to innovation shows an emphasis on innovation that fits with an agenda of ‘big science’, through initiatives such as Catapult Centres that aim to concentrate innovation in specified scientific and technology fields such as precision medicine and oil and gas, and underpinned by an emphasis on technology transfer. This

centralised provision concentrates innovation on particular forms of technology and in particular sectors that are regarded by governments as important to economic development. The Scottish Government has supported similar initiatives through Innovation Centres.

Mainstream approaches to innovation are, of course, important, but in recent years concerns have emerged as to whether they are sufficient. Debates on innovation have resonance with a relatively small proportion of firms. As we indicated in Part One, however, workplace innovation has the potential to widen the reach of innovation to a greater number and range of firms and organisations.

In mid-2013, a loose informal network, the Workplace Innovation Consortium (WIC) led by SCER at the University of Strathclyde was developed to investigate and disseminate practice on workplace innovation which encompassed attention to learning and skills, job quality and workplace governance, and how these linked to employer and employee benefit. The Scottish Government recognised the relevance of the WIC activity on workplace innovation in their response to the WTR (Scottish Government, 2015b). From 2014-2015 and with funding from the European Regional Development Fund, Scottish Enterprise, Skills Development Scotland and the University of Strathclyde, this loose consortium developed and delivered the *Innovating Works ... Improving Work and Workplaces* project, an industry-facing collaboration to support mutual gains workplace collaboration and innovation (Findlay et al., 2015). WIC and *Innovating Works...* have led discussions of workplace innovation in Scotland, which have begun to influence wider debates and practice on innovation, for example, contributing to a broad-based conception of innovation within the Scotland Can Do Innovation Forum.

#### **4.5 An emergent consensus with Fair Work at its core**

Taking these themes and concerns together, we have seen the emergence of a consensus in Scotland around the need to prioritise attention to the workplace and to the nature of work in discussions of business improvement, economic development, education and skills interventions and national economic and social performance. The emphasis on inclusive growth within Scotland's Economic Strategy reflects and reinforces the inextricable link between the economic and social spheres and between the linked priorities of improving competitiveness and tackling inequality. Fair work, as defined within the Fair Work Convention's Framework, is the key to delivering inclusive growth (Fair Work Convention, 2016; Scottish Centre for Employment Research, Forthcoming), and workplace innovation both contributes to the practices that constitute fair work and may help deliver the business benefits that support a sustainable commitment to fair work.

We have also seen the deepening of collaborative networks around fair work and workplace innovation and it is interesting to note the continuity of a core group of actors and organisations across the various networks outlined previously, many of whom are centrally involved in the FITwork project.



## **5. Stakeholder views on fair, innovative and transformative work**

In Section 4, we look at how stakeholders perceive key elements of the FITwork agenda and the centrality of fair work which, as we have indicated, represents a culmination of more than a decade of workplace focussed research, activity and intervention.

### **5.1 Skills and skills utilisation**

Skills policy, including the development of basic level and employability skills, alongside apprenticeships have been a cornerstone of skills and productivity planning in the UK (see the recent Business, Innovation and Skills Committee, 2016). This focus is not dissimilar to the focus of the European Commission's skills policy, including its recent refresh, which was criticised for again focussing solely on lower skills levels rather than also promoting opportunities in the middle of the skills spectrum (Nordmark, 2016). At a UK level, much emphasis has been placed on low levels of basic literacy and numeracy, particularly in England and Northern Ireland, and on apprenticeship programmes (e.g. HM Treasury, 2015).

Developing the skills supply has additionally been put forward as key to increasing productivity in the UK Government's productivity plan (HM Treasury, 2015). Again however, the specific skills in focus are those at the lower end – in part as a means of moving people off of welfare benefits, or alternatively, focussing heavily on STEM and high skill areas of the workforce. Further, the UK Government “wants strong local areas and employers to take a leading role” in the post-16 skills systems (HM Treasury, 2015). While this may be beneficial, there is little to no connection between this and how these specific skillsets – and skills more broadly – are used and deployed in the workplace.

Employers maintain a strong interest in, and accord a strong priority to, accessing labour with the right skills, though there is contested opinion about whether employers' concerns over accessing skills in Scotland reflect real skills shortages and gaps. Particular issues have been raised in relation to the skills and competencies of younger workers, many of which were aired in the Commission for Developing Scotland's Young Workforce, and in debates on apprenticeships.

### **5.2 Bad jobs, good jobs, fair work and the double edged nature of flexibility**

This section draws on both published reports from organisations such as the JRF, Oxfam, the Resolution Foundation, Citizens Advice Scotland and the Living Wage foundation, as well as in the unpublished consultation notes of the Fair Work Convention in 2015 (for organisations consulted, see Fair Work Convention, 2016) and responses to the Fair Work Convention 'Fair Work Framework'. Below, we present the central themes from these views and considers the implications for driving better, fairer work and more innovative, productive work. Where possible, the barriers to, and levers of, change are also considered.

There appears to be some consensus among Scottish stakeholders on issues that are driving discussions of improving workplace and labour market issues. From government, public policy organisations and employer organisations, there is an emphasis on lagging

productivity with the connection made to poor wages, low levels of skills utilisation, and issues related to continued participation in the labour market (e.g. women following maternity leave).

Those who responded to the Fair Work Convention consultation were in little doubt that bad jobs existed in Scotland and they identified a lack of fairness across all 5 dimensions of the Fair Work Framework in terms of voice, opportunity, security, fulfilment and respect (Fair Work Convention, 2016).

While it was often difficult for stakeholders to articulate a full view of fair work, there were clear and consistent views on unfairness and unfair practices. Stakeholders emphasised an unequal distribution and access to jobs and fairness within work based on geographic distribution and social position (i.e. race, gender, ethnicity, ability, age and socio-economic status).

On the whole, there was support for a Fair Work agenda and an agreement that the fair work dimensions outlined by the Convention covered the important elements of work and workplace experience. There was also consensus over the need to address explicitly the shared rights and responsibilities of employers and employees, to find approaches that generated shared benefits and to encourage a broad range of stakeholders to build awareness, and encourage and support the development and implementation of fair work practices. Other organisations, such as ACAS, have also recently argued that productive workplaces require well-designed work, skilled managers, conflict management, rights and responsibilities, employee voice, trust and fairness (ACAS, 2015). The ACAS approach towards productivity implicitly supports benefits for employees and posits positive employee outcomes for the organisation. They also place an equal emphasis on supporting and developing managers to manage in organisations in ways which include not only the management of technical parts of work, but also of people.

While employer representative organisations report labour flexibility as a strength of the UK and the Scottish labour markets, which should be preserved, others are concerned with the casualisation of labour, the insecurity and stability of hours and wages and the implications for in-work poverty and inequality. In connecting issues of income inequality and poverty wages to economic growth and productivity, it offers an imperative to employing organisations and businesses to think differently about the types of jobs they create and design.

## **Wages**

Wages are a core element of fair work. Previous analysis for the Low Pay Commission has evidenced that the introduction and subsequent increases to the national minimum wage (NMW) from 1998 to 2004 found no significant evidence of impact of the NMW on any measure analysed that may have, on its own, influenced productivity (Bernini & Riley, 2016). They found some evidence of changes to the share of workers employed in routine, unskilled occupations and a greater share of people employed in professional occupation in firms more affected by the NMW, although they report that these findings should be interpreted cautiously. The NMW did not affect outsourcing practices, recruitment criteria or the provision of training to the organisations' main occupational group (Bernini & Riley,

2016). Organisations were also not any more likely to invest heavily in physical capital assets, nor did it increase the incidence of training among low-paid workers. For employees, there was no evidence that they changed their behaviours in terms of rates of absenteeism, workers' perceptions of effort exerted or the degree of discretion they had in their jobs (Bernini & Riley, 2016).

In the 2015 Summer Budget, the UK government announced the introduction of the 'National Living Wage' (NLW), a higher rate minimum wage for those over 25 years old from April 2016. The argument pursued in the implementation of the NLW follows that employers should contribute more to issues of low pay having underspent on training and better technology needed to boost productivity and in turn stagnating wages (The Economist, 2016). In response to higher minimum wage bills, the preferable response from firms is to invest in productivity enhancing technologies and training or to find value-adding and more efficient ways of doing things (Thompson et al., 2016). "With record employment, [...] the government believes that now is the right time to take action to ensure low wage workers can take a greater share of the gains from growth" (BIS, 2016b). The increase to the minimum wage floor for over 25s is also posited by the UK Government towards reducing the gender pay gap, due to the large number of women in low paid work (HM Treasury & BIS, 2016).

The NLW has, however, faced criticism from all fronts. From those concerned with issues of poverty and low pay, the criticisms include the inequity in offering higher rates for only those over 25 and the mislabelling of an increased wage floor that risks confusing with the voluntary Living Wage based on a calculated minimum income standard. The over 25 age threshold has led to concerns that the policy is age discriminatory (British Retail Consortium, 2016). Organisations have reported an intention to extend the higher minimum wage floor to all their employees, excluding trainings and apprentices.

Furthermore, the promised 'pay rise' for low paid workers will not be felt by all workers earning the increase due to the successive reforms to tax and benefits announced by this and the previous government (Browne, 2015). The increase in the minimum wage in the form of NLW is likely to benefit some workers, although not the poorest (Browne, 2015; D'Arcy & Kelly, 2015). The result is a potential real terms decline in income for the poorest workers (D'Arcy & Kelly, 2015).

The NLW has been heavily criticised by business organisations as being too large of an increase and being unaffordable, particularly in sectors such as retail, care and among smaller businesses (CBI, 2016; FSB, 2016a). In an FSB members' survey from October 2015, 38 per cent of respondents expected the increase to negatively impact their business compared with 6 per cent reporting they expected a positive impact (FSB, 2016a). While not reported, this leaves over half of respondents either replying they do not know or are not expecting an impact in either direction. FSB reported that around half of their members pay above the NLW levels, with those who do not operating in competitive sectors with tight margins (FSB, 2016b). The pay increase is argued to "prompt employers to make the investments that they otherwise do not necessarily feel that they would need to make" (Nick Bole, Minister of State in The Economist, 2016) as a means to increase productivity and growth. However, from the perspective of business

representative organisations, they have argued that the increases in pay are untenable and that in many industries, “the only sustainable way to deliver real long-term wage growth is to improve productivity” (FSB, 2016b). This circularity presents a catch-22 for policymakers to respond.

Setting aside the successive rounds of cutback of in-work benefits in nominal and real terms, the NLW put forward simultaneously with business rate reductions. This was posited as a trade off – the cuts to stimulate and facilitate businesses being able to afford the increase in the minimum wage paid to those over 25. However, despite the claim that tax relief would be used to off-set increases in pay for minimum wage workers over 25, since its implementation in April 2016, the IPPR reports that there has been some ‘tentative evidence’ that some employers are choosing to offset through other forms of reductions in their labour costs, for examples reducing overtime pay, paid breaks and refreshments (Thompson et al., 2016)

While there seems to be little opposition to the principle of paying workers a living wage from business representative organisations, concerns have been expressed related to the feasibility of higher pay packages and the knock-on effects for the pay structures in the organisation. This is particularly the case from business representatives in low margin sectors, for example retail. The increase in the minimum wage floor also follows recent changes to employers’ pension contributions for workers through auto-enrolment.

The Scottish Government and public agencies have also placed a strong emphasis on employers’ paying the Scottish Living Wage, a voluntary living wage that is more closely aligned to minimum income standards and is higher than the NLW. Paying workers the Scottish Living Wage (herein the Living Wage) is the only named compliance requirement of the Scottish Government’s Business Pledge<sup>1</sup> (<http://scottishbusinesspledge.scot>). The policy priority of fairness and fair work as a means of tackling persistent social problems, such as inequality, and economic growth are offered juxtaposition to the continued austerity agenda of the Westminster Government (Scottish Government, 2015a).

### **Challenges in implementing fair work**

There was wide-spread recognition of the challenges and barriers to implementing fair work particularly given welfare and social security policy, procurement policy, supply chain

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<sup>1</sup> The Scottish Business Pledge has three parts. 1) That all employees (excluding Apprentices and those under 18) are paid the Living Wage or above. 2) That two of the other pledge elements are currently being delivered. 3) That the organisation will make a commitment to take up the other pledge elements in due course. The nine elements of the Scottish Business Pledge are:

1. Paying the living wage
2. Not using exploitative zero hours contracts
3. Supporting progress workforce engagement
4. Investing in Youth
5. Managing progress on diversity and gender balance
6. Committing to an innovation programme
7. Pursuing international business opportunities
8. Playing an active role in the community
9. Committing to prompt payment

and delivery partner pressures and wider labour market changes (e.g. demographic changes to the workforce).

Beyond these constraints, unions and employee representatives, employers' organisations and consortia and civil society organisations identified challenges in management practices that hindered implementation. In particular, these stakeholders raised challenges of managing in economically constrained, global and fast-changing environments, with rapid advancements in technology, perceived uneven access and information about available support services and among multi-national firms relative to national large and SME organisations.

Stakeholders identified concerns with the role of management, citing concerns over competence and integrity (more prominent in some sectors than others) and a tendency for 'command and control' forms of management that were often inconsistent both with fair work and with best supporting effective performance.

The inability to deliver fair work may be due to financial constraints imposed by external factors (a concern expressed by social care and third sector organisations), business model decisions or other reasons. The consequences of unfairness were ones that were disproportionately affecting particular groups of people, with implications reach beyond the workplace. Beyond the challenges identified above, it was recognised that reaching those employers not currently engaged with this agenda would be a significant barrier to implementation. That said, the move towards fair work was seen as a long-term agenda with the potential to crowd out bad practice.

Employers' organisations and accreditation bodies have argued that there is a need to support employers to understand and measure the benefits of fair work practices for their organisations. There was a recognition from service providing public agencies and business organisations that early intervention would be needed to support employment, issues of equity, and the development and implementation of fair work policies and practices. Implementing significant changes to how things were done in organisations would require time. Many employers, however, were seen as tending to delay responding to challenges and seeking external assistance. Furthermore, many identified that employers' often do not know where to go for assistance and that there was seen to be patchy access to supports depending on the size and type of organisation. These were seen as barriers to intervening and supporting employers. Lastly, many stakeholder organisation identified a need to hold 'bad' employers to account – often through a process of 'naming and shaming' as had been done with non-compliance with the minimum wage. However, there was also a need to educate and support employers, not penalise. Practically, enforcement would be challenging to implement.

### **Facilitators of fair work**

The public sector, as an employer, but also as a procurer of goods and services, was seen as a significant driver of change towards fairer work. This was in terms of its purchasing and negotiation power through, for example, procurement practices, but also as a large employer across Scotland. Large organisations also have the potential to play a similar part in their role as purchasers and supply chain or delivery partners.

Given the potential of fair work for improving the economy as well as health and social equality, stakeholders emphasised the need for collaborative implementation of the Fair Work Convention framework, with roles for employers, employees, unions, civil society organisations, regulatory and accreditation bodies and government, policy makers and public agencies in playing their part in making fair work a reality.

While there appears to be little appetite on the part of some stakeholders for additional minimum standards through legislation or formal accreditation (from Fair Work Convention, 2016 consultations), this may reflect the limited powers available in Scotland to legislate in this sphere. Notwithstanding this, a voluntarist approach was widely viewed as preferable in order to make fair work responsive to context, but this leaves the issue of how to bring on board those unconvinced by or unable to deliver fair work.

In how organisations can manage for, and support, fair work, stakeholders reported both a need for an evidence base on the case for fair work, but importantly, the need for employer-to-employer learning and ongoing support on how to improve or implement more fair business models, practices, policies and wage distributions.

### **5.3 Innovation**

The OECD has noted that innovation is crucial to both competitiveness and national progress, but many countries have seen little improvement in productivity despite the opportunities offered by globalisation and new technologies (e.g. OECD, 2010a, 2010b). Innovation comprises improved processes to deliver greater efficiency and/or effectiveness and new business models to deliver goods and services. It recognises this may be particularly important for organisations in Scotland that do not conform to the view of innovators as developers of high technology goods, and that might instead benefit from other forms of innovation. For example, craft industries in which the brand is inextricably linked with traditional methods of manufacture (e.g. the manufacture of Harris Tweed) would not benefit from radical process innovations. Instead, different uses of the output, different markets and different ways of organising can, and have been, employed in such industries.

The current innovation landscape in Scotland is fragmented in its delivery, heavily committed to technology-based innovation in particular sectors, and possibly overly simplifies the role that technology can play across Scottish employers in helping to deliver enhanced productivity. As Damanpour (2014) notes, “the old paradigm of industrial innovation based on product and process innovations needs to be augmented by a new paradigm of industrial innovation based on innovation where the importance of various modes of non-technological innovations is also recognised”. Although Damanpour discusses what he terms “management innovations”, the innovations that can arise from workers at all levels of the organization should be considered as an essential part of delivering fair, innovative and transformative work.

A recent position paper from the CBI (2015b) identified the major strengths in UK innovation to be a *favourable tax landscape* (consistent with the OECD’s requirement for financial incentives to support research) and the fact that the UK has a *strong research base* in its universities: the UK is ranked second in the world for the quality of its scientific

research institutions and fourth in the world for university-business collaboration (World Economic Forum, 2016). However, in other areas of the “UK innovation ecosystem” *business investment, taking ideas to market* and the *broader business environment*, the CBI describes the position as “can improve”, and *talent* is ranked as weak, with skills shortages noted in the area of science, technology, engineering and maths that “equip people to develop the products of the future” (CBI, 2015b). Among the successes noted by the CBI is the development of an aerospace technology cluster in Glasgow. The report has, though, little to say on the people who deliver innovation, with the exception of the recommendation that businesses should invest in increasing capabilities in leadership and management “to drive the culture of adoption successful innovation in companies”.

Yet in its discussion of the its employment trends survey, the CBI (2015b) comments that businesses must lead the way in creating inclusive and engaged workforces to enable companies to improve productivity. However, 63% of respondents reported problems in increasing the diversity of their employees, including the fact that there are insufficient people from diverse backgrounds in the industry or profession (59% of respondents), “working culture” (19%) and stereotyping (17%) as issues. The desire to increase employee engagement was regarded as a major priority by 35%, but this sat alongside the need to contain labour costs, also regarded as a priority by 35% of respondents. The Federation of Small Businesses on its website highlights creating high quality jobs as one of its key policies, noting that small companies are “more likely to play a social as well as economic role compared to large companies.... Yet many small firms struggle to overcome barriers to recruitment, especially first-time employers”. Innovation more broadly is not as prominent in their discussions, though a recent report (Hamill, 2015) considers the threat posed by “digital disruption” to small businesses in Scotland, including the fact that most small businesses are not adequately resourced to deal with the disruption that is likely to occur as a consequence of the development of digital technologies, and they particularly lack the skills to exploit the developments in, for example, the sharing economy enabled by digital technologies. This may put Scottish SMEs at a competitive disadvantage if the skill level of employees is not increased.

## **6. Charting and evaluating progress and challenges**

In Section 4, we summarise and evaluate these developments in debates around workplace practice, drawing on broad evaluation criteria adapted from Payne’s (2012) evaluation of skills utilisation, and highlight contemporary challenges.

We have outlined above the developing debate on fair and innovative work in Scotland and the important role of collaborative networks in that development. In recent Scottish Government policy documents, the levers for productivity are shifted towards the workplace and the roles and responsibilities of employers (Scottish Government, 2015a). Workplace innovation is presented as a more far reaching solution, encompassing new ways of collaborative, inter- and intra-organisation/business working that will better utilise scarce resources in a time of constrained public finances.

In arguing that the expansion of training and education had failed to deliver higher productivity and an innovative, more competitive economy for Scotland, Findlay and Warhurst (2011) argued that “It is time, therefore, for policy to acknowledge that what happens inside firms matters and appreciate that whilst direct intervention by government inside this ‘black box’ may be neither feasible nor desirable, there is a role for government in establishing the infrastructure necessary for a broad-based approach to innovation”.

Progress has undoubtedly been made over the last decade but the work to be done is considerable. In recent Scottish Government policy documents, the levers for productivity are shifted towards the workplace and the roles and responsibilities of employers (Scottish Government, 2015a). Workplace innovation is presented as a more far reaching solution, encompassing new ways of collaborative, inter- and intra-organisation/business working that will better utilise scarce resources in a time of constrained public finances.

In evaluating the SULG skills utilisation projects, Payne (2012) posed a series of questions as to how progress in relation to the skills utilisation agenda might be evaluated. As the debate on skills utilisation has expanded out to a broader debate on fair and innovative work, it is useful to draw on these questions to evaluate how far Scotland has progressed in terms of workplace policy and practice and what key challenges remain. We address each of these adapted questions in turn below.

## **7. Policy objectives**

Payne (2012) stressed the importance of understanding precisely the policy objectives sought. This question can be answered more clearly in Scotland at this point. The overarching policy objective appears to be inclusive growth which improves competitiveness while tackling inequality, with fair work as the link between these latter two pillars of Scotland’s Economic Strategy. Not only is this enshrined in Scottish Government policy but it is now central to the delivery objectives of public agencies and public bodies. A clear agenda has, therefore, been set and disseminated.

Much more needs to be done, however, in specifying particular measures of progress. This will be challenging. Blunt measures and rigidly imposed targets can divert attention from the overarching objective. Moreover, distinct agency and public body targets may undermine the strength of collaboration needed to secure this objective. The approach to timescale is also complex and addressing the long standing labour market and workplace challenges in this report will take time. The Fair Work Convention has set itself a 10 year timescale and is currently working to begin to define measures of progress, but the Convention is clear that it is supporting a long-term agenda. In summary, there is now a supportive policy environment for business and workplace change but there is a long way to go.



## **The role of public investment**

Payne (2012) suggested that distinct programmes (in his case, on improving skills utilisation) should be driven by an expanded publicly funded programme as part of a broader approach to business improvement and innovation policy which pays attention to work organisation and design. There is no doubt that progress has been made in this regard and that the debate in Scotland around issues such as skills is located within an expansive narrative around fair and innovative work and its relationship to business improvement, economic prosperity and societal well-being.

This progress is reflected in a range of public investments to support FITwork. The FITwork initiative outlined in this report brings together key partners and investment to provide the underpinning evidence for fair and innovative work and, through its governance group comprising senior government, research and policy stakeholders has an ongoing role in further developing strategies to support the FITwork agenda. Also at a strategic level, the Scotland Can Do Innovation Forum has explicitly adopted a broader approach to innovation by acknowledging the potential of workplace innovation and entrepreneurship in the innovation eco-system.

The public agencies lever significant influence through their business, skills and education support services and have a crucial role to play in using that leverage to orient business activities towards fair and innovative work. We have already seen the inception of a workplace innovation service at Scottish Enterprise charged with the delivery of business support for workplace innovation. In summary, progress has been made in opening up innovation discussions to focus more heavily on issues relating to people, work and employment, new business support services have been introduced and these will provide a preliminary insight into issues of implementation and outcomes.

## **Engaging employers**

Payne (2012) suggested that full cost recovery of skills utilisation support services could not fall on employers, particular where employers were unconvinced as to their merits and the outcomes they might produce. The same is the case for FITwork activities and support services, and Payne's solution of public funding of exploratory phases seems appropriate with the option of employers making a contribution as the business benefits become clearer.

Fair and innovative work is a relatively new debate and, on the evidence of the Innovating Works pilot project, is a challenging 'sell' to employers. However, proof of concept during the Innovating Works pilot and the successful engagement of the case studies in this pilot has shown that, with expertise and resource to pump prime activity, employers can be successfully engaged with the FITwork agenda. Broadening and deepening that engagement is, of course, still to be achieved.

## **Engaging researchers**

Payne (2012) raised three main concerns over whether researchers would engage with the skills utilisation agenda and activities which may also apply to the FITwork space: whether researchers experienced in action research were available in Scotland; whether

researchers could be incentivised to engage with this work given the pressures they face in relation to the Research Excellence Framework, and whether researchers would want to engage in action research with businesses in the absence of strong social partnership arrangements that might protect against workplace change dominated by management priorities alone.

While there are legitimate concerns about the availability of expert action researchers in Scotland, progress has been made in this regard by the establishment of the Scottish Centre for Employment Research/Innovating Works workplace innovation researchers' network, comprising researchers from different disciplines and universities across Scotland linked by a broad shared interest in workplace research. While Payne argued that few business schools were involved in the skills utilisation agenda, Strathclyde Business School has developed and led the FITwork agenda, engaging researchers from other business schools in the process. There are legitimate concerns within the research community about the ability to balance action research with the requirement for high quality publications, although this has in part been aided by the higher priority given to research impact in the 2014 REF. But other challenges remain in terms of competing priorities between researchers and other stakeholders, including those in the policy community, conflicting perspectives on strength and nature of evidence and potential discontinuities in timescales for outputs. We argue that these challenges can be resolved by practicing the principles of fair work – shared responsibility and an emphasis on generating mutual gain not just for employers and employees but also across researchers and other stakeholders. On Payne's last concern, the engagement of STUC in the FITwork initiative and of unions more generally in the FITwork agenda makes action research involving multiple partners more likely, but this will still require constructive engagement by employers and managers to be effective, and crucially, will require effective employee voice in the process to be worthwhile.

### **Measurement challenges**

There are significant measurement challenges in relation to charting the progress of fair and innovative work and an inevitable tension between soft measures based on subjective feedback and hard measures such as changes to productivity, efficiency and service quality. Both are relevant measures, and there is much work to be done to arrive at agreed dimensions and measures. This tension continues in countries such as Finland where support for workplace innovation has a much longer history. Measures such as the number of businesses paying the Living Wage Accredited living wage or signing up to the Business Pledge are attractive but limited – of greater value are measures in context and over time and that can also shed light on how improvements have occurred. There is a need to further develop measures and find effective and cost efficient ways of generating data and we have designed the FITwork tool (referred to in Section One) with this in mind.

### **Balancing expectations**

Payne (2012) cautioned against 'over-selling' what a small programme of interventions can, on its own, contribute to Scottish economic performance, and this caution is also important in relation to FITwork. While the scale of public investment in fair and innovative

work eclipses the investment in skills utilisation projects, expectations in relation to these investments need to be clear and managed around their role as learning exercises and early drivers of change, rather than deliverers of wide-ranging change.

### **Traction, learning and embeddedness**

Of course, to be effective, the FITwork agenda has to gain traction in businesses and organisations, spread lessons and learning and become embedded into practice, policy and research. Working with interested organisations is an important first start. Supportive learning networks within and across stakeholder groups are also crucial but difficult to achieve and sustain, and while employer networks are often seen as key, the evidence of their existence, effectiveness and sustainability is much more limited. Broadening and deepening engagement within differing firm and industry context is also important to learning lessons in context and to learning from difference. Year 2 of the FITwork project is designed to deliver this through two industry studies (in social care and in food and drink) and through a study of the Scottish Business Pledge signatories as a self-selected group of employers who, a priori, have committed to engaging in a range of fair and innovative activities. Insights will also be generated from Scottish Enterprise's Workplace Innovation Pilots where contractors will provide innovation support to a small group of companies. Beyond this, the challenge of scaling interventions and impact will remain, but cannot be resolved in advance of FITwork gaining greater traction and generating stronger lessons about supportive interventions.

Payne (2012) raised concerns about mutual learning across different stakeholder groups, particularly in terms of how research might be developed from action research interventions. There is significant potential for mutual learning across the research, policy and practitioner communities and genuine collaboration is the likely route for achieving this. Such collaboration is and will be challenging given the different experiences, contexts, incentives and constraints faced by the various stakeholder groups. To date and through the WIC, Innovating Works and FITwork projects, strong collaboration has been built through co-investment, and shared investment of time by senior stakeholders. Recognition of the distinct contribution of stakeholders and the benefits of partnership working in addressing difficult challenges is key to progress in this regard.

### **The need for a strong supportive policy consensus**

This takes us to the need for a strong and supportive policy consensus that can drive the development of knowledge, understanding and intervention over time. Payne (2012) argued in relation to skills utilisation that the "challenge is to weave the programme into the tartan of Scottish skills and innovation policy". Significant progress has been made in this regard. This is not to overestimate support for the FITwork agenda nor to underestimate challenges in progressing it. But a more holistic and integrated agenda has been woven into the fabric of policy with a core emphasis on the need for fair work and for workplace practice that can support and deliver it.

The recent policy interest in workplace innovation and fairness – both in terms of fair work and a fairer Scotland – has been positioned as an alternative frame for understanding and tackling Scotland's (within the context of the UK) lagging productivity, stagnating real

wages, poor social mobility, inequality and deprivation, and the challenges of low skill, low paid work. In the Scottish Government's 2015-16 *Programme for Government*, economic growth and productivity are positioned to be of equal importance as tackling inequality. This presents an important shift from viewing economic growth and inequality as separate, unconnected societal issues and is a major step forward for Scotland. We argue that Scotland is beginning to develop policy approaches, support and interventions that, as requested by Keep and Mayhew, "address structural deficits within the economy and labour market, via industrial policy and business improvement ... policies to improve job quality and progression, workplace innovation, employment relations and wage setting mechanisms" (Keep & Mayhew, 2014, p. 770).

## **8. Embedding FITwork – collaboration and alignment**

In Section 6, we outline some of the ways in which contemporary challenges might be addressed through collaborative activity, shared priorities and measures and the alignment of analysis, strategy and delivery.

A reflection on stakeholders' views of debates around fair work and workplace innovation provides compelling evidence of a strong, emerging consensus on the need for policy action to support progressive workplace practices. We have seen above that this is, to some extent, driven by a shared understanding of the key challenges faced by the Scottish economy: a need for action to improve productivity and competitiveness; the potential to improve job quality and access to fair work across a range of sectors; the understanding that intervention in the workplace is important to addressing in-work poverty and broader problems of inequality; and the potential value of progressive workplace practices and workplace innovation in framing action on all of these issues.

This shared appreciation of the need for action in the workplace has become more expansive and ambitious, and has encouraged collaborative activity. Some of this work initially focused on workplace learning and improved skills utilisation – a welcome acknowledgement by relevant stakeholders of the potential for both better skills use and upskilling in many sectors of the Scottish economy. This has since morphed into a much more holistic, shared understanding of the sort of interventions required to support fair and innovative work. Alongside a (necessary and welcome) emphasis on 'mainstream' innovation strategies, Scottish policy stakeholders have increasingly focused on the value of an inter-connected agenda around fair work (with the work of the Fair Work Convention and initiatives such as the Scottish Business Pledge crucial in embedding this agenda) and workplace innovation (where partnership co-funded *Innovating Works...* and *FITwork* projects have been important in taking the concept of FITwork to a wider – if still small - audience).

Both fair work and workplace innovation now form part of Scotland's Economic Strategy and are seen as key building blocks within mutually supportive actions to reduce inequality and improve competitiveness and productivity. The Fair Work Convention has accepted

our FITwork framework as a means of engaging with the inter-connected components of fair work and workplace innovation. We believe that the FITwork framework – and the diagnostic tool that we have developed to operationalise its dimensions – provides a solid foundation for continuing discussions of the challenges around (and interventions to promote) fair work and workplace innovation. Only by exploring in context the factors that facilitate, limit and represent fair, innovative and transformative work, can we hope to evidence the potential benefits for employees, organisations and wider economy and society, and inform Scotland’s continuing consensus on the value of progressive workplace practices.

## **Part Three - The FITwork framework: linking workplace innovation and fair work**

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# **Harnessing knowledge, research and networks to drive fair, innovative and transformative work in Scotland**

## **The Fair, Innovative and Transformative Work Project**

### **FITwork in Scotland: case studies**

#### **Year 2 Report**

**2017**

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<sup>2</sup> The authors are grateful to Claire Glancy, Amy Watson and Doug Young for research support on the FITwork project.

# 1 Introduction

## 1.1 Objective

The overarching objective of the Fair, Innovative and Transformative Work (FITwork) project is to provide the evidence base and collaborative networks to influence strategic deliberations on future workplace innovation and fair work policy, and the practice of FITwork in Scotland.

Over 2014-2017 we designed, piloted, developed, deployed and redesigned an online workplace survey tool (the FITwork tool) that assesses key workplace practices identified in research as associated with innovation and good job quality. During this period, we have worked with a range of companies to understand their practices by deploying the FITwork tool in conjunction with key stakeholder interviews. This process has generated company-specific case studies and an extensive dataset of workplace practices in Scotland.

This report focusses on our engagement with these case study companies in three types of organisations: those who have signed up to the Scottish Business Pledge; businesses in the food and drink sector; and social care providers. In working with these organisations, our aim was to identify configurations of workplace practice in context and, where possible, to highlight examples of ‘what works’ in delivering innovation and fair work.

In this section, we outline our methods and approach as well as the structure of the Report.

## 1.2 Methods

The FITwork Tool is a bespoke survey instrument designed by the Innovating Works team at the Scottish Centre for Employment Research.<sup>3</sup> It was designed by reviewing the research base across a number of disciplinary areas, notably innovation studies, workplace innovation and employment studies, the latter focussing particularly on the study of job quality. The Tool encompasses questions on formal and informal practices, behaviours and attitudes. It contains a mixture of new measures and existing scales where these exist, the latter to provide opportunities for comparison with other datasets. Notably, the tool asks workplace rather than individual questions – focussing not only on the existence of policies or the adoption of practices, but on how often or across how much of the organisation such policies and practices apply. The tool has 188 questions across 11 dimensions, as indicated in Figure 1.

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<sup>3</sup> Findlay, P., Chalmers, D., Lindsay, C., Matthews, R., MacBryde, J., Pascoe-Deslauriers, R. and Wilson, J. (2015) ‘Innovating Works ... Workplace Innovation in Small to Medium Sized Enterprises in Scotland’, Glasgow: University of Strathclyde.  
Findlay, P., Lindsay, C., McQuarrie, J., Pascoe-Deslauriers, R., Findlay, J. and Smart, A (2016a) *Harnessing Knowledge, Research and Networks to Drive Fair, Innovative and Transformative Work (FITwork) in Scotland*. Glasgow: University of Strathclyde.



Figure 1: FITwork Tool dimensions

## The Innovating Works... FITwork Tool



These dimensions are designed to capture managers' and employees' insights on a range of workplace practices that have the potential to contribute to fair work and facilitate positive innovation outcomes at the employee and organisational level. These dimensions also capture those innovation and fair work outcomes – people's perceptions of the extent to which their organisation innovates, the extent to which employees drive innovation (and offer discretionary effort to collaborate on innovation), and experiences of fair work. The table below provides a brief description of the FITwork dimensions, and some examples of survey variables content under each.

Table 1: FITwork Tool Dimensions and Variable examples

Dimension	Description	Example of variables
<b>STRUCTURE OF THE ORGANISATION</b>	Structural factors that aid innovation	Practices which encourage employees and managers to learn from each other
		We encourage people from different parts of the business to work together
		Employees know what's going on in other areas of the organisation

<b>DESIGN OR WORK AND SUPPORT</b>	Factors in the design of work that aid innovation	Job design encourages people to interact
		Employees have time to reflect and propose solutions
		Employees have autonomy to change work practices
<b>PEOPLE MANAGEMENT</b>	HR policies and practices that aid innovation	Our organisation trains people to come up with new ideas
		Employees are rewarded for being creative/enterprising
		Performance management encourages people to come up with new solutions
<b>APPROACHES TO DECISION-MAKING</b>	Practices that give employees a voice in decision making to enable innovation	Opportunities to lead are shared across different levels
		Employees have a strong collective voice
		Can disagree over work issues without fear of retribution
<b>SUPPORT FOR ENTERPRISING ATTITUDES</b>	Behaviours that develop innovation	We all actively learn from trial and error
		Our people are not afraid to try things that could fail
		New practices are seen as an opportunity not a burden
<b>APPROACHES TO EXTERNAL RELATIONS</b>	How the organisation uses external connections as a potential source of innovations	External connections are valuable to people
		Feedback from customers/end users is a source of new ideas
		Employees are a source of info about external business environment
<b>ORGANISATIONAL APPROACHES TO FAIR WORK</b>	Practices that support fair work	This organisation prioritises providing stable employment
		When conflict arises its dealt with fairly and objectively

		Barriers to employment for specific groups are identified and addressed
<b>FAIR WORK EXPERIENCE</b>	Employees' experiences of fair work	Employees find their jobs stressful
		Employees are fairly rewarded for the work they do
		People treat each other with respect
<b>EMPLOYEE PERFORMANCE FOR INNOVATION</b>	The extent to which employees bring discretionary effort and support collaboration for innovation	Employees go beyond what is required of them in their jobs
		Employees see performance expectations as reasonable and achievable
		Performance management emphasises employee development
<b>EMPLOYEE DRIVEN INNOVATION</b>	The extent to which employees are a source of innovation and are supported in problem solving	Employees make changes to work practices which benefits the organisation
		Employees come up with ideas to solve problems
		Managers support employees in operationalising their ideas
<b>INNOVATIVE WORKPLACES</b>	The benefits to the organisation of innovation	We are ahead of our competitors in introducing new products or services
		We have made major changes to products/services in last 12 months
		Our performance has been improved through innovation

The FITwork tool is best used as a multi-stakeholder workplace survey, generating data from workers/employees and management across organisations and used alongside qualitative interviews with workplace stakeholders (e.g. senior managers, employee representatives and employees). In this phase we have used it cross-sectionally, although the FITwork tool has potential to be used longitudinally to evaluate change over time or the impact of interventions. It is therefore a research instrument that can be deployed to collect data on the adoption of discrete workplace practices and on composite measures of workplace approaches and outcomes, and can be interrogated to highlight direct and mediated relationships between and across practices, composite measures and

outcomes. The data can also be used to benchmark practice for future longitudinal research. Crucially, in this research phase the Tool has operated as a resource for action research and as a 'conversation starter' with organisations to reflect on their particular configuration of practices, behaviours and attitudes.

The data collection and dissemination process with the case study organisations spanned the following stages:

- an initial approach to companies by email, letter or telephone call
- a visit to discuss the research proposition in greater detail and provision of an information pack for companies including a 'getting involved' leaflet, a copy of two short briefings on the FITwork research project and process, and a consent and participant information sheet.
- initial scoping interview/s (recorded) with key managerial stakeholders
- agreement with the company on the deployment of the survey (in electronic or paper form and to how many/which employees) and tailoring of the survey to reflect specific occupations, departments and functions in the case study organisation
- key stakeholder interviews (recorded)
- where required, support and facilitation for the survey process (including having researchers and translators on site to support staff participation and answer relevant queries)
- administration of the survey
- analysis of the survey using Qualtrics in the first instance and thereafter SPSS
- feedback of first level analysis to key managers and a collaborative approach to designing future analysis, and discussion of potential solutions to problems and challenges
- feedback of second level analysis, and discussion of potential solutions to problems and challenges
- wider dissemination by companies to staff, and
- decision on any follow up or future engagement with the research team.

### 1.3 Accessing companies/organisations

Accessing case study organisations represented a significant challenge and the process of engaging and working with the 35 companies discussed in this report was highly labour intensive. In addition to the case studies reported here, the team engaged extensively with a range of organisations that in the end did not progress the survey, and there are a further two organisations who wish to deploy the FITwork Tool in the near future but not in the time period covered by this report.

In conjunction with the FITwork Governance Group, comprising representatives from all of the funding partners and STUC, three types of organisations were selected. Scottish Business Pledge companies were chosen on the basis that these companies had signalled the adoption of a number of practices associated with fair and innovative work. As such, this group represented an atypical sample, made up of companies of varying

sizes across a range of sectors. The food and drink sector was selected as an important sector for the Scottish economy, which is stratified in terms of scale, nature and nationality of companies, as well as quality of employment practices. The social care sector was selected given the importance of staff quality to the delivery of social care services to vulnerable care recipients and some of the well-known challenges facing workers and businesses in the sector. The nature of engagement with each of these groups is outlined below.

### **1.3.1 Scottish Business Pledge companies**

The study comprised 20 SBP businesses employing collectively 661 employees. Businesses were contacted in a range of ways, including:

1. An initial email from the research team was sent to SBP companies by officials from SG Business Division
2. A blog inviting SBP companies to participate was issued on the SPB website.
3. An invitation to participate in the research was announced at the public event held on the first anniversary of the launch of the Pledge.
4. Known SBP companies were contacted directly by the research team over the course of the year in order to access new signatories as these companies appeared on the SBP website.

A number of SBP companies did not participate in the research due to a clash with ongoing data collection activities within the business, for example, ongoing employee surveys or business accreditation processes.

### **1.3.2 Food and Drink companies**

The study comprised 12 food and beverage manufacturers employing collectively 1149 employees. Various sector policy and industry reports were reviewed to identify key activities in the sector and to identify a sectoral sampling strategy. However, this proved to be an immensely difficult sector in which to access companies and ultimately all food and drink companies outside of agriculture were considered as potential cases. All routes to engaging companies were attempted: direct contacts with companies and indirect contacts through SE, HIE, SDS, Scotland Food and Drink and trade unions. Part of the challenge emanates from firm size with a predominance of micro firms in some sub-sectors such as agriculture and fishing and aquaculture.

One particular challenge in undertaking the FITwork research in the food and drink sector related to the relatively high proportion of workers for whom English is not their first language. To ensure that this important voice was represented in the data, we commissioned a translator to work with the SCER/Innovating Works research team to translate the FITwork tool into Polish, the language most commonly used/understood by migrant workers in the sector. Where required, a Polish translator was available to support workers with the survey.

### 1.3.3 Social Care Organisations

The study comprised three social care organisations employing collectively 281 employees. These organisations were known to the research team and contacted directly to participate. While an extension of this study of FITwork in social care is currently underway, the second wave of social care organisations are not reported on here.

## 1.4 Dataset Description

The data set consists of responses from 2091 employees to 188 questions which relate to 7 dimensions relating to the practices that drive or support innovation and fair work, 4 dimensions that capture outcome measures; company/sector information and personal/demographic information as represented in the FITwork Tool description at 1.2 above.

There respondents come from 37 companies falling into three categories: food and drink, social care and those companies who have signed up to the Scottish Business Pledge.

The data was combined and subjected to the normal checks for consistency. Preparatory recoding was carried out. Specifically some categories of answers such as strongly agree/agree or most employees/all employees were combined for ease of presentation.

The data was analysed by the three categories outlined above with the response size being as follows:

- Food & Drink – 1149
- Social care – 281
- Scottish Business Pledge – 661

## 1.5 Structure of the report

The remainder of this Report is structured as follows. Part 2 outlines some early statistical findings from the SBP companies followed by short case studies of 20 companies and a reflective summary of some of the issues arising across these companies. Part 3 follows the same format in relation to the findings from 12 companies in the food and drink sector while Part 4 replicates this approach for three social care organisations. In Part 5, we provide some concluding reflections and preliminary thoughts on the next steps for the FITwork research.

In the remainder of the Report, all references to companies are anonymised, the companies/organisations are referred to by pseudonyms, and information that would identify the companies has been disguised. None of these actions detract from the information necessary to understand the findings in case context.

## 2 Scottish Business Pledge (SBP) Companies

### 2.1 SBP Dataset Commentary

Scottish Business Pledge companies seem to do very well in terms of structure in the sense that practices that encourage employees and managers to learn from one another and the level of knowledge of employees of all parts of the organisation seem to apply the overwhelming majority. The percentage of employees to whom none of these statements apply are 3% or less.

The same can be said of work design factors in terms of encouragement of employees to interact with each other, and to a slightly lesser extent in terms of the space to reflect and the autonomy to make changes.

People management questions induced a less emphatic response with around a third of respondents replying that no employees are trained to come up with new ideas, are rewarded for being creative or are performance managed to come up with new solutions. In contrast, respondents were very clear in saying that there are opportunities to lead, that many have a strong collective voice and they can disagree over work without fear of retribution. In that context it is perhaps not surprising that well over half of respondents agree that new practices are seen as an opportunity and not a burden.

The reported extent of job-related stress was exceptionally high with over 76% saying that most or all employees find their jobs stressful. However, given that, it is striking that more than 70% of respondents say that most/all employees see performance expectations as reasonable and achievable.

Only a very small proportion of respondents reported that the employee driven innovation statements around being able to make beneficial work practice changes supported by management don't apply to any employees. Around half say it applies to some employees and around half say it applies to most/all employees. Innovation – employee-driven or otherwise – is reported to have improved company performance by 80% of respondents; 63% of whom also say that they have made major changes to products and services in the last 12 months.

There is, not surprisingly, given the nature of the Business Pledge, a very high degree of satisfaction with the priority given to stable employment; with conflict resolution practices and with policies designed to remove barriers to employment for specific groups.

*Table 2: SBP Companies – some early dataset insights*

Dimension	Variable	% who say it applied to		
		No employees	Some employees	Most/all employees
<b>STRUCTURE</b>	Practices which encourage employees and managers to learn from each other	2.7	28.1	69.3
	We encourage people from different parts of the business to work together	3.0	30.6	66.4
	Employees know what's going on in other areas of the organisation	1.4	51.3	47.3
<b>WORK DESIGN</b>	Job design encourages people to interact	2.7	34.4	62.9
	Employees have time to reflect and propose solutions	4.7	48.8	46.5
	Employees have autonomy to change work practices	4.3	49.1	46.5
<b>HUMAN RESOURCES</b>	Our organisation trains people to come up with new ideas	17.7	43.5	38.8
	Employees are rewarded for being creative/enterprising	34.0	38.6	27.4
	Performance management encourages people to come up with new solutions	25.7	41.2	33.1
<b>DECISION MAKING</b>	Opportunities to lead are shared across different levels	3.3	45.9	50.8
	Employees have a strong collective voice	3.1	42.2	54.6
	Can disagree over work issues without fear of retribution	4.0	27.4	68.6
<b>ENTREPRENEURIAL ATTITUDES</b>	We all actively learn from trial and error	3.6	41.1	55.3
	Our people are not afraid to try things that could fail	5.4	52.3	42.3
	New practices are seen as an opportunity not a burden	2.5	46.1	51.3



		<b>No employees</b>	<b>Some employees</b>	<b>Most/all employees</b>
<b>EXTERNAL RELATIONS</b>	External connections are valuable to people	1.3	43.5	55.2
		<b>Never</b>	<b>Sometimes</b>	<b>Most/all of the time</b>
	Feedback from customers/end users is a source of new ideas	3.4	44.4	52.2
	Employees are a source of info about external business environment	5.3	59.6	35.1
		<b>Never</b>	<b>Sometimes</b>	<b>Most/all of the time</b>
<b>ORGANISATIONAL PRACTICE FOR FAIR WORK</b>	This organisation prioritises providing stable employment	8.4	91.6	
	When conflict arises its dealt with fairly and objectively	12.8	87.2	
	Barriers to employment for specific groups are identified and addressed	12.8	87.2	

		<b>No employees</b>	<b>Some employees</b>	<b>Most/all employees</b>
<b>FAIR WORK EXPERIENCE</b>	Employees find their jobs stressful	3.5	20.3	76.1
	Employees are fairly rewarded for the work they do	3.5	38.2	58.3
	People treat each other with respect	0.8	16.9	82.4

<b>PRODUCTIVE WORKPLACE</b>	Employees go beyond what is required of them in their jobs	0.4	36.2	63.5
	Employees see performance expectations as reasonable and achievable	1.5	28.1	70.4
		<b>Disagree</b>	<b>Agree</b>	
	Performance management emphasises employee development	22.6	77.4	
		<b>No employees</b>	<b>Some employees</b>	<b>Most/all employees</b>
<b>EMPLOYEE DRIVEN INNOVATION</b>	Employees make changes to work practices which benefits the organisation	2.1	48.0	49.9
	Employees come up with ideas to solve problems	2.1	54.0	43.9
	Managers support employees in operationalising their ideas	2.1	43.4	54.4

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<b>INNOVATIVE PRACTICE</b>	We are ahead of our competitors in introducing new products or services	5.8	49.7	44.4
		<b>Disagree</b>	<b>Agree</b>	
	We have made major changes to products/services in last 12 months	36.8	63.2	
	Our performance has been improved through innovation	20.0	80.0	

## 2.2 ActiveCo

**Background:** ActiveCo is a social enterprise and registered charity working across Glasgow. The organisation has grown significantly in the last five years having started as a brand partner of an equivalent Edinburgh-based organisation. The company spans a social enterprise shop and workshop that refurbishes, repairs and sells bikes; and a series of projects resourced by charitable grant funding, most of which focus on encouraging cycling as a route to health and wellbeing. The major projects led by ActiveCo include maintenance for Glasgow’s next bike initiative and the ActiveCo Academy, which works with Glasgow schools to promote cycling. The business-to-business work of ActiveCo includes providing services for major organisations in the public and private sectors. The success of both elements of the organisation has resulted in increased recruitment and will see the opening of a second ‘community hub’ location in the coming months.

**Business challenges:** Among the challenges faced by ActiveCo is the cyclical nature of the demand for its shop and repair services (with the summer months and the start of the university year typically seeing spikes in demand). In order to manage any potentially negative impacts on job security, ActiveCo has sought to integrate more closely the different elements of its work, so that (for example) workshop/shop employees are able to be seconded/redeployed to other projects during slow periods. The organisation has sought to move away from fixed-term contracts and to provide job security for (and to retain the skills of) employees.

**People priorities and fair work:** The FITwork survey was made available to all managers and employees, with 31 responses gathered, a response rate of 90%. In initial discussions, the leadership team identified the demands of work as a major challenge for people management. That said, only a small minority of survey respondents (15%) reported that most or all employees found work stressful or experienced overwork. More broadly, perceptions of fair work were positive. More than nine out of ten respondents agreed or strongly agreed that the organisation was a good place to work, and felt that most/all employees were treated with respect and supported to deal with non-work-related problems. Levels of job satisfaction and perceptions of fairness were generally positive.

Fair work indicators	%		%
Help is available when employees have a non-work-related problem	93	I feel satisfied with my job here	97
People treat each other with respect	90	I feel fairly treated at work	96
Jobs here are meaningful and provide a sense of purpose	82	Employees recommend this as a good place to work	90
Progression opportunities exist at every level	68	There are high levels of trust between managers and employees	79
Employees are fairly rewarded for the work they do	67	Employees have a strong collective voice	68

Our survey found that most employees felt that only some of their colleagues had access to flexible working. Members of the leadership team acknowledged that the increasing demand for ActiveCo services (and the inherent ‘time and place’ demands of retail and service elements of the business) could place limits on flexible working.

**Performance:** Survey respondents held generally positive views of the ActiveCo’s innovation performance – the vast majority believed that the organisation had introduced and innovated new services and ways of working during the preceding year (confirmed in interviews as indicative of the organisation’s growth and diverse range of activities). Almost all respondents agreed that employees’ ideas were a source of innovation in both processes and services. In terms of employees’ discretionary effort, more than four-fifths of respondents thought that most or all colleagues helped each other to solve work-related problems.

**Innovation enablers:** Survey data highlighted ActiveCo’s commitment to building opportunities for collaboration, with positive findings regarding the structure of the organisation – most respondents felt that all or most employees benefited from ways of working that encouraged collaborative learning and interaction with managers. ActiveCo has also sought to streamline management and encourage teams to self-manage. The effectiveness of these practices is reflected in positive findings regarding employees’ involvement in innovation.

Practices supporting innovation	%	Employee participation in innovation	%
Opportunities for managers and employees to interact informally	86	Changes to processes are made based on ideas from our employees	97
Practices that encourage managers and employees to learn from each other	74	Employees voluntarily help colleagues solve work problems	83
Organisational support for cross-functional working	67	Managers support employees in putting ideas into practice	78
Job design encourages people to interact	59	Opportunities to lead shared across employees at different levels	68
Employees have enough time to reflect on work and propose solutions	52	Employee skills and talents are well utilised at work	59

**Workplace innovation in practice:** ActiveCo has taken clear actions to support collaboration across teams, by creating spaces and learning opportunities for people in different job roles to contribute to other parts of the organisation. In part, this was seen as a way of managing variations in demand for different elements of ActiveCo’s services, but these changes have also created positive learning opportunities, as members of the leadership team noted.

*People are really keen to get involved and try different parts... it’s a real strong part of the organisation... They get to experience different things every day and don’t spend time working in the same department day in, day out.*

*There’s been a change. We were quite disjointed for a long time. The Projects Team did their thing and the Workshop Team did their thing... We have become more kind of*

*integrated with all the different elements of what we do. We had to, that attitude of “This is what I do and that’s all I do.” was no longer possible...*

The leadership team have also sought to encourage and support self-managed teams and collaborative problem-solving, which it is argued has impacted positively on employee performance and job satisfaction.

The less positive findings from our survey tended to focus on job design and particularly the extent to which jobs provided opportunities to interact with colleagues and reflect on practice. Members of the leadership team and employees agreed that demand for ActiveCo services often made it difficult to share ideas ‘on the job’.

***Fair work innovation in practice:*** Members of the leadership team spoke of actions to strengthen progression routes (by investing in training for bike mechanics to prepare them for team leader roles, providing mentoring, and developing succession activities for future leaders). Job security has been improved by moving staff from ‘seasonal’ to permanent contracts – as noted above, this has been made possible by multi-skilling team members so that they can be redeployed to different roles across the organisation. Opportunities for skills development have more generally been a focus of activity, with ActiveCo becoming a City & Guilds accredited training centre and thus providing additional training opportunities for staff and customers.

***Innovation challenges:*** As noted above, ActiveCo has made significant progress in promoting ways of working that encourage the sharing of ideas across teams and between employees and managers. A key challenge appears to be to manage workloads so that the same opportunities for reflection are built into job design. This is a considerable challenge given strong customer demand for ActiveCo services. In terms of other practical challenges, the organisation is committed to providing regular one-to-one support and supervision for employees, and this can be challenging to resource given existing demands on managers and team leaders.

***Reflections:*** ActiveCo is an excellent example of an organisation that has made a conscious decision to promote practices associated with workplace innovation by: promoting opportunities to multi-skill and share ideas across teams; facilitating rotation across job roles and teams; and supporting self-management and devolved decision making. The challenge for the organisation is to ensure that employees are able to manage work demands so that opportunities for collaboration and innovation are also central to all employees’ jobs.

## 2.3 BookCo

**Background:** BookCo's Publishing Group, the oldest independent publishers in the English speaking language, are a specialist publisher of regulatory technical and operational marine and insurance manuals. Their customer base is largely international, spread over 120 different countries with 80% of their products being exported.

Since it was established in 2008 through the merger of two existing publishing companies, BookCo has grown dramatically. Its workforce has expanded from 12 employees in 2008 to 38 employees in 2017 and this number is set to increase to 50 in coming years. The nature of the business has also changed in this period. Evolving from only publishing external third party copyrighted material, the last three years have seen BookCo's move to developing their own content, reducing royalty costs and allowing a greater profit margin.

**Business challenges:** Developing their own content has changed the way the company operates. They have moved from being a production warehouse to employing many more staff who have the skills to develop content and put publication together in-house. Work is typically undertaken on a project-by-project basis. BookCo's founder, an ex-mariner, draws heavily on his extensive professional network both to identify gaps in the market, and to recruit technical experts. These technical experts, typically recently retired mariners, are brought in-house, working on a contractual basis for an average of two years to help develop material. They will work as part of a project team, aided by BookCo's permanent, core employees - e.g. technical designers or editors.

**Performance:** BookCo's business strategy is built around higher quality goods and services, reliability and range and has a strong reputation in the industry. Through a number of variables, employees report discretionary efforts: 84% report that most/all employees go beyond what is required in their job and 89% report that most/all staff voluntarily help colleagues solve work related problems. The majority reported a good balance between work that is challenging but not too challenging; 80% report that performance expectations for most/all are reasonable and achievable/ and less than 10% report most jobs as stressful, though around 29% believed that many employees were overworked.

**People priorities and fair work:** BookCo is a Scottish Business Pledge and accredited Living Wage employer. Up until three years ago, BookCo's saw itself as a company that provided employees with a job, but not a career. However, this is something they have taken steps to change in the past three years in the context of workforce expansion. To reduce senior management being drawn regularly into operational issues, a new sub-layer of management was created within each department, drawing on new managerial staff with appropriate support and supervision. By being able to talk about what is happening, the heads are able to run ideas past their peers which gives them the confidence to make day-to-day decisions. Also key in growing this confidence is the commitment of the senior management team to stand behind any decision made by the head, even if it was not one they would have taken themselves. This restructuring has been considered a great success in two respects. Firstly it frees up the senior management team to deal with higher

level decisions, and develop strategy. Secondly, it changes a job to a "career", giving employees opportunity to progress within the company.

BookCo data is strong on fair work indicators, as the table below indicates.

Fair work indicators	%		%
I feel fairly treated at work	96	The organisation offers employees help with non-work related problems	96
People treat each other with respect	92	Employees recommend this as a good place to work	92
The organisation takes practical steps to provide a healthy workplace	92	The organisation prioritises providing employees with predictable incomes	91
I feel satisfied with my job here	88	There are high levels of trust between managers and employees	83
Jobs here are meaningful and provide a sense of purpose	84	Bullying would be dealt with quickly and effectively	83
The organisation prioritises providing stable employment	79	There is access to flexible working to support work-life balance	72
The organisation deals with conflict fairly and objectively	65	Employees can disagree over work issues without fear of retribution	64
Employees have a strong collective voice	59		

Staff were confident that any barriers facing specific groups are addressed within the firm, though around one third voiced worries that informal practices might disadvantage some groups.

Some areas of HR practice are more closely aligned with innovation than others. While 54% believe that the company deliberately hires people who are comfortable with change and 42% report that performance management encourages most/all employees to seek new solutions, only one third or less believe that training or reward systems support new ideas development. A significant minority, around 35%, were not positive on how their pay compared with their efforts or comparable jobs and a similar amount reported worrying about job security. Staff were evenly split on whether the firm emphasises employee development to deliver effective performance, and only 20% reported progression opportunities at every level.

**Innovation enablers:** Staff reported almost unanimously that the firm engaged in process and product/services innovation, most of which was reported as major. 83% of staff believe that the company tends to be more innovative than competitors and has resources and sufficient ideas to create and deliver new things, and around 52% identified employees as a source of these ideas.

The data strongly suggested that people largely understood how decisions were made in the firm though staff were evenly split in terms of how far they were involved in decisions,

for example in relation to new technology. The data suggested that most employees could identify opportunities to lead on tasks and that ideas came from across the organisation.

Practices supporting innovation	%	Employee participation in innovation	%
Managers have confidence in employees' capabilities	100	Employees have enough autonomy to change the way they do their work	74
Practices that encourage managers and employees to learn from each other	68	Managers support employees in putting ideas into practice	79
Opportunities for managers and employees to interact informally	84	Changes to processes are made based on ideas from our employees	76
Organisational support for cross-functional working	69	Employees make changes to their work that benefit the organisation	71
Job design encourages people to interact	59	Employees see doing new things as an opportunity, not a burden	69
Employees know where their job fits in the organisation	69	Employee skills and talents are well utilised at work	65
Our employees understand our products/services well enough to make suggestions for improvement	59	Employees promote new ideas to others	62
Feedback from partner organisations and/or suppliers is a source of new ideas	67	Changes to products/services are made based on ideas from our employees	79

While the table above suggests strong use of some practices that support innovation, staff were more evenly split on access to future oriented skills development, having enough time to reflect on problems, employee anxiety about trying things that might fail and on the usefulness of external contacts to most/all employees.

**Innovation challenges:** a number of areas of concern were identified in relation to innovation: one third could not access learning beyond their job, a similar amount saw employees as a source of new ideas and around one fifth reported that most/all employees were unsure how their jobs fitted in to the organisation.

**Reflections:** BookCo shows some strengths in the provision of fair work and in employees' experience of fair work. In addition, the business has some supports for innovation and, as it has expanded, has developed new practices in recruitment and selection and in performance management alongside new and expanded products and services.



***Workplace innovation in practice:*** BookCo has taken an innovative approach to recruitment and selection. To distinguish themselves as an employer, they provide the same level of health care for all employees from the office junior up to the director. Particularly interesting is their approach to recruitment of apprentices. BookCo's has taken to recruitment - especially their recruitment of modern apprentices. Recognising that apprentices are school leavers who lack the work experience to go through a more traditional selection process, BookCo's focus their recruitment process on organisational fit and skills instead, using a process encompassing a 'careers day' involving team problem solving activities, lunch with employees and then an interview. The process is seen to deliver the best applicants who have learned about the company during the process and involves existing employees in the process. In addition, BookCo expects full productivity from their apprentices and therefore pay them Living Wage rather than the apprentice rate. These approaches generate a good pool of applicants for vacant posts.

## 2.4 BriefCo

**Background:** Tracing its roots back to 1857, BriefCo is a UK-owned firm, operating as a partnership and specialising in (SIC) professional, scientific and technical activities. BriefCo deliver a full service offering across Central Scotland, one of the largest in its sector in Scotland. The firm has grown by merger and acquisition, most recently expanding from 250 to over 400 staff and with plans for ongoing expansion in staff numbers. Around 70% of staff are in professional, associate professional and managerial roles with the remainder in administrative and secretarial posts. Over recent years, BriefCo reports increasing size, turnover and profitability.

**Business challenges:** BriefCo operates in an increasingly competitive business environment with numerous competitors, geographically and from beyond its sector. Segmentation in its broad market has generated full service and niche competitors. In addition, the firm reports strong competition for staff in the sector. BriefCo's response to sectoral pressures is a strategy based on quality and range of service, with attention to responsiveness to client/customer demands.

**People priorities and fair work:** BriefCo is a Scottish Business Pledge employer and has endorsed all nine elements of the Pledge. The firm is also a recipient of a Bronze Healthy Working Lives award. Most staff are on permanent contracts but the firm does use fixed term, casual and zero hours contracts in a small number of cases. While all staff receive at or above the Living Wage, the firm is not LW accredited on account of the pay rates of contracted cleaning staff. BriefCo's key people priorities are highlighted as staff training and development (having doubled learning and development spend in the past three years), succession planning, retention and enhancing employee and diversity. On the latter, the firm has made explicit efforts to improve transparency in recruitment and progression processes, and has undertaken an extensive job evaluation exercise to deal with the impact of merger and acquisition impact.

BriefCo made the FITwork survey available to all staff, eliciting a 32% response rate.

Fair work indicators	%		%
I feel fairly treated at work	94	People treat each other with respect	73
I feel satisfied with my job here	88	Employees have a strong collective voice	60
Employees recommend this as a good place to work	88	Strong emphasis within the firm on developing employees to deliver effective performance	60
Any barriers to job access or progression faced by specific groups are identified and addressed	75		

There were very positive views from all employee groups on some of the firm's efforts to promote fair work. Staff were consistent and positive in reporting that the firm prioritizes the provision of stable employment and predictable incomes, and job security was not a concern. They also reported widespread confidence that the firm takes practical steps to

create a healthy workplace and would deal with any bullying and conflict quickly and effectively. A substantial majority reported widespread availability of flexible working.

There were, however, a few areas where some staff highlighted concerns. While most staff reported confidence that the firm addresses opportunity issues in access to jobs and promotion, 25% thought informal practices could disadvantage certain groups. Only 40% reported that all/most employees perceived reward as fair for the work they do and relative to the same job elsewhere, and only a minority felt that employees were involved in decision making around pay and conditions. In addition, some concerns were raised about the opportunities for progression available to a broad group of employees. A slim majority described work as meaningful for all/most and reported that staff were confident in raising work-related disagreement, and staff were relatively evenly split in describing management employee-relations as high trust. There was little indication that HR was widely perceived as driving innovation either by using recruitment to hire people comfortable with change (35%); using training for new ideas (29%); using pay and reward to support creativity (11%) or using performance management to promote new solutions (11%).

**Performance:** BriefCo report improving business performance in recent years and most staff perceived that innovation has played a role in improving productivity and performance. Staff are evenly split as to whether performance expectations are reasonable, whether work has the right level of challenge and were evenly split in perceptions of whether widespread discretionary effort is made by employees, though reports of problem solving support by employees were slightly stronger. While around 20% reported that most jobs are stressful, few report that workload is overly onerous. The use of data and evaluation to support performance improvement was reported by a minority of employees.

**Innovation enablers:** BriefCo have become increasingly interested in innovation, in particular in relation to agile working and better use of their physical estate, and the firm have recently created a specific Innovation Manager role which is being undertaken by a company Director. The business has ISO and Prince2 accreditation and uses Lean working principles. There is a very widespread view that the firm has sufficient financial resources available to try new things. Across the survey respondents, more than 90% reported that the business generated good ideas, but only half were confident that they were good at implementing them (and only a third of managers and partners were confident in this regard). Notwithstanding this, staff were almost unanimous in reporting new processes, most of whom categorised these as major changes, over the previous years, with slightly fewer reporting new products or services. Around half of the replies suggested that BriefCo was mostly ahead of its competitors in such changes.

Practices supporting innovation	%	Employee participation in innovation	%
Managers have confidence in employees' capabilities	91	Changes to processes are made based on ideas from our employees	65
Opportunities for managers and employees to interact informally	71	Changes to products/services are made based on ideas from our employees	60
Organisational support for cross-functional working	52		
Our organisation seeks out new ways to do things	50		

Relatively few of the innovation support variables were endorsed by a majority of survey respondents. There is evidence of confidence that employee capability is recognised by management and that employees have contributed to new ideas in services and processes. In terms of the key dimensions that can support innovation, BriefCo has its most positive responses in relation to organisational structures, with most reporting widespread understanding of how decisions are made, but there is low reported involvement in aspects of decision making, particularly around technological design and implementation. This a concern given that managers believe technology has an important role in the future of their business. Professional employees had the most positive perception of being able to influence the decision-making process, while support and associate professional employees had the least positive perceptions.

Interestingly, while reported access to external expertise was limited, BriefCo interacts with public agencies and employers organisations, and is a member of international organisations in its sector, and half of staff responding agreed that external connections are valuable for most or all staff.

**Innovation challenges:** While a substantial minority report positively in a number of areas of practice, across a range of dimensions relating to organisational structures, work design, external connections, employee driven innovation and HR, the vast majority of staff reported negatively. Fewer than 30% of staff were confident that most people know what goes on elsewhere in the organisation, and only 11% of staff were confident that most others understand where their jobs fit. Around 46% indicated the presence of practices that encouraged management-employee learning; 44% believed that most employees' skills were well utilised at work; 43% felt most employees had enough knowledge to promote ideas for improvement and 40% thought job design encourages most employees to interact. Managers acknowledge the challenge of limited engagement levels and have recently established a collaboration group to try to develop stronger collaboration.

However, there were some real areas of concern for around two thirds or more of staff. Only 32% reported widespread opportunities to lead on tasks across different levels of the organisation. Scores were low on 'risk' variables such as learning from trial and error, seeing new things as an opportunity or confidence in trying things that might fail. While the firm has made some efforts to redesign lower level jobs to give more responsibility, driven by the cost/profitability benefits this can deliver, only 20% of staff felt that that most

staff had autonomy to make changes in their work and only 30% reported that most staff had time to reflect on how to improve their work.

Consequently, there was limited evidence that staff come up with new ways of solving problems (18%), promote new ideas to others (16%) or that managers support employees in putting new ideas into practice (30%). For a significant minority of staff, new ideas were seen to emerge from the same people and departments.

Responses in relation to HR and external relationships were at the lowest end for BriefCo. Less than one third of staff report widespread use of more future-oriented skills development, and only 17% believe learning beyond immediate jobs is common. Only a minority reported new ideas as emanating from customers feedback or working with partner organisations. The firm also reports limited access to external expertise, though it engages with public agencies, employers organisations and is a member of an international alliance in its sector. Yet 50% of staff agreed that external connections only valuable for most employees.

**Reflections:** BriefCo is a successful business with high quality employment and jobs. Yet there is some evidence from the survey that there are real opportunities for change in their work practices, across some key areas, that might yield performance and innovation improvements.

## 2.5 BusServ

**Background:** BusServ is a professional and business services firm operating in 3 sites across Central Scotland. Established as a partnership, it is one of the oldest firms in its sector, formed and developed by merger, acquisition, lateral hiring and organic growth to provide new expertise, develop new business areas and to provide services across geographies and sectors. The current complement of over 50 partners and 230 staff is roughly evenly split between professional/ associate professional roles and support roles.

BusServ is a Scottish Business Pledge signatory and an accredited Living Wage employer. While all direct employees were already paid at/above Living Wage, the business invested around £25k to deliver Living Wage to sub-contracted cleaning and catering workers.

**Business challenges:** BusServ operates in an increasingly competitive business environment with numerous competitors, both geographically and from beyond its sector. Segmentation in its broad market has generated full service and niche competitors, and the firm's strategy focusses on profitable growth, business consolidation and maintaining and adapting its identity. In line with its wider business sector, BusServ faces pressure on fees/revenues and as a partnership must balance longer term investment alongside returns to partners.

Interviews and survey data highlighted substantial agreement that BusServ's competitive strategy focused on service quality, range of services, customer responsiveness and reliability. BusServ has a broad (though not full service) and deep (developing accredited specialist services) service offer to its clients.

**People priorities and fair work:** The firm is an IIP accredited employer and invests heavily in professional HR activities. Key people priorities focus on training, development, motivation and retention. BusServ address their sector's 'war for talent' by focussing on enhancing work experience and an holistic employment package, providing a collaborative and supportive workplace and eschewing some of the sector's demanding targets and long hours culture. With a relatively flat structure and small spans of control for 'people managers', workgroups are small and professional and managerial relationships are largely direct.

The FITwork survey was made available to all staff, eliciting a 41% response rate with significant consistency of responses irrespective of job role.

Fair work indicators	%		%
I feel fairly treated at work	95	I feel satisfied with my job here	87
People treat each other with respect	87	Strong emphasis within the firm on developing employees to deliver effective performance	84
Employees recommend this as a good place to work	83	There are high levels of trust between managers and employees	80
Jobs here are meaningful and provide a sense of purpose	78	There is access to flexible working to support work-life balance	70
Progression opportunities exist at every level	70	Employees can disagree over work issues without fear of retribution	70
Employees have a strong collective voice	60		

BusServ consults staff on an ongoing basis and through an annual employee survey. Staff overwhelmingly endorsed the firm's ability to provide stable employment and predictable incomes; support employees with a non-work related problem; deal with conflict fairly and objectively and bullying should it arise; and to provide a healthy workplace. Most agreed that any barriers to employment, development and progression faced by specific groups were addressed, though a small minority felt informal working practices could be disadvantageous. While a most staff reported that that everyone was fairly rewarded for the work they do, some perceived a less favourable comparison with staff in comparator firms.

**Performance:** The data makes clear that delivering high quality performance outcomes at BusServ is stressful, though most staff reported an appropriate level of challenge in their job. Performance expectations were largely considered to be reasonable, with some employee involvement in how performance is measured and managed, though there were concerns over workloads for some staff. Most staff reported working beyond contract requirements and voluntarily supporting others to solve work problems. Employee development was believed to support effective performance.

**Innovation enablers:** While the importance of business model innovation in the sector is recognised, BusServ is widely perceived by clients as a 'traditional' professional services firm and this is a source of strong client identification. Yet the business pioneered growth through mergers in advance of the sector and seeks to balance their longstanding approach to performance and quality with enhanced responsiveness in a dynamic environment. Staff reported process and service innovation almost unanimously, much of it significant, which delivered performance and productivity benefits. They also reported high capacity to innovate in terms of financial resources the generation of good ideas and a reasonable ability to implement new ideas. External contacts were widely seen as valuable, with clients and partners organisations most commonly identified as sources of new ideas for the business, followed by employees themselves and then external expertise.

Practices supporting innovation	%	Employee participation in innovation	%
Managers have confidence in employees' capabilities	90	Employee skills and talents are well utilised at work	75
Opportunities for managers and employees to interact informally	81	Managers support employees in putting ideas into practice	50
Organisational support for cross-functional working	71	Our employees understand our products/services well enough to make suggestions for improvement	65
Practices that encourage managers and employees to learn from each other	72	Changes to processes are made based on ideas from our employees	65
Our organisation develops employees' skills for the future as well as the present	65		

**Workplace innovation in practice:** Efforts have been made to broaden job responsibilities by engaging creatively in devolving functions from partners and expanding non-partners roles, and greater efforts to co-design training, enhance training transfer and share learning. In addition, and recognising that professional staff are not always training to be innovators, BusServ has explicitly tackled 'innovativeness' by establishing an innovation committee to address business challenges and improve agility and responsiveness. This committee draws on external information and influence and has developed both successful and unsuccessful new approaches, drawing on the latter examples to show that risk cannot always result in success but can always deliver insight and learning.

**Fair work innovation in practice:** BusServ have introduced changes to improve staff consultation and engagement. The staff forum has been redesigned participative to improve engagement with it. Staff have opted for fewer meetings of better quality, membership rotation; and a balance of fixed agenda items with ownership by staff representatives of other agenda items. Staff reps have also been empowered to act on certain issues directly and not through the forum.

**Innovation challenges:** Half of all respondents disagreed that managers supported employees in putting new ideas into practice. For some employees, innovation challenges related to job design issues - whether most employees understood how their job fitted in with other jobs or were aware of developments in other areas of the organisation; whether employees had sufficient autonomy to change the way they work; and whether they had time to reflect on work and propose alternatives. Some reported that opportunities for task leadership were not available at all levels. A more widespread concern existed over whether data and evaluation were used to assess the effectiveness of change. Despite some strong findings of job quality and people management, HR practices such as recruitment, training, performance management and pay and reward practices were not widely identified as a direct driver of creativity and innovation. Notwithstanding evidence of commitment to equality and diversity, for a significant proportion of staff a lack of employee diversity was considered a barrier to innovation within the firm. In terms of attitudes to risk and enterprising behaviours, a significant minority indicated nervousness



around doing new things, learning from trial and error and willingness to try out things that might fail. In addition, some responses on direct employee driven innovation were cautious in terms of who could make changes to work to benefit the organisations, generate new ways of solving problems and promote new ideas to others.

*Reflections:* While the nature of BusServ's business necessitates investment in highly qualified professional staff, their approach to people management issues suggests that more than market influences are at work. Job quality indicators are high and staff consider the firm a fair employer. The challenges of working in an increasingly demanding marketplace create pressures in terms of time and workload that may inhibit innovation, alongside job design limits and some concerns over autonomy and attitude to risk for some employees. Yet staff in this highly successful business acknowledge the importance of innovation and value practices that are known to underpin innovation.

## 2.6 CommsCo

**Background:** CommsCo is a contact centre based in South-West Scotland. It offers outbound and inbound sales and customer service support to a number of different private clients, mainly from the energy sector. The current Managing Director bought the company in 2014 after it came close to insolvency. The workforce has expanded rapidly since then, increasing from 40 to 170 permanent employees over a three-year period. The majority of staff (80%) are employed in sales and customer service roles across a variety of inbound (10%) and outbound (90%) client campaigns. The remaining CommsCo staff work in a corporate function. The complexity and length of calls handled varies significantly depending on the campaign being run.

**Business challenges:** CommsCo's small size and relative youth mean it cannot tender for public contracts, and it finds it difficult to compete in a market dominated by a small number of well-established "safe options." The standardised nature of the services CommsCo provides means that there is an expectation that it will compete on cost, and it faces constant pressure from existing and prospective clients to rationalise. However, the MD was aware that operating a low-cost business model would mean lower pay rates and poorer employment conditions for employees so CommsCo has adopted an alternative strategy, seeking to compete for contracts by developing a reputation for reliability and high quality.

Securing the capital required for continued growth has also been difficult: banks have been unwilling to lend to CommsCo because of the near bankruptcy of the previous owners in 2014. This difficulty in accessing capital has meant that the MD has had to fund the expansion personally, limiting the rate of growth.

**People priorities and fair work:** In order to reduce the high attrition and absence rates that are endemic in contact centres, CommsCo makes substantial efforts to support its employees both in and out of the workplace. It runs a two week training programme for new employees, provides support for employees who want to improve numeracy and literacy skills, runs modern apprentice schemes in technical support and operate a mentoring scheme where newer members of staff are paired with more experienced employees. CommsCo has developed a partnership model to enable employee profit sharing. Further, to create a positive working environment, music is played on the floor, there is a breakout room with an Xbox and pool table and frequent pizza nights to allow employees from all areas of the organisation to integrate. To remove external distractions, CommsCo also provides a network of support for employees for non-work related issues. Initiatives include a Saturday kids club and an onsite health specialist.

The FITwork tool was delivered to all employees and generated a 21% response rate. CommsCo seeks to identify potential clients whose campaigns enable CommsCo's employees to use a range of skills and develop others. Since developing these approaches, the owner also reports a 75% increase in productivity and a "dramatic" drop in retention and sickness. These approaches are reflected in the high numbers for many of the fair work indicators.

The level of jobs is seen as appropriate by most employees and ninety per cent of employees consider the rewards to be fair both for the work they do and compared to those in similar roles elsewhere.

Fair work indicators	%		%
I feel fairly treated at work	100	I feel satisfied with my job here	97
Strong emphasis within the firm on developing employees to deliver effective performance	97	Employees recommend this as a good place to work	94
There are high levels of trust between managers and employees	88	People treat each other with respect	83
Employees can disagree over work issues without fear of retribution	83	Employees have a strong collective voice	78
Jobs here are meaningful and provide a sense of purpose	75	Progression opportunities exist at every level	72
		There is access to flexible working to support work-life balance	54

**Performance:** More than half of the respondents report that most or all employees go beyond what is required of them in their jobs, and three quarters consider that most or all staff will voluntarily help colleagues to solve work-related problems. Performance levels are reports to be reasonable and achievable.

**Innovation enablers:** Respondents saw CommsCo as having lots of good ideas that they are good at implementing and, despite the fact that it has been hard to attract investment finance, recognised that the organisation has introduced new processes and products (97%) within the last 12 months. This innovation was recognised as having improved both organisational performance and productivity. Employees have a good understanding of CommsCo's products and feel able to make suggestions for improvements. They also have sufficient autonomy to change the way they work and have sufficient time to reflect. In addition, changes are reported as being evaluated and data is collected to identify areas for improvement.

Practices supporting innovation	%	Employee participation in innovation	%
Managers have confidence in employees' capabilities	97	Employee skills and talents are well utilised at work	77
Practices that encourage managers and employees to learn from each other	86	Our employees understand our products/services well enough to make suggestions for improvement	84
Organisational support for cross-functional working	75	Changes to processes are made based on ideas from our employees	49
Our organisation develops employees' skills for the future as well as the present	65	Managers support employees in putting ideas into practice	53
Opportunities for managers and employees to interact informally	94		

**Workplace Innovation in practice:** CommsCo has put in place a number of initiatives to try and make itself a more attractive employer than is the norm among contact centres, recognising that this will improve its chance of attracting and retaining employees. Employees are encouraged to think of themselves as having “careers” rather than jobs with CommsCo, and a range of training opportunities are offered, including help with numeracy and literacy where required. All new recruits undertake a two week training course. Employee profit sharing, a pool table and Xbox in a breakout room, and employee pizza nights, onsite health specialists and a kids club are all examples of the ways in which the company tries to improve the working environment and benefits for employees.

**Innovation challenges:** Aside from the challenges that CommsCo has in sourcing funding noted above, but which are not perceived as one issue in innovation, there is a perception that new ideas come from a limited number of people and departments. This is reinforced to some extent by the fact that many respondents consider that there is little involvement in the design and implementation of new work processes and technologies. So while the views linking to innovation enablers are broadly positive, more work is probably required to get broader engagement in the innovation process across all departments and employees.

**Reflections:** CommsCo operates in an industry that often has a poor reputation for its working environments. The company resists attempts to persuade it to become a low price provider by becoming a low cost operation and has instead make the decision to compete by offering reliability and quality. It consciously pursues contracts that will give employees an opportunity to use a wider range of skills and to develop new skills, resulting in high reported levels of job satisfaction and high reported scores for fair work indicators.

## 2.7 DataCo

**Background:** DataCo is a specialist technological application firm which uses open source software to use digital data in a range of service planning ways. The company currently employs 23 members of staff who work either in development, sales or support/training of their applications. The business employs developers and analysts across the organisations, including in the sale and support roles given the specialism of its product.

The organisation was founded in the 1990s as a shared service for several local authorities with a view of exploring new applications of digital data relevant for service planning and delivery. This unique arrangement presented a number of employment related challenges, including a discrepancy between terms and conditions of employment, expectations and the company's relationship with the emerging private sector market. By 2001, DataCo employed 15 employees and had growing interest from non-founding organisation. This led to a review which in turn resulted in new management structures, agreements about engaging with the market beyond the founding local authorities and began the process of harmonising terms and conditions of employment for staff. By 2006, the company employed 21 people and became a company limited by shares, with three classes of shareholders: 1) the founding local authorities; 2) an external share class and 3) a yet unused class of employee shares. Employee shareholders were part of the longer term plan, but was still in the early phases of implementation.

The business' unique founding offers both an advantage in terms of an ethos and set of practices which originates from a public service view of delivering and a well-defined and established structure of employment terms and conditions, modelled from collectively bargained conditions in local authorities. Their history and connection to the public sector also presents challenges for attracting substantial external investment.

**Business challenges:** At the time of the reorganisation in 2007, the company's client based was entirely Scottish public sector organisations. However, the recession and the squeezes on public spending required the business to consider its market position. By 2017, while a large proportion of the organisation's business remains Scottish public sector organisations (roughly 70%), a further 30% is private/third sectors, of which 70% is Scottish and the remaining 30% is from outside of Scotland. The company would ideally like to have 50/50 splits across those areas. However, owing to its unique history, employees and senior management understand the public sector, their requirements, their technological limitations, and the complexities of the procurement process. Despite that, senior management recognised that the private/third sectors can provide more diverse applications, which challenge employees' skills.

**Fair work in practice:** Senior management argued that given that the business is based on intellectual property, and the intellectual capital of its people, retention and incentives were core concerns. While retention in the business is generally high, the company is not based in Scotland's major cities. The senior manager referred to staff retention as a business critical and carrying high levels of risk. The move to implement the employee-share framework was thought to provide an additional incentive for employees in the

business. The organisation also competes with very large firms for skills, and the sector tends to be quite highly remunerating, putting pressure on their capacity to compete in terms of wages. Eighty percent respondents indicated that most employees were fairly rewarded for the work they do and compared to people doing the same job elsewhere.

All staff who responded to the survey (34% response rate) indicated that they feel very satisfied (80%) or satisfied with their jobs in the workplace (20%), and all respondents indicated that they feel very fairly treated.

Fair work indicators	%		%
Employees can disagree over work related issues	67	Any barriers to getting a job here faced by specific groups are identified and addressed	100
Employees see performance expectations as reasonable and achievable	83	There are high levels of trust between managers and employees	80
The organisation prioritises providing employees with predictable incomes	100	Jobs here are meaningful and provide a sense of purpose	80
Employees have a strong collective voice	50	People treat each other with respect	80
Progression opportunities exist at every level	60	Employees recommend this as a good place to work	100

**Innovation challenges:** Senior management also recognized that not all parts of the business may be equally interesting and challenging for employees. The business had tried to recruit specific sales and marketing staff, however the complexity of the product requires technical staff to sell and training users on these platforms. There was recognition that there is division between staff in highly innovative, developer roles engaging and developing new products, and technical staff who only interact with the older products and technologies, and who may be left out of the more challenging and stimulating work. The company had plans, in their early stages, of implementing some reorganisation to try to address this dichotomy.

**Workplace Innovation in practice:** Over the past year, the company has looked to refocus its efforts and involve employees more into company decisions as part of the move towards employee-ownership. It engaged staff in series of business planning activities, where the whole team was involved in identifying opportunities for the business and engaging staff to think about the direction of the organisation. The organisation has implemented regular ‘hack sessions’ for all of its staff. These sessions consist of dedicated time in employees’ schedules every 6 weeks for an afternoon, where staff are asked to ‘hack’ a work-related issue. The early sessions tended to be focused on dealing with technical issues, rather than organisational challenges, which was excluding non-technical staff. Employees have been explicitly encouraged to consider broader issues and use this as a time to try new things. Employees self-manage into groups to organising what issues to deal with and how the time is managed. It is an opportunity for employees to try new platforms and technologies, or techniques, and to reflect on whether there is scope for adoption in the business. This is expected to carve out and protect dedicated space for trying new things and considering new ways of working.

Practices support innovation	%	Employee participation in innovation	%
Employees understand how and why decisions were made	83	Changes to processes are made based on ideas from our employees	100
Managers have confidence in employees’ capabilities	100	Employees voluntarily help colleagues solve work problems	100
Employees know where their job fits in the organisation	100	Employees are actively involved in the design or implementation of new processes or technologies	83
Practices that encourage managers and employees to learn from each other	83	Employees have enough time to reflect on work and propose solutions	83

**Reflection:** The nature of DataCo’s product/service requires that employees are highly skills and actively problem-solving and developing new technological solutions. There is an explicit recognition that the company is dependent on its people to succeed and to innovate. That said, it has to balance the ‘bread and butter’ work which tends to be less complex and is less likely to require new solutions that use new technologies, which challenges employees. As many product and service based businesses, the company must balance two different types of work, both of which require technical staff. That said, the company is looking for new product markets to engage its employment. It has clear examples of employee driven business development that has, to a large extent, shaped the current and forthcoming direction of the firm. For example, the business has recently begun a series of complex project for global humanitarian organisations, stemming from an employee’s suggestion that they could respond to the ‘technical challenge’ put out by the charity. This has led to several new projects through direct referral and new complex work for employees.

## 2.8 DigArtCo

**Background:** Founded in 2011 as a game development studio, DigArtCo has grown through partnership acquisition to encompass three distinct areas of the business in game development, film production and television post-production studies. The company has offices in Edinburgh and a headquarters in Glasgow. The Gaming division of the business currently employs around 20 full time employees on open-ended contracts. Staff are largely in programming and artistic roles. The other two divisions are much smaller in terms of staff numbers, expanding through freelance and contract work on a project-by-project basis. The Film division has five members of staff, consisting of a producer, associate producer, writers and a development executive. The Post-production side of the business employs 4 members of staff and has two regularly engaged freelancers. Their staff are in roles like post-production/business manager, technical leads, grading staff, and operations work.

**Business challenges:** DigArtCo faces continuing challenges in recruiting key talent. The Gaming Division seeks to recruit experienced programmers and artists, and looking for employees who would be able to contribute from day 1. Given the constraints on time and support available, it was recognised that there was limited training that could be offered to new hires. Although they would like to develop and train newer developers in the future, the pace of expansion and constrain on people's time means that that is not feasible at the moment. They are recruiting from an UK-wide and Europe-wide labour market for skilled programmes. Conversely, there is more scope to involve and develop young people in the film side of the business. There are existing work experience placement programmes, training schemes and the business is seeking to develop its own scheme to develop the technical skills in Scotland. Employees in the Gaming Division, although are very busy, are allocated projects on an 80% basis, with the remaining 1 day a week reserved for other elements of working life including one-to-one support and social activities. The Directors were quick to acknowledge that although time should be protected, in practice, this is often not the case.

**People priorities and fair work:** The business spans a diverse set of markets, each presenting different challenges which necessitate different in practices across the divisions of the organisation. The company is set for large scale expansion in 2017, posing challenges for recruitment and selection. The work can require both technical and artistic expertise, presenting challenges for recruitment across the business. These challenges are most acutely felt in the Gaming Division as they expand via open-ended appointment rather than contracting and freelancing.



Fair work indicators	%		%
Jobs are meaningful	100	Employees feel satisfied at work	100
Help is available when employees have a non-work-related problem	95	Employees feel fairly treated at work	100
People are treated with respect	95	The organisation is a good place to work	95
Progression opportunities exist at every level	74	Relations between management and employees are 'high-trust'	95
Employees are fairly rewarded for the work they do	74	Employees have a strong collective voice	85
There is access to flexible working to support work-life balance	65	Employees find their jobs stressful	10

The Operations Manager reported some apprehension over whether Glasgow would be able to draw the relevant skills as Edinburgh has a number of other companies that draw and compete for similar skillsets. However, this was not a central concern as the Edinburgh office was being retained for existing staff. The more significant challenge is recruit the 'right' people for the work at the volume required. Our FITwork survey was completed by 20 staff and members of the leadership team. Indicators of fair work were very positive.

**Performance:** Survey respondents held generally positive views of the organisation's innovation performance – the vast majority agreed that the organisation had introduced new products and processes, and made significant changes to products and services, in the preceding year.

**Innovation enablers:** Our discussions with employees and business leaders highlighted a range of activities and ways of working designed to support workplace innovation at DigArtCo. For example, the Gaming Division regularly undertakes idea sharing and skills development afternoon/evenings. Some are social in nature, which involve playing board games or platform games, and can extend into evening socials. Other social activities have involved story-telling nights or drawing classes, which allow staff to develop existing or new skills relevant to doing their work or better understanding how others in the business do their work. More formal idea sharing activities have included, '100 ideas an hour', which is a speed idea generation activity to come up with a large number of possibilities.

Practices supporting innovation	%	Employee participation in innovation	%
Jobs designed to encourage interaction	90	The organisation makes changes to processes based on employees' ideas	100
Practices that encourage managers and employees to learn from each other	90	Employee skills are well utilised at work	100
Opportunities for managers and employees to interact informally	85	Employees help colleagues to solve work problems	100
Organisational support for cross-functional working	75	Managers support employees in putting ideas into practice	90
Employees have enough time to reflect on work and propose solutions	65	Employee make changes to their work that benefit the organisation	85

**Workplace innovation in practice:** In early 2017, DigArtCo employed 29 people across both sites, and was in the process of moving to the Glasgow head office and expanding across all three divisions up to be up to 100 employees by the end of the year. The new facility in Glasgow has more space for bringing staff from all three areas of the business together and offers a high-end space to interact with clients. In bringing all the staff together in Glasgow, the company are focused on identifying and building on synergies between the divisions of the business. The business is in the process of completing its first feature film project, which drew on staff from all three divisions and had staff work together. The facility also includes state of the art editing suites available to clients to use on a 'wet' or 'dry' hire basis, meaning that different packages may include space with minimal support compared to hiring the technical expertise, time and editing capability of DigArtCo staff. Through the high end suites that have been installed in the new offices, the company expects to continue to advance their market leading position. They explained that currently television productions are only partly post-produced in Scotland, with the high value grading work being done in London. By installing high end editing suites available for their own work and for rent in Scotland, they expect to secure a market for more complex, value added to stay in Scotland.

**Innovation challenges:** DigArtCo is interested in exploring opportunities to diversify the workforce as a route to improved fairness and innovation. The operations manager recognized that women are underrepresented in the business, in large part due to the male dominated nature of the gaming sector. On the gaming side of the business, there are three women. The other two areas of the business are more evenly split, with two women and three men in both of the two other areas. The average age of employees is 30 years old, with a relatively even distribution from 22 to around 50 years old.

***Fair work innovation in practice:*** Our survey work identified strongly positive views across all employee groups of the organisation's approach to promoting fair work. The responses suggest a strong effort on the part of the organisation to address issues of employment and job security. This appears to translate to a positive experience of fair work - respondents report feeling secure in their job and fairly rewarded for the work they do. They also indicate that their work provides them with a sense of purpose. All respondents report feeling both fairly or very fairly treated and satisfied or very satisfied in their job. However, while more than half of respondents disagree or strongly disagree that informal or unwritten working practices disadvantage particular groups in the organization, over 15% of respondents agree with this statement, suggesting a potential area for interrogation. There appears to be a strong positive correlation between the organisation's expectations of employees and their experiences of stress. Around 85% of respondents indicate that performance expectations are reasonable and achievable for most or all employees. This appears consistent with the report from 90% of respondents that no or only some employees find their job stressful and no or only some employees are overworked.

***Reflections:*** DigArtCo has taken a range of actions that can help employees to share ideas across teams and levels of the organisation. The leadership team's emphasis on creating opportunities for people to share ideas appears to have been effective: employees viewed jobs, workplace practices and organisational structures as supporting collaboration and innovation.

## 2.9 EnviroServ

**Background:** EnviroServ offers rapid response domestic and commercial pest control services. The organisation employs approximately 44 people in Scotland. The business has been growing rapidly, and has high aspirations for continuous growth. To achieve these plans, the organisation is in the process of reducing its reliance on paper-based systems, and so minimising the administrative burden on its staff across the organisation to enable them to deliver higher value work. The business is looking to strengthen its credit control and payment processes so as to better track new customer referral pathways and expand its customer base.

**Business challenges:** The organisation operates in a highly competitive sector. The sector is dominated by a number of large UK-wide and international firms who compete on volume business, and a number of self-employed and micro firms who are able to deliver the reactionary work at a cheaper price. They are able to deliver Scotland-wide contracts over their competitors by being more reliable and quicker to respond by placing service staff located through the north of Scotland. The organisation's priorities were widely recognised by its staff, who reported that the business provides high quality services than its competitors, competes by being more reliable and by being more response to customer needs.

**People priorities and fair work:** The FITwork survey was made available to all managers and employees, with 35 responses gathered. Indicators of fair work were generally positive. Around three-quarters of respondents agreed or strongly agreed that the organisation was a good place to work, and that employees were treated with respect. A similar proportion agreed that jobs were meaningful and that employees were fairly rewarded. There was also strong agreement that employees were supported to deal with non-work-related problems. Levels of job satisfaction and perceptions of fairness were very positive. Relatively few survey respondents thought that most or all employees found work stressful. However, only a minority agreed that most or all employees had adequate access to flexible working, which may reflect the demands placed on employees by a business model that requires time and place-specific service delivery.

Fair work indicators	%		%
Help is available when employees have a non-work-related problem	89	I feel satisfied with my job here	96
Jobs here are meaningful and provide a sense of purpose	78	I feel fairly treated at work	96
People treat each other with respect	78	Employees recommend this as a good place to work	74
Employees are fairly rewarded for the work they do	78	There are high levels of trust between managers and employees	73
Progression opportunities exist at every level	67	Employees have a strong collective voice	66
There is access to flexible working to support work-life balance	41	Employees find their jobs stressful	11

The organisation relies upon its technicians to deliver excellent customer service in the field, and the survey findings on trust between managers and employees were generally positive – almost three-quarters of respondents characterised these relationships as ‘high trust’; all but one survey respondent agreed that managers had confidence in the capabilities of their staff.

**Performance:** Survey respondents held generally positive views of the organisation’s innovation performance – more than eight out of ten respondents believed that the organisation had introduced and innovated new services and ways of working during the preceding year. Around three-fifths of respondents agreed that most or all colleagues helped each other to solve work-related problems, and that employees’ ideas drove changes to processes. There may be scope to increase awareness that ideas from all parts of the organisation and all employees are welcome and a potential source of innovation.

**Innovation enablers:** Survey data highlighted benefits associated with EnviroServ’s efforts to support collaboration – most respondents thought that there were opportunities for most or all colleagues to share ideas across teams and engage with managers. The organisation was among our higher scorers in terms of perceptions of whether jobs encourage interaction. Results were slightly less positive regarding the extent to which employees were able to make changes to their work of benefit to the organisation – it may be that the high levels of demand for EnviroServ’s services create challenges for employees seeking to find time to innovate within the context of their day-to-day job role. Survey responses were also generally more positive from non-service workers than from those in technical service roles. While a substantial majority of non-service respondents indicated that most or all employees have enough time and autonomy to reflect on their work, service workers were less positive about these opportunities.

<b>Practices supporting innovation</b>	<b>%</b>	<b>Employee participation in innovation</b>	<b>%</b>
Job design encourages people to interact	83	Employee skills and talents are well utilised at work	71
Practices that encourage managers and employees to learn from each other	77	Managers support employees in putting ideas into practice	69
Opportunities for managers and employees to interact informally	69	Employees make changes to their work that benefit the organisation	67
Employees have enough time to reflect on work and propose solutions	69	Employees voluntarily help colleagues solve work problems	59
Organisational support for cross-functional working	61	Changes to processes are made based on ideas from our employees	59

The organisation has invested in new technologies in an attempt to free up staff – and particularly customer-facing technicians – to provide more time and space for collaboration. It is in the process of developing a new customer relationship management software for its technicians to move their work to a mobile platform and reduce form filling. The process is expected to increase communication between technicians and the centre, as currently 40-50% of telephone traffic is technicians clarifying job roles and tasks. Senior managers are aware of the need to involve service technicians in the design and testing of the platform early and to get the buy-in and support from staff.

**Workplace innovation in practice:** EnviroServ is committed to moving to digital and mobile information sharing platforms – a substantial investment that it is hoped will improve communication, reduce non-essential administration and foster improved collaboration.

**Fair work innovation in practice:** In interviews with members of the leadership team, it was suggested that the organisation places importance on being seen as a good employer. It is a living wage employer and a Scottish Business Pledge signatory. It pays above the sector average for its technicians and seeks to offer secure employment.

**Innovation challenges:** The organisation continues to face challenges in connecting head office sales and administration teams with solo workers across the country and their service managers. Given the geographic challenges of delivering a Scotland-wide service, the teams of service staff do not often get together physically but rely on quarterly team meetings. As noted above, survey responses were generally less positive among frontline service workers, suggesting that there may be further opportunities to engage these employees by highlighting learning and progression opportunities.

**Reflections:** EnviroServ has invested in strategies to streamline processes and so create more time and space for collaboration across employee groups. There remain challenges in ensuring that solo workers in the field have opportunities to connect with colleagues and feedback ideas.

## 2.10 FinServ

**Background:** Founded in 1994, FinServ is a family owned and directed fee-based Chartered Financial Planners based in Central Scotland, providing financial advice to private clients and businesses across a range of sectors but with specific expertise in relation to the oil and gas sector. In addition to the core business, FinServ also own and operate an HR-supporting technology company. The company has held a Gold Standard for Independent Financial Advice for many years and a host of other business awards in their sector. The business has three key strategic goals: to increase profitability of its private client business; to increase the number of corporate clients in order to spread business risk; and to enhance their reputation as a leading firm in the sector. The firm's turnover has increased over the preceding three years though profitability has not matched that increase, in part related to a major investment in new bespoke premises.

**Business challenges:** FinServ operate in a highly competitive market of multiple providers facing considerable market volatility and competition for qualified staff. The firm's business strategy focusses on providing higher quality goods and services, and being more responsive to clients than competitors. FinServ operate a model of continuous improvement, a high ratio of administrative and support staff relative to finance staff, and extensive staff development as a means of maintaining high standards of service. The company reports a genuine belief in the need to be respectful as a business at all levels – to staff, suppliers and customers – driven by a strong moral and ethical stance.

**People priorities and fair work:** Since 2000, the company has grown from 5 to 28 employees plus 3 staff on freelance contracts (by choice). As a Scottish Business Pledge signatory, the company aims to be a leader in their field for both clients and for their employees. The SBP framework is seen as representing existing company practices and directions in which the company wishes to move. FinServ has achieved an Investors in People Gold award and Investors in Young People accreditation. The business has an explicit commitment to being an excellent place to work and prides itself on the quality of its employment package and particularly on its commitment to work-life balance for staff and to providing a healthy workplace. While flexible hours are in operation from 8am till 6pm, staff do not get credit for working after 6pm in order to deter a long hours culture. Fruit is provided and staff are not allowed to eat at their desk, but are encouraged to stop working, with the provision of a Zen Zone for reading or study at lunchtime.

The FITwork survey was made available to all staff, eliciting an 85% response rate. FinServ generated amongst the highest scores across the SBP sample for their approach to fair work. The data suggests that the business' efforts and practices which emphasise fair and high quality work are both recognised and experienced positively by staff. Staff reported almost unanimously that the company prioritised stable employment and predictable incomes, provided a healthy workplace and dealt with diversity and opportunity appropriately in relation to access to jobs and progression with the firm, both formally and informally. There was complete confidence that the company would deal with bullying or conflict effectively and the vast majority were confident that the firm would support them



with non-work-related problems. Staff were less positive in how fairly rewarded they felt for the work they do and in comparison with similar work in other organisations.

Fair work indicators	%		%
I feel fairly treated at work	100	People treat each other with respect	100
Strong emphasis on developing employees to deliver effective performance	90	I feel satisfied with my job here	90
Employees recommend this as a good place to work	85	Employees can disagree over work issues without fear of retribution	85
There is access to flexible working to support work-life balance	85	Progression opportunities exist at every level	80
There are high levels of trust between managers and employees	80	Jobs here are meaningful and provide a sense of purpose	75

Responses indicate a strong emphasis on training and development for employees at all levels of the business and training for current as well as future needs. Although there are less consistently strong views for training that is unrelated to day-to-day tasks, this might be expected due to the nature of the training relevant for those operating in client facing roles (e.g. progression and accreditation based training related to financial planning and advising). Despite this, the organisation’s approach to training, development and skills use is largely seen as inclusive for most or all employees.

The overall score on the people management dimension appears to be lower than it otherwise might have been due to responses indicating limited involvement in decision-making related to changes to pay and conditions, as well as reward systems that do not seem to reward creative behaviour. Staff were evenly split on whether employees had a strong collective voice in the organisation.

**Performance:** The emphasis on high quality service and client responsiveness feeds through to performance demands on staff, the majority of whom report going beyond their job requirements and the vast majority of whom report helping each other to solve work related problems. However, the firm’s emphasis on maintaining work-life balance appears to be effective given that 90% of staff report that performance expectations are reasonable, 85% believe that their work is appropriately challenging and only 10% report that all or most employees find their jobs stressful. Most employees that the firm’s productivity and performance had been enhanced through business innovation.

**Innovation enablers:** With regards to perceived financial resources, staff perceived that some strain in the financial resources available to try new things. This may have been expected due to the current circumstances of the business (the relocation to larger premises and changes to capital adequacy requirements). Staff were unanimous that the firm was good at generating new ideas though 70% of these were less confident in their ability to implement these ideas. As the table below indicates, however, staff reported that



the following practices, which research has established as supports for innovation, are application to most or all staff.

FinServ scored highly in a range of practices that are supportive of innovative practice, particularly in relation to job design, though on two issues – autonomy to make changes and whether or not staff engaged in learning wider than their current job – scores were lower, reflecting regulatory and protocol constraints on the former and the need for specialisation in relation to the latter. The firm draws heavily on customer requirements as a source of new ideas, to some extent on partner organisations but less so on employees, although the responses suggest that there is a willingness to support trial and error, to come up with ideas, and that employees do participate in innovation.

Practices supporting innovation	%	Employee participation in innovation	%
Organisational support for cross-functional working	65	People in our organisation are not afraid to try things that could fail	90
Managers have confidence in employees' capabilities	90	Employees promote new ideas to others	60
Opportunities for managers and employees to interact informally	80	Employee skills and talents are well utilised at work	80
Our organisations seeks out new ways to do things	70	Employees make changes to their work that benefit the organisation	75
Practices that encourage managers and employees to learn from each other	75	Managers support employees in putting ideas into practice	80
Our employees understand our products/services well enough to make suggestions for improvement	70	Changes to processes are made based on ideas from our employees	100
Our organisation develops employees' skills for the future as well as the present	85	Employees have enough time to reflect on work and propose solutions	60
We actively learn from trial and error	60	Employees see doing new things as an opportunity, not a burden	60

**Workplace innovation in practice:** FinServ's strategy of responsiveness to particular client requirements has led to the development of new bespoke products – an online tool to support cross-country employee benefits - that has the potential to expand business internationalisation.

**Fair work innovation in practice:** FinServ has developed the idea of employee suggestion schemes to enhance employee voice and to improve the innovation process. Staff participate in all team ideas workshops twice a year. These are themed and an online survey is conducted in advance of the workshop to garner feasible suggestions within specified parameters. The whole group then priorities these and the workshops focus on their feasibility and development. Staff decide collectively which ideas to progress, and these are then allocated resources and developed, and for individuals are connected to the reward and recognition process.

**Innovation challenges:** The responses are less strong, however, with regards to opportunities to lead on tasks (where staff were evenly split), access to information about what is happening across the organisation and opportunities to participate in decision-making where there are changes that affect work (new processes/technologies, terms and conditions, and performance management systems). In some aspects of decision making a significant minority raised some concerns over knowing how their job fits into the organisation (20%); knowing what goes on elsewhere in the organisation (32%) and understanding how decisions are made (45%). Opportunities for involvement in decision-making as well as access to information about how decisions are made may be limiting innovative potential.

The responses generated relatively low scores in relation to some 'external relationships'. This is likely to be based on the questions surrounding shared resources and collaboration with competitors. On the other hand, feedback from customers was reported by 70% of staff and in interviews with key stakeholders as an important source of new ideas.

**Reflections:** FinServ is pursuing a client responsive business strategy alongside a high quality employment/jobs strategy which appears to be generating positive business results. The business reflects seriously on both of these dimensions and work organisation, job design practices and aspects of employment practice support both business and employee outcomes. The case raises interesting challenges in relation to holistic employment policies: staff perceive higher direct reward in competitor companies, increasing susceptibility to poaching, yet report very positively on other aspects of fair work, especially in relation to workload and work-life balance. In addition, and notwithstanding regulatory constraints, the survey results suggest that there is some scope for greater involvement in decision making and for HR practice to better support innovation.

## 2.11 InsureCo

**Background:** InsureCo is a commercial insurance broker that employs a permanent workforce of approximately 30 people in Glasgow. The organisation has seen strong growth in its books in recent years and services a wide range of organisations in the public and private sectors.

**Business challenges:** InsureCo has experienced strong business growth, which has led to a number of challenges for the organisation, including ensuring that its professionals have manageable workloads while providing a high quality service to clients. A key priority for the organisation is to support the sharing of ideas and learning across teams, so that staff are able to break out of team ‘silos’ and work together around the organisation’s values of collaboration and excellent service.

**People priorities and fair work:** The FITwork survey was made available to all managers and employees, with 21 responses gathered. Indicators of fair work were generally positive. Approximately three-quarters of respondents agreed or strongly agreed that the organisation was a good place to work, and felt relationships with managers were defined by good levels of trust. Large majorities of respondents felt that for most or all employees were treated with respect that jobs were meaningful, and that employees were supported to deal with non-work-related problems. All respondents answered positively to questions about job satisfaction and feeling fairly treated. Almost two-thirds of survey respondents thought that most or all employees found work stressful, while more than one-third thought that most employees were overworked. While most respondents felt that the business took steps to provide a healthy working environment, these findings may suggest that further action is needed to promote work-life balance. Less than half of survey respondents felt that most or all employees had access to flexible working, which may reflect the workload impacts experienced by employees in responding to customer demands.

Fair work indicators	%		%
Help is available when employees have a non-work-related problem	94	I feel satisfied with my job here	100
Jobs here are meaningful and provide a sense of purpose	87	I feel fairly treated at work	100
People treat each other with respect	82	Employees recommend this as a good place to work	66
Progression opportunities exist at every level	82	There are high levels of trust between managers and employees	66
Employees are fairly rewarded for the work they do	77	Employees have a strong collective voice	71
There is access to flexible working to support work-life balance	41	Employees find their jobs stressful	65

**Performance:** Almost all employees believed that the organisation had introduced and innovated new services and ways of working during the preceding year (reflecting the organisation’s strong growth in recent years). Almost all respondents agreed or strongly agreed that employees’ ideas were a source of innovation in both processes and services. In terms of employees’ discretionary effort, seven in ten respondents thought that most or all colleagues helped each other to solve work-related problems.

**Innovation enablers:** Interviews with the leadership team highlighted the importance of supporting learning opportunities across the organisation’s core teams of: account executives servicing new and renewal business; claims handlers dealing with the day-to-day administration of claims; and small claims, accounts and other support staff. The organisation has invested in the recruitment of a social media and innovation officer in order to improve online presence and services. The increasing use of web-based tools is also seen as a route to ensuring that employees’ ideas are gathered and actioned more effectively.

Our survey data suggest that our sample of employees were positive about opportunities for collaboration across teams – almost all respondents thought that there were opportunities for most or all colleagues to share ideas across teams and engage with managers. Members of the leadership team spoke of specific efforts to ensure that staff found senior colleagues accessible, for example through monthly, one-to-one development meetings. Group problem-solving activities have been instituted to create opportunities for collaboration and to discourage ‘silo’ thinking.

<b>Practices supporting innovation</b>	<b>%</b>	<b>Employee participation in innovation</b>	<b>%</b>
Opportunities for managers and employees to interact informally	94	Changes to processes are made based on ideas from our employees	100
Job design encourages people to interact	76	Employee skills and talents are well utilised at work	82
Organisational support for cross-functional working	76	Employees voluntarily help colleagues solve work problems	70
Practices that encourage managers and employees to learn from each other	76	Managers support employees in putting ideas into practice	77
Employees have enough time to reflect on work and propose solutions	35	Employee make changes to their work that benefit the organisation	47

Most survey respondents felt that their jobs and the structure of the organisation provided opportunities to interact with colleagues and managers, but less than two-fifths thought that most or all colleagues could make changes to their own work that might benefit the organisation or had sufficient time to reflect on their work and propose solutions.

**Workplace innovation in practice:** InsureCo has sought to tap a range of opportunities to ensure that employees have opportunities for skills development (in terms of the technical, financial skills required by an insurance broker, but also supporting digital skills development to enhance the organisation's online offer). Personal development programmes and shared problem-solving exercises encourage collaboration. The organisation hopes to prioritise online learning and shared virtual spaces as a means of encouraging employees to share and action their ideas.

**Fair work innovation in practice:** Members of the leadership team spoke of actions to strengthen career development and to retain and develop talent. There has been substantial investment in online and accredited learning for staff – promoting a 'grow your own' philosophy is seen as essential to retain and developing future leaders.

**Innovation challenges:** Survey respondents in this organisation were very positive about the extent to which both their jobs and the workplace offered opportunities for collaboration, but work pressures in an expanding business may have limited opportunities for reflection and problem solving on the job.

**Reflections:** InsureCo has invested in the development of learning and personal development as a means to encourage collaboration and innovation among staff. Reflexive problem solving exercises and one-to-one mentoring have also encouraged learning across different levels of the organisation, and clearly the leadership team hope that virtual spaces will improve communication with employees and customers. Given the growing customer demand for InsureCo's services there are challenges in crafting the time and space for employees to innovate on the job. Redesigning jobs to create time and space to innovate can be particularly challenging in a highly regulated sector like insurance services. But the regulated nature of the sector may also offer a positive challenge for this organisation, to consider the redesign of aspects of work not covered by regulation, and so maximise opportunities for employee innovation.

## 2.12 MecEngCo

**Background:** MecEngCo is part of a German multi-national that covers a range of business areas, from skills accreditation and project management to product testing and nuclear technologies. MecEngCo specialises in mechanical and electrical engineering design consultancy for the construction sector. A member of the leadership team summed up the business thus: “We design the building services that make buildings work; we create environments that people want to work in”. MecEngCo delivers mechanical, electrical and public health design consultancy to major clients in the public and private sectors. Major projects include the ongoing St James Quarter redevelopment in Edinburgh and the recent Queen Elizabeth Hospital in Glasgow. MecEngCo employs a permanent workforce of approximately 150 people in Scotland.

**Business challenges:** Members of the leadership team identified long-term challenges associated with investment uncertainty, with the uncertainty caused by the Brexit process a recurring theme. The majority of our survey respondents agreed that at least some employees would be concerned about job security (despite nine out of ten respondents agreeing that the organisation prioritised stable employment). In terms of challenges at the organisational level, there remain issues associated with attracting strong candidates to the sector and presenting engineering/construction as a sector of choice. There also remain particular challenges in attracting women to the sector.

**People priorities and fair work:** The FITwork survey was made available to all managers and employees, with 50 responses gathered. Indicators of fair work were generally positive. More than three-quarters of respondents agreed or strongly agreed that the organisation was a good place to work, and felt that for most or all employees were treated with respect. The vast majority felt that jobs were meaningful and that employees were supported to deal with non-work-related problems. Levels of job satisfaction and perceptions of fairness were generally very positive. Just over thirty percent of survey respondents thought that most or all employees found work stressful, which may reflect the demands placed on employees in a busy work environment where working to tight deadlines is a common experience.

Fair work indicators	%		%
Help is available when employees have a non-work-related problem	86	I feel satisfied with my job here	100
Jobs here are meaningful and provide a sense of purpose	81	I feel fairly treated at work	90
People treat each other with respect	78	Employees recommend this as a good place to work	78
Progression opportunities exist at every level	69	There are high levels of trust between managers and employees	72
Employees are fairly rewarded for the work they do	66	Employees have a strong collective voice	38
There is access to flexible working to support work-life balance	49	Employees find their jobs stressful	31

Less than two-fifths of survey respondents felt that most or all employees had a strong collective voice in the organisation, which may reflect the clear lines of management accountability and project management that define working practices. Less than half employees felt that most or all colleagues had access to flexible working, which may reflect the ‘time and place’ demands of the construction sector.

**Performance:** Survey respondents held generally positive views of the organisation’s innovation performance – the vast majority believed that the organisation had introduced and innovated new services and ways of working during the preceding year (reflecting the diverse range of projects that MecEngCo delivers). Almost all respondents agreed or strongly agreed that employees’ ideas were a source of innovation in both processes and services. In terms of employees’ discretionary effort, more than two-thirds of respondents thought that most or all colleagues helped each other to solve work-related problems.

**Innovation enablers:** Survey data highlighted benefits associated with MecEngCo’s practice supporting collaboration across teams – most respondents thought that there were opportunities for most or all colleagues to share ideas across teams and engage with managers. Members of the leadership team spoke of specific efforts to support collaboration and ideas-sharing across the organisation’s specialist teams (namely mechanical engineering; electrical engineering; and sustainability specialists). Cross-functional, project-focused working has sought to create opportunities for collaboration across teams. Leadership development initiatives have sought to support provide opportunities for senior staff to share ideas, and to promote mentoring and development for the next generation of business leaders.

<b>Practices supporting innovation</b>	<b>%</b>	<b>Employee participation in innovation</b>	<b>%</b>
Job design encourages people to interact	80	Changes to processes are made based on ideas from our employees	78
Opportunities for managers and employees to interact informally	76	Employee skills and talents are well utilised at work	74
Organisational support for cross-functional working	76	Employees voluntarily help colleagues solve work problems	67
Practices that encourage managers and employees to learn from each other	71	Managers support employees in putting ideas into practice	46
Employees have enough time to reflect on work and propose solutions	30	Employee make changes to their work that benefit the organisation	38

**Workplace innovation in practice:** MecEngCo supports project-based collaboration across its specialist teams. Collaboration and innovation are also central themes of leadership development investments at all levels: senior engineers engage in an Outlook programme, in which they share ideas and good practice (helping to “break out of silos” according to one member of the leadership team); their associate directors are supported through a Next Generation development programme; and the organisation is piloting ‘Growth Mindset’ workshops as a route to promoting innovative behaviours at all levels. End of project learning sessions seek to capture reflections on ‘what worked’ (or didn’t) from all relevant stakeholders. The core business of the organisation involves problem-solving and collaboration in design, and MecEngCo has sought to further support opportunities to innovate.

It is notable that while the vast majority of survey respondents felt that jobs provided opportunities to interact with colleagues for most or all, far fewer agreed that employees had time to reflect on their work and solve problems. The manner in which work pressures might limit individuals’ opportunities to innovate was also reflected in mixed responses about the contribution of employees to innovation – while most survey respondents thought that changes had been based on employees’ ideas, less than two-fifths thought that most or all colleagues could make changes to their own work that might benefit the organisation.

As with some other Scottish Business Pledge companies, the demand for MecEngCo services may create challenges for employees to innovate ‘on the job’, despite substantial progress on actions to promote collaboration and innovation across the organisation.

**Fair work innovation in practice:** Members of the leadership team spoke of actions to strengthen and diversify recruitment and to retain and develop talent. Initiatives include investment in an online graduate development programme and support for graduate engineers to progress towards chartered status; and mentoring for associate directors to support their progression towards more senior posts. Other projects include a collaboration with schools to offer entry level positions for school leavers.

**Innovation challenges:** As noted above, a key challenge for MecEngCo has been the investment uncertainties caused by a range of external factors. In terms of the workplace focus of our research, senior managers identified continuing challenges around managing work demands to ensure work-life balance and creating spaces for innovation and learning (themes that were clearly reflected in our survey data).

**Reflections:** MecEngCo has identified a range of actions that can help employees to share ideas across teams and levels of the organisation. The leadership team’s emphasis on collaboration and clear learning pathways appears to have paid dividends: employees felt that both jobs and organisational structures supported collaboration. There appear to be useful lessons from MecEngCo in terms of thinking creatively about progression routes and bringing people together to share practice. There remain challenges in managing workload so that opportunities for reflection and innovation are also a defining element of employees’ experiences ‘on the job’.



## 2.13 PerformCo

**Background:** PerformCo is an art production and development charitable organisation, founded in 1994. The organisation started with two people working freelance on various projects, delivering their first international performances in 1995. It now employs 6 people on a 5.6 FTE basis. The team can expand to over 100 over the course of a financial year to deliver the performances. These include designers, PR staff, composers, technical staff, sound and visual engineers. The organisation also engages local community members, students and volunteers in delivering festivals. One of the core offerings of PerformCo is delivered through their Associate Programme, the organisation acts as a mentor, producer and promoter for a select number of Associates giving them time, resources and support to develop their artistic practice. The Associate programme, at present, provides 5 artists in residence and provides a stipend, artistic mentorship and business/promotion mentorship and an international platform of their sound/music-based art. The organisation works with venues, art houses, Events Scotland, event sponsors, and artists to deliver performances and support visual and sonic artists. PerformCo conducts a lot of its work internationally. Their main sources of funding are from grants, donations, sponsorship and through commissioned events and activities. PerformCo is Living Wage Accredited, Glasgow Living Wage accredited and are a Scottish Business Pledge employer. Our research involved a series of interviews with members of the leadership team and the collection of seven survey responses.

**People priorities and fair work:** PerformCo operates a small, core team with much of the labour provided through the residency programme, freelancer and contracted arrangement to delivery artistic productions, installations and festivals. How they manage their complex international supply chain and residency programme are central concerns. The organisation has an explicit commitment against the use any zero hours contracts, and benchmarks their contractual arrangements against national organisations in the Arts. They benchmark pay levels against Independent Theatre Council, often paying above the recommended minimum weekly wage rates. They also follow the recommendations from the Artist Unions. Managers in the business feel strongly about prompt payment of bills, and has long held the practice of paying invoices within 2-4 days of receipt. This has always been a high priority for the company, explaining that as former freelance artists themselves, they have experienced the impact of late payment on individuals' lives. Employee responses from the FITwork tool reflect a strong organisational approach to fair work. All respondents indicate personally feeling fairly or very fairly at work. Notably, all respondents agree or strongly agree that the organisation prioritises stable employment, which is largely reflected in the perceived experience of staff in that most respondents indicated that no or only some employees worry about job security. This may be an interesting finding given the funding cycles in the sector.

**Performance:** Views on the organisation's innovation performance were mixed, but broadly positive. Most respondents agreed that the organisation had introduced new processes in the preceding year. Most respondents also agreed that employees come up with ideas to solve problems facing the business and promote their ideas to others in the

organisation. However, two-fifths of survey respondents thought that none of their colleagues made changes to their work that benefited the organisation. It may be that there are clear processes and ways of working in place that facilitate workplace innovation, but that there remain aspects of job design that constrain people's opportunities to make changes in their day-to-day work.

**Innovation enablers:** To deliver on its strategic objective of increasing the number of Associates and productions, the management team have implemented measures to encourage greater feedback from staff at all levels, embed more information sharing and try to better use the skills and talents of its people. While the organisation has traditionally encouraged high levels of staff development, however the extent to which individuals can apply new ways of doing things has been a challenge. The organisation has implemented annual away days, and weekly team update and feedback sessions to work collaboratively through the problems and better manage tasks. They have also recently implemented a new appraisal process, shifting from annual reviews focused around job descriptions towards a development and career progression focus. There appears to be a consistent view that jobs are designed in ways that encourage people to interact, that the organisation encourages people to work together across the organisation and that there are high levels of informal interactions between managers and employees. Respondents indicate that employees know how their jobs fit into everyone else's in the organisation and that people understand the products/services of the business well enough to make suggestions for improvements.

**Innovation challenges:** Challenges facing the organisation related to their capacity to grow, support more artists in the Associate programme, and support their own staff. The strategic direction of the organisation is to create both the number of Associates, in turn, increasing the number of productions. However, the number of Associates that PerformCo are able to support is constrained by the available resources of the organisation. That said, limited the number of Associates to 5 carries higher risk and increases the demands on the Associates and the organisation to deliver. As a micro sized organisation, there are limited opportunities for staff progression. This is both a challenge and an opportunity for PerformCo.

**Reflections:** As in many small and creative organisations, creative oversight can be top down in nature. The artistic direction of the company comes from the Artistic Director working with the clients and is cascaded down to influence all areas of the business, and constrained by demands and circumstances – e.g. from the venues. As the team are highly skilled and experienced in creative industries, the organisation is looking for more feedback and involvement from its people. Traditionally, given the size and artistic nature of the organisation, there was recognition that it was often difficult for employees to have autonomy and control in various aspects of their jobs because of the close artistic and programme oversight. This is particularly challenging for staff in the back office roles, who bring specific insight and experience above what is required to do their work.

## 2.14 PromoCo

**Background:** PromoCo is a branded merchandise company that employs approximately 36 people in UK locations and is based in Edinburgh. It works with an extensive customer and supply chain base in the UK, EU and Asia. Employee roles range from account executives who engage and service clients, to colleagues in sales, marketing, finance, warehouse and finishing groups.

**Business challenges:** PromoCo has experienced strong business growth, which has led to a number of challenges for the organisation, including ensuring that its people have manageable workloads and reflecting on how best to recruit people who will fit well with its values. A key priority for the organisation is to support the sharing of ideas and innovation across teams, in order to identify new ways of connecting with and delivering for customers.

**People priorities and fair work:** The FITwork survey was made available to all managers and employees, with 19 responses gathered. Indicators of fair work were generally extremely positive. More than nine out of ten respondents agreed or strongly agreed that the organisation was a good place to work. Large majorities of respondents felt that for most or all employees were treated with respect, that jobs were meaningful, and that employees were supported to deal with non-work-related problems. All respondents answered positively to questions about job satisfaction and feeling fairly treated. Relatively few respondents thought that most or all employees found work stressful. Despite the absence of trade union recognition, four-fifths of respondents felt that employees had a strong collective voice (perhaps reflecting the size of the business and the efforts made to connect with employees, discussed below). Around nine out of ten respondents thought that relationships with managers were defined by good levels of trust; all of our respondents agreed or strongly agreed that managers trusted in the capabilities of employees. However, only one-third of survey respondents said that most or all employees had access to flexible working, which may reflect the workload impacts experienced by employees in responding to growing customer demands and (sometimes) working to tight deadlines. Members of the leadership team acknowledged the need to continue to work with employees to ensure that work-life balance was maintained.

Fair work indicators	%		%
People treat each other with respect	89	I feel satisfied with my job here	100
Jobs here are meaningful and provide a sense of purpose	84	I feel fairly treated at work	100
Help is available when employees have a non-work-related problem	84	Employees recommend this as a good place to work	95
Employees are fairly rewarded for the work they do	74	There are high levels of trust between managers and employees	89
Progression opportunities exist at every level	68	Employees have a strong collective voice	79
There is access to flexible working to support work-life balance	33	Employees find their jobs stressful	16

**Performance:** As noted above, PromoCo has performed strongly in recent years, and employees participating in our survey identified positive innovation outcomes during the preceding year. All respondents thought that the organisation had developed new products or services and innovated new ways of working during the preceding year. Almost all respondents agreed or strongly agreed that employees' ideas were a source of innovation in both processes and services. In terms of employees' discretionary effort, all respondents thought that most or all colleagues helped each other to solve work-related problems.

**Innovation enablers:** Interviews with the leadership team highlighted the importance of supporting collaboration opportunities across the organisation's core teams. Teleconferencing and web-based tools have been key to ensuring that employees have regular opportunities to share ideas and update each other on emerging issues. The development of specific cross-functional teams has also been important. Cross-functional and cross-site teams focus on strategic priorities such as: 'innovation'; 'supplier focus'; 'culture'; 'profit improvement'; and '90 day sprints' (i.e. rapid improvement innovations). Investment in teleconferencing has again been important in facilitating this work.

Our survey data suggest that our sample of employees were positive about opportunities for collaboration across teams – around four-fifths of respondents thought that there were opportunities for most or all colleagues to share ideas across teams and engage with managers. In some of our other Scottish Business Pledge companies, there has been a disconnect between processes that encourage collaboration across teams and levels of the organisation, and jobs that tend to be more siloed. That was not the case here – there was largely consensus that most or all employees' jobs encouraged interaction.

Practices supporting innovation	%	Employee participation in innovation	%
Practices that encourage managers and employees to learn from each other	84	Employees voluntarily help colleagues solve work problems	100
Job design encourages people to interact	84	Changes to processes are made based on ideas from our employees	95
Organisational support for cross-functional working	79	Employee skills and talents are well utilised at work	84
Opportunities for managers and employees to interact informally	72	Employee make changes to their work that benefit the organisation	84
Employees have enough time to reflect on work and propose solutions	47	Managers support employees in putting ideas into practice	74

Possibly the only area for concern in these survey data is that less than half of respondents thought that most or all colleagues had sufficient time to reflect on their work and propose solutions to problems (the numbers who thought that most or all colleagues had the autonomy to make changes during their day-to-day work were identical). Members of the leadership team acknowledged that the pace of work might throw up challenges for employees seeking to find time to reflect on their work, and identified a future priority as being to support people to create time and space to share ideas and collaborate 'on the job'.

**Workplace innovation in practice:** In terms of work organisation, the establishment of inter-department, cross-functional teams (and the resourcing of their work in terms of time and technology investment) has proved to be an important source of innovation for PromoCo.

*"We had a cracking innovation meeting this morning, went completely different to what I expected. All were focussed on creating specific brand proposals for clients to say to a customer, "Have you considered this? We've got some great ideas to show you, can we pop out and see you, we want to show you some things?" The idea being that even if they see a catalogue they won't grasp it. So we brand some things up in their brand, show them what it would look like visually, go and chat them through it and we have proved that we get business by that method."*

Members of the leadership team and employees welcomed these strategic, project-focused activities as providing time, space and a focus for the sharing of ideas across teams. Leadership team members argued that the collaborative structure provided by such activities had encouraged participation and gained the buy-in of many employees.

*"It's not part of their contract. It's something that I think we get by discretionary effort. I think people are pleased to be involved... I think sometimes people are more, they're more keen to say, "Yes, let's get on and do this," than they actually can achieve in executing before the next meeting to review it... I think people give of their best for it."*

***Fair work innovation in practice:*** PromoCo has sought to encourage employee involvement and innovation through a range of strategies starting with the recruitment process – there is an increasing focus on ‘recruiting the values’ and a conscious attempt to avoid using qualifications as a barrier to recruitment or progression. As discussed above, this is a relatively small organisation, in which managers have sought to make themselves visible and available to employees, which may have contributed to strong positive survey responses on both fair work and workplace innovation indicators.

***Innovation challenges:*** People working at PromoCo were generally very positive about the extent to which both their jobs and the workplace offered opportunities for innovation. A challenge for the organisation is to help employees to manage day-to-day work pressures in an expanding business, so that most or all employees are seen as having the opportunity to innovate and share ideas in their job roles.

***Reflections:*** Survey respondents at PromoCo reporting largely very positive experiences in terms of access to both fair work and opportunities to innovate. Workplace practice matters in explaining these responses. Substantial investment has been made in creating time and space and providing teleconferencing technologies to ensure that there are consistent opportunities for employees to share ideas. The organisation has also strongly supported the work of cross-functional teams, which appears to have paid dividends in positive experiences of collaboration across departments and locations.

## 2.15 PropertyCo

**Background:** PropertyCo is a 20 year old conveyancing business which provides a dedicated house purchase and sale conveyancing service throughout Scotland. The business employs 25 people, including five solicitors, 12 para-legal staff and support staff. The company is one of Scotland's largest dedicated conveyancing solicitors firms on a case volume basis, representing 1.5% of the total sales in the sector. It competes with its competitors in the legal sector on the basis of cost and efficiency, which it can achieve through effective work management, triaging cases and standardising consistent conveyancing processes to free up resources for areas that require specialist attention.

**Business challenges:** In late 2016, the company – as part of a 'future-proofing' exercise and to coincide with the 20th anniversary of the business – undertook two significant changes. Firstly, the company began the process of moving to paperless working. Secondly, and most significantly, the business moved to a team self-management framework, maintain the firms trading hours of 8 am to 6 pm Monday to Friday while reducing full-time employees working hours by roughly 400 hours per annum, while maintain full-time salary rates. This move involves annualised hours of employees working 25 hours per week, and an additional 100 hours over the year to cover for team member's holiday entitlement or illness. Training and development is to be within staff's own time, as agreed in the framework agreement, and rationalised by management to be fair giving the overall reduction in working time. There were multiple objectives to the changes. Firstly, a change in shift patterns had the potential to distribute workload and demands of work more efficiently throughout the working day. The changes were thought to reduce the need for management of staff time management and maintain the longer term viability of the business, increase the degree of challenge and responsibility for long tenured staff, enhance customer responsiveness and service, and crucially, to improve work-life balance for staff.

**People priorities and fair work:** The FITwork survey was issued to all staff and managers, collecting eight responses. Fair work indicators were broadly very positive. PropertyCo is an accredited Scottish Living Wage employer, and a signatory to the Scottish Business Pledge. The owner/Managing Director of the first articulated that these commitments were important for its staff and for its clients as a means of differentiating from low cost providers in other sectors which are able to reduce costs through the treatment and payment of its people. Business leaders also suggested that the organisation's cost competition strategy stemmed from a commitment to making home purchasing more accessible and affordable for people.

<b>Fair work indicators</b>	<b>%</b>		<b>%</b>
Help is available when employees have a non-work-related problem	100	I feel fairly treated at work	100
People treat each other with respect	86	I feel satisfied with my job here	100
Jobs here are meaningful and provide a sense of purpose	86	Employees have a strong collective voice	100
Employees are fairly rewarded for the work they do	86	There are high levels of trust between managers and employees	86
There is access to flexible working to support work-life balance	86	Employees find their jobs stressful	71
Progression opportunities exist at every level	57	Employees in this organisation worry about job security	0

In our online survey, all respondents expressed satisfaction with their jobs and that they were fairly treated. All respondents also felt that employees were supported to deal with non-work-related problems. The vast majority thought that most or all employees were treated with respect. One of the few concerns reported by respondents related to opportunities for progression – less than half thought that most or all colleagues at all levels had opportunities to progress (perhaps predictable in a small business defined by clear lines of professional demarcation).

**Performance:** Most survey respondents agreed or strongly agreed that PropertyCo had made major changes to processes and services or products over the past 12 months, and all thought that the organisation’s performance had been improved through innovation. In terms of discretionary effort and collaboration, all respondents thought that most or all employees could be relied upon to help solve problems at work.

**Innovation enablers:** Our survey highlighted generally positive views about employee-management collaboration for innovation. For example, all respondents thought that work was structured in a way that allowed informal engagement and shared learning with managers and cross-team learning. Findings were rather less positive when it came to job design and empowering employees to innovate in their day-to-day working lives.



Practices supporting innovation	%	Employee participation in innovation	%
Opportunities for managers and employees to interact informally	100	Employees voluntarily help colleagues solve work problems	100
Organisational support for cross-functional working	100	Managers support employees in putting ideas into practice	71
Practices that encourage managers and employees to learn from each other	88	Employees make changes to their work that benefit the organisation	57
Job design encourages people to interact	88	Employee skills and talents are well utilised at work	50
Employees have enough time to reflect on work and propose solutions	63	Employees have enough autonomy to change the way they do their work	50

**Workplace innovation in practice:** The organisation moved to a structure that involved employees being allocated into three solicitor-paralegal teams, a cash team and title registration team. Work is roughly equally distributed among the teams. Previously, the business had been organised into 4 teams of 4 people, and a marketing team. However, with these smaller, interdisciplinary teams, it was possible that not all employees working a shift would have specific file knowledge. Within the new teams, team members decide by consensus on the allocation of work and how tasks will be delivered. They are also responsible for identifying their own training and up-skilling needs, ensuring all team members have the right skills and competences, finding the solutions to problems and approaches for dealing with clients that will deliver good quality customer service. In addition, they are also responsible for determining their own annual leave schedules and its cover, and for covering team members' absences. Unlike most law firms, this company has long organised work so that people are involved in a single transaction. For the business owner, this collaborative working has four purposes. Firstly, that it offers a form of checks and balances, and secondly, it distributes the responsibility and accountability in the business. It also has the potential to upskill associate professional staff and free up professionals time. Lastly, it ensures that customers can always reach someone who is familiar with their particular case. Given the historic design of jobs in such a way, the move to autonomous teams was potentially less of a shock than might have otherwise been.

**Innovation challenges:** More than two-thirds of respondents agreed that most or all employees find their jobs stressful. Interviews with members of the leadership team focused on the pace of work and the demands made of employees in a growing business environment. Our survey results also found that only half of respondents thought that most or all colleagues' skills were fully utilised and that people had sufficient autonomy to make changes to their work. Thus, while the organisation has made progress in promoting fair work and collaboration, there remain challenges around organising jobs and work so that people have the time, space and support to innovate.

*Reflections:* Notwithstanding the small sample size in the FITwork survey, there are consistent positive views of the organisation's approach to promoting fair work. The responses suggest a consistent and strong effort on the part of the organisation to address issues of employment and job security. This appears to translate to a consistent perception of experiences of fair work on items related to security, reward and meaningfulness. The challenge for this organisation appears to be to move beyond the redesign of work structures to focus on the redesign of jobs in order to maximise skills utilisation and the innovative potential of employees.

## 2.16 SoftBankCo

**Background:** SoftBankCo is a consulting services company and cloud-based software solution provider operating across two sites in Scotland, with international officers in London, Amsterdam and Dubai. SoftBankCo was founded in 2006, to provide project management and consultancy services. More recently the business has evolved and it now also develops its own change management software, which it sells to clients primarily in the financial services sector. SoftBankCo has seen rapid growth, with annual turnover more than doubling from £4 million to £10 million in the last two years. SoftBankCo employs 44 permanent FTE employees, and more than one hundred SoftBankCo Associates (self-employed contractors who work on a project by project basis according to demand). SoftBankCo's staff are based in its two Scottish offices and work in either the professional services department delivering consultancy services to clients (often off-site), or in the technology department developing the organisation's own software. The remaining staff are in sales or administrative roles.

SoftBankCo is a Scottish Business Pledge employer. As the organisation was already meeting the majority of the SBP commitments, they saw becoming a Scottish Business Pledge signatory as an opportunity to highlight their good practice to both clients and present and future employees.

**Business challenges:** SoftBankCo seeks to differentiate itself by providing higher quality services and more innovative products than its competitors, and its software business offers the potential for high margins and the possibility of long-term sustainable growth. The sector is changing fast and competition for clients is high. The recruitment, retention, and development of staff with the right skills is therefore one of SoftBankCo's main priorities for the next three years. However, there is a skills shortage in the sector, and people with the required skills often prefer to take advantage of the tax breaks and the higher pay rates available to self-employed contractors, rather than join an organisation on a permanent contract. A further challenge companies like SoftBankCo is maintaining developing a sense of belonging to and maintaining the values of a particular company among employees who are often working remotely, and may be working on clients' sites.

**People priorities and fair work:** SoftBankCo has tried to position itself as an employer of choice and has made a number of large-scale changes to do this. It pays above the market rate and has built as much flexibility and choice into employee benefits as possible. For example employees may choose between enhanced pension contributions and a salary increase to pay towards a mortgage or opt-in private healthcare. As well as a competitive employee benefits package, SoftBankCo has tried to create a supportive culture and a sense of company identity, despite employees often working off-site: it has introduced an internal chat system to facilitate communication; the induction process has been redesigned to include six weeks of office time before an employee goes off-site; employees are strongly encouraged to use the office when they are between projects; and a quarterly staff away-day is used as an opportunity for staff to share key information. SoftBankCo operates a rather different model to many of its competitors: rather than operating as a recruitment firm or 'bodyshop' and charging clients based on the number

of people supplied and the length of time something takes, SoftBankCo charges per outcome for a particular project, and retains control over which of its staff participate in the project and how the project will be completed. This often means that rather than providing a single individual, SoftBankCo will provide a team of staff, ensuring support for staff and a greater element of control, even when they are working onsite with a client. There is evidence of feedback being sought in the form of surveys or questionnaires, but there does not seem to be a standard frequency for this, which may indicate that some initiatives are ad hoc.

<b>Fair work indicators</b>	<b>%</b>		<b>%</b>
Strong emphasis within the firm on developing employees to deliver effective performance	80	There are high levels of trust between managers and employees	71
Progression opportunities exist at every level	46	Employees recommend this as a good place to work	83
There is access to flexible working to support work-life balance	83	Employees can disagree over work issues without fear of retribution	73
Jobs here are meaningful and provide a sense of purpose	88	I feel satisfied with my job here	88
People treat each other with respect	88	I feel fairly treated at work	96

**Performance:** Fair work indicators were generally positive, with 96% of staff feeling they are fairly treated at work. The emphasis on employee development is recognised and the majority of workers report that performance expectations are reasonable. However, the data suggest there is scope for involving employees more in designing and implementing performance measures and targets. The majority of respondents report that the organisation tries to provide a healthy workplace, deal with bullying and support employees. There are indications that some employees are concerned with job security and also that were overworked. Responses also indicate that opportunities for progression are not open to everyone.

**Innovation enablers:** There is broad recognition that SoftBankCo has engaged in innovation activities and made changes to processes and services and products. It is accepted that financial resources are available to enable SoftBankCo to innovate, and that the company is good at generating ideas.

Practices supporting innovation	%	Employee participation in innovation	%
Opportunities for managers and employees to interact informally	88	Employee skills and talents are well utilised at work	80
Practices that encourage managers and employees to learn from each other	69	Changes to processes are made based on ideas from our employees	79
Organisational support for cross-functional working	65	Managers support employees in putting ideas into practice	54
Managers have confidence in employees' capabilities	86		

**Innovation challenges:** While there is strong recognition that innovation takes place in both products and processes, there seems to be scepticism that these innovations are beneficial, with less than 50% of respondents reporting that innovations have led to improvements in either performance or productivity. The data suggest that while SoftBankCo is good at generating ideas, it is not as strong at implementing them. The pay and reward system is also not seen as broadly supporting innovation. The figure for employees having sufficient knowledge of products and services to be able to innovate is surprisingly low given the context of the organisation.

**Reflections:** SoftBankCo operates in an area where it can be difficult to recruit employees with the required skills, and where it can be more attractive to be an independent contractor than to work for an organisation. It therefore tries to offer incentives to become an employee by offering salaries above the market rate and other financial incentives. It also tries to create a sense of identity with the company by ensuring that induction and other activities build a sense of identity among workers.

## 2.17 TechCo

**Background:** TechCo is a specialist supplier of mobility and assistance devices for disabled consumers, and supplies mostly to the NHS and Local Authorities (in the ratio of about 30/70). The company also supplies some third sector organisations – though this tends to fluctuate with funding – and to a few private customers. The company is bound by an industry voluntary code of conduct. TechCo is co-located with two other businesses owned and run by the same group of owner-managers, but only TechCo is considered here.

**Business challenges:** The shift in funding and responsibilities between the NHS and local authority care provision in recent years has at times led to a lack of clarity about who is funding equipment provided by TechCo. With thirty local authorities and sixteen health boards in Scotland, and with different ways of funding equipment that mean there is no single standard of provision in Scotland, users of equipment might cross boundaries. For example, equipment users may live in one local authority and attend school in another. TechCo has moved away from supply of standard equipment, on which margins were low, and developed a good network of contacts who work with architects and developers to identify opportunities for installing devices in, for examples, new schools, hospitals and care settings. Changes in legislation offer both challenges in terms of keeping up with what is required, and business opportunities (see later) for TechCo.

**People priorities and fair work:** TechCo is a Scottish Business Pledge company. As part of this pledge the company pays the Scottish Living Wage. The company tends not to use fixed term or zero hours contracts, except where the fixed term contracts have been part of a government scheme. At the end of the fixed term, where the person has been successful and it has been appropriate for the business the employee has been taken on by TechCo. The general ethos within the sector is for long-term contracts to retain skilled and knowledgeable staff, and this fits well with the TechCo ethos. In part it reflects the need for well-trained staff with appropriate customer-case skills to deal with the client base. The company rarely actively recruits: instead they are approached by individuals enquiring about potential vacancies. However, the collective voice is perceived as weak, and less than 20% of workers report employee involvement in the design and implementation of new pay or terms of employments.

Fair work indicators	%		%
Strong emphasis within the firm on developing employees to deliver effective performance	63	There are high levels of trust between managers and employees	62
Progression opportunities exist at every level	25	Employees recommend this as a good place to work	67
There is access to flexible working to support work-life balance	47	Employees have a strong collective voice	33
Jobs here are meaningful and provide a sense of purpose	50	I feel satisfied with my job here	10 0
People treat each other with respect	83	I feel fairly treated at work	95

**Performance:** Office-based workers were less likely than installation workers to note that employees go above and beyond what is required of them in their jobs, and, probably unsurprisingly given the nature of their work, installation workers are more likely to have colleagues help them to solve problems. The majority of workers felt that performance management emphasised employee development, but there was a discernible difference between the installers, where 90% of respondents agreed, and office workers, where just under 40% agreed. There is limited evidence that employees are routinely engaged in the design and implementation of new performance measures and management processes, but existing systems are viewed as emphasising employee development.

**Innovation enablers:** Innovation is recognised to have resulted in improvements in both productivity and performance in TechCo, and the majority of employees see themselves as a source of process innovations. The legislative environment presents both challenges and opportunities to TechCo. In terms of enablers, TechCo has identified a niche as a specialist provider of hoists and similar lifting equipment to projects where developments need to take into account the need to provide access for a range of users with differing access requirements. The organisation has been able to serve both as consultant and provider of appropriate equipment. Managers are seen to be supportive of employee innovation and to have confidence in their capabilities.

Practices supporting innovation	%	Employee participation in innovation	%
Opportunities for managers and employees to interact informally	66	Employee skills and talents are well utilised at work	65
Practices that encourage managers and employees to learn from each other	55	Changes to processes are made based on ideas from our employees	63
Organisational support for cross-functional working	50	Managers support employees in putting ideas into practice	73
Managers have confidence in employees' capabilities	100	Our employees understand our products/services well enough to make suggestions for improvement	65
Our organisation develops employees' skills for the future as well as the present	68		

**Innovation challenges:** While it is widely recognised that the company introduces new products and processes, the degree of recognition varies, with office-based workers less likely to have noticed innovations than installers. Furthermore, only half of respondents agreed that there are practices in place to enable managers and employees to learn from one another, and the same proportion noting support for cross-functional working. There may be scope for considering training that will help to develop skills that will be needed by TechCo in the future. The pay and reward systems are not seen to reward innovation and creativity. While employees see themselves as the source of process innovations in particular, there is limited evidence that the majority of employees are active in solving problems and promoting solutions to other workers. The pay and reward system is not perceived as consistently reward creativity and entrepreneurial activity among workers.

*Reflection:* TechCo is a Scottish Business Pledge Company and scores highly on job satisfaction and workers' perceptions that they are fairly treated at work. Perhaps surprisingly there is little evidence of a strong collective voice, and there are weak, if any, links between the payment and reward system and innovative activity. In general, human resource systems do not seem to be strongly formalised (which may not be a bad thing, but may be leading to systems that fail to provide strong recognition for those who identify and pursue successful innovation opportunities.



## 2.18 TrainCo

**Background:** TrainCo is a training and consultancy organisation delivering professional learning and advice in Scotland and England. It employs approximately 20 people. The organisation specialises in delivering accredited project management and other business management training and consultancy services.

**Sector challenges:** TrainCo has prioritised expanding and diversifying its offer to engage with businesses in a range of sectors, from aerospace to food and drink. The organisation also maintains a strong presence in energy and related sectors, which remains an important source of business (but where trading conditions have been difficult since 2014). In terms of people management, leadership team members identified retaining talent and developing people (including for leadership succession) as key priorities for the organisation.

**People priorities and fair work:** The FITwork survey was made available to all managers and employees, with 19 responses gathered. Indicators of fair work were mixed, but broadly positive. Around two-thirds of respondents agreed or strongly agreed that the organisation was a good place to work, and that jobs were meaningful for all or most employees. The findings were much more positive in relation to the consensus that most or all employees were treated with respect. The vast majority also felt that employees were supported to deal with non-work-related problems. Levels of job satisfaction and perceptions of fairness were generally very positive. Less than two-fifths of survey respondents thought that most or all employees found work stressful, and only one respondent thought that most colleagues were overworked. Members of the leadership team reported progress on promoting collaborative working, but also saw this as a key priority going forward – there was a perceived need to support learning and development ‘facilitators’ (who deliver learning products to customers) to feed in ideas and collaborate with sales and marketing colleagues. This is clearly challenging given that facilitators spend much of their time (during busy periods) in dispersed locations delivering learning content.

Fair work indicators	%		%
Help is available when employees have a non-work-related problem	94	I feel satisfied with my job here	94
People treat each other with respect	82	I feel fairly treated at work	87
Jobs here are meaningful and provide a sense of purpose	65	There are high levels of trust between managers and employees	69
Employees are fairly rewarded for the work they do	47	Employees recommend this as a good place to work	67
There is access to flexible working to support work-life balance	30	Employees have a strong collective voice	37
Progression opportunities exist at every level	23	Employees find their jobs stressful	19

Less than two-fifths of survey respondents felt that most or all employees had a strong collective voice in the organisation, which may reflect the context of a non-unionised, small business workplace. Relatively few employees felt that most or all colleagues had access to flexible working, which may reflect the ‘time and place’ demands of delivering learning and consultancy projects in specific locations and timeframes.

Two-thirds agreed that there were strong relationships of trust between most or all employees and managers (and nine in ten respondents agreed that managers have confidence in employees’ capabilities). These findings may reflect the manner in which there is considerable delegation to employees who are required to act autonomously in delivering services (perhaps typical of a small business operating across multiple geographies).

**Performance:** Survey respondents held generally positive views of the organisation’s innovation performance – four-fifths of respondents believed that the organisation had introduced and innovated new services and ways of working during the preceding year (reflecting the organisation’s work to develop a more diverse range of products and services). 80% of respondents agreed or strongly agreed that employees’ ideas were a source of innovation in the business’s services (almost three-quarters agreed that employees’ ideas informed innovation in processes). In terms of employees’ discretionary effort, rather fewer respondents (around three-fifths) thought that most or all colleagues helped each other to solve work-related problems – perhaps a reflection of the dispersed nature of the learning and development and sales and marketing teams that make up the key employee groupings within the business.

**Innovation enablers:** Survey data highlighted generally positive views about employee-management collaboration for innovation. For example, most respondents thought that work was structured in a way that allowed informal engagement and shared learning with managers. Interestingly, the findings for practices around employee-to-employee collaboration, while mainly positive, were less strong. The leadership team described continuing efforts to promote joint-learning across teams, but also the inherent challenges of connecting sales and marketing teams with learning and development professionals who spent much of their time ‘out in the field’. These challenges are perhaps reflected in the finding that only a minority of survey respondents agreed that jobs provided opportunities to interact with colleagues for most or all employees.

Practices supporting innovation	%	Employee participation in innovation	%
Opportunities for managers and employees to interact informally	72	The organisation makes changes to products and services based on employees' ideas	80
Practices that encourage managers and employees to learn from each other	61	Employee skills and talents are well utilised at work	62
Employees have enough time to reflect on work and propose solutions	53	Employees voluntarily help colleagues solve work problems	61
Organisational support for cross-functional working	50	Employee make changes to their work that benefit the organisation	53
Job design encourages people to interact	44	Managers support employees in putting ideas into practice	44

**Workplace innovation in practice:** TrainCo's leadership team explained how substantial work has been undertaken to develop blended and online learning products, and to diversify its products and services. These priorities have informed emerging people management strategies, such as: a shift away from the annual performance appraisal towards more regular, personal development-focused one-to-ones; and support for an operational management group (who are seen as succession leaders for the business going forward) to analyse strategic problems. Video conferencing has been deployed to increase the regularity of team discussions, although members of the leadership team spoke of the need to ensure that there remained opportunities for colleagues to exchange ideas face-to-face.

**Innovation challenges:** As noted above, a key challenge for TrainCo is to continue to diversify its offer to range of clients and sectors, both in terms of bespoke content and blended learning formats. This will require active collaboration across teams, and the strengthening of practices to help tap the ideas and creativity of learning facilitators. The leadership team are committed to providing such opportunities, but also acknowledge the challenges around harvesting the insights of learning professionals who often work to tight deadlines when delivering learning in the field, and the barriers to collaboration faced by businesses that have a dispersed and peripatetic workforce.

**Reflections:** TrainCo demonstrates some features familiar to small businesses delivering services by and to professional groups. Employees generally saw the workplace as fair and managers as accessible. Indeed, there was perhaps a sense of 'enhanced autonomy', with managers trusting their people to 'get the job done'. The organisation's commitment to fair work was generally seen in strongly positive terms by employees. The key challenge is familiar from our reporting of other (especially smaller) Scottish Business Pledge companies – how can we design jobs (and crucially manage workload) so that there is more opportunity and incentive for employees to innovate? In this case, there is a particular challenge of bringing people together to share ideas and learning, while retaining a business model that depends on dispersed, time and place-specific service delivery.

## 2.19 WasteCo

**Background:** Founded in 2000/03, WasteCo is a family owned and managed company operating from one location in Central Scotland as a waste management solutions provider. A small, privately owned, UK firm, over the last three years, its turnover, profitability and staff numbers have increased. WasteCo employs 14 staff, half of whom are manual workers/operatives and 15% are administrative and secretarial workers. The firm operates in the water supply, sewage, waste management and remediation sector and is account managed by Scottish Enterprise.

**Business challenges:** Operating in a competitive sector with multiple Scottish and UK competitors, WasteCo's business strategy focuses on deliver high quality services responsive to customer needs and on developing the range of services offered by the businesses to a wider range of companies and sectors. Their focus is on providing solutions, not selling services, and deploying staff to identify problems and develop appropriate solutions in context by applying an engineering mindset to a diverse range of client situations. While a small company at present, WasteCo are pursuing growth nationally and internationally, using a strategy of identifying, influencing and working with key potential clients and partners.

**People priorities and fair work:** WasteCo is a Scottish Business Pledge employer, having signed up for the pledge because the company was already meeting the various SBP commitments. The business is also IIP accredited and has recently increased its efforts to engage young workers. Its key people priorities focus on motivating, training, developing and retaining their existing workforce and succession planning for the future. Some diversity issues are also a challenge, given that all direct operator staff are male. While some staff are located at the company's premises, direct operational staff can work anywhere in UK for short periods of time.

The FITwork survey was made available to all staff, eliciting a response rate of more than 90%. WasteCo generated strong responses on some important HR practices and in linking these to an innovation objective. Performance reviews are carried out twice per year interspersed with a more informal quarterly update. The firm has recently developed new pay scales and staff report active involvement in this process. WasteCo attained some of the highest scores across the sample for using HR practice to support innovation, with 75% reporting performance management as a driver of new solutions for most/all employees; 75% seeing training as oriented towards new ideas; 67% suggesting that pay and reward systems supporting creativity and 65% reporting that recruitment and selection is used to hire people comfortable with change.

Fair work indicators	%		%
I feel fairly treated at work	100	I feel satisfied with my job here	100
Strong emphasis within the firm on developing employees to deliver effective performance	92	Progression opportunities exist at every level	75
The organisation prioritises providing stable employment	100	The organisation prioritises providing employees with predictable incomes	92
The organisation deals with conflict fairly and objectively	100	Bullying would be dealt with quickly and effectively	100
The organisation takes practical steps to provide a healthy workplace	100	Any barriers to job access or progression faced by specific groups are identified and addressed	100
People treat each other with respect	32	Employees can disagree over work issues without fear of retribution	33
There is access to flexible working to support work-life balance	25		

Responses suggest that, in the main, WasteCo prioritises equal opportunity for employees, fairness and well-being. Staff reported overwhelmingly that the business provides secure work, opportunity and processes to support fair treatment, though a small minority (17%) voiced some concern over informal practices that might disadvantage some employees. Most employees reported that work struck the right balance in terms of being sufficiently but not too challenging, few reported their jobs as stressful and no real concerns were raised over pace of work or workload.

Responses were less positive in other areas. Only half reported that jobs are meaningful for all/most staff and that relations between managers and workers were high trust. A substantial minority (45%) reported the company as a good place to work, while a similar proportion (42%) felt they had a strong collective voice. Responses on respectful treatment and on ability to voice disagreement without retribution were least positively answered and flexible working was very limited. A minority of staff were positive about relative reward, though most reported involvement in discussions around changes in pay and conditions and a majority reported negotiation over pay and conditions.

**Performance:** Focussing on high quality services and responsiveness requires staff, particularly direct operational staff, to deliver high performance. A majority (83%) engaged with other employees to solve work-related problems while (58%) of staff reported working beyond requirements. Most staff considered performance expectations to be reasonable and all perceived that innovation had improved productivity and performance. Perhaps stemming from their commitment to an engineering mindset, staff at WasteCo delivered one of the highest endorsements across the sample of the use of data to identify areas of potential improvement (92%) and evaluate outcomes of change (67%). Employees also appear to have considerable involvement in shaping performance management approaches and expectations.

**Innovation enablers:** WasteCo engages in lean production and continuous improvement and all staff reported the implementation of new processes over the last 3 years, with 83%

reporting new products and services, and most seeing these changes as major. A majority of employees also felt that the company had financial resources available to try new things, and was ahead of its competitors in bringing in new products and services. Over 90% believed that the company was good at developing new ideas, but around one third thought they were less successful at implementation.

WasteCo's structure and work practices are consistent with many of those that are known to support innovation. As a small organisation, formal and informal interaction is strong and communication across employee groups seems smooth. Staff report co-operating and collaborating across departments. Employees know how their job fits into the organisation and around half appear to have the time, scope and inclination to find new ways of working and make improvements. Responses strongly suggested that ideas came from across the organisation rather than being limited to some employees or departments and opportunities to lead on tasks were reported by 58% of staff as reasonably widely distributed.

<b>Practices supporting innovation</b>	<b>%</b>	<b>Employee participation in innovation</b>	<b>%</b>
Managers have confidence in employees' capabilities	100	Changes to processes are made based on ideas from our employees	92
Opportunities for managers and employees to interact informally	92	Employee skills and talents are well utilised at work	83
Job design encourages people to interact	92	Changes to products/services are made based on ideas from our employees	83
Practices that encourage managers and employees to learn from each other	83	Our employees understand our products/services well enough to make suggestions for improvement	67
Organisational support for cross-functional working	83	Employees come up with new ideas to solve problems	67
Our organisation seeks out new ways to do things	75	Employees see doing new things as an opportunity, not a burden	67

These responses also point strongly to how feedback from customers and partner organisations is a significant source of new learning, although there is little cross learning from competitor organisations. All staff believed that external connections were useful for all/most staff and management reported the usefulness of SBP networks and SE account management in bringing new ideas to the business.

**Workplace innovation in practice:** WasteCo use a number of practices specifically to support innovation or the practices that support innovation. The most notable of these – the new payment system – explicitly values responsiveness and new ideas beyond technical competence, signalling that the highest pay scales reflect the need for innovation in the business. Similarly, all employees at every level have formal and informal performance reviews four times a year to drive and share good practice and improve employee relations. Another minor but potentially useful example is that in order to improve employee engagement with business communications, the company has a contest involving the placing of a ‘turtle’ somewhere in paperwork to encourage staff to read these communications.

**Fair work innovation in practice:** WasteCo have developed approaches to rewards that reflect the climate of the business. Rather than use a bonus system that might impact on quality and innovative solutions, the company instituted a ‘perk box’ through which staff can access around £100 of benefits per year by choosing from a suite of rewards. The system can also be used to offer non-monetary rewards to fellow employees by allocating them ‘badges’ through the perk box.

**Innovation challenges:** While managers seem to have confidence in employees' capabilities, only half of staff reported management support in putting their ideas into practice and more were not confident in trying things that might fail. However, staff appear comfortable with trying out new things and recognise the importance of trial and error. Most employees are able to offer new ideas, promote these to others and to make changes directly that lead to improvements. However, 1 in 2 employees report that their training is no wider than their current job which may limit their ability to support innovation and change. Only around half see themselves as having some involvement in the design and implementation of any technological change, and fewer in negotiation over any such change. These indicators suggest that there is a significant group of staff whose input might lead business improvements.

**Reflections:** As a small business with considerable aspiration to grow, WasteCo has focussed heavily on how responsiveness and innovation might be best embedded in the business. There are challenges in this given the nature of their work and work processes and while there are strong elements of fair work, there is some indication that at least for some employees, perceptions of fair practices are limited. Yet there is a strong consensus around how work and HR practice is carried out that appears supportive of innovation and change, and senior management are clearly reflective around the potential of innovation and good quality work to enhance their business performance and growth.



## 2.20 WellCo

**Background:** WellCo is an Edinburgh-based health and wellness company. The company currently operates two studios, the first of which opened in August 2015 and the second which opened early 2017. Its third studio is slated to open in the summer of 2017. The company employs 12 full-time employees and 2 part-time employees. The company differs from much of its competition in that the sector largely operates through contracted self-employed teachers. Full-time employees work 40 hours a week over 5 days. All employees are fitness instructors, each with their own area of knowledge and fitness specialism. Full-time employees teach between 12 and 16 classes per week. Over the course of a day, employees undertake the set-up for classes, staff the reception area (answering questions of current and prospective customers), and ensure the studio is clear. Beyond studio work, each employee has an additional area of organisational responsibility or business development that they are asked to explore and advance in the organisation.

**Business challenges:** The wellbeing and leisure market in this area is rapidly developing, with a key challenge for the business to differentiate itself for its clients. To differentiate itself, the organisation has looked to secure and support high quality teaching to deliver a high quality service. Providing a higher quality service than their competitors was recognised by most employees who completed the FITwork survey as how the business competes. The recruitment of staff with the right mix of skills remains challenging, and turnover in the sector is high.

**People priorities and fair work:** The FITwork survey was issued to all staff and managers, collecting eight responses. WellCo needs to recruit, retain and engage highly skilled staff. To do so, the organisation has sought to implement a range of fair work strategies, including ensuring that employees have fixed hours, opportunities to feed into organisational decision-making and access to training and development. These strategies appear to have produced some positive attitudes in terms of fair work – all of our survey respondents thought that employees were treated with respect and that help would be available to address non-work-related problems. Workers unanimously reported feeling fairly treated at work. The vast majority agreed that relationships with managers were characterised by high levels of trust, and that managers believed in employees' capabilities.



Fair work indicators	%		%
People treat each other with respect	100	I feel fairly treated at work	100
Help is available when employees have a non-work-related problem	100	I feel satisfied with my job here	88
Progression opportunities exist at every level	75	Employees have a strong collective voice	50
Jobs here are meaningful and provide a sense of purpose	75	There are high levels of trust between managers and employees	63
Employees are fairly rewarded for the work they do	63	Employees find their jobs stressful	63
There is access to flexible working to support work-life balance	25	Employees in this organisation worry about job security	25

However, only one-quarter of respondents agreed that access to flexible working was available to support work-life balance; and the majority thought that most or all colleagues found work stressful. These findings may reflect the nature of the wellbeing sector and an organisation that relies on employees to expend much energy on ‘face time’ with customers, and where the time and place-specific nature of work limits flexibility. Members of the leadership team acknowledged in interviews that while providing good quality jobs, through regularised schedules, there is challenge for WellCo to align good quality working lives with the operational hours of the business, the customers’ expectations for the class schedules (which classes are offered at which times of the day) and the expertise of each member of staff.

**Performance:** All survey respondents agreed or strongly agreed that WellCo had made major changes to processes and services or products over the past 12 months, and thought that the organisation’s performance had been improved through innovation. In terms of discretionary effort and collaboration, all respondents thought that most or all employees could be relied upon to help solve problems at work. These are unsurprising findings for a relatively new and rapidly growing start-up that has sought out innovative models of work and service delivery.

**Innovation enablers:** Survey responses reflected the positive steps that WellCo has taken to encourage manager-employee interaction and teamworking. However, only half of survey respondents felt that WellCo employees had sufficient autonomy to change the way that they do their work, and enough time to reflect on their work and propose solutions to problems. The demand for WellCo’s services may mean that employees still have limited scope to take control of their day-to-day work, despite the organisation’s efforts to promote learning and collaboration.

<b>Practices supporting innovation</b>	<b>%</b>	<b>Employee participation in innovation</b>	<b>%</b>
Opportunities for managers and employees to interact informally	100	Employees voluntarily help colleagues solve work problems	100
Practices that encourage managers and employees to learn from each other	90	Employee make changes to their work that benefit the organisation	75
Organisational support for cross-functional working	90	Employee skills and talents are well utilised at work	67
Job design encourages people to interact	70	Managers support employees in putting ideas into practice	63
Employees have enough time to reflect on work and propose solutions	50	Employees have enough autonomy to change the way they do their work	50

**Workplace innovation in practice:** WellCo has sought to design jobs so that employees have opportunities to rotate across a range of work tasks. In addition to their wellbeing/studio work, each employee leads on another area of business development. These leadership activities have been designed to draw on the skills and interests of the individual employee, for example while one employee is responsible for social media/marketing and graphics, others are responsible for developing a service for businesses, a service for professional athletes, a service for schools and specialising in teacher training. Our survey findings on opportunities to share learning and the capacity of employees to drive change appear to suggest that these practices have paid dividends.

**Fair work innovation in practice:** WellCo's business model draws explicitly on the fair work framework. The organisation is most unusual in the sector in providing staff with a guaranteed hours contract. The organisation prioritises stability in pay, hours of work and contractual status. As a Scottish Business Pledge employer, it pays above the Scottish Living Wage (with scope for increased pay through additional activities such as private workshops). The organisation tries to mitigate against high turnover through travel sabbaticals, high levels of training support, individual training budgets, high salary levels and by building a collegial environment.

**Innovation challenges:** WellCo is a relatively 'flat' organisation, and members of the leadership team acknowledged the need to provide development opportunities to ensure that key staff members could be retained. Recruiting and retaining excellent talent also remains an ongoing challenge for the organisation. As noted above, there are also challenges associated with job design, and a need to create time and space for employees to reflect on their practice and innovate in their day-to-day work.

**Reflections:** WellCo has sought to establish workplace practices in line with the fair work framework's priorities – business leaders have invested in learning, created opportunities for cross-functional working and collaboration, and (unusually for the sector) sought to provide employment security. These strategies have paid dividends among a staff who were positive about opportunities to share problem-solving and learning with colleagues

and managers. Many indicators of fair work were also broadly positive. But there remain challenges associated with the structure of work in a successful business in this sector – the demands of time and place specific customer service roles mean that WellCo cannot always deliver the flexibility and time for collaboration and reflection that might be valued by its people.

## 2.21 CircCo

**Background:** CircCo is an early stage business operating in a remote centre in the Highland and Islands area of Scotland. As a technologically driven business, CircCo aims to develop and provide affordable technological equipment within an emerging, specialist energy sector. The business consists of four full time employees on open ended contracts, including the owner, of which four have advanced STEM qualifications to a Masters or PhD level. They develop and patent their own patented technologies and products. Their work and the business are supported by a 0.7 FTE administrator who is also on an open-ended employment contract. CircCo work collaborative as an industry partner on a range of projects with public sector, higher education and industry partners to develop and deploy bespoke solutions for renewable energy.

**Business challenges:** The business is looking to better utilise natural and renewable sources of energy to support remote, rural areas, respond to challenges of fuel poverty, as well as respond to challenges of expensive alternative energy generation. As an emergent sector, CircCo works in a collaborative and competitive environment with other organisations and consortium competing for public R&D funds.

CircCo also expressed a range of concerns following the UK referendum to leave the European Union (Brexit), recognising that a significant proportion of their high skilled staff were European citizens. Brexit has a double-edged impact on the business in its potential to restrict and limit access to funds and grant-based projects if the UK decides to leave the science funding partnerships.

**People priorities and fair work:** The business stems from an academic, business and personal interest on the part of the owner. The owner's deep commitment to support rural economies and creating high skill work are important drivers for how the business recruits, attracts and retains its staff. In spite of the small size of the organisation, most employees reported in the FITwork survey that they have opportunities for progression, feel secure and respected in the workplace. Like many small and micro-sized businesses, employees report limited involvement in decision-making related to changes to pay and conditions, rewards systems and related to performance management processes. CircCo is a Scottish Business Pledge employer. In addition, they work closely with higher education institutions to support advanced research students to conduct research with their business.

**Innovation enablers:** As a small business, employees reported in interviews that they had diverse opportunities to work closely with project partners. As a central part of employees' role, employees have a strong willingness to engage in trial and error, to come up with ideas and to participate in the process of innovation. The data suggests that employees feel involved in decision-making related to products, services and processes and are given opportunity to lead on tasks. The majority of respondents feel like there is strong a collective voice in the business. There is also clear indication that employees have an understanding of what is going on in other areas of the business and of why and how decisions are made.

*Innovation challenges:* The technological side of the business works closely together and with suppliers in a process of rapid prototyping and testing of technological solutions to energy problems. While the business has as a core objective to remain in its remote area, its isolation slows the pace of procuring parts for prototyping and product development. This was identified by staff in interviews as a challenge related to their work.

CircCo's employees tend to have high levels of skill specialisation and work collaboratively to bring together diverse expertise in product and service development. Not unlike many small specialist organisation, this can present challenges of coordination between highly skilled workers and those in business and administrative functions. While CircCo has recently worked with employees to enhance collaboration across all functions in the business, this is an area for continuous improvement.

*Reflections:* As a small firm in a remote location, business faces challenges in terms of its remote location, serving other remote areas. The business brings highly skilled individuals and their skills to live and work in these communities, and has a strong ethos surrounding their geographic place in Scotland. The current socio-political climate brought by Brexit is a cause of concern both in terms of the potential impact on their European employees and in terms of partnership workers and funding opportunities in R&D and innovative renewable energy technologies from the EU.

## **2.22 Reflections on research with Scottish Business Pledge (SBP) organisations: embedding fair work; constructive fair jobs**

Despite the heterogeneity of our SBP sample, a number of recurring themes emerged from our research with these organisations. First, many employees offered consistent, positive feedback about experiences in the workplace. Importantly, there was a clear relationship between people's experiences of fairness in the workplace and the kinds of practices and ways of working that we would usually associate with fair work. A large majority of people working in most SBP organisations (more than four-fifths of all respondents) thought that most or all colleagues treated each other with respect. Almost all SBP respondents felt that they personally were treated fairly at work. There was a relationship between the sorts of workplace practices adopted and how people experienced fair work. So, similarly high proportions of survey respondents agreed that their organisation dealt with conflict fairly and had processes for addressing barriers to progression faced by different employee groups. There were relationships between a range of other employee experiences around fair work (for example, perceptions of whether people were rewarded fairly; and views of colleagues' sense of job security) and perceptions of the organisation's working practices in these areas. In our focus groups and interviews with employees and managers, we were able to tease out specific examples of good workplace practice. In summary, many SBP organisations in our sample had adopted specific strategies to promote fairness and respect in the workplace. People engaging with our research were aware of these strategies and also provided generally positive feedback regarding their experiences of related aspects of fair work. The lesson here would appear to be the workplace practice matters. It is important that organisations' commitments to fair work are not mere 'empty shells', but rather are backed by practices and processes that are visible to employees.

Our research also asked SBP employees and business leaders to reflect on opportunities for employee voice and shared decision-making. But here findings were more mixed – the majority reported positive experiences, but a significant minority thought that, for example, opportunities for collective voice or to demonstrate leadership were open to only some employees.

In terms of practices associated with, and the experience of contributing to, workplace innovation, we again have mixed findings to report. The message from SBP employees was again largely positive when asked to reflect on whether organisational structures provided opportunities for collaboration and innovation. More than two-thirds of employees across all SBP organisations thought that their workplaces were defined by practices that encouraged cross-functional working and shared learning among managers and employees. These workplaces also appear to be characterised by high levels of trust and confidence in relationships between managers and employees – nine out of ten of those responding to our survey agreed that managers had confidence in employees' capabilities. But far fewer employees were positive about job design – less than half across all organisations thought that most or all of their colleagues had sufficient time to reflect on their work or enough autonomy to alter their way of working. There was a

significant relationship between how people responded to these statements about job design and their reflections on key 'employee innovation' outcomes – again, less than half of respondents across all SBP organisations thought that most or all of their colleagues came up with new ideas to solve business problems, or made changes to their work of benefit to the organisation.

Accordingly, our conclusions below draw a distinction between some of the formal strategies and structural changes adopted by many business leaders to foster collaboration across the organisation, and the more challenging issue of redesigning jobs to empower employees to innovate on the job. However, one area where day-to-day practice was viewed more positively than formal workplace strategy was in aspects of people management. For example, SBP employees were generally positive about opportunities for skills utilisation on the job (two-thirds of people across all SBP organisations thought that most or all colleagues' skills were effectively deployed), whereas views were much more negative about the extent to which formal workplace learning or performance management supported people to come up with new ideas. We acknowledge that these are challenging issues for employers. It is reasonable to suggest (as business leaders sometimes did during our engagement with them) that the primary focus of learning and training should be the delivery of job-specific skills, and that performance appraisals are set up to identify progress towards current organisational targets, rather than to stimulate innovative behaviours. Nevertheless, these people management practices are important spaces where managers and employees across different parts of organisations connect, and their content communicates 'what matters' to the organisation. There may be scope to engage with business leaders and the broader HR community to open a debate about the need to embed fostering innovation as a core priority for people management practice.

How can we sum up reflections from our engagement with Scottish Business Pledge organisations? These organisations were described by their own people as exemplars of good practice in taking action to promote some aspects of fair work, and this fed through to positive experiences for employees in the workplace. Yet, further action may be needed to promote other aspects of fair work, for example around opportunities for employee voice and shared leadership. In terms of practices promoting workplace innovation, there are lessons about the value of creating spaces for people to interact and share learning. Inter-disciplinary project working and support for cross-functional and self-managed teams generated positive opportunities to share ideas. But this was not always matched by investment in job design, so that fewer employees reported opportunities for critical reflection and to drive innovation in their day-to-day work. Perhaps there is a need both to embed fair work by sharing examples and good practice, while also constructively challenging SBP employers to expand their focus to consider the benefits of job redesign – that is, the need to create jobs that offer the space and resources for employees to drive workplace innovation.

## 3 Food and Drink Companies

### 3.1 Dataset Commentary

In terms of the structure of food and drink companies, the survey indicates that the perception or reality is that there is a significant minority for whom practices which encourage co-learning do not apply. A slightly smaller percentage of responses indicate a lack of opportunities for employees to interact with each other informally and the level of knowledge of employees of other parts of the business while being perceived to be high is still not universal by any means.

The picture seems to be better with regard to job design and its impact on encouraging people to interact in food and drink. Over 80% of respondents believe that most or all employees have time to reflect on their work; propose solutions and have the autonomy to implement them.

There appears to be a bigger problem in relation to human resources where no more than a third of respondents believe that most or all people are trained to come up with new ideas; are rewarded for creativity or are performance-managed to come up with new solutions. This may well be linked to the responses to questions regarding decision-making in that over 56% of respondents think that no/only some employees can disagree with work issues without fear of retribution and that less than a third believed that for most/all employees opportunities to lead are shared across levels.

Two thirds of respondents believe that no (or only some) employees are unafraid to try things that could fail but, at the same time, almost 40% believe that for most/all employees new practices are seen as an opportunity and not a burden.

Questions about the experience of fair work reveal some worrying indicators. Almost 70% of respondents believe that most/all employees find their jobs stressful; just around a third think that most/all employees are fairly rewarded and just under half do not think that most/all employees are treated with respect in the workplace. However, in relation to fair work organisational questions, around 70% of respondents believe that their employers give priority to providing stable employment; resolve conflict fairly when it arises, and identifies and addresses barriers to specific groups

In terms of productivity-related questions, over 40% of respondents think that most/all employees go beyond what is required of them and slightly more think that most/all employees are comfortable with the performance expectations. Around the same proportion, however, do not agree that performance management emphasises employee development.

The perception of the extent of employee-driven innovation is mixed in that no more than 30% of respondents think that most/all employees make beneficial changes to work practices, come up with ideas to solve problems or have managers who support them in



doing so although between 50 and 70% of respondents think that these statements are true for some employees.

External relations are perceived as being very useful. Over 63% believe it is valuable for at least some employees with a further 25% saying it is valuable for most/all employees. Feedback from customers is seen as a source of new ideas at least sometimes by almost 50% of respondents with a further 42% saying that this is true most/all of the time. 70% of respondents think employees are a useful source of information about the external environment at least sometimes.

51% of the employees of food and drink companies think their company is ahead of their competitors in terms of introducing new products at least half the time. Almost 78% say they have made major changes to products and services in the last 12 months and 67% agree that firm performance has been improved through innovation.

*Table 3: Food and Drink Companies – some early dataset insights*

Dimension	Variable	% who say it applied to		
		No employees	Some employees	Most/all employees
<b>STRUCTURE</b>	Practices which encourage employees and managers to learn from each other	14.9	42.1	43.0
	Opportunities to informally interact with each other	13.7	37.8	48.5
	Employees know what's going on in other areas of the organisation	14.5	50.0	35.5
<b>WORK DESIGN</b>	Job design encourages people to interact	9.3	45.9	44.8
	Employees have time to reflect and propose solutions	17.7	50.0	32.3
	Employees have autonomy to change work practices	21.4	49.9	28.7

<b>HUMAN RESOURCES</b>	Our organisation trains people to come up with new ideas	23.4	47.5	29.1
	Employees are rewarded for being creative/enterprising	46.3	35.9	17.8
	Performance management encourages people to come up with new solutions	32.3	44.4	23.4
<b>DECISION MAKING</b>	Opportunities to lead are shared across different levels	13.1	59.2	27.6
	Employees have a strong collective voice	12.8	56.4	30.8
	Can disagree over work issues without fear of retribution	16.2	40.2	43.6
<b>ENTREPRENEURIAL ATTITUDES</b>	We all actively learn from trial and error	9.6	37.8	52.6
	Our people are not afraid to try things that could fail	15.5	51.6	32.9
	New practices are seen as an opportunity not a burden	11.2	50.5	38.3
<b>EXTERNAL RELATIONS</b>	External connections are valuable to people	12.5	63.1	24.4
		<b>Never</b>	<b>Sometimes</b>	<b>Most/all of the time</b>
<b>EXTERNAL RELATIONS</b>	Feedback from customers/end users is a source of new ideas	11.6	46.6	41.8
	Employees are a source of info about external business environment	29.7	48.5	21.8

<b>ORGANISATIONAL PRACTICE FOR FAIR WORK</b>	This organisation prioritises providing stable employment	31.3	68.7	
	When conflict arises its dealt with fairly and objectively	31.7	68.3	
	Barriers to employment for specific groups are identified and addressed	28.1	71.9	
		<b>No employees</b>	<b>Some employees</b>	<b>Most/all employees</b>
<b>FAIR WORK EXPERIENCE</b>	Employees find their jobs stressful	8.4	23.5	68.1
	Employees are fairly rewarded for the work they do	19.1	46.9	34.0
	People treat each other with respect	5.6	41.3	53.1
<b>PRODUCTIVE WORKPLACE</b>	Employees go beyond what is required of them in their jobs	3.9	53.4	42.7
	Employees see performance expectations as reasonable and achievable	9.4	45.4	45.3
	Performance management emphasises employee development	<b>Disagree</b> 42.6	<b>Agree</b> 57.4	
		<b>No employees</b>	<b>Some employees</b>	<b>Most/all employees</b>
<b>EMPLOYEE DRIVEN INNOVATION</b>	Employees make changes to work practices which benefits the organisation	10.6	59.6	29.8
	Employees come up with ideas to solve problems	11.4	62.3	26.3

	Managers support employees in operationalising their ideas	20.9	49.5	29.6
<b>INNOVATIVE PRACTICE</b>	We are ahead of our competitors in introducing new products or services	10.5	51.8	37.7
		<b>Disagree</b>	<b>Agree</b>	
<b>INNOVATIVE PRACTICE</b>	We have made major changes to products/services in last 12 months	22.7	77.3	
	Our performance has been improved through innovation	33.2	66.8	

## 3.2 Tartsy

**Background:** Tartsy is a family owned bakery based in the Scottish Highlands which produces a wide range of produce including bread, pies, cakes and biscuits. It has grown dramatically since it was established over 100 years ago, with the business now made up of a bakehouse and over 10 high street shops. It employs 55 staff in the bakehouse and 110 in its retail shops. Bakehouse staff comprises bakers, baking assistants, confectioners, packers, drivers, cleaners and administrative roles. As well as supplying its own stores, Tartsy also sells to a number of high street retail chains in the local area and is looking to expand its customer base internationally.

**Business challenges:** While there is consistent demand and modest growth in market for retail bakery, organisations in the sub-sector face a number of challenges and stiff competition. The rising cost of energy and ingredients is placing financial strain on bakeries. To remain competitive, companies seek to follow consumer trends towards healthier, fresher as well as niche products. Although there is a clear need to be innovative, low numbers of young people entering the industry and a general lack of availability of good quality training mean many businesses are facing a skills shortage as the older generation retires. Tartsy, as a retail baker, must also contend with the decline in popularity of high street shops. Tartsy are focused on continuing to grow, develop new products, and expand their customer base overseas. They have recently won a contract with a major retailer which necessitates them to increase bakehouse output by 25%.

**People priorities and fair work:** Tartsy view staff engagement as important to operating efficiently and enabling growth. Its key people priorities are motivating, retaining, training and developing employees. The low-skilled, prescriptive and often repetitive nature of the work, however, can make this difficult. The rising national minimum wage and other market pressures exacerbate this by making it difficult to pay a competitive wage, or create wage differentials for their more skilled staff.

Tartsy have taken a number of steps to differentiate themselves as an employer and motivate staff. The first is to emphasise employee development. The bakery employ workers with little to no bakery experience and train them in house, with opportunity for staff to receive formally recognised qualifications such as SVQs. When moving to new premises, the owner opted for an open plan design to give staff a sense of what goes on in all areas of the business and foster collaboration between them. At the request of staff, the owner has also invested in a music license to enable staff to play the radio and create a more positive working environment. Management attempt to include employees in new product development but is not reported as a successful venture.

The FITwork survey was made available to all managers and employees in the bakehouse and 37 useable responses were received giving a 67% return. The indicators for fair work include:

Fair work indicators	%		%
Bullying would be dealt with quickly and effectively	89	The organisation takes practical steps to provide a healthy workplace	91
The organisation deals with conflict fairly and objectively	86	Help is available when employees have a non-work-related problem	88
I feel satisfied with my job here	86	I feel fairly treated at work	89

The data shows that Tartsy are identified to provide a safe and supportive workplace across some of the basic indicators of fair work. Further indicators, however, are less positive with bakers the most likely to report negative scores. Only 24% report employees as having a strong collective voice, 53% that high trust relations exist between management and employees, and similarly 53% that staff can voice disagreement over work without fear of retribution. Only 45% say that jobs are meaningful and 37% that Tartsy is a good place to work.

**Performance:** Sixty percent of respondents agree or strongly agree that performance management emphasises employee development. There also seems to be some evidence of employee discretionary behaviours - over half of respondents felt that most or all employees voluntarily help colleagues solve work-related problems, and 44% perceived most or all employees to have reasonable and achievable performance expectations. Respondents reported limited opportunity for voice, however, with over a quarter reporting that they are never involved in discussions around performance measures and management processes, and the majority seeing this as only occurring sometimes. Night shift operators, goods in packers and drivers reported most positively in this dimension.

**Innovation enablers:** Within the confines of a competitive environment in a sector with multiple cost constraints, Tartsy have made attempts to differentiate experiences of employment with them and develop growth in new markets. Indeed, respondents report the company as having recently engaged in process and product innovation. Most respondents perceive the company as having sufficient resource (62%) to try new things and a plethora of good ideas (88% although more than half of these report the company as less successful in implementing them). Evidence of other practices supporting innovation include:

Practices supporting innovation	%	Employee participation in innovation	%
We actively learn from trial and error	60	Changes to processes are made based on ideas from our employees	66
Opportunities for managers and employees to interact informally	71	Changes to products/services are made based on ideas from our employees	63
Managers have confidence in employees' capabilities	68		

**Workplace innovation in practice:** Not uncommonly for the bakery subsector (perhaps in part due to their strong trade body Scottish Bakers) Tartsy enjoy mutually beneficial working relations with some of their direct competitors. This has taken the form of staff visiting other bakeries in the local area to share knowledge and practice, ingredients to plug shortfalls and sharing of resources at international roadshows.

**Fair work innovation in practice:** Overall employees report a positive fair work experience. Eighty-six percent report feeling either satisfied or very satisfied with their job, and 89% report feeling either fairly or very fairly treated. Over half of respondents said most or all employees have opportunity for progression, perhaps reflective of the organisation's focus on training and development. Qualitative evidenced gathered from employees highlights the positive impact that music in the factory has had on morale.

**Innovation challenges:** Across the roles and locations of work, the practices that fall short of supporting innovation include the development of employee skills for the future (only 31% report this) which could boost sufficient knowledge to promote ideas for improvement (58%) and skills use (only 34% at present). Looking at motivations and opportunities to engage in innovation, attention to management processes for supporting employees to put ideas into practice (43%) and creating opportunities for managers, employees and colleagues from other areas of the business to learn from each other (56%) might support better employee involvement in improving business processes (currently 23%).

**Reflections:** Overall, there were consistently very positive views of the organisation's approach to promoting fair work with recognition of the efforts made by the company to provide good quality employment. There is less positivity, however, around how these translate efforts into practice. The company extends particular effort into developing employees but less into creating the opportunities and the motivation for employees to engage in innovative activity. At best, employees are invited to trial new products (devised by management) in addition to their daily workload. Dedicated time and space for such activity might be better received.

### 3.3 Bistrova

**Background:** Bistrova are a manufacturer of food staples selling to major retailers across the UK and internationally. The company is part of a larger family group and has been in operation for a number of years. Bistrova has benefitted from significant growth in the past which it continues internationally but in the UK is faced with significant challenges concerning costs of production and need for investment. Bistrova employs in excess of 600 employees of which the majority are core staff on permanent contracts. Operating from a single location in Scotland, most employees work as process workers (approximately 450) with the remaining in management, sales or other administrative roles. The company employs both home and migrant labour although the former accounts for the majority of employees. The average length of service is more than 10 years.

**Business challenges:** Often typical of the food and drink sector, Bistrova operate in busy and competitive markets in which there is significant volatility around the costs of production and particularly around raw materials. Interviews with senior management also highlight the rising cost of labour through the National Living Wage as an increasing challenge as is the cost of maintaining existing and ageing premises to comply with health and safety. In response, the company has engaged in a range of cost-cutting projects around process efficiencies and some redundancies.

While consumer demand for Bistrova products has been relatively stable over the years, interviews with senior management identified with the need to diversify its range in response to increasing demand (and supply) of healthier and local produce. Many of the existing products utilise bespoke automation, however, that are unfit to deliver new lines or manual processes that reduce the feasibility of new products. There is also a significant lack of investment at Bistrova relative to other parts of the business.

**People priorities and fair work:** Bistrova report the retention, motivation and progression of employees as their current priorities. Employee involvement is seen as a vehicle to achieve retention and motivation and is approached through whole company team meetings, daily team huddles, and a restructuring of supervisory roles to provide a clear channel through which employees can raise concerns and/or contribute ideas. These interventions are reported by management as typically met with general apathy and/or confrontation.

The company are hoping to increase opportunities for employees to work over a number of areas to gain insight from other areas in the business while creating alternatives for employees should levels of automation increase. Such a move also potentially brings a business saving by reducing the need for temporary staff at peak periods. Employee engagement is seen as key enabler of this move.

The FITwork survey was made available to 624 staff eliciting a 48% response rate. At company level (i.e. irrespective of role and location), indicators of fair work include:



Fair work indicators	%		%
The organisation prioritises providing stable employment	59	The organisation takes practical steps to provide a healthy workplace	65
The organisation prioritises providing employees with predictable incomes	72	I feel satisfied with my job here	76
Bullying would be dealt with quickly and effectively	62	I feel fairly treated at work	82
The organisation deals with conflict fairly and objectively	62		

The data shows that the *pattern* of response across roles are similar in their view of the company approach to fair work with majorities often settled on the same response. There is also similarity across the strength of reporting in the respective groups where both management and employees report them same which is unusual (management generally offer more positive reflections of existing practice than employees). This signals that both groups see the same issues with the company. Some of the shared issues reported around fair work include meaningful jobs (only 30% report they are), opportunities for progression at all levels (31%), and fair reward for the work (16%). There are further shared concerns around the extent to which people treat each other with respect (44%) and trust relations between management and employees (27%). Perhaps unsurprisingly, only 28% would recommend Bistrova as a good place to work.

**Performance:** Turning to employee performance, only 36% of respondents see performance expectations as reasonable and achievable. This perhaps reflects that few employees report any involvement in the design and/or implementation of performance measures (only 12% report such involvement). Only 46% report going beyond that required of them in their jobs.

**Innovation enablers:** Interviews with managers at Bistrova report that the majority of innovation is management led but more recently with the intention to illicit interest from employees to collaborate around implementation. Managers are reported as having confidence in employee' capabilities (63% report this) yet few respondents report employees as engaged in making changes to the way they do their work to benefit the organisation (27%) or to come up new ideas to solve problems facing the organisation (26%). New opportunities for employee voice at different levels in the company still only attract respondents to score collective voice at 22% (for most/all employees – the majority of this was reported by senior management).

Almost half of respondents report the company as in financial difficulty. Interviews with management state very differently which they say is communicated to employees but the message is challenged by the significant lack of investment in Scotland.

**Workplace innovation in practice:** Bistrova is trying to engage employees more in the company by instilling regular and constructive information flows to promote dialogue between senior management and employees. Whole company staff meetings attempt to replace the senior 'management by walking about' style of the past as this is no longer possible but is recognised as preferred by employees. In addition, middle management structures have been redesigned to open up further channels for information and dialogue while making better use of supervisory skills. Those proficient in line management are now distinguished from those proficient in the technical process in recognition that technical experts do not always make good managers. Teams now 'huddle' daily with local managers to discuss production requirements and approach the technical supervisor to raise concerns that emerge in delivering output.

**Innovation challenges:** Over 60% of employees report that Bistrova have made major changes to both products and process recently and that these changes have had a positive effect on performance and productivity (>50%). While Bistrova was seen as good at generating ideas, two thirds of respondents thought that company is less successful at implementing these ideas. It is perhaps unsurprising then that respondents report the presence of practices that support innovation as relatively weak. While 63% report managerial confidence in employee capabilities, only 12% report involvement in the design and/or implementation of new processes/ technologies, 28% that employee skills are well utilised, and 30% that managers will support employees putting their ideas into practice. There are few opportunities for managers and employees to informally interact (38%) or learn from each other (33%), and alarmingly that few can disagree over work issues with fear of retribution (30%). Only 17% say that the reward system rewards employees to be creative and enterprising.

**Reflections:** Despite the difficulties in engaging employees, Bistrova continue to implement new and tweak existing channels for communication as well as other opportunities for employee involvement. What the data shows, however, are significant challenges in aligning other workplace practices to develop the skills employees need to engage as well as those that will deliver motivation to do so. These challenges appear to stem from a lack of investment in the business which often requires local managers to renege on a commitment as funding is often withdrawn without warning or rationale. This apparent lack of commitment to Bistrova is compounding an already low staff morale.

### 3.4 Blizzi

**Background:** Blizzi is a spirits bottling company based on a single site in the Central Belt of Scotland. The company was formed in 1984 when two small family whisky firms bought a site to enable them to develop a bottling plant. The plant has 135 employees, some of whom have been with the company since it was formed. Blizzi has grown from its original two lines to eight to meet the expanding needs of the original partner businesses, much of which has come about through acquisitions. The company attributes its growth to its versatility and flexibility – it undertakes bottling for smaller producers, including boutique gin producers, and for larger companies who require a short run of a product that is not well-suited to lines designed for long production runs.

**Business challenges:** The drinks sector in Scotland is strong, with new distilleries opening and gin production increasing to allow give distilleries cash flow until whiskies have matured. The future uncertainties resulting from Brexit clearly loom large, but do not seem to be foremost. The need to develop improved welfare facilities to meet the expectations of auditors in an industry where hygiene is recognised.

**People priorities and fair work:** Blizzi employs both permanent and agency staff, using the latter to meet fluctuating demand. Blizzi will train agency staff by, for example, putting them through forklift truck training, and may select staff for further development and enable them to transfer to permanent employment with Blizzi. In recruitment Blizzi particularly looks for competence, capability and attitude and identifies people to progress through the company – however the survey data (see below) suggests that many employees do not always recognise this opportunity for development and progression. Nonetheless there is a strong sense of satisfaction and that staff feel fairly at work, despite generally low scores for other fair work indicators.

Fair work indicators	%		%
Employees have a strong collective voice	20	There are high levels of trust between managers and employees	14
Progression opportunities exist at every level	26	Employees recommend this as a good place to work	26
There is access to flexible working to support work-life balance	8	Employees can disagree over work issues without fear of retribution	32
Jobs here are meaningful and provide a sense of purpose	21	I feel satisfied with my job here	85
People treat each other with respect	37	I feel fairly treated at work	88

**Performance:** The reported levels of stress are generally low, but employees report that jobs are meaningful only for some, and the level of challenge of jobs is perceived as

appropriate only for some employees. There are low reported levels of staff going beyond the expectations of their jobs, and of collaborating and helping others.

**Innovation enablers:** Innovation is acknowledged as occurring in Blizzi, with major changes to products and processes. It is also acknowledged that the organisation generates ideas and that innovation improves performance, but few respondents consider that Blizzi competes by being innovative. More than half of respondents think there is sufficient finance available to try new things.

<b>Practices supporting innovation</b>	<b>%</b>	<b>Employee participation in innovation</b>	<b>%</b>
Opportunities for managers and employees to interact informally	42	Employee skills and talents are well utilised at work	23
Practices that encourage managers and employees to learn from each other	30	Changes to processes are made based on ideas from our employees	24
Organisational support for cross-functional working	32	Managers support employees in putting ideas into practice	9
Managers have confidence in employees' capabilities	59	Our employees understand our products/services well enough to make suggestions for improvement	39
Our organisation develops employees' skills for the future as well as the present	11		

**Innovation challenges:** Although Blizzi is identified as having good ideas, the implementation of ideas is not seen as being as successful as the generation of ideas. Most employees disagree that they are the source of innovations, and there is little evidence that workers feel they have the autonomy to make changes to the way they work or that they have support to implement ideas that they identify. Similarly there is no belief that employees are involved in the design and development of new ways of working. There is also little involvement matching the idea generation. Blizzi does very little external recruitment, which the company recognises may limit the variety of employees to those willing to start with the organisation on minimum wage and no security of employment. Rewards systems are not seen as promoting creativity and innovation, and workers identify that there is little autonomy for most of them to change the way they do their work and innovation is seen as being for others.

**Reflections:** Blizzi operates in a market where demand can vary, and they achieve this by using agency staff. This can give difficulties with continuity of staffing, and may account for the lack of innovation opportunities identified. In addition, although agency staff provide a route by which Blizzi can identify and recruit permanent staff, it also limits the routes for recruitment and may reduce the diversity of the workforce. There is a discrepancy between

the strong recognition that Blizzi has innovated through developing new products and services within the last 12 months and the way that people perceive the company as competing. In particular, innovation is seen as being for some, rather than most or all workers – innovation is for other people.

### 3.5 Peqon

**Background:** Peqon is a manufacturer of beverages, engaged in activities around the distilling, rectifying and blending of spirits. Like many other companies in this sector the company is family owned with a portfolio of brands that have a history in excess of 100 years in Scotland. Business activity includes distilling, processing and maturation, and bottling of spirit. It is the processing and maturation operations that are engaged in FITwork. Processing and maturation operates over 20 locations employing in excess of 200 people. The majority of employees work in process roles (150) with the rest in engineering related operational roles (25) and/or senior/ middle management roles (25). As is typical of the sector, the majority of employees are permanently employed with more than 10 years' service.

**Business challenges:** The company operates in an increasingly popular market where export sales have increased substantially over the last two decades. With popularity, however, comes competition. Established brands and new entrants emerging from the craft spirit movement vie for market share while the growth of Asian products poses a potential threat to growth aspirations in new international markets. Facing this challenge, the company looks to position itself as the leading producer of premium spirit.

**People priorities and fair work:** The company recognises its employees as a valuable source of new ideas for business improvement. Middle and senior management responses in the FITwork survey are unanimous that the top three priorities for the business over the next three years are training and developing employees, motivating employees, and succession planning.

The introduction of a new senior manager has brought a new perspective on people management that centres on engagement. Employees are encouraged to challenge processes of work and to propose alternatives that will help to futureproof the business. This has recently been achieved to some extent at managerial level but challenges remain on how to involve process workers given the prescriptive nature of their work. Current interventions include continuous improvement training for some employees (but not all) and shared learning among managers from across the different sites of work.

The FITwork survey was made available to all staff, eliciting a 71% response rate. At company level (i.e. irrespective of role and location), indicators of fair work include:

Fair work indicators	%
The organisation prioritises providing employees with predictable incomes	81
The organisation prioritises providing stable employment	75
Help is available when employees have a non-work-related problem	65
I feel fairly treated at work	78
I feel satisfied with my job here	74

While strong summary measures for fair work and satisfaction at work are reported by the majority, specific factors of fair work score less well. Only 17% report a strong collective voice which is somewhat surprising given union recognition, only 23% report trust relations between employees and management, and only 27% report having jobs that are meaningful. Of perhaps more concern, only 40% report that people treat each other with respect, 26% that employees can disagree over work issues without fear of retribution, with similarly alarming numbers agreeing that any bullying or conflict is dealt with quickly and effectively (52% and 46% respectively).

The *pattern* of response across roles and locations of work (northern and southern operations in particular) are similar in their view of the company approach to fair work with majorities often settled on the same response. There is some variance, however, on the strength of that pattern with the south typically less positive than their northern counterparts and similar variance between employees and management in the south. For example, company-level data shows that 52% of employees agree/strongly agree that any bullying in the workplace is addressed quickly and effectively; only 48% in the south report this relative to relative to 61% in the north. Similarly, 46% at company level agree/strongly agree that conflict is dealt with fairly and objectively; only 40% in the south report this relative to 57% in the north. Respondents in the north are therefore unsurprisingly more likely to recommend the company as a good place to work than colleagues in the south; 61% relative to 42% in the south.

**Performance:** Only 40% of respondents report an appropriate level of challenge in their job while a similar number consider performance expectations to be reasonable and achievable (38%). There is limited evidence of employee involvement in shaping performance expectations which may relate to the concerns around workload. Only 31% report working beyond that contracted for with a similar number seeing employees voluntarily supporting each other to solve work problems (36%). While there is a similar pattern of reporting across north and south, the response from the latter is lower and as such reduces the company-wide score across these indicators.

**Innovation enablers:** While Peqon operates in what is perceived as a 'traditional' industry, the company has automated/ semi-automated some work processes and continues to look at process innovation to improve productivity. Many staff report Peqon as having

sufficient resource and good ideas to innovate (57% report as much for both indicators) and as such 79% report process innovation at Peqon in the last 12 months.

**Workplace innovation in practice:** Peqon is seeking to develop employees to better understand and identify with the processes of production rather than the current focus on tasks. It is anticipated that this change will give teams of employees the insight necessary to engage in innovation and take ownership of their part in the process while the company benefit from the sharing of tacit knowledge around production processes.

**Fair work innovation in practice:** Most employees at Peqon are long serving and have acquired and developed considerable insight to production processes. The move to a process over task focus is hoped to better engage employee voice as respective team managers are coached to provide appropriate opportunities and support for employees to engage in change.

**Innovation challenges:** Of the 57% reporting good ideas, most identify the company as generally less successful in implementing the ideas which is perhaps reflected in fewer numbers reporting the positive impact of innovation on productivity (46%) and performance (47%) than those reporting innovative activity (79%).

Looking at the practices that can support innovation, only 12% report any employee involvement in the design and/or implementation of new processes/ technologies and as such appear simply to take instruction from management. Only 25% report opportunities for management and employees to informally interact which impacts opportunities for shared learning between these groups (only 23% report such learning occurs). Worryingly, only 26% say employees can disagree over work issues without fear of retribution thus constraining employees from stepping forward with suggestions. Only 26% report that employees understand where their jobs fits in the organisation which perhaps reflects that only 37% say employees have sufficient knowledge to promote ideas for improvement. Indeed, only 17% report opportunities for cross-functional working.

**Reflections:** While Peqon follows traditional and prescriptive production processes, there is both appetite among senior management and demand from the markets to innovate. Employees report innovative activity but report less impact that would be hoped for. The introduction of new senior management has brought a new perspective to people management around engagement and, with their tacit knowledge of production, employees are increasingly encouraged to challenge processes of work and to propose alternatives that will help to futureproof the business. This has recently been rolled out at managerial levels but challenges remain on how to involve process workers given inconsistencies in the mechanisms for involvement at both company level (e.g. opportunities for learning across layers of management but not between management and employees) and local levels (e.g. the north report higher levels of communication around decision-making between management and employees than those in the south).



### 3.6 Craftsmead

**Background:** Craftsmead is a small traditional bakehouse operating from the north of Scotland and selling to markets across the UK including major retailers and internationally. Privately owned, the business emerged just over a decade ago from a coffee shop operation and has experienced a period of rapid growth through increasing sales. Growth has taken employee numbers from 1 to more than 20 in 10 years. It is part of a larger group with four directors of which only two are directly involved in operations. Operating from a single site, most employees work as bakers, and baking assistants followed by hygiene assistants, store assistants and factory management including shift supervisors. They are often joined on-site by one of the directors involved in operations.

**Business challenges:** The bakery sector operates in a busy and challenging marketplace with volatility around the cost of raw material and perishability of the finished product. Even so, Scottish business statistics for 2008-2015 show the sector to have maintained and at times grown in financial terms over the last 8 years which business owners attribute in part to the innovativeness of the sector enabled by a strong and active trade body; *Scottish Bakers*. The challenge to Craftsmead is to better establish its range of products across existing and new markets to improve presence in a crowded sector while keeping a focus on cost. In response, Craftsmead look to maximise growth within the current location with longer term plans to move to larger premises and increase the size of the workforce. In the shorter term, Craftsmead is looking to appoint a senior operational manager to release the owner to pursue new markets, maximise production in situ and better engage employees in the journey. In addition, Craftsmead seek to extend current hours of production as a means to servicing growth.

**People priorities and fair work:** Aligned with its growth strategy, Craftsmead prioritises the recruitment, training and development, and retention of employees. At present, however, training provision is limited and most employees have entered the business with little training specific to bakery work. Basic training therefore accounts for the majority of training and development activity as there is no budget allocation to develop higher skills (absent directors are reported to have driven this decision). A particular challenge in the company's approach to managing the workforce is the lack of training for middle management. Both factory managerial roles as well as the supervisory roles have evolved with business growth. Managerial and supervisory post-holders are reported to have progressed from production line roles on the basis of their technical skills and longitude of service. The technical skills of these post-holders are highly regarded by senior management and staff alike but managerial skills are reported as lacking. None have received any formal management training. It is anticipated that the appointment of a senior production manager will go some way to redesigning the role of factory managers and supervisory staff and will identify and address any training needs. There is, however, no plan at present to introduce a training budget.

The FITwork survey was made available to all staff, eliciting an 80% response rate. The data shows that the company prioritises providing key aspects of fair work (e.g. stable and predictable hours in a safe environment) but is reported as prioritising other significant

factors of fair work less. Only 30% report employees as having a strong collective voice or access to flexible working to support work-life balance (30%). Less than half of employees agreed that most/all people are treated each other with respect (47%) and only 43% report trust relations between employees and management.

Fair work indicators	%		%
The organisation takes practical steps to provide a healthy workplace	87	Employees can disagree over work issues without fear of retribution	78
Help is available when employees have a non-work-related problem	90	The organisation prioritises providing employees with predictable incomes	86
Bullying would be dealt with quickly and effectively	81	I feel satisfied with my job here	87
The organisation deals with conflict fairly and objectively	74	I feel fairly treated at work	91
The organisation prioritises providing stable employment	96		

**Performance:** Few respondents report an appropriate level of challenge in their job (only 22% report this suggesting that there is little balance between unchallenging and over-challenging work). Employees are almost unanimous in their perceptions of the extent to which employees are involved in shaping performance measures (96% report no involvement at all) which may be reflected in the reporting of performance expectations as reasonable and achievable (only 36% report this). Less than half report working beyond contract requirements and voluntarily supporting others to solve work problems (42% and 45% respectively).

**Innovation enablers:** With no experience in bakery, the owners have grown the business organically within their means. Financially forced to utilise manual processes as a start-up rather than the automation that often characterises the sector, the business now uses this 'by hand' feature to differentiate its products in the market place. Beyond the bakery process, it extends the life of the product by exposing the finished product to a chill process. Such a process is less common for this size of business but has enabled a relatively small and new company to distribute fresh bakery produce across the UK and abroad rather than constrained in reach to the immediate locale.

Staff almost unanimously report innovative activity around process and products (87% and 96% respectively) in the last 12 months which is not surprising given the growth trajectory it has experienced. The data is more mixed, however, around how good Craftsmead is at generating good ideas (almost half in favour either way) but presents a clearer picture around perceptions of Craftsmead's financial capacity to deliver innovation (65% report sufficiency) and implement good ideas (81%).

**Workplace innovation in practice:** Craftsmead are engaged in discussion with employees around changing the pattern of shift working away from night shifts to arranging staff into early and back shifts (the existing pattern typically follows 4 nights one week and 4 days the next). Staff have raised concerns about the unsociable side to the existing pattern and lack of involvement it presents given little interaction with managers. This change will also save the company paying a night shift premium.

**Fair work innovation in practice:** The company recognises the loyalty of its mostly local staff in helping to grow the business and as such prioritises providing stable employment and predictable incomes. It has also made a commitment that the move to new premises to grow the business will be in the same locale even though it creates a tension in the business case around infrastructure and labour supply.

**Innovation challenges:** While perceptions around the generation of good ideas is mixed, staff report innovative activity around processes and products in the last 12 months (87% and 96% respectively) with a significant majority also reporting this activity to have impacted on performance and productivity (77% and 78%). Going forward, however, plans to scale the business in a very competitive environment will require attention to maintaining and maximising differentiation initially within the existing premises and facilities and as such the engagement of employees to operationalise this strategy.

While taking stock that Craftsmead is still a relatively new company with a small workforce, the data shows a very mixed picture around practices and attitudes that can support employee involvement in innovation.

Practices supporting innovation	%	Employee participation in innovation	%
Managers have confidence in employees' capabilities	79	Employee skills and talents are well utilised at work	32
Opportunities for managers and employees to interact informally	57	Employees are involved in the design and implementation of new processes/ technologies	27
Organisational support for cross-functional working	30	Employees find their jobs to be challenging, but not too challenging	22
Our organisation develops employees' skills for the future as well as the present	18	Managers support employees in putting ideas into practice	22
Payment and reward systems consistently reward employees to be creative and enterprising	8	Employees are involved in the design and/or implementation of new performance measures and management processes	4

**Reflections:** While Craftsmead scores highly on approaches to promote fair work, the data around employee experience of fair work is more mixed. A lack of information and

involvement in change and no opportunity for skill development beyond that which is mandatory for food hygiene and safety present significant constraints to achieving sustainable innovation as little is offered in terms of preparing, motivating and encouraging employees to engage in the change. The attempt to maximise existing resources is likely to put additional pressure on the capacity for employee involvement as work becomes intensified with fewer opportunities to reflect although it is hoped that the new shift pattern will temper this. It is similarly hoped that the appointment of the new senior production manager will support the maximisation of production in situ while better engaging employees in the journey through the introduction of a structure and process that will support employee involvement in innovation.

### 3.7 Feasthouse

**Background:** beginning with a staff of 6 in 1982, and acquired in 2002 by an international gourmet group, Feasthouse is now a major employer in South Scotland in the food and drink manufacturing sector. The business prioritises product quality alongside biological and environmental sustainability. The firm employs around 700 staff across a variety of managerial, professional, technical, administrative and operative roles. Over recent years the firm has reported increasing turnover and profit with stable staff.

**Business challenges:** The food and drink sector faces a number of important challenges including rising costs of raw materials and environmental and sustainability issues. In the UK, the implications of Brexit looms large given the presence of migrant EU labour in the sector and there is considerable concern over accessing appropriate labour in the future.

**People priorities and fair work:** Most staff are on permanent contracts but the firm also uses fixed term, casual and zero hours contracts. Feasthouse identify the fair treatment of their people as their first priority and staff are consulted through an employee survey at least once a year. Training and development, motivation, work-life balance are cited as important current people issues for the business. Feasthouse made the FITwork survey available to all staff, eliciting a response rate of 45.4%.

Fair work indicators	%		%
I feel fairly treated at work	90	I feel satisfied with my job here	90
The organisation takes practical steps to provide a healthy workplace	87	The organisation deals with conflict fairly and objectively	87
Help available with non-work problem	84	Managers have confidence in employees' capabilities	84
Bullying would be dealt with quickly and effectively	82	Any barriers to job access or progression faced by specific groups are identified and addressed	80
The organisation prioritises providing employees with predictable incomes	77	The organisation prioritises providing stable employment	76
Performance management emphasises employee development	75	People treat each other with respect	73
Employees recommend this as a good place to work	68	There are high levels of trust between managers and employees	61
Employees can disagree over work issues without fear of retribution	61	Progression opportunities exist at every level	58

Feasthouse's results were on the whole, stronger than the food and drink sector companies as a whole. There were very positive views of the firm's efforts to promote fair work by prioritising stable employment and predictable incomes, and job security was not a concern. Only a small minority of staff reported any worry about job security or workloads, or any concern over informal practices that might disadvantage particular groups or categories of employee.

However, despite being unionised, staff were relatively evenly split in their views of whether employees have a strong collective voice, whether they felt fairly rewarded for what they do and relative to similar jobs outside, and whether they had a say in any change in pay or terms and conditions. Similarly, staff were evenly split in their views of whether jobs were meaningful and whether staff had access to flexible working to support work-life balance.

**Performance:** A majority of staff reported that performance demands at Feasthouse were reasonable, though 57% report performing beyond their job requirements. Around half of staff report a reasonable balance in terms of challenging work, while around 20% find their jobs stressful. Staff reported positively that employees helped each other solve work related problems. Like other manufacturing based businesses, Feasthouse reported more strongly than the other businesses in the survey that they use data to identify areas for improvement all or most of the time (71%) and that they mostly evaluate outcomes of change (62%).

**Innovation enablers:** Feasthouse staff had a strong belief that the company had the financial resources to try out new things, that they were good at generating new ideas and almost as good at implementing these ideas. The company has experience of innovation using ISO, Lean, Prince2, continuous improvement, Kaizen, BPR and process mapping and it is clear that the technical demands of food production drive a strong focus on technical innovation. Most staff reported changes in products, services and processes over the previous 12 months, with over 80% perceiving that these changes had improved performance and productivity and 65% reporting that Farmhouse was ahead of its competitors in terms of such innovation most or all of the time.

<b>Practices supporting innovation</b>	<b>%</b>	<b>Employee participation in innovation</b>	<b>%</b>
Managers have confidence in employees' capabilities	84	Changes to processes are made based on ideas from our employees	67
Practices that encourage managers and employees to learn from each other	66	Changes to products/services are made based on ideas from our employees	65
Opportunities for managers and employees to interact informally	70	Our employees understand our products/services well enough to make suggestions for improvement	64
Organisational support for cross-functional working	64	People in our organisation are not afraid to try things that could fail	50
Job design encourages people to interact	60		

As the table above indicates, some structural and work design features at Feasthouse support innovation. Most employees have good knowledge of how their work fits in to the

rest of the organisation. 57% reported that most/all skills are well utilised at work and a similar proportion identified opportunities for skills development beyond an employee's existing job. Customers and partner organisations are recognised as an important source of new ideas, and there is some indication of sharing resource with competitors in some circumstances. External expertise was recognised as important, and the company has external links with key public agencies, local authorities and universities.

***Fair work and workplace innovation in practice:*** In response to some emerging recruitment and retention challenges, the firm has recently introduced a new initiative to try to help integrate new employees into the business and to promote more dispersed responsibility for sharing information and employee support. The firm has also tried to encourage a 'no blame' improvement culture. Both of these approaches are relatively recent and the firm is keen to assess their success over time.

***Innovation challenges:*** While staff reported fairly positively on some structural features that support innovation, they were much more split on a number of important potential facilitators of innovation around decision making and job design. While most staff reporting widespread understanding of how decisions are made, a significant minority report a lack of knowledge of what goes on in other areas of the organisation, a lack of any involvement in change, and around three quarters believe new ideas come largely come from the same people and departments. Less than half identified any opportunity to lead on tasks for people across the organisation. Some risk issues were raised, with a substantial minority disagreeing that doing new things was an opportunity, not a burden, and half indicating some nervousness around trying things that might fail. Around half disagreed that managers help employees put ideas into practice and more than half reported limitations on employees making changes directly to improve performance. Only 39% of staff reported that people generally had autonomy to make changes, 38% perceived that employees promoted new ideas to others and 45% reported having time to reflect on any improvements that could be made.

HR practices was not seen as a significant driver of innovation and change. Staff were evenly split in their views that training supported the generation of new ideas while a majority rejected that approaches to reward encouraged creativity (66%), that performance management approaches drove new solutions and approaches (61%) or that recruitment targets people who are comfortable with change (60%).

***Reflections:*** Feasthouse is a successful business in a challenging and competitive sector. From the data and interviews, it is clear that the firm values its people and makes efforts to ensure that this message is conveyed in its practices. It is also clear that much of the firm's innovation focus has been on technological innovation though there have been developments around work organisation. Internal variations in the data suggest that technological configurations heavily shape staff experience of work and of their potential to make a difference. Given that these configurations are largely fixed in the short to medium term, some creativity is needed to identify and develop those areas of potential workplace innovation that can enhance job fulfilment, and there is considerable interest at a senior management level in how this might be done.



### 3.8 Limeswood

**Background:** Limeswood is a manufacturer of cheese and associated products operating in a rural environment. It occupies significant market share supplying goods to a diverse range of customers including many of the multiple retailers. It has had an eventful history of ownership and is now part of an extensive international dairy group employing in excess of 70,000 people. In recent years, it has benefitted from significant financial investment from this wider group.

Operations in Scotland consist of a creamery and packaging factory employing over 150 workers. Roughly one third of employees work in the creamery, one third work in packaging, and the remaining third work between the two sites in either administrative or maintenance functions. In addition to functional difference, there are demographical differences between the workplaces. The creamery typically employs local males (many long serving) while a younger and more mixed group are generally found to work on the packaging site. Both sites recognise a trade union.

**Business challenges:** Due to the highly competitive market in which Limeswood operate, an engaged and agile workforce is a necessity. While UK cheese is growing in popularity overall, the rise of craft cheese and consumer interest in new flavours has seen the subsector in which Limeswood operates decline in value. Limeswood face strong pressure from their wider group and from retailers to increase production while rationalising costs. Limeswood seek agility in production to manage both the short shelf-life of the raw materials used in production and fluctuation in customer demand. As a result, the organisation is on a process on continuous improvement. The wider group is focused on growth of their operations through acquisition and development of existing dairy companies. Limeswood is similarly focused on growth, and increasing outputs

**People priorities and fair work:** To achieve an engaged and agile workforce, management at Limeswood identify their key people priorities as recruitment, training and development and motivation of their workforce. The FITwork survey was made available to all employees in the organisation and 87 usable responses were received, giving a 54% response rate. Across the sites, response rate varied from 28% to 38%.

Fair work indicators	%		%
The organisation prioritises providing stable employment	60	I feel satisfied with my job here	71
The organisation prioritises providing employees with predictable incomes	67	I feel fairly treated at work	76
The organisation takes practical steps to provide a healthy workplace	67		

71% of respondents agreed or strongly agreed that they feel satisfied at work, and 76% that they feel fairly treated at work. Issues concerning employee voice, however, are more problematic (only 19% reported this) as is the extent of trust relations between



management and employees (21%) and the opportunity to voice disagreement over work issues without fear of retribution (only 34%). Perhaps unsurprisingly, only a quarter of responses report Limeswood as a good place to work.

**Performance:** In terms of productive behaviours, there is a consistent view across the organisation that some employees are generally willing to help colleagues solve work related problems and go the extra mile although this is not close to a majority response (30% report this). Few respondents report performance expectations as reasonable and achievable (only 26%) which perhaps reflects the centralised approach to target setting within the larger parent organisation.

**Innovation enablers:** There is recognition across all groups that the organisation engages in innovation activities, with 86% agreeing that the organisation has introduced one or more new processes and products or services in the last 12 months. Further, the impact of these changes is viewed relatively positive with over 50% reporting performance and productivity has been improved through innovation. Packaging staff are more likely to report innovative activity than the creamery which may relate to the significant investment packaging have seen as a result of securing a new sizable contract with a retailer and also the introduction of new technology in the packaging plant.

**Workplace innovation in practice:** There is a consistent picture at Limeswood that limited opportunity for employee involvement in the innovation process exists. The majority of respondents report that new ideas come from the same people or department in the organisation most or all of the time. The data shows that there are, however, small pockets of activity from which to potentially learn.

**Fair work innovation in practice:** Employees experience of fairwork appears mixed, and suggests that although employees recognise the efforts made by the organisation to create a fair workplace, these efforts may not be impacting everyone as intended. The scores are low with the best reporting 35% of respondents as seeing opportunity for progression for most or all employees. Responses around reward, however, are particularly negative with around a third reporting that no employees are fairly rewarded for the work they do. Despite this, 71% report being satisfied or very satisfied with their work, and 76% report feeling fairly treated.

**Innovation challenges:** Limeswood faces a number of challenges relating to innovation. The first is fragmentation of the production and packaging sites which operate as two separate companies. Efforts have been made to create a greater sense of unity between them by streamlining terms and conditions, regrading jobs, holding joint union rep meetings and attempting rotation of staff between the two sites. However, these efforts have had limited impact due to staff and union resistance and the different nature of work carried out at the two sites. Fragmentation continues to be a barrier to both collaboration and organisational agility.

Secondly, power within the group is largely centralised, and decisions about the organisational approach to people are often made elsewhere by a senior team in the parent company. Location also constrains the availability of a labour supply. The niche nature of the work means it can be difficult for Limeswood to recruit the right level of skill.

This issue is exacerbated by the misperception amongst locals that work in the creamery in particular is suited to men.

Looking at other challenges to innovation, there are significant gaps in workplace practice. There is little training for employees to encourage idea generation (14%) or develop skills for the future (40%), there is little opportunity for management-employee learning (22%) or that across functions (22%), only 7% are involved in the design and/or implementation of new processes and only 13% report managers as supporting employees to put ideas into practice. Only 15% report employee ideas as having driven innovation around business processes.

*Reflections:* Despite challenges to innovative practices, recent (top-down) interventions have been introduced around new technologies that enable line managers to access productivity reports, share and interact with other line managers to find solutions to problems in real time. This approach of collaborating around a problem is limited, however, to line managers in the packaging site leaving the vast majority of employees as disengaged from involvement in organisational change and renewal. The centralisation of control presents a significant barrier for Limeswood to better engage employees as decisions around approaches to work are taken without consultation or often negotiation with employees. There are, however, plenty small practices under local control that could potentially improve the employee experience while and improve performance.

### 3.9 Maymill

**Background:** Maymill was founded nearly forty years ago by the current owner's father. It started with one shop and about 15 people employed in the shop and in the bakery, which was located behind the shop. A second shop and bakery were then acquired, and twelve years ago the bakeries were amalgamated onto a single site and continued to grow. The turnover has plateaued at £3 million in the last 3 – 4 years, and there is now an ambition to grow that to £5 million in the next 2 – 3 years. It has ambitions to be a BRC business (BRC is a global accreditation body in the food industry that works to ensure standards of quality, safety and operational criteria). The company currently operates in teams: confectionary, savoury, bakers, biscuits, and packers, but the Managing Director wants to move away from teams (retaining the biscuits team) to develop greater flexibility.

**Business challenges:** As well as supplying local markets through its shops, Maymill supplies biscuits and longer shelf-life products to four main international markets, China, Denmark, Canada and the USA. The company works with Scottish Food and Drink to identify potential business opportunities. Brexit is seen as a major challenge. Already key baking ingredients such as butter have become more expensive since the Brexit vote, and many inputs are traded in Euros (such as bacon) and dollars. The company also employs Eastern European workers and it is not clear how this will change as Brexit moves closer.

**People priorities and fair work:** Workers' experience of fair work at Maymill is generally positive. Jobs are perceived to be appropriately challenging and secure. Overall Maymill is seen as a good place to work, with all respondents reporting that they are satisfied at work and that they feel fairly treated. Jobs are seen as being meaningful, with opportunities to progress. All workers have the opportunity to take SVQ Level 2 qualifications, and some who wish to do so are supported through Level 3 qualifications, although the company is concerned that those who achieve Level 3 qualifications may choose to leave for the better pay to be found for offshore work. Trust levels are generally perceived to be high, though there is limited evidence that employees voluntarily help colleagues. Workers generally believe that the organisation prioritises the provision of stable employment and a predictable income and provides help for non-work related problems. Workers are initially paid hourly for their first three to six months and then are moved to a salary. The salary ensures that employees have a stable income, though demand is cyclical and they may work longer days in summer and shorter days in winter. There is an employee discount in Maymill's shops, and the company also pays a premium for night working. Flexible working is not seen as being widely available.

<b>Fair work indicators</b>	<b>%</b>		<b>%</b>
Employees have a strong collective voice	71	There are high levels of trust between managers and employees	64
Progression opportunities exist at every level	79	Employees recommend this as a good place to work	71
There is access to flexible working to support work-life balance	23	Employees can disagree over work issues without fear of retribution	78
Jobs here are meaningful and provide a sense of purpose	69	I feel satisfied with my job here	100
People treat each other with respect	64	I feel fairly treated at work	100

**Performance:** Half of employees view performance standards as reasonable and achievable, but many fewer report that helping colleagues to solve problems is widespread. Performance management is seen as emphasising employee development and there is little evidence of stress, though there is evidence that the rewards are not perceived as fair. Low pay is acknowledged by management as problematic. It is hoped by managers that different shift patterns will prove to be attractive to workers and help to offset the perceptions of low pay.

**Fair work innovation in practice:** Maymill has traditionally used dedicated teams, but is now moving away from them to enable multi-skilling so that people can swap between product lines as work requires. This includes a change in shift pattern, and workers have been involved in the redesign of the shifts.

**Innovation enablers:** Maymill works with Scottish Food and Drink, and is keen to learn from others. The Managing Director asks to visit other bakers and see what they are doing, and will take others, such as production managers, baking managers and supervisors with him. Maymill is also intending rolling out some form of lean across the business and most production staff and some office workers attended a Scottish Manufacturing Advisory Service course recently to learn about lean. The company has developed a Knowledge Exchange Placement Partnership (KEPP) with Queen Margaret University to appoint someone for a year to help in new product development. Employees are encouraged to take ideas for product and process innovations to production managers. Maymill is seen to have sufficient financial resources to support innovation and as generating ideas, with nearly three quarters of employees reporting that employees are a source of innovation suggestions. Customers are seen as a valuable source of new ideas. Innovation is widely reported as contributing to performance and productivity improvements.

<b>Practices supporting innovation</b>	<b>%</b>	<b>Employee participation in innovation</b>	<b>%</b>
Opportunities for managers and employees to interact informally	69	Employee skills and talents are well utilised at work	57
Practices that encourage managers and employees to learn from each other	69	Changes to processes are made based on ideas from our employees	57
Organisational support for cross-functional working	61	Our employees understand our products/services well enough to make suggestions for improvement	50
Managers have confidence in employees' capabilities	67	Managers support employees in putting ideas into practice	57
Our organisation develops employees' skills for the future as well as the present	57		

**Innovation challenges:** It was noted by the MD that some of the longer established employees are reluctant to change, but that newer staff are more open to new ideas. The biscuit team is used as a 'quasi-agency' to test new recruits, although all recruits are employed directly by Maymill. Perhaps surprisingly, only 57% of respondents think that managers support all or most employees in putting their ideas into practice.

**Reflections:** Although it operates in a traditionally low paying sector Maymill employees are largely positive about dimensions of fair work and involvement in decision-making. They also report high involvement in innovations.

### 3.10 MorningCo

**Background:** MorningCo are a seafood manufacturer working exclusively with one of the major UK retailers. The company is part of a larger group and has been in operation for a number of years. Being a dedicated supplier, growth at the company is limited to working with the customer to develop new product lines.

MorningCo often employs up to 450 people. Two thirds have permanent contracts and form the core workforce. The other 150 are agency workers drawn in to cover peak periods. Only the core staff are engaged in the FITwork project. The majority of employees work in production with others split between administrative functions. The company has a high proportion of migrant labour; home labour accounts for just 19% of the workforce.

**Business challenges:** The key challenges for the sector are cost related although another challenge concerns an emerging labour supply issue as a result of Brexit. Looking at cost challenges, fluctuations in the price of raw materials creates significant challenge for the company with some materials doubling in price. Alongside increases in the cost of labour due to increases in the National Living Wage creates additional challenge. Turning to the emergent challenge around labour supply, the sector employs a high proportion of migrant labour, the number of which the company are starting to see diminish as some employees return home in the wake of the Brexit vote.

The company operates in an increasingly competitive market that is dominated by a few large companies vying for contracts with the multiple retailers. While consumer demand for products is reported to have generally increased over the last few years given a focus on healthy eating and provenance of food, MorningCo's growth is limited by the performance and product choice of their only customer leaving it somewhat vulnerable to keep abreast of changes in the sector. They are, however, also responsible for product innovation on behalf of the retailer as long as it doesn't overlap into areas serviced by other dedicated suppliers as the retailer acts to protect the interests of all suppliers working with them. Even so, this is reported as a narrow window in which to innovate and is compounded by the business case for new product development as volatility in the cost of raw materials makes many new products unsustainable.

In response, all departments are asked to contribute to process cost savings. Interviews with senior management report that the company has already tried obvious and expected strategies for cost saving including automation and labour efficiencies. Now, attention is turned to more innovative means.

**People priorities and fair work:** While individual departments are asked to contribute ideas around process improvement, interviews with senior management suggest that interventions are very much top-down. Employees are involved in idea generation around solutions to local problems but developing interventions is largely reported to be the reserve of the few as are decisions concerning company strategy. The company are keen to better engage employees in the business.

In getting to know the business, new members of the senior management team have uncovered supervisory issues that are thought to constrain employee involvement. Each line/process has a number of supervisory staff responsible for managing the process but explicitly not the people. Above them are a handful of people supervisors with the ration of one for every 120 employees. Concerned that employees do not have sufficient access to their line manager to raise concerns and contribute ideas, the company have recently removed the existing supervisory layer and replaced it with team managers responsible for performance metrics, people and compliance. The managers are supported with a 10 module training programme which is currently being delivered to the first cohort. The new approach is expected to cost more but the company are expecting to see a good return on the change.

The FITwork survey was made available to 150 staff on-shift on the day of data collection, eliciting a 61% response rate

Fair work indicators	%
I feel satisfied with my job here	72
I feel fairly treated at work	69
The organisation prioritises providing stable employment	67
The organisation takes practical steps to provide a healthy workplace	64

The data shows that the pattern of response across roles are similar in their view of the company approach to fair work with majorities often settled on the same response. There is little variance between management and employees. Respondents are similarly in agreement, however, that the company does not provide other factors of fair work. Only half of respondents report that MorningCo deals with any bullying or conflict quickly and effectively (58 and 59%), and 57% that the company prioritises the provision of predictable. Moreover, 28% report that jobs are meaningful, 31% that progression exists at every level, 24% that employees have strong collective voice and 32% that there are 'high-trust' relations between management and employees. Indeed, only 43% report that employees can disagree over work issues without fear of retribution. Looking at the summary measure that asks if the company is a good place to work, only 34% of employees respond that it is. Interviews with senior management highlight apathy for the employee forum and, perhaps relatedly, communication issues given the dominance of Polish relative to home workers.

**Performance:** Turning to employee performance, only 41% of respondents see performance expectations as reasonable and achievable. This perhaps reflects the 41% reporting that most/all staff are overworked and that few employees report any involvement in the design and/or implementation of performance measures (only 16% report such involvement). Only 38% report going beyond that required of them in their jobs



suggesting that a significant number perceive employees have jobs with unrealistic performance expectations and/or are disengaged.

**Innovation enablers:** The move to team management is reported to have engaged employees in a 360-degree process and it will be interesting to see the outcome of this intervention in due course. In other innovative activity, while 59% of survey respondents report managers to have confidence in employee' capabilities, interviews with senior management suggest that the majority of innovative activity at MorningCo is led by management even where employees have contributed the idea. Indeed, over half of respondents report the company to be good at generating ideas but few report any involvement in change (<20%) perhaps corroborated by only 25% reporting the company to make effective use of employee skills. Only 38% reporting financial resource to try new things but as with the move to team management, not all innovation requires significant financial resource.

While the relationship with the customer is important to MorningCo, only 34% of respondents agreed that customer feedback as a source of new ideas.

**Workplace innovation in practice:** MorningCo recently revised the supervisory structure to replace those with responsibility for the technical process but not the people and their roles in the process. It is expected that this change will give staff better access to management and the processes for performance management while facilitating more responsibility for decision-making and accountability at local levels.

**Fair work innovation in practice:** The company have long identified the basic importance of providing stable employment and more recently have attempted to support the largely Polish workforce to learn the English language to support their lives in Scotland. Looking forward, however, MorningCo recognise the role line management play in others' experiences of work. As such, a supervisory review is underway.

**Innovation challenges:** In contrast with their managers' views, almost all employees report that MorningCo have made major changes to both products and process in the last 12 months (81% and 82% respectively) and that these changes have had a positive effect on performance and productivity (>70%). It is interesting, therefore, that respondents report the presence of practices that support innovation as relatively weak.

While 59% report management as having confidence in employee capabilities, only 41% say employees have sufficient knowledge to promote ideas for improvement. Only 28% identify the company as developing employee skills for the future with a similar proportion suggesting the company utilises existing skills (25%). Only 16% of respondents agreed that employees are involved in the design and/or implementation of new processes/technologies, 24% reporting management support for employees to put ideas into practice, and 38% that opportunities exist for cross-functional working.

**Reflections:** MorningCo faces the challenge of growing the business within the confines of a dedicated supplier agreement and as such there is a particular focus on improving process given the scope of control the company has in this area relative to products (all product innovation requires the approval of the customer). Given the focus of improvement around process, better employee involvement in decisions around innovation would be



beneficial but existing practices are not proving sufficient. The introduction of a team management structure and training is expected to improve opportunities for employee involvement but is still in early stages with benefits yet to emerge. Such an intervention, however, needs to be aligned with other practices such as reward and employee voice mechanisms.

### 3.11 Nutranta

**Background:** Nutranta, is an agricultural company based in the Highlands that produces, processes and packs prepared and cut carrots for a range of supermarkets. Nutranta operates as a quality provider of products in a market that is seen as too niche and low volume for many producers. The seasonal nature of Nutranta's product means that the number of employees fluctuates from 40 to 60, depending on the time of year, with peaks in packing activity at Christmas, and field work in June and July during the growing season. Approximately 20 employees are directly employed, with the balance coming from agency staff. Twenty-six complete responses were received from staff between the 6<sup>th</sup> April and the 3<sup>rd</sup> May 2017. It should be noted that a language barrier during the first onsite facilitation session may have reduced the reliability of the results.

**Business challenges:** Like many in the food industry, Nutranta employs a high proportion of Eastern European workers, meaning that the company faces increasing uncertainty in recruiting and retaining staff as the impact of Brexit becomes clearer. Working hours can vary, with long days and weeks at peak time – a day typically starts at 7 am on the farms and at 7.30 am in the packing area, and may finish as early as 3 pm or as late as 8 pm depending on order requirements. Another challenge is the need to innovate to grow the business – although the company sees opportunity to grow, it is not through increased margins.

**People priorities and fair work:** Nutranta operates in an industry that it describes as “not inherently exciting” – it therefore aims to retain the staff it recruits. When recruiting it does not look specifically for experience in produce, but instead looks for teambuilding and people skills, and people who demonstrate an appetite for change. Workers broadly feel treated fairly at work, but it is clear that there is little opportunity for a collective voice, and any progression opportunities are not transparent to the whole workforce. It is worth noting here that Nutranta employs a number of agency staff, who may have completed this survey, and it is not clear to what extent they may be noting the limited opportunities given they are not full-time employees. Stable employment and stable income are not perceived as high priorities for Nutranta. Some employees report that most or all colleagues were overworked and concerned about job security, which again may reflect the views of agency workers as well as direct employees.

<b>Fair work indicators</b>	<b>%</b>		<b>%</b>
Employees have a strong collective voice	24	There are high levels of trust between managers and employees	50
Progression opportunities exist at every level	30	Employees recommend this as a good place to work	33
There is access to flexible working to support work-life balance	35	Employees can disagree over work issues without fear of retribution	47
Jobs here are meaningful and provide a sense of purpose	40	I feel satisfied with my job here	77
People treat each other with respect	62	I feel fairly treated at work	86

**Performance:** Most Nutranta employees consider performance expectations to be reasonable, and most staff recognise that management of performance places an emphasis on employee development. There is evidence of workers collaborating, with wide acceptance that workers go beyond the minimum requirements of their jobs and will help one another to solve problems. However, there is little reported involvement of employees in the design and implementation of new performance measures or new payment and management systems.

**Innovation enablers:** Innovation is recognised as driving improvement at Nutranta, and staff report that Nutranta has introduced both product and process innovations in the last year. Many of the product innovations come from customers or specialist consultants – Nutranta enjoys good relationships with the technical department of one customer in particular. More than half that respondents report that the organisation seeks to learn from trial and error.

Practices supporting innovation	%	Employee participation in innovation	%
Opportunities for managers and employees to interact informally	50	Employee skills and talents are well utilised at work	19
Practices that encourage managers and employees to learn from each other	64	Changes to processes are made based on ideas from our employees	48
Organisational support for cross-functional working	55	Our employees understand our products/services well enough to make suggestions for improvement	70
Managers have confidence in employees' capabilities	77	Managers support employees in putting ideas into practice	23
Our organisation develops employees' skills for the future as well as the present	14		

**Innovation challenges:** Although it is recognised that innovation drives improvement, there is limited evidence that employees are a major source of innovation. The transitory nature of agency staff probably reduces the possibility of their involvement in significant process innovations given their lack of familiarity with Nutranta and the likelihood that they spend only a short time with the company. This may help to explain the fact that even for process innovations, fewer than half of respondents report that employees are a source of process innovations. The scores for all elements of employee participation in innovation activities are low and there is a reluctance among employees to promote their ideas to others and to identify solutions to the problems facing Nutranta. However, with a small proportion of employees reporting that their skills are well utilised at work, there does seem to be the potential for greater employee involvement in innovation. This, though, would seem to require greater management support or, at least, an improved perception that managers will support employees in putting ideas into practice. Nutranta reports that most of their growth is currently with low cost supermarkets, which limits the margins that can be charged.

**Reflections:** Nutranta operates in a seasonal food market, producing and packaging carrots. The company is reliant on agency workers to manage fluctuations in demand, and this may limit innovation if workers do not stay long with a single company to get to know products and processes well enough to identify areas for improvement or to have the motivation to innovate.

### 3.12 ProvenDream

**Background:** ProvenDream began as a wholesale family bakery in 2007 in the Central Belt of Scotland, and recently moved to purpose-built premises in East Lothian. It currently employs 28 staff: twenty-seven full-time and one part-time. Some of the full-time staff started part-time and have since transferred to full-time contracts. In anticipation of the recent move, the majority of recently staff recruited recently have been from East Lothian and chose to make the move when the company relocated.

Both turnover and staff numbers have grown consistently since the bakery was founded. The company pays the living wage and does not employ workers on zero hours contracts – the MD feels that this gives the company greater financial stability. The organisation tends to expand employee numbers in threes as they develop new business opportunities, recruiting a baker, someone in despatch and a van driver each time more employee capacity is needed.

**Business Challenges:** Like many in the food sector, ProvenDream is facing the double pressure of increased costs – including wages and pensions – and increased pressure on consumer incomes. In the wake of Brexit it is not clear what will happen to the price of key imported raw materials such as flour from Canada over the next few years, and consequently if, and when, the company should raise its prices either in anticipation of, or response to, rising prices. This decision has to be carefully considered in the context of competition from supermarkets, who are able to offset rising costs in one part of the supply chain with a price rise in another by, for example, increasing the price of fuel.

**People priorities and fair work:** ProvenDream has found it difficult to recruit workers with the bakery machinery skills the company requires. As a consequence the company spends a lot of time training employees and developing skills by providing training at SVQ Level 2, through Skills Development Scotland, and, where it is appropriate, at Level 3. The company also finds it difficult to recruit because of the unsocial work hours: for example, drivers start work at 2 a.m. However, among existing employees job security is perceived to be high. Jobs are widely perceived as appropriately challenging, meaningful and providing a sense of purpose. Opportunities for job progression are perceived to be limited, and trust levels are mixed, with one group in particular showing low levels of trust.

Fair work indicators	%		%
Employees have a strong collective voice	40	There are high levels of trust between managers and employees	62
Progression opportunities exist at every level	33	Employees recommend this as a good place to work	67
There is access to flexible working to support work-life balance	30	Employees can disagree over work issues without fear of retribution	60
Jobs here are meaningful and provide a sense of purpose	67	I feel satisfied with my job here	95
People treat each other with respect	62	I feel fairly treated at work	95

**Performance:** Some employees go beyond what is required of them in their job, but this is not perceived as the norm, and only half of employees believe that workers help one another in solving problems. In contrast, ProvenDream's performance expectations are perceived as reasonable. Seventy per cent of employees agreed that performance management emphasises employee development. However, there is a consistent view that most employees have limited voice in the design or implementation of performance measures.

**Innovation enablers:** ProvenDream aims to develop lean practices, with a strong emphasis on quality – this is helped by its narrow product variety (rolls, scones and baguettes), which enables greater efficiency and helps to maintain high quality. The bakery manager is responsible for product development, and the company introduced three or four new products in the first few months of 2017. Innovation was also key to the company at the start of the year when it moved to new premises. The managing director perceives that there is potential to develop new markets through outlets such as artisan bakeries and independent coffee shops, where it should be possible to generate a higher margin than is possible through supermarkets. Financial resources to support innovation are seen to be readily available.

Practices supporting innovation	%	Employee participation in innovation	%
Opportunities for managers and employees to interact informally	71	Employee skills and talents are well utilised at work	48
Practices that encourage managers and employees to learn from each other	52	Changes to processes are made based on ideas from our employees	76
Organisational support for cross-functional working	72	Our organisation develops employees' skills for the future as well as the present	43
Managers have confidence in employees' capabilities	76	Managers support employees in putting ideas into practice	48
Our employees understand our products/services well enough to make suggestions for improvement	65		

**Innovation challenges:** In Scotland there are no bakery colleges in which employees can develop their skills beyond those they acquire through doing SVQ on the job. This means that it is difficult to train employees beyond the tasks they are already doing as part of their jobs, making it more difficult for innovation that relies on skills that the bakers do not already possess. Although employees think that the organisation makes changes based on their input, with fewer considering that they contribute to product changes than to process changes, there is little evidence that employees believe they generating new ideas to solve problems or to change the ways things are done in the organisation.

**Reflections:** While the majority of workers report feeling satisfied and fairly treated at work, and mechanisms are in place to try and create fair work, employees' experiences of fair work could be further improved. There is also evidence that people management to support innovation could be further developed – the responses suggest that workers' skills are not being utilised fully, and that they feel they do not have a lot of agency to innovate. While the nature of the product means that careful process control is needed, there may be scope for worker involvement in further process development, particularly if lean production is an aspiration.

### 3.13 Spoonfuel

**Background:** Spoonfuel manages production and sales of cereal grain based products. It is a small and recently formed company that is under private ownership and has ambitious plans for growth. Business activity includes procurement, sales, customer service and administration with the manufacturing activity outsourced across a number of suppliers. The company has recently acquired capacity to bring production in-house.

Operating from a single site, Spoonfuel employs a small core workforce of ten; 40% work in sales and customer service, 30% in management (2 are owners), 20% in administration or secretarial roles, and 10% in production. Most employees have been with the company from around the time of its inception.

**Business challenges:** Spoonfuel operates in the market emerging from strong consumer interest in health and provenance. The offering of minimally processed and locally sourced products has proven popular and is facilitating rapid growth for the company. Although in a strong position, there is increasing interest in this market and competition from new entrants requires the company to keep an eye on innovation to maintain and grow its position in the market. Rapid growth has created challenges, however, around the allocation of sufficient human resources to drive innovation; the existing workforce are struggling to meet demand for production and the number of employees have outgrown the existing office space, something employees mentioned in interviews as negatively impacting their performance and ability to innovate. Facing this challenge, the company looks to create space, capacity in the workforce and transparency around production processes by moving to larger premises and bringing production in-house with the creation/ revision of associated processes.

**People priorities and fair work:** Senior management at Spoonfuel recognise the breadth of knowledge in the small team and identify training and development, and the motivation of employees as two of the top three priorities. The third concerns recruitment for production activity. To help establish a collective purpose, management work with post-holders of all individual roles to identify the alignment of their role in delivering the desired growth. Plans are also underway to introduce job shadowing in attempt to help all employees understand how their job fits in with others in the organisation. Individually, employees are encouraged to organise their own workloads, identify their own needs and investigate training solutions.

The close working environment of Spoonfuel, and its age and size, have meant that in the main its approach to people has remained informal. However, its imminent expansion necessitates a formalisation of process and procedure and the organisation is working with a HR consultant on how best to retain its values and family feel as the organisation grows.

The FITwork survey was made available to all staff, eliciting a 100% response rate.

The data shows that, according to employees, the company prioritises stable employment and predictable incomes (80 and 90% respectively), that help is available from the



organisation when employees have a non-work related problem (64%), that any bullying would be dealt with quickly and effectively (90%), and that steps are taken to provide a healthy workplace (90%). Only 50%, however, report that staff have a strong collective voice, 40% that employees are fairly rewarded compared to people doing the job elsewhere, and 40% that there is access to flexible working arrangements to support work-life balance.

Fair work indicators	%		
Strong emphasis within the firm on developing employees to deliver effective performance	70	Employees recommend this as a good place to work	60
Progression opportunities exist at every level	60	Employees can disagree over work issues without fear of retribution	60
Employees find their jobs to be challenging, but not too challenging	70	The organisation prioritises providing stable employment	80
Jobs here are meaningful and provide a sense of purpose	60	The organisation prioritises providing employees with predictable incomes	90
People treat each other with respect	100	I feel satisfied with my job here	74
The organisation deals with conflict fairly and objectively	90	I feel fairly treated at work	78
There are high levels of trust between managers and employees	60		

**Performance:** Some employees appear to go the extra mile for the company. Most staff report an appropriate level of challenge in their job perhaps reflecting that over 70% report performance expectations as reasonable and achievable. Most staff (60%) report working beyond contract requirements and voluntarily supporting others to solve work problems (70%).

**Innovation enablers:** Spoonfuel has modernised a traditional product both in the ingredients it uses, and its packaging which ensures consumers' ease of use. While many competitors have a highly automated production process, one of Spoonfuel's unique selling points is that 67% of its process is manual. Further innovative marketing campaigns and a charitable ethos have created a strong company brand. The company continues to look for new ideas around product and process development to further grow the business. While all staff report product and process innovation in the last 12 months, few report that most or all colleagues are involved in generating the new ideas; 70% report new ideas come only from the same people/ department in the company, and 70% that there is a supply of good ideas but less success at implementing them. Only 30% agreed that external connections were a valuable information source for most or all colleagues at Spoonfuel.

**Workplace innovation in practice:** As Spoonfuel grow, they are attempting to retain the young and innovative feel in the workplace. Within this, employees are encouraged to self-manage their days, identify their own future skills needs within the company and how to address them, job shadowing is planned to help all employees understand how their job fits in with others in the organisation and create support networks that span different departments.

**Fair work innovation in practice:** As a small company in its start-up phase, Spoonfuel provides employees with the opportunities for employee voice through regular team meetings that involve all employees and which give due discussion around employee ideas. Employees report feeling mostly respected at work and challenged but not overly so. The challenge for Spoonfuel, however, will be to maintain the cross-functional collaboration once the company has scaled up.

**Innovation challenges:** While innovation is reported by all employees, respondents are more divided around the extent to which innovative activity has had a positive effect on performance (60% report a positive effect) and productivity (only 50%).

While management at Spoonfuel have verbally communicated to staff that they encourage all employees to engage in innovation, there was an acknowledgement that not all people feel comfortable in bringing forward new ideas. The data shows some evidence of practices and attitudes that can support employee involvement in innovation although other indicators around involvement in the decision-making activities is more mixed.

Practices supporting innovation	%	Employee participation in innovation	%
There is very little demarcation of jobs	70	Our employees understand our products/services well enough to make suggestions for improvement	70
Managers have confidence in employees' capabilities	80	Changes to processes are made based on ideas from our employees	70
		Changes to products/services are made based on ideas from our employees	70

**Reflections:** While Spoonfuel are a relatively young and innovative company employing a highly skilled and knowledgeable workforce, the current approach to managing innovation falls short of tapping into this talent. There is an apparent mindset to involve employees in decisions around innovation but the mechanisms to deliver this are less clear and may perhaps relate to presence of an owner manager in such a small company. Scaling up will require Spoonfuel to make greater use of employee talents and the practices that can support this.

### **3.14 Reflections on Food and Drink companies**

Compared with the wide variety of Scottish Business Pledge companies that participated in this research, and our small sample of social care organisations, employers in the food and drink sector appear to face more substantial barriers in delivering fair work and workplace innovation. For example, relatively few employees across all of our sample organisations thought that organisational structures lent themselves towards staff sharing ideas with each other or their managers. Our qualitative research with highlighted how food production environments – often defined by standard operating procedures and standardised forms of work organisation – can limit opportunities for experimentation and change. Some business leaders in our food and drink case studies also pointed to the nature of the sector – highly competitive; with cost competition a key theme – as contributing to work intensification and standardised ways of working. While many business leaders were aware of the potential added value recalibrating organisational structures to support innovation (for example, through cross-functional working), it was sometimes difficult to plan and resource such reforms. The barriers to promoting more collaborative and innovative working fed through to employees, many of whom saw relatively few opportunities for colleagues to voice ideas or reflect and solve problems at work. Our survey research and feedback and interview sessions confirmed that what we term employee-driven innovation – where employees reflect, work together to solve problems or promote ideas of benefit to the organisation – was seen as a preserve for only some workers by many people working in the sector.

There were also concerns in some of our case study organisations around the processes of people management and how jobs are designed. Relatively few respondents to our survey identified strong opportunities for employee voice (even in unionised environments), and HR practices were generally not seen as supporting innovation. Again, the standardised approaches to work organisation that dominate the sector may mean that performance management and training are not seen as encouraging new ideas – this was certainly the view of many survey respondents. The highly competitive nature of the sector may also help to explain why some employees thought that their organisations did not prioritise stable employment (and in turn why there were some concerns regarding job security). Employers in the food and drink sector wish to minimise staff turnover and maximise attendance and performance. Rethinking people management to improve staff development and support collaboration may be a way forward for some organisations.

Some of our indicators of fair work suggest that more needs to be done to deliver good quality jobs in the sector. In a number of our case study organisations, the majority of people who completed our survey thought that most or all of their colleagues experienced stress at work. There are potential implications for employee wellbeing here that require further research. Other indicators of fair work – for example, the extent to which employees perceived their colleagues as treating each other with respect – were also somewhat less positive than in other organisations that we have looked at. It may be that work intensification in this sector has the potential to undermine relationships in some workplaces, with negative consequences for workplace relationships, employees and

productivity. There is again a need for both further research and employer action, so that we can better understand the factors limiting more progressive workplace practices (and so the experience of fair work) in the food and drink sector.

## 4 Social Care Organisations

### 4.1 Dataset Commentary

The survey responses reveal a high degree of structural support for co-working and productive interaction between workers. Job design appears to facilitate this with statements about encouragement to interact, time given to reflect on solutions and autonomy to change work practices being deemed by three quarters and more of respondents to apply to most/all employees.

The extent to which respondents felt that most or all employees were trained to come up with new ideas; were rewarded for creativity and performance-managed to come up with new solutions was very high. There is also clearly a high degree of decision-making capacity in that 75% plus respondents felt that these opportunities were there for most/all employees and a further 20% felt this applied to some employees.

Employees feel they can learn from trial and error at least sometimes but the overwhelming majority think that this is true mostly or always. Around 78% of respondents think that most/all employees find their jobs stressful but in almost the same proportions they feel that most/all employees are fairly rewarded for the work they do.

The influence of employees as a source of info about the external business environment seems limited but over 80% of respondents think that feedback from customers/end users is a source of new ideas for most/all employees.

Almost 80% of respondents report that there has been a major change to products or services in the last 12 months and 87% think the performance of the company has been improved through innovation.

There is a very high degree of agreement (between 88-93%) between statements which reflect fair work – i.e. job stability being emphasised, conflict resolved fairly and barriers to specific groups being removed.

Table 4: Social Care organisations – some early dataset insights

Dimension	Variable	% who say it applied to		
		No employees	Some employees	Most/all employees
<b>STRUCTURE</b>	Practices which encourage employees and managers to learn from each other	3.1	16.6	80.4
	We encourage people from different parts of the business to work together	5.3	20.4	74.3
	Employees know what's going on in other areas of the organisation	5.9	36.2	57.9
<b>WORK DESIGN</b>	Job design encourages people to interact	1.3	14.2	84.5
	Employees have time to reflect and propose solutions	2.3	18.9	78.8
	Employees have autonomy to change work practices	2.7	21.9	75.4
<b>HUMAN RESOURCES</b>	Our organisation trains people to come up with new ideas	6.3	17.2	76.5
	Employees are rewarded for being creative/enterprising	20.5	18.6	61.0
	Performance management encourages people to come up with new solutions	13.1	21.0	65.9
<b>DECISION MAKING</b>	Opportunities to lead are shared across different levels	1.8	23.5	74.8
	Employees have a strong collective voice	1.3	21.3	77.4
	Can disagree over work issues without fear of retribution	1.8	19.9	78.4
<b>ENTREPRENEURIAL ATTITUDES</b>	We all actively learn from trial and error	0.9	18.7	80.4
	Our people are not afraid to try things that could fail	1.3	28.7	69.9
	New practices are seen as an opportunity not a burden	2.7	17.3	80.0
<b>EXTERNAL RELATIONS</b>		<b>No employees</b>	<b>Some employees</b>	<b>Most/all employees</b>
	External connections are valuable to people	3.0	27.7	69.3
		<b>Never</b>	<b>Sometimes</b>	<b>Most/all of the time</b>
	Feedback from customers/end users is a source of new ideas	1.9	17.9	80.2

	Employees are a source of info about external business environment	8.8	37.1	54.1
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<b>ORGANISATIONAL PRACTICE FOR FAIR WORK</b>	This organisation prioritises providing stable employment	11.6	88.4	
	When conflict arises its dealt with fairly and objectively	11.1	88.9	
	Barriers to employment for specific groups are identified and addressed	7.2	92.8	

		<b>No employees</b>	<b>Some employees</b>	<b>Most/all employees</b>
<b>FAIR WORK EXPERIENCE</b>	Employees find their jobs stressful	5.0	17.1	77.9
	Employees are fairly rewarded for the work they do	6.6	22.3	71.1
	People treat each other with respect	1.5	20.7	77.7

<b>PRODUCTIVE WORKPLACE</b>	Employees go beyond what is required of them in their jobs	0.0	20.6	79.4
	Employees see performance expectations as reasonable and achievable	1.0	17.5	81.6
		<b>Disagree</b>	<b>Agree</b>	
	Performance management emphasises employee development	12.3	87.7	

		<b>No employees</b>	<b>Some employees</b>	<b>Most/all employees</b>
<b>EMPLOYEE DRIVEN INNOVATION</b>	Employees make changes to work practices which benefits the organisation	1.5	22.6	75.9
	Employees come up with ideas to solve problems	1.0	29.5	69.5
	Managers support employees in operationalising their ideas	3.0	26.3	70.7

<b>INNOVATIVE PRACTICE</b>	We are ahead of our competitors in introducing new products or services	1.5	19.1	79.4
		<b>Disagree</b>	<b>Agree</b>	
	We have made major changes to products/services in last 12 months	20.5	79.5	
	Our performance has been improved through innovation	13.1	86.9	

## 4.2 NorthCare

**Background:** NorthCare, the second largest employee owned company in Scotland, is the leading home care provider in the Highlands and is at the forefront of the care profession in Scotland. Employee-owned, NorthCare is overseen by a board, which is made up of three executive directors, three elected employee directors and two non-executive directors. From long-term complex care through to support with everyday living, NorthCare provides care services tailored to individual requirements, allowing clients to remain independent without compromising the quality of their care. Founded in 1994, NorthCare has grown to become one of the major independent providers of home care and support services in Scotland currently employing over 400 staff. With a Grade 5 rating from the Care Inspectorate, and accredited by the Scottish Social Services Council, NorthCare engages with the community and service users to maintain and improve standards and live up to their values of providing a flexible, professional service in an open and approachable manner, and respecting rights and promoting equality.

**Sector challenges:** The social care sector is a key employer and is a crucial component of Scotland's health and social services infrastructure. It is also a sector which currently faces a number of challenges. The importance of the invaluable support the social care sector provides to an ageing population with often complex needs has not always been matched by available resources, presenting problems for capacity, recruitment and staff turnover. The introduction of the Scottish Living Wage and the development of Health and Social Care Partnerships are part of a changing landscape which social care providers are navigating. Audit Scotland's recent analysis of health and social care integration says that the social care workforce has yet to see itself and be widely regarded as 'valued, stable, skilled and motivated'.

**People priorities and fair work:** Over four-fifths of participants felt their jobs were meaningful, and provided them with a sense of purpose. The vast majority recommended NorthCare as a good place to work, with nearly one-third of respondents said that 'all' employees would recommend, half said 'most' would, and nearly one-quarter said 'some'. The FITwork tool was distributed to all staff within NorthCare, with 118 completed surveys, 87 of which produced usable data.



Fair work indicators	%		%
Help is available when employees have a non-work-related problem	88	I feel fairly treated at work	96
Jobs here are meaningful and provide a sense of purpose	84	I feel satisfied with my job here	94
There is access to flexible working to support work-life balance	71	Employees have a strong collective voice	69
People treat each other with respect	71	There are high levels of trust between managers and employees	65
Employees are fairly rewarded for the work they do	68	Employees find their jobs stressful	33
Progression opportunities exist at every level	64	Employees in this organisation worry about job security	21

Almost all participants reported feeling satisfied and fairly treated at work. The vast majority believed their jobs were meaningful and provided them with a sense of purpose. Almost nine out of ten respondents agreed that help would be available for employees experiencing non-work-related problems. In terms of challenges faced by the organisation, one-third of respondents thought that most or all colleagues found work stressful. Interviews with members of the leadership team and focus group discussions with employees centred on the inherent stressors associated with work that is highly demanding, complex and contains a substantial ‘emotional labour’ component.

**Performance:** Where employees had the motivation and opportunity, a significant proportion went beyond the minimum expected of them in their efforts and behaviours. They voluntarily assisted their colleagues in solving work-related problems and exhibited attributes of organisational ‘citizenship’ behaviours. Productive behaviours were also shaped and constrained by the expectations of others, and how performance is measured. Focus group discussions with employees highlighted a wide range of innovative behaviours and activities, whereby staff had made changes or formulated solutions to respond to service users’ personal needs. Again, discretionary effort on collaboration may be important here – three-quarters of employees agreed that most or all colleagues within the organisation would voluntarily help to solve work-related problems, and a similar figure believed that employees go beyond what is required of them in their jobs.

**Innovation enablers:** Most respondents (over four-fifths) believed that new processes or services had been introduced by the organisation in the preceding year. Four-fifths of respondents felt that innovation had improved the organisation’s performance. Two-thirds of respondents agreed that colleagues make changes to their work benefiting the organisation and that their jobs encouraged interaction.

**Workplace innovation in practice:** Frontline employees and members of the leadership team gave numerous practical examples of care workers' innovative practice in responding to the needs of service users. Facilitators of innovative personalised care included: the support, supervision and facilitation of reflection provided by team leaders; informal engagement among care workers (sometimes organised by text or online) to share practice and reflect on work; and extensive investments made by the organisation in learning and development.

As elsewhere in the care sector, findings on employees' autonomy and ability to collaborate were generally positive. That said, some employees raised concerns that the workload demands of completing a 'run' of several care visits per day, the dispersed nature of the organisation's work, and the prevalence of solo working could throw up barriers to sharing and implementing new ideas.

Practices supporting innovation	%	Employee participation in innovation	%
Practices that encourage managers and employees to learn from each other	71	Employees voluntarily help colleagues solve work problems	75
Opportunities for managers and employees to interact informally	70	Employee make changes to their work that benefit the organisation	67
Organisational support for cross-functional working	68	Employee skills and talents are well utilised at work	67
Job design encourages people to interact	68	Employees have enough autonomy to change the way they do their work	61
Employees have enough time to reflect on work and propose solutions	66	Managers support employees in putting ideas into practice	59

**Fair work innovation in practice:** While the survey research identified some challenges around fair work at NorthCare, our survey work and discussions with employees and managers also focused on examples of good practice. There was widespread acknowledgement of the substantial training and learning investments by the organisation that had allowed the staff to further develop and accredit their skills. As an employee-owned organisation, there was also consensus that formal mechanisms for employee voice were well-established and clearly communicated.

**Innovation challenges:** It was acknowledged that there may also be scope for considering practices that could strengthen opportunities for collaboration and ideas sharing among employees and between employees and managers, taking into account the challenges faced by employees engaged in dispersed, peripatetic and solo working. The structure of care-at-home contracts – which require workers to complete a 'run' of several care visits per day – will continue to raise challenges for organisations like NorthCare that are committed to providing personalised care.

*Reflections:* The majority of frontline employees at NorthCare were satisfied and believed that they were treated fairly in the workplace. There exists scope for improving support to implement ideas and for employees to share ideas. Most employees felt that jobs and the workplace were structured so as to allow ideas sharing; but there was an acknowledgement of how solo care work can throw up barriers to collaboration and shared learning. The organisation's investments in learning opportunities, combined with the establishment of strong team leader support and supervision, has helped to facilitate innovative practice at the frontline.

### 4.3 GlasCare

**Background:** GlasCare is a not-for-profit organisation and registered charity based in Glasgow, delivering housing support and home care services to people with a wide range of conditions including physical disabilities, brain injury, learning disabilities and dementia. The organisation specialises in providing personalised support packages to suit users' needs and individual budgets, designed to maintain users' independence within their homes and the community. Winners of the Scottish Care Award 'Care at Home Provider of the Year 2016', GlasCare's aim is to ensure the deliver high standards of care to all service users. GlasCare's work is informed by its core values: providing the highest possible quality of care; maintaining client dignity; and demonstrating respect for clients' and their choices.

GlasCare employs approximately 78 employees, the majority of whom are sessional home support care workers. The organisation supports approximately 120-130 service users per week, delivering more than 1,200 hours of care on a weekly basis.

**Sector challenges:** The social care sector is a key employer and is a crucial component of Scotland's health and social services infrastructure. It is also a sector which currently faces a number of challenges. The importance of the invaluable support the social care sector provides to an ageing population with often complex needs has not always been matched by available resources, presenting problems for capacity, recruitment and staff turnover. The introduction of the Scottish Living Wage and the development of Health and Social Care Partnerships are part of a changing landscape which social care providers are navigating. Audit Scotland's recent analysis of health and social care integration says that the social care workforce has yet to see itself and be widely regarded as 'valued, stable, skilled and motivated'.

**People priorities and fair work:** The FITwork survey was made available to all staff, eliciting 47 responses (nine managers, and 38 frontline staff including team leaders). Responses suggested that as an organisation, GlasCare was proactive in providing equal opportunity, fairness and wellbeing for employees. The organisation responded constructively to conflict and to problems affecting employees, and provided appropriate support in these circumstances.

Fair work indicators	%		%
Help is available when employees have a non-work-related problem	95	I feel fairly treated at work	91
There is access to flexible working to support work-life balance	85	I feel satisfied with my job here	88
Jobs here are meaningful and provide a sense of purpose	79	Employees have a strong collective voice	82
Progression opportunities exist at every level	79	There are high levels of trust between managers and employees	76
People treat each other with respect	73	Employees in this organisation worry about job security	42
Employees are fairly rewarded for the work they do	66	Employees find their jobs stressful	27

Employees overwhelmingly endorsed the organisation's ability to provide stable employment and predictable incomes, provide help to people who experience a non-work related problem, and deal with conflict fairly where it arises. In terms of challenges around fair work, more than two-fifths of employees agreed that most or all colleagues worried about job security. Senior managers interviewed for the research acknowledged that uncertainty caused by the need to repeatedly and regularly bid for work through commissioning processes could create feelings of insecurity among employees. Just over one-quarter of respondents thought that most or all employees experienced stress at work. In management interviews and an employee focus group, the pace of work (where care needs to be delivered within tight time windows), the manner in which solo working is common and demanding nature of care work were identified as sources of stress.

**Performance:** Where the organisation adopted new processes, roughly two-thirds of employees reported feeling relatively involved in design or implementation, and in consequence, may demonstrate limited discretionary behaviours and efforts. There is limited employee voice in shaping and managing performance. It appears that innovation in services or processes was a key characteristic of GlasCare, and that innovation was perceived as something that can deliver improved productivity and performance. The overall response suggests some limited experience of innovation based on employees' ideas. There may be significant potential benefits to the organisation by encouraging, supporting and making use of employees' ideas. Employees' discretionary effort may be important in driving innovation and change – more than four-fifths of respondents agreed that most or all colleagues help each other to solve work-related problems.

**Innovation enablers:** More than three-quarters of respondents agreed or strongly agreed that GlasCare had made changes to processes and services based on ideas from employees. Four-fifths of respondents believed that the organisation had good ideas and was good at implementing them, with most respondents agreeing that new processes or

services had been introduced to the organisation in the preceding year. The vast majority of employees also agreed or strongly agreed that GlasCare had made major changes to processes and products in the same period. Despite time constraints imposed by commissioning mechanisms, the vast majority of respondents thought that most or all of their colleagues had time to reflect on their work and propose solutions, and has the autonomy to change the way that they worked. The manner in which solo care workers are required to act autonomously in delivering personalised care may be being reflected in these findings.

<b>Practices supporting innovation</b>	<b>%</b>	<b>Employee participation in innovation</b>	<b>%</b>
Opportunities for managers and employees to interact informally	91	Employees have enough autonomy to change the way they do their work	87
Job design encourages people to interact	89	Employees voluntarily help colleagues solve work problems	82
Practices that encourage managers and employees to learn from each other	86	Employee skills and talents are well utilised at work	80
Organisational support for cross-functional working	85	Managers support employees in putting ideas into practice	76
Employees have enough time to reflect on work and propose solutions	79	Employee make changes to their work that benefit the organisation	74

**Workplace innovation in practice:** There were largely very positive findings on employees' views of the potential to innovate at GlasCare. Most employees thought that there were opportunities to reflect on practice and make changes to respond to service users' needs; the vast majority also felt that their colleagues would go the extra mile to help each other to resolve problems and deliver excellent care. This demonstrated that GlasCare's support workers were committed to working autonomously and responded in innovative ways to support service users. Qualitative research again identified that resource and time constraints, which are a result of funding and commissioning, were the main challenges faced by GlasCare in supporting employees to deliver innovative, high quality care.

***Fair work innovation in practice:*** GlasCare was identified as an excellent care provider and employer, and this was reflected in the findings on fair work – employees strongly supported the organisation’s practices and commitment to providing opportunities for development, facilitating employee voice, and promoting respect in the workplace. There were positive findings around the organisation’s commitment to promoting jobs and ways of working that allow for learning and collaboration. There was also acknowledgement that GlasCare has taken action to strengthen teamworking and to facilitate the sharing of ideas. Focus group research with employees and interviews with managers highlighted the value of group-based discussion and ideas-sharing activities, and there was concern that these valuable interactions might be undermined by continuing resource constraints, again reflecting commissioning priorities.

***Innovation challenges:*** As noted above, here were concerns that a small proportion of employees experienced job insecurity and there was evidence of perceived stress. It is notable that these experiences were not seen as the outcome of management decisions – indeed, the same employees often reported that they believed that the organisation was prioritising a healthy workplace and stable employment. Rather, problems of job insecurity and workplace stress among some employees were acknowledged as a product of funding and commissioning arrangements that throw up barriers to more stable and less intensified forms of working.

***Reflections:*** Both the survey work and qualitative research found that majority of employees at GlasCare were satisfied with their job; felt that they were fairly treated at work; benefited from strong relationships of trust among employees, and between employees and management; and viewed work at GlasCare to be meaningful and as having purpose. This research highlights GlasCare as a care provider that has prioritised fair work and supports its employees to collaborate, learn and innovate. A key finding is that funding and commissioning arrangements need to ‘catch up’ and provide organisations like GlasCare with the resources and models of provision that support, rather than hinder, the good practice identified in this report.

## 4.4 EastCare

**Background:** EastCare is a social care provider based in East Lothian, whose work focuses on supporting individuals and families experiencing a range of conditions. The organisation employs approximately 300 staff. Most of the organisation's work is for adults with lifelong disabilities, and they also support people with life-limiting conditions and families caring for a child with significant support needs – this includes physical disabilities, learning disabilities, communication difficulties, mental health problems, and dementia. EastCare is a registered charity and company limited by guarantee and is overseen by a voluntary Executive Board elected by its membership.

**Sector challenges:** The social care sector is a key employer and is a crucial component of Scotland's health and social services infrastructure. It is also a sector which currently faces a number of challenges. The importance of the invaluable support the social care sector provides to an ageing population with often complex needs has not always been matched by available resources, presenting problems for capacity, recruitment and staff turnover. The introduction of the Scottish Living Wage and the development of Health and Social Care Partnerships are part of a changing landscape which social care providers are navigating. Audit Scotland's recent analysis of health and social care integration says that the social care workforce has yet to see itself and be widely regarded as 'valued, stable, skilled and motivated'.

**People priorities and fair work:** EastCare's stated mission is to:

- support people to live a rich and varied lifestyle with only the support they need;
- tailor support to the specific needs and wishes of the individual;
- look at skills and abilities of those we work with and to support them to develop their full potential;
- employ staff of the highest calibre and who share our vision and values;
- elect board members of the highest calibre;
- work with others (including organisations and family members) to ensure that they too contribute to creating an inclusive and empowering environment.

The organisation seeks to realise this through their values, many of which are in line with the wider personalisation agenda. These include recognising that everyone is an individual with unique needs, wishes and interests and contributions to make; recognising everyone's equal worth, voice and right to be heard; and a universal right to respect and dignity. EastCare's values also state that the people they work with 'have a right to live as part of the community'; 'have a right to be involved in the decisions that affect their lives as well as in the decisions about how EastCare is run'; 'have a right to make informed choices including about risks... [and] to access advice; and that the families of the people they work with 'have a right to be informed, heard and supported'.

Since May 2016, EastCare has been rated Excellent (Grade 6) by the Care Inspectorate across all assessed measures. Prior to this, EastCare has consistently been rated Good (Grade 4) or Very Good (Grade 5) in all its Care Inspectorate assessments.



The FITwork survey was completed by 121 people – 108 support workers, 6 managers, and 6 administrative staff, and one individual who declined to provide their job title.

Fair work indicators	%		%
Jobs here are meaningful and provide a sense of purpose	93	I feel fairly treated at work	96
People treat each other with respect	86	I feel satisfied with my job here	94
Help is available when employees have a non-work-related problem	82	Employees have a strong collective voice	83
Employees are fairly rewarded for the work they do	76	There are high levels of trust between managers and employees	74
Progression opportunities exist at every level	55	Employees in this organisation worry about job security	11
There is access to flexible working to support work-life balance	28	Employees find their jobs stressful	8

Workers almost unanimously reported feeling fairly treated and satisfied at work. High proportions felt that help would be available for employees who experience a non-work related problem. However, only just over half of workers agreed that progression opportunities for most or all employees existed at every level, and less than one-third agreed that access to flexible working to support work-life balance was available. Their findings may reflect the nature of care work and some care organisations. Organisations have got flatter as care providers invest in self-managed teams. And the time and place-specific and person-centred nature of care work can limit opportunities for flexible working. In focus groups, employees described their work as challenging, but it is notable that less than one in ten thought that most or all colleagues found work stressful.

**Performance:** The vast majority of survey respondents thought that ‘all’ or ‘most’ of the time, EastCare was ahead of its competitors in introducing new products or services. Four-fifths agreed or strongly agreed that EastCare had made major changes made to processes and services or products over the past 12 months, with over nine-tenths of staff agreeing or strongly agreeing that EastCare’s performance and productivity had been improved through innovation.

**Innovation enablers:** Very large numbers of participants said the organisation seeks out new ways to do things, and nine-tenths said the organisation actively learned from trial and error. Almost nine-tenths of survey respondents felt that EastCare employees had enough autonomy to change the way that they do their work, and enough time to reflect on their work and propose solutions to problems. Participants agreed or strongly agreed almost unanimously employees understand EastCare’s services well enough to make suggestions for improvement.

Despite time constraints imposed by commissioning mechanisms, the vast majority of respondents thought that most or all of their colleagues had time to reflect on their work and propose solutions, and has the autonomy to change the way that they worked. The manner in which solo care workers are required to act autonomously in delivering personalised care may be being reflected in these findings.

Practices supporting innovation	%	Employee participation in innovation	%
Job design encourages people to interact	97	Employees have enough autonomy to change the way they do their work	87
Employees have enough time to reflect on work and propose solutions	89	Employee make changes to their work that benefit the organisation	86
Practices that encourage managers and employees to learn from each other	86	Employee skills and talents are well utilised at work	85
Opportunities for managers and employees to interact informally	85	Employees voluntarily help colleagues solve work problems	82
Organisational support for cross-functional working	79	Managers support employees in putting ideas into practice	80

**Workplace innovation in practice:** Our focus group research identified many examples of EastCare staff engaging in problem solving and creativity to deliver excellent care. Almost all survey respondents said that EastCare had introduced new processes in the last 12 months and noted that the organisation had introduced new products or services in the last 12 months. EastCare has invested in self-managed teams and training to empower employees to take control of their own work. Positive findings on autonomy and the capacity of employees to drive change appear to suggest that these practices have paid dividends.

**Fair work innovation in practice:** Throughout the survey and the focus group, employees demonstrated a commitment to EastCare’s values and to those associated with the personalisation agenda more broadly. Their given examples of workplace innovation – creative thinking to solve problems – showed a considered engagement with the needs of service users, taking the time and initiative to discuss these, and to co-produce solutions. This appeared to be facilitated by the autonomy associated with EastCare’s self-managed teams. Any less positive results discussed in this report (of which there are only a small number) should be seen in relation to these fundamental attitudes and practices – where this report discusses areas for improvement, we are confident that the values and behaviours demonstrated by EastCare employees offer a foundation to pursue easy to achieve solutions.

***Innovation challenges:*** Some of the challenges highlighted by our research are outwith the direct control of EastCare – for example, work-related stress experienced by employees as a result of public misunderstanding of the nature of their role; and limited disabled public facilities across East Lothian. Other issues highlighted are more clearly within EastCare’s control, and there may be value in exploring, for example, different forms of progression and training – such as project based roles, rotational opportunities, leaderships tasks, which can offer employees development opportunities within a ‘flat’ organisation.

***Reflections:*** Across survey data and focus groups with EastCare employees, responses were very positive. Significant majorities of respondents regard EastCare as a satisfying place to work and fair employer, as well resourced, successful at implementing good ideas, and doing so with good leadership, good decision-making processes and good evaluation of these. The majority of respondents said that most or all workers went beyond what was required of them in their job, that their employer offered them a predictable income, that managers had confidence in employees’ abilities, that employees were encouraged to learn from each other and work well together, and that EastCare seeks out new ways of doing things. This is particularly positive given that the social care sector across Scotland is facing recruitment, retention and resourcing issues, with many providers focusing solely on ‘time-task’ approaches to providing support.

## 4.5 Reflections on Social Care organisations

The Scottish social care sector faces a number of complex challenges, including the impact of low pay on employee wellbeing and retention, associated recruitment problems and (for care employers) the broader sustainability of current funding models.

Related problems are reflected in discussions of job quality in the sector. However, many of our survey questions on fair work and workplace innovation elicited broadly positive feedback during our research with employees and leadership team members in three social care organisations (we should acknowledge that all three organisations were high performing care providers operating in the non-profit or employee-owned sector).

Employees offered generally positive reflections on experiences of fair work. Most respondents in all three organisations (more than three-quarters of the total survey sample) thought that most/all colleagues treated each other with respect. Almost all social care sector respondents agreed that they were treated fairly at work. These perceptions may reflect some of the fair work practices adopted by these organisations. For example, the vast majority of respondents agreed that their organisation dealt with conflict fairly. Almost nine out of ten agreed that their organisation made efforts to prioritise employment security. This is an interesting finding in a sector where security of working hours can be problematic (due to the need to work flexibly to meet care users' needs) and where job security can be undermined by regular re-tendering exercises. More than one-fifth of all care sector survey respondents agreed that most or all colleagues were worried about job security (although there was significant variation across the three organisations, reflecting their exposure to different funding models). It would appear that care employees are aware that the commissioning and funding framework for social care, rather than the actions of their employers, are at the root of concerns over security.

Among issues of concern raised by our fair work survey statements, more than one-fifth of all social care respondents agreed that most/all colleagues found their work stressful. As noted in our discussion of social care case studies, this may be associated with the emotional and other demands of care work, sometimes accentuated by the need to move rapidly between numerous short, intensive care visits. There may also be challenges around opportunities for progression for care employees, due to the relatively flat organisational structures and limited scope for career development in some organisations.

In terms of practices to support fair work, our qualitative research identified extensive investment in employee voice mechanisms – from staff group problem solving sessions to one-to-one feedback sessions, and in one case formal employee ownership – which was welcomed by care employees. The close working relationship between care workers and team leaders was identified as building respect and providing necessary support.

The care sector is sometimes characterised (or perhaps caricatured) as lacking innovative potential, but our survey findings on work organisation for innovation were generally

positive. Three-quarters of all those responding to our care sector surveys thought that their organisations offered most/all employees opportunities to share in leadership. Respondents acknowledged encouragement to 'try new things' – four-fifths of respondents agreed that there were opportunities to learn from 'trial and error'. In focus group discussions, practical examples such as individual and group supervision and employee problem-solving groups were identified as effective mechanisms for employee learning and collaboration. In terms of organisational structures, the vast majority of survey respondents thought that their organisations encouraged cross-functional working and shared learning among managers and employees. Nine out of ten people responding to our survey agreed that managers had confidence in employees' capabilities. We were again able to identify specific practices supporting shared learning, ranging from group-based practice sharing exercises to the establishment of self-managed teams.

Furthermore, in this group of organisations, survey respondents' views on job design were almost as positive – more than three-quarters of our sample across all three organisations thought that most or all of their colleagues could reflect on their work and propose solutions to problems and had autonomy to change their way of working. Perceptions of 'employee innovation' outcomes were also relatively positive – for example, more than three-quarters of respondents across all three organisations agreed that most or all of their colleagues came up with new ideas to solve problems, and had indeed made changes to benefit the organisation. Our focus group discussions with care employees featured many specific examples of innovative practice to deliver personalised care.

None of these positive findings detract from the extensive evidence that the social care sector, and many of its employees, are under intense pressure. Problems of low pay among employees, and resulting recruitment and retention issues for employers, are well established. Our research also adds to evidence on potential problems associated with work intensification and workplace stress. However, we should not be surprised to find positive feedback around opportunities for workplace innovation. Social care workers are required to work autonomously, cope with pressures by supporting each other and sharing practice, and collaborate and innovate in the delivery of personalised care. As we noted in our case studies, there is a pressing need for commissioning arrangements to 'catch up' and provide Scotland's social care organisations with the resources and funding models that support, rather than hinder, the innovation and collaboration that is valued by the sector's employees.

## 5 Overall reflections and next steps

The preceding sections have highlighted many findings and insights that need not be repeated here. Rather, this section focusses briefly on two key reflections before moving on to consider the implications of these reflections for the future of this unique academic-policy-practitioner collaboration.

### 5.1 Data and findings

The first reflection relates to the data and findings. The organisations referred to in this Report are varied in terms of their sectors, size, products, processes and business models. These variations are important in understanding the data and findings. What these businesses have in common, however, is that they have agreed to participate in this searching and demanding research process. This point alone makes the organisations discussed in this Report distinctive, and this distinctiveness and openness to engaging with researchers may make the sample atypical in important ways. While this sample of companies was never designed to be representative, of employers in Scotland, we believe the data is relevant to many of the key and pressing debates on work and business and contains many insights from which we can learn.

The data and findings span a wide range of practices relating to workplace innovation, fair work and business objectives and outcomes. As indicated in Section 1, we have focussed our fair work measures in the FITwork tool on employment and workplace quality, spanning the opportunity, voice, security dimensions and to some extent the respect dimension of the Fair Work Framework. Our workplace innovation measures span a range of practices that overlap with the Fair Work Framework respect and fulfilment dimensions. This has one important consequence: given that the responses to some of the workplace innovation dimensions were in general terms less positive than the fair work responses, the data may overstate the perceptions of fair work policies and experiences across the sample. It is important, therefore, to see these results with this caveat in mind.

This finding is not, however, unexpected, reflecting our wider knowledge that many employers can be 'good' employers without being innovative employers, and that this is likely to be reflected in employee performance but not necessarily in employee innovation. In terms of our underlying conceptual framework, this scenario reflects greater strengths in the sample as a whole in supporting employee abilities and motivation/orientation to work than in maximising opportunities for discretionary effort aimed at innovation.

Notwithstanding the discussion above, the fair work responses are good measures of employment quality and the quality of workplace relations elements of fair work and the prevalence of positive endorsements of many of these practices by respondents is worthy of note. However, there are also some concerns over important elements of job quality. For example, more than a quarter of all respondents reported that most/all staff in their workplaces found their jobs stressful, and this may raise concerns that stress at work is more prevalent than might have been expected and may indeed be becoming normalised in some workplaces. Across the three types of companies/organisations, fair work approaches and experiences – while varied – were consistently more positively perceived

than other aspects of practice. For many, therefore, this is a strong basis for building more innovative capability.

Looking across the three types of data discussed in the preceding sections, in general terms (and with wide variations), the most positive responses were generated in the social care organisations, and the least positive in the food and drink companies, with Scottish Business Pledge signatory companies in between but closer in the main to the Social Care organisations. This should not be read as a normative judgement on practice or approaches in these different types of organisation. Social care organisations deliver complex services to individuals, funded largely by the public sector. Providing a tailored approach for service users may therefore make investing in job quality crucial to the service they deliver. SBP companies span a range of business activities, size and ownership. Food and drink companies are often delivering standardised products through standard operating processes where consistency and uniformity are key demands, and face both distinct technical demands stemming from the nature of their production and particular (and challenging) product market and labour market conditions. These factors explain some, though importantly not all, of the variation in responses we have seen.

A key part of the conversations we have had with companies in feeding back these results has explored how much scope exists for varying practice within their particular constraints. To illustrate this more simply, the considerable variation in the autonomy that staff have to change the way they do their work may be related to technical requirements of production. Yet the same scale of variation exists in relation to whether employees report a strong collective voice in their organisation, or whether employees can disagree over work issues without fear of retribution. These cannot be reflective of technical constraints. In many of these practices, there is room for choice, and we hope that the data and insight presented here help to inform these choices for our participating companies.

The overall dataset contains insights into practices and interpretations of practices that can be interpreted in different ways, both positively and less so. That 59% of our respondents report that their business is generally considered to be well-led is a positive result, yet the remainder were less convinced, with 8% of staff rejecting that their companies are ever well led. While a majority (65%) of respondents report that most or all people treat each other with respect, one third of respondents don't believe this. More than three quarters of staff believed that their managers had confidence in their abilities, but one quarter didn't. Understanding these variations, even where they apply only to a minority of employees (though sometimes a significant minority) could help to reduce some of the disaffection at work that they reveal, and in so doing unlock resources and potential.

While still acknowledging considerable variation across the sample and groups, a number of interesting broad insights have been generated for this first review of findings that are worthy of note. We focus on five of these. The first is that companies are aware of, and report, some of the practices around organisational structures that should support innovation – the importance of communication and information sharing for example, the potential contribution of cross-functional or project teams, and ensuring that people know where their jobs fit in. In this regard, it is clear that one contemporary message – that

organisational structures should be less fixed to support innovation – appears to be getting across. Where companies struggle more is in the implications of that for decision-making, and the findings were less positive on how much decision making had been opened up or decentralised.

The second broad insight, again looking across the findings, is that many companies' data indicated greater comfort in addressing possible structural limits on innovation than on addressing how job design might deter innovation. The challenges of sharing information and building cross-boundary activity on a sporadic basis are likely to be fewer than in significantly or fundamentally re-thinking job design, not least because of the implications of the latter for supervisors or managers, a point to which we return to briefly below. Yet re-thinking job design can offer benefits both in supporting more discretionary and innovative behaviour and in creating fulfilling work.

Our third and related insight relates to employee voice. Structural and job design factors to support innovation rely on employee voice – as does fair work. This refers not only to the availability of channels for voice to be exercised but that this voice is heard and can be influential. Job design can enhance employee voice at an individual and task level and there is some evidence of this in the case studies. Overall, however, the data on perceptions of collective employee voice was very mixed, with the majority reporting that for most employees, there was no strong collective voice in their organisations. Notably, there were examples where the expected relationships were not as expected – where employees in unionised firms did not report a strong voice, and where employees in non-unionised firms reported a strong collective employee voice.

Our fourth broad finding is that there appears to be a significant disconnect between people management practice and job design/task quality, with implications for how creativity and innovation is facilitated and supported. HR practice is, of course, important to employment quality. But staff in most companies were unconvinced that recruitment and selection, training, pay and performance management bore any direct relationship to creativity and innovation. Taking these points together, the issue of who designs jobs and how, and who can change these, is a challenge for all managers, and one in which HR is not identified by staff as having much of a role. Yet HR strategies and policies do present an interesting space in which strategic, HR and operational issues coincide and might be more explicitly focussed on innovation and fulfilling work.

Our fifth broad finding is that managers matter, in particular in terms of their role in providing supportive job resources and in terms of the more relational aspects of their role. Put simply, in some of our companies, the variables on whether managers were confident in employee capabilities, whether relationships were characterised as high trust, and whether people treated each other with respect were strongly positively associated with reported job quality and innovation variables, as well as with the general measures of employee satisfaction and fairness. This raises important questions about 'command and control' approaches to management and about management training and development that we aim to develop in further analysis of the data.



## **5.2 The FITwork approach**

The second reflection relates to the challenges and benefits of the FITwork research approach and process. Designing, developing and deploying such an holistic and wide-ranging survey tool was deliberately ambitious intellectually and inevitably demanding - and to some extent risky - both for the research team and for the companies who participated.

From a research perspective, the interlinked nature of workplace policy and practice demanded a bold, ambitious and expansive research design, but this contained inherent risks of being unable to generate sufficient robust data. For the companies who participated, this involved considerable investment of time and energy in engaging with the research team and enabling staff participation in the data gathering process, as well as the challenges emerging from the findings themselves. We are immensely grateful for their good-natured co-operation and for the contribution that they have made in helping us to understand better, and respond more effectively to, new and longstanding challenges faced within businesses and the world of work. We are also grateful to our funders – Scottish Government, Scottish Enterprise, Skills Development Scotland, Highlands and Islands Enterprise and the Scottish Funding Council – and to STUC for the broad ranging support they have offered this endeavour over recent years.

## **5.3 Next steps**

This programme of research and engagement activities has generated an extensive dataset of quantitative and qualitative information which will be extensively analysed in the year to come. This analysis will generate important insights on the relationships between distinct workplace practices, composite dimensions of workplace practice, intervening or mediating variables and individual and business outcomes. This Report represents the beginning of that process, which will produce outputs and outcomes for academics, policy makers and practitioners.

The programme has also generated a network of businesses more informed about - and interested in - fair, innovation and transformative work. Some of the businesses that we have connected with were unable to participate in the process in our timescales but wish to do so at a future date. Some wish to deliberate further with the research team on the implications of their data and on possible interventions and supports. Some wish to develop specific actions in response to the issues raised in the data and to have support in evaluating the impact of these actions. Some other businesses wish to use the data presented in this Report as a benchmark for tracking continuous improvement in fair work and workplace innovation over time.

This research and engagement has highlighted many good practice examples from which these and other businesses might learn, adapted to their own context. Sharing these

findings, in an accessible and engaging manner, with a wider audience of businesses and organisations is important. Similarly, sharing these insights and what will be learned over the longer term analysis of the existing data supplemented by the new data referred to above, can help to inform, influence and shape policy formation and delivery.

The research has also stimulated our thinking about the skills and education needed to support innovation and job quality, especially for managers. This raises issues for our own sector – higher education and business schools in particular – as well as for the role of skills and economic development agencies, professional bodies and business organisations in management development.

Improving what we know to help change what we do collectively has been at the heart of the FITwork project and network since its inception. We hope that these findings can contribute to both of these objectives and we look forward to our next steps working collaboratively with policy and practitioner partners to maximise the insight, impact and reach of this unique project on FITwork.

## Part Four - Data Report

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# **Harnessing knowledge, research and networks to drive fair, innovative and transformative work in Scotland**

## **Part Four:**

### **The Fair, Innovative and Transformative Work Project**

#### **FITwork in Scotland: data report**

**Year 3**

**2018**

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## The importance of Fair, Innovative and Transformative work

Enhancing business performance and innovation are key components of productivity growth, but how performance and innovation are delivered also has implications for workers and for wider society. In the context of the Scottish Government policy commitment to inclusive growth, and the key role of fair work in delivering inclusive growth, focusing on how and where value is created and distributed is crucial. Value is created and distributed within businesses and workplaces and is shaped by the choices employers make in relation to business models, management and workplace practice, particularly as these relate to forms of employment and use of employees/workers' skills and talents. Employers are not unconstrained in these choices, but this does not suggest an absence of choice – employers can, and do, operate different business models and approaches to management, work and skills in the same business environment. These choices - and how they are shaped and influenced - will be important in how businesses respond to imminent challenges in relation to issues such as automation, labour supply and demographic change.

Across a wide range of business models, there is general acceptance that human capital is an important source of competitive advantage, and recognition of the importance of how people are recruited, selected, trained, deployed, incentivised and engaged. As Findlay and Lindsay (2018) have argued, this recognition has spawned a number of *best practice* approaches such as High Performance Work Practices (HPWPs), Lean Production approaches, and widespread interest in employee engagement, that focus on enhancing value creation (though pays much less attention to the distribution or share of value between businesses and their workforce). There is evidence that HPWPs can improve business performance through investment in human capital and use of incentives, but there is more mixed evidence of its impact on workers/employees' experience and share of benefits. Similarly, Lean Production can also deliver business benefits and engage employees in improving practices, but any benefits to workers remains contested. Moreover, many of these 'best practices' remain topical rather than typical (Findlay and Warhurst, 2012), with little robust insight into why relatively few companies adopt such practices. There is also extensive interest in high involvement/employee engagement approaches that may enhance employees' role in decision-making, better use of their skills and promote better business performance alongside enhanced employee wellbeing. The evidence suggests that such approaches can improve the performance of workers although as with HPWPs and lean production, concerns over work intensification have been raised.

These best practice debates point to, but we argue do not adequately capture, the prevalence and impact of particular management practices. Some aspects of management practice – specifically the use of monitoring, targets and incentives – have been better studied more recently (Bloom et al, 2019), though considering impacts on workers only in a narrow way. Notwithstanding this limitation, this literature usefully highlights the role of distinct management practices in supporting better business outcomes and productivity enhancement.

There is significant potential, therefore, in looking at a wider set of management practices, and at the implications of these practices for workers as well as businesses. To illustrate, better skills use underpins many of these *best practice* debates. Better use of existing skills may play a role in enhancing productivity, leveraging returns from public and private investment in human capital and in improving workers' fulfilment in work. Skills use is shaped, however, by how employers design and shape their own processes, policies and practices, notably in how jobs are designed and work is organised. Given this, as we have argued elsewhere, "One way is to link better use of skills and better deployment of people to innovative business outcomes. Workplace innovation research builds on the knowledge of HPWPs and of learning organisations, though focusing on innovation as a driver of performance, and intervening primarily through job redesign, work organisation and HR practice (Findlay and Lindsay, 2018:23). The workplace innovation research base is, however, "conceptually ill-defined, with little rigorous assessment of the architecture of practices and processes that deliver discretionary behaviour that supports innovation" (op cit, p4). A more robust conceptualisation of innovative workplace practice to underpin empirical research is needed.

## **The FITwork approach**

The FITwork approach (Fair, Innovative and Transformative work) was developed to investigate the range of management practices that impact on innovation, business performance and employee outcomes. Its central focus is on workplace and management practices that simultaneously address ability, motivation and opportunity, thus integrating conceptually different elements of value creation and capture. This holistic approach reflects the inclusive growth agenda in the workplace. Our previous evidence review of what supports 'fair, innovative and transformative work' suggests that there is a relationship between workplace practices, processes and structures and innovation-oriented behaviours and outcomes (Findlay et al., 2016a).

The 'FITwork' framework and tool (see below) focus specifically on the relationship between workplace design, systems and practices and employees' experiences and performance, going beyond existing and conceptually fuzzy 'elements' of workplace innovation whose inter-relationships remain unclear. It is embedded conceptually within stakeholder and mutual gains theories of workplace and employment relations, whereby employers may gain benefits in productivity and profitability, while employees can gain both extrinsic reward (for example, in income and security) alongside intrinsic rewards in terms of fulfilling work, greater control of their working environment and more voice in decision making processes.

More specifically, the FITwork framework allows for the exploration of the impact of a range of potentially inter-connected areas of workplace practice and desired outcomes in terms of discretionary behaviours, employee-driven innovation and positive employee orientations. The FITwork project focuses on workplace practices that enhance workers' ability, provide them with opportunities to make an effective contribution at work, and that

motivate them through the provision of fair work to deliver high performance, innovation and change. Existing research points to key organisational features and workplace practices that are associated with higher levels of innovation. These features and practices span:

- How organisations are structured
- Approaches to decision making
- How work and internal support systems are designed
- How people are managed and organisational approaches to fair work
- Organisational support for enterprising behaviours
- Approaches to external connections and networks

At the centre of the FITwork framework – and the Fair Work Framework’s conceptualisation of fair work and workplace innovation – is the nexus between employees’ ability, motivation and opportunity (AMO). AMO theory has grown increasingly influential among strategic HRM researchers seeking to share lessons on ‘what might work’ in improving innovation performance among employees (Appelbaum et al, 2000). Specifically, the argument is that employees and managers need:

- Ability - the knowledge, skills and capabilities to contribute to organisational objectives, supported by formal and informal training and learning opportunities.
- Motivation – the incentive (that might range from employment security, information sharing, internal promotion opportunities, or monetary incentives) to encourage participation. Beyond personality variation, there is substantial evidence on how work environment factors, job and task design and organisational norms shape motivation.
- Opportunity – where jobs offer opportunity to participate (e.g. autonomy, control, time and space for critical reflection and ideas sharing; and team structures that allow for collaboration and mutual learning, communication and voice), including having the physical and technology infrastructure and time and space to engage in collaboration, problem-solving and idea generation.

Employees’ discretionary behaviours are seen as the key link between AMO variables and performance in terms of individual and organisational effectiveness and innovation (Purcell et al., 2003). In the mainstream HRM literature, the focus is on how AMO can facilitate discretionary effort – ‘going the extra mile’ for the organisation (Boxall and Purcell, 2016). This is important, as are specific discretionary behaviours linked to innovation performance, such as engaging in collaborative problem-solving or proactively sharing learning and solutions with colleagues and managers.

## **The FITwork tool**

The FITwork approach is centred on understanding how best to deploy people to deliver performance and innovation. The FITwork Tool is a bespoke survey instrument designed by the Innovating Works team at the Scottish Centre for Employment Research. It was designed by reviewing the research base across a number of disciplinary areas, notably innovation studies, workplace innovation and employment studies, the latter focussing

particularly on the study of job quality. The Tool encompasses questions on formal and informal practices, behaviours and attitudes. It contains a mixture of new measures and existing scales where these exist, the latter to provide opportunities for comparison with other datasets. Notably, the Tool asks workplace rather than individual questions – focussing not only on the existence of policies or the adoption of practices, but on how often or across how much of the organisation such policies and practices apply. The Tool has 188 questions across 11 dimensions, as indicated in Figure 1.

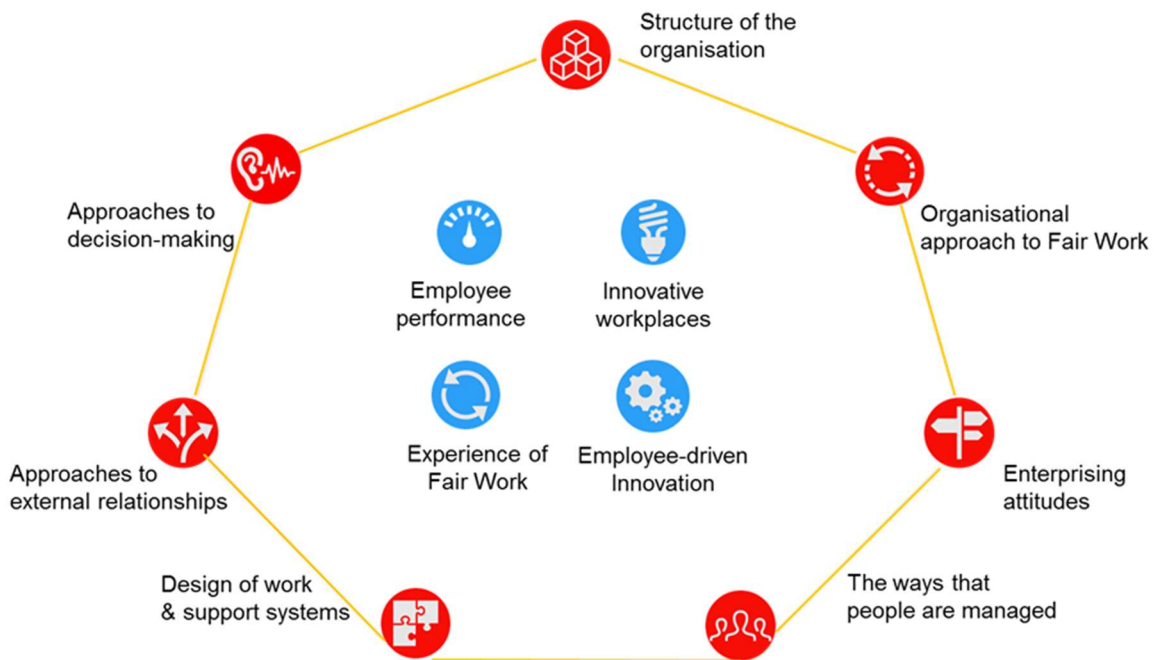


Figure 1: FITwork Tool dimensions

These dimensions are designed to capture insights on a range of workplace practices that have the potential to contribute to fair work and facilitate positive innovation outcomes at the employee and organisational level. These dimensions also capture those innovation and fair work outcomes – people’s perceptions of the extent to which their organisation innovates, the extent to which employees drive innovation (and offer discretionary effort to collaborate on innovation), and experiences of fair work. A fuller outline of the dimensions and examples of survey variables is available elsewhere (Findlay et al, 2018).

The FITwork tool is best used as a multi-stakeholder workplace survey, generating data from workers/employees and management across organisations and used alongside qualitative interviews with different workplace stakeholders. The data presented in this report is cross-sectional, although the tool has potential to be used longitudinally to evaluate change over time or the impact of interventions. The tool is a research instrument that can be deployed to collect data on the adoption of discrete workplace practices and on composite measures of workplace approaches and outcomes, and can be interrogated



to highlight direct and mediated relationships between and across practices, composite measures and outcomes.

## **The FITwork study**

In conjunction with the FITwork project partners, three types of organisations were selected. Scottish Business Pledge companies were chosen on the basis that these companies had signalled the adoption of a number of practices associated with fair and innovative work. As such, this group represented an atypical sample, made up of companies of varying sizes across a range of sectors. The food and drink sector was selected as an important sector for the Scottish economy, which is stratified in terms of scale, nature and nationality of companies, as well as quality of employment practices. The social care sector was selected given the importance of staff quality to the delivery of social care services to vulnerable care recipients and some of the well-known challenges facing workers and businesses in the sector.

Response size for food and drink was 1149; for social care was 281 and for SBP companies was 661.

The combined data set consists of responses from 2091 respondents to 188 questions which relate to 7 dimensions relating to the practices that drive or support innovation and fair work, 4 dimensions that capture outcome measures; company/sector information and personal/demographic information. The data was combined and subjected to the normal checks for consistency. Preparatory recoding was carried out. Specifically some categories of answers such as strongly agree/agree or most employees/all employees were combined for ease of presentation. For the purposes of parts of this data report, HR and Fair Work practices were combined, given that both related to a range of HR and employment practices.

Most substantive questions were framed in terms of the presence of a workplace practice, and the scale or applicability of that practice. Throughout this report, we focus on practices that respondents identified as having wide applicability – that is, as applying to a majority of employees, or applying most or all of the time, using the terms ‘high prevalence’ and ‘low prevalence’ practices to differentiate responses. Individual responses were sought for demographic and other personal characteristics, and for some generic attitudinal questions. Also for ease of reading, we will refer throughout to the practices that are known to, or hypothesised to, support innovation and higher performance as ‘positive practices’.

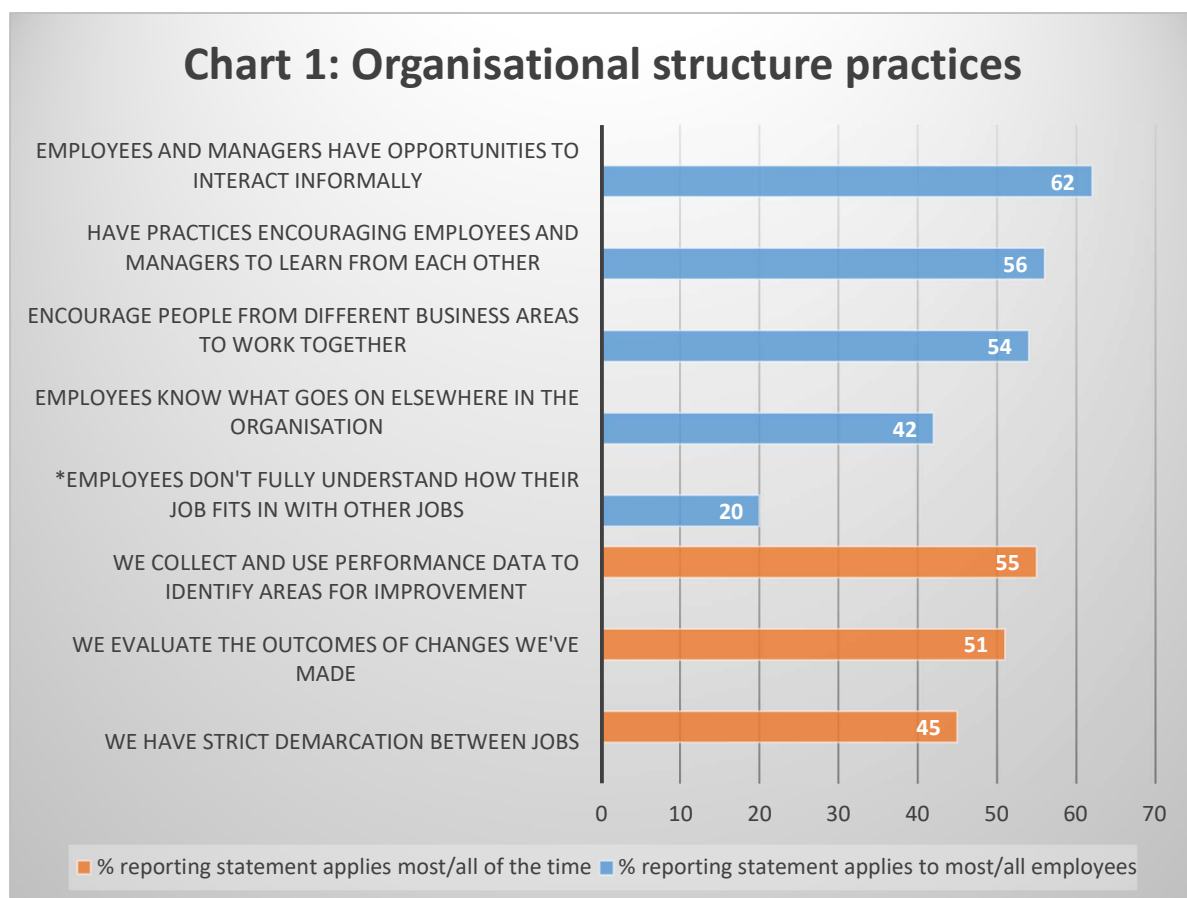
The analysis presented here does not address the different responses of SBP, food and drink and social care organisations, since this analysis was presented separately in the FITwork year 2 report. Analysing the data as a whole did, however, replicate the earlier presentation of findings of significant variation across the three types of organisations on most and close to all practices.

All relationships reported below were significant at 5% or below.

## Findings 1 – How common are the practices that can support innovation and performance?

### 1a. Organisational Structure Factors

The structure and design of the organisation – such as how hierarchical it is, how good communications are, how ideas are shared – can support or hinder innovation. Organisational design influences whether people interact in their work activities, how well people work together, how flexible roles are and what opportunities exist for sharing information and collaborating. Multi-directional communication and collaboration across business functions supports idea generation and implementation. International evidence suggests that networked organisational structures can support internal communication and facilitate the cross-fertilisation of ideas (OECD, 2017). Flexibility within and across work roles can also encourage innovation. Importantly, organisational structures that support collaboration and communication can mediate the stress of innovation and increase perceptions of fairness. The chart below shows responses relating to organisational structure characteristics and practices. (throughout the charts, an asterisk denotes a reverse/negative statement).



- The data suggest that 80% of respondents believe that people know how their job fits into their wider organisation. Research suggests this is supportive of innovation. However,

significantly fewer report broad employee knowledge of what goes on in other parts of the organisation. This could constrain innovation arising from interaction across different jobs.

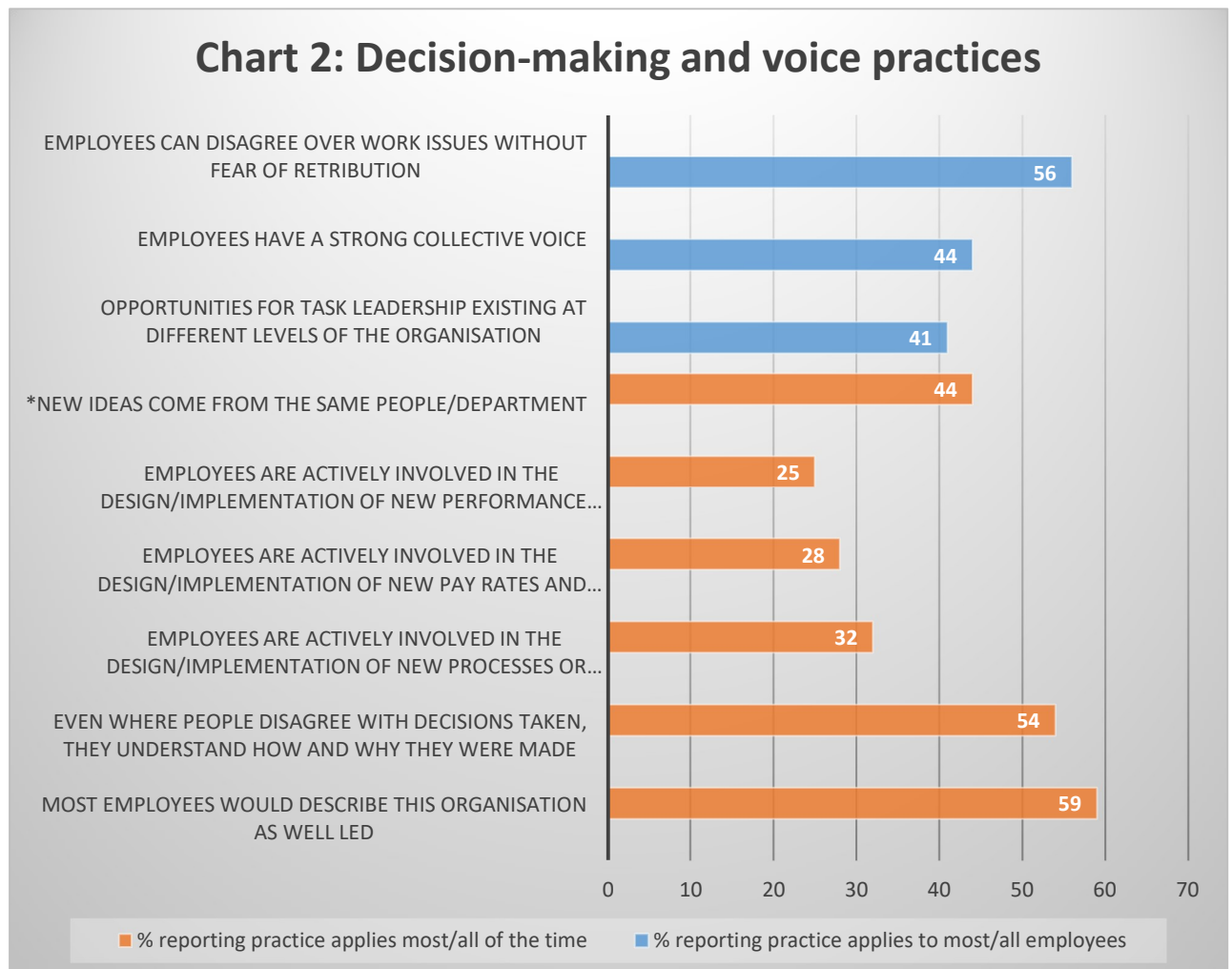
- Opportunities for informal management and employee interaction appear common across the firms, though overseas owned firms significantly lagged UK owned/predominantly UK owned firms on this characteristic.
- For the other organisational structure characteristics and practices, the responses ranged from 45% - 56%, suggesting that a significant minority or small majority of respondents did not report the presence of structural factors and characteristics associated with innovation.
- Managers were more positive than non-managerial employees with regard to the management-employee informal interaction and cross-functional working.
- Of concern, close to half of respondents did not report, or were not aware, of using evaluation and data to support performance improvement. There was no significant variation between managers and non-managerial employees in this regard.
- There was no significant variation on these factors by firm size.
- Women, non-union members and people without a disability were more positive than men, union members and those with a disability, on practices that enable managers and employees to learn from each other; informal management-employee interaction; and encouragement of cross-functional working. Beyond these variations, there were no other significant variations across demographic groups.

## **1b. Decision-making and voice factors**

Sharing decision-making and supporting effective voice for employees can be important for innovation. Decision-making can take place at all levels of the organisation - from high level strategic decision-making to lower level operational and job specific decision-making. It can be formal (enshrined in company structures and policies) or informal (arising from managerial/supervisory relations and employee engagement). Practices that facilitate voice and dialogue among employees, and between employees and management require structures and systems whereby employees' ideas and views are sought, given, and listened to, and where there is the opportunity to offer constructive challenges to management. In unionised environments, collective bargaining and other trade union facilitated engagement can provide a clear, effective voice. Voice can be exercised through formal channels of representation and also through day to day work practices where workers are invited to communicate and make an active contribution to task-level decision making.

Opportunities for effective voice are central to fair work, underpin - and can help deliver - other dimensions of fair work. Centralised and closed decision-making can close off new ideas and narrow thinking, thereby failing to tap into unused information, expertise and insight. Where employees see themselves as having a real stake in a business, decision-making at every level can provide an opportunity to engage and empower employees to harness their knowledge to current and future challenges a business may face. The way that decision-making and power are distributed through an organisation can play a role in empowering and engaging the workforce. The evidence indicates that participatory work environments facilitate innovation by increasing employees' awareness, commitment and

involvement in change. Any platform for employee voice can help to resolve conflict, and facilitate involvement and idea sharing, with potential for positive individual and organisational level outcomes.

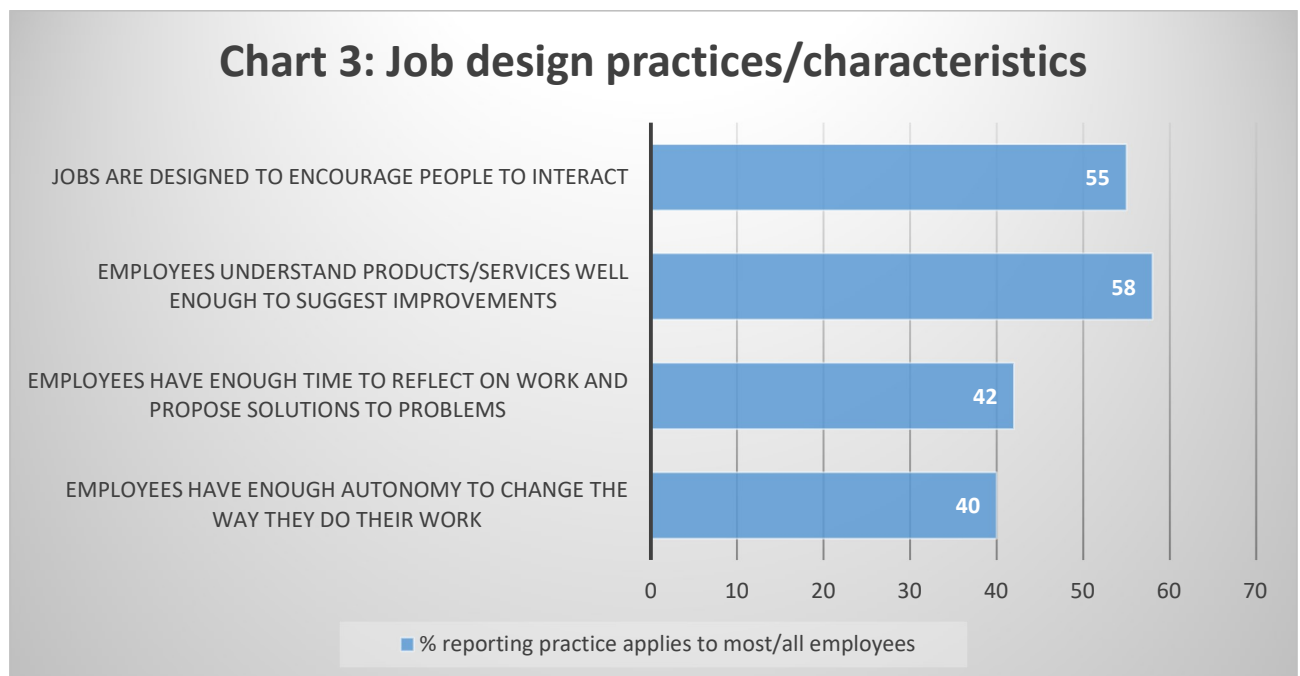


- Notwithstanding that a clear majority of respondents believed that their organisation was well-led most of the time, and understood why and how decisions are taken, the data suggests relatively low levels of effective voice.
- More than half of the sample reported that most employees could voice disagreement with decision making, with managers more positive on this issue than non-managerial workers, and two fifths believed that there was a strong collective voice in their organisation (which did not always overlap with trade union presence).
- However, on specific examples where employee voice and a role in decision making might appear appropriate, such as in the adoption of new technologies, new terms and conditions and new performance measures and forms of performance management, fewer than one third of respondents reported such involvement most of the time.
- Looking at opportunities for task leadership across organisations, responses in micro (1-9) and small organisations (10-49) were significantly more positive than in medium (50-249) and large (250+) organisations.

- Women and people without a disability were more positive than men and those with a disability in reporting more widespread opportunities for task leadership at different organisational levels.

### 1c. Job design factors

Innovation is closely linked to creativity and problem-solving. Job design can either support problem-solving and creativity or limit the potential for both. Good jobs provide opportunity and support to apply skills and knowledge. In the right circumstances, these features may enable the design of change, allowing innovative ideas to emerge from within the organisation and owned by all. There is extensive evidence that jobs associated with high levels of autonomy, task variety and feedback are most likely to support and foster innovation.



- While most respondents were confident that employees generally understood products and services well enough to support improvement, a significant minority were not positive in this regard.
- A significant minority of respondents reported that, for most employees, job design did not encourage interaction. Interaction between and across jobs can be an important source of information sharing.
- The data suggests real challenges in employees having the time and autonomy to reflect on work, identify problems and solutions, and make changes autonomously. While not strictly comparable, the latest European Working Conditions Survey reports a figure of 68% as the EU average in terms of autonomy to change methods of work.
- Respondents in UK owned firms were more likely to report autonomy to make changes at work than overseas owned firms.

- Women were more positive across all of the job design practices than men, while union members were less positive than non-union members, and people with disabilities were less positive than those without a disability.

#### 1d. Human resource practice/fair work factors

HR practices impact on employee capability and development, motivation and opportunity to deploy their talents, and these features are closely related to innovative potential. Certain HR management and employment practices can buffer the stress of innovation and change, reframing it as an opportunity rather than a threat. New knowledge, new combinations of knowledge, expertise and problem-solving skills are rooted within individuals and teams and can be the source of employee driven innovation, offering the potential for ongoing, sustainable solutions. An organisation’s capacity to identify, make sense of and exploit knowledge about its environment and the organisation’s ability to learn are important conditions for innovation. Well-designed HR policies which support performance and skills development can be important in supporting the development and exploitation of knowledge, thus contributing to innovation.



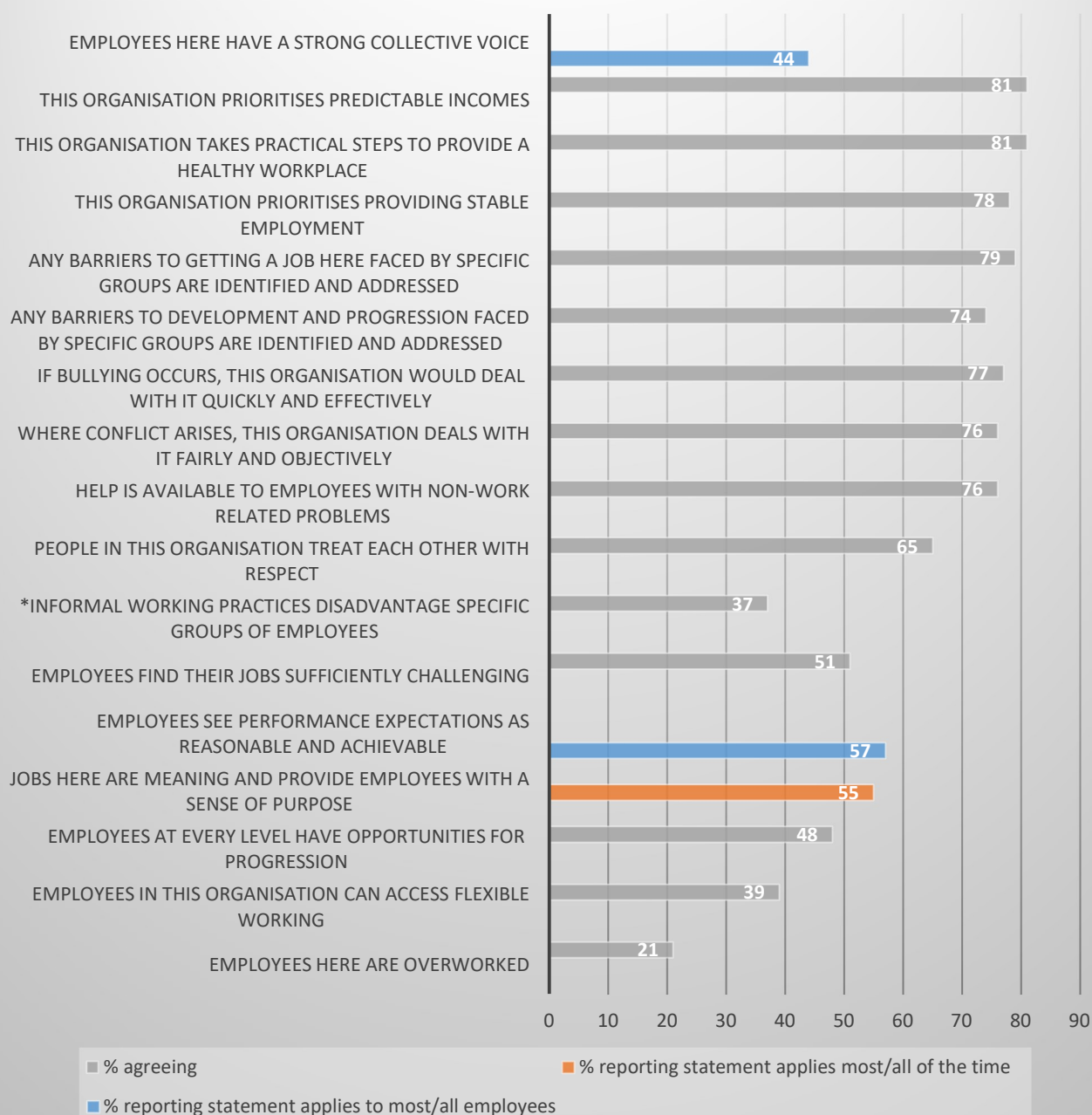
- The data points to significant skills under-utilisation across the companies. While not strictly comparable, the level of skills under-utilisation appears to be in line with some UK level data.
- A significant minority of respondents reported a high prevalence of training for future skills in their organisation, which is important both to support employees in facing changes in

future skills demands. Respondents in micro, small and medium size businesses were more likely than those in larger businesses to report the development of future skills.

- For most respondents, work-related learning focused on current jobs, though just under one third reported that employees accessed learning unrelated to their current job.
- Work-related learning not directly related to employees' current jobs was more prominent in micro-businesses than in larger businesses.
- Women were more positive than men in relation to skills development for the future and work-related learning beyond the current job, but were no different from men on their assessment of skills utilisation and HR practices.
- Turning to how HR policies explicitly address innovative potential, a substantial minority of respondents reported that hiring practices largely targeted adaptable recruits, and that training provision was oriented towards some level of innovation.
- However, neither pay and reward policy, nor performance management approaches, appear to be widely used to support creativity and innovation.
- Relatively few respondents saw a lack of diversity as a significant problem constraining innovation in their organisations, although union members were more concerned in this regard and – notably – half of all respondents reporting significant disability reported that a lack of diversity constrained innovation.

The above graph considers the prevalence of support for skills and their deployment and of HR practices specifically directed at creativity/innovation. There is evidence that HR professionals increasingly seek to promote innovation through a range of practices (CIPD, 2016). But our evidence suggest that employees do not see training, reward and performance management strategies as supporting innovation. More broadly, HR policies and practices come together to affect how individuals experience fair work. From the existing research base it is clear that high quality jobs can bring organisational benefits in terms of individual performance, flexibility and willingness to change and innovate. Employers who offer such jobs identify benefits in terms of recruitment and retention. A clear evidence base points to a relationship between job quality and the extent to which employee's feel fairly treated, on the one hand, and their levels of engagement and potential to innovate, on the other.

### Chart 5: Fair work practices



- Compared to the other FITwork dimensions considered, responses to questions about practices that supported fair work were largely more positive.
- Looking specifically at practices supporting the **opportunity dimension of fair work**, respondents were largely positive in relation to barriers that stand in the way of specific groups accessing and progressing in employment, though were significantly less so in terms of opportunities for progression at every level – that is, for all employees rather than those in protected categories. However, people with disabilities and trade union members reported less positively on these practices (although a majority of each group still responded positively). However, a substantial minority of respondents reported informal



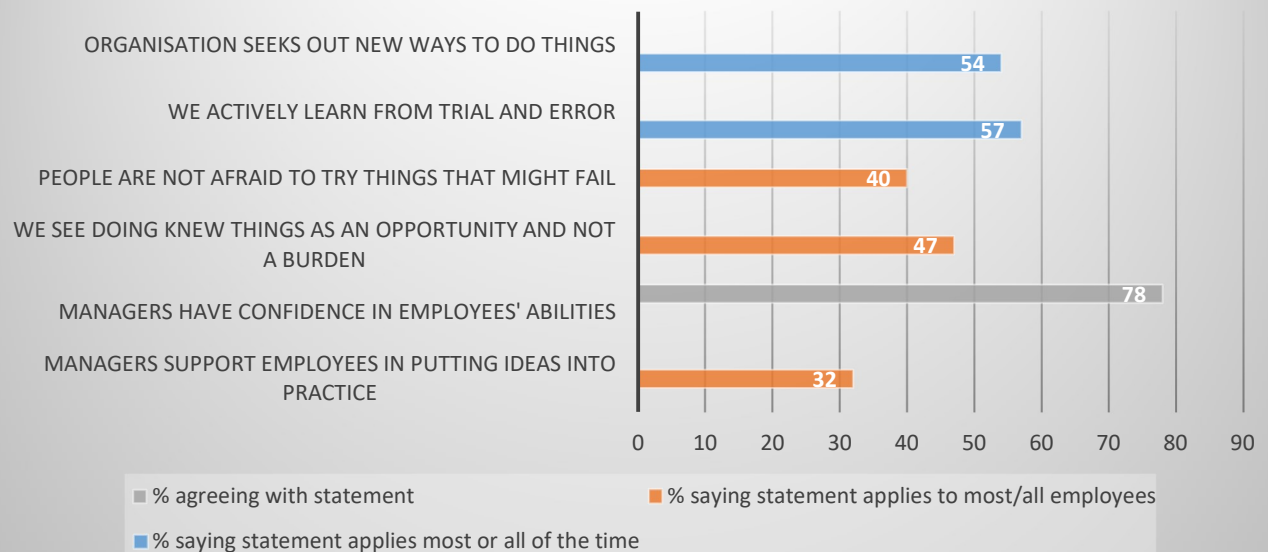
practices that could disadvantage particular groups of employees, though it is possible that this question was not interpreted by all respondents from an equalities perspective.

- Practices supporting the **security dimension of fair work** were well supported, with very positive assessments of stable incomes and employment. Union members and respondents with disabilities were a little less positive (though still positive) on stable incomes, but no different on stable employment.
- Turning to the **fulfilment dimension of fair work**, just over half of respondents reported work as meaningful, with a lower propensity to see work as meaningful in larger firms. Just over a half of respondents identified jobs as sufficiently challenging. While more than half of respondents reported performance expectations as reasonable and achievable, around one fifth reported concerns in relation to work overload. Respondents in overseas owned firms were more likely to report work as sufficiently challenging, while union members and respondents with disabilities were slightly less likely report contentment with the degree of challenge in jobs.
- Looking at the **respect dimension of fair work**, a substantial majority of respondents noted effective organisational responses to conflict or bullying, support for non-work related problems, and high prevalence of respectful relationships. Broadening out to look at respect for family life or work-life balance, only a minority reported widespread access to flexible working in their organisations. Across the sample, the prevalence of flexible working decreased across the company size categories, with the lowest reported incidence in the largest firms. Flexible working was significantly less likely to be reported in overseas-owned firms in the sample.
- Having looked at the **effective voice dimension of fair work** previously in the section on decision-making, we reiterate here that collective voice was reported as a minority practice, and that on specific organisational changes, reported employee involvement was quite low. Perhaps surprisingly, union members were less likely to report that most employees had a strong collective voice than their non-union counterparts.

### **1e. Enterprising behaviours and risk factors:**

Advancing any new or innovative idea involves at least some degree of uncertainty. Attitudes to uncertainty, risk and trying new things impact on an organisation's innovative potential and how well it can respond to opportunities. There is evidence that an organisation's routines, the way it learns from past experiences, and how individuals think about taking calculated risks can all be critical for supporting enterprising attitudes among employees.

**Chart 6: Practices supporting enterprising behaviour and risk**

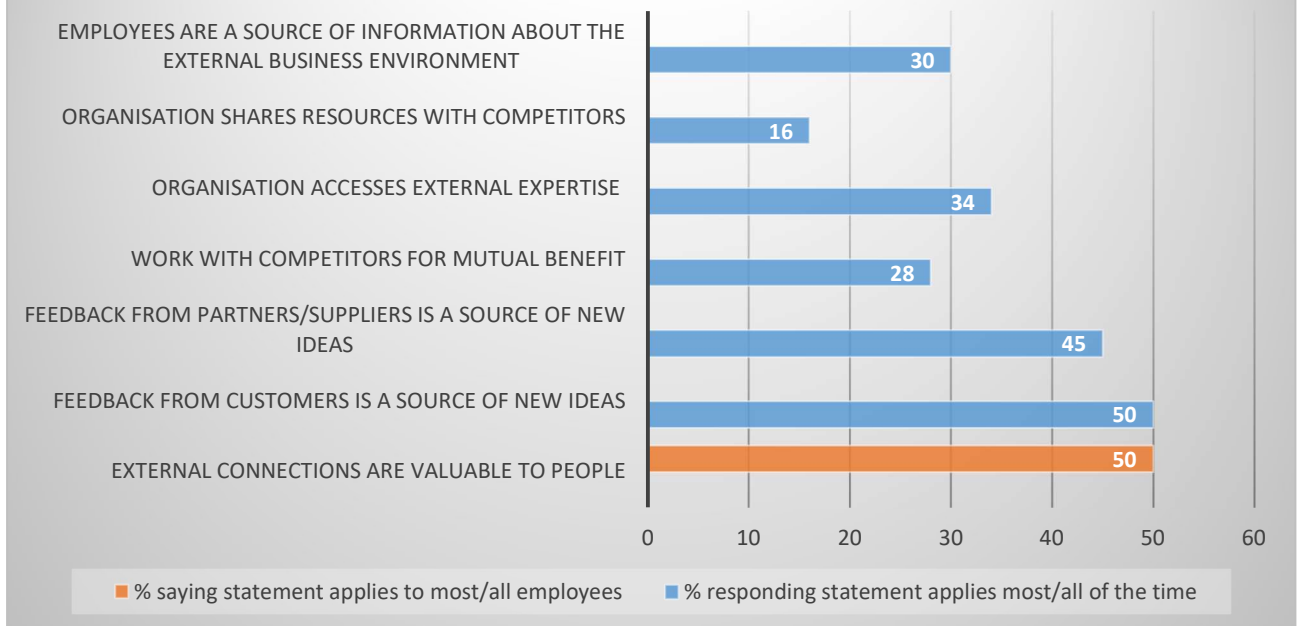


- More than half of respondents reported trying out new things and learning from trial and error, though – by contrast – this did not appear to be the case for just under half of our respondents. There was little variation across the sample on this other than that women were more positive about opportunities to seek out new ways to do things. Company size and ownership appeared to have no significant impact.
- Just under half of respondents reported doing new things as an opportunity, with slightly fewer reporting confidence in trying out things that might fail. Women and managers were more positive in this regard than men and non-managerial employees.
- While management support for employees in implementing ideas was clearly a minority practice, managers were considered to be highly confident in employees' capabilities, with union members, men and managers more likely to report in this way.

### 1f. External relations/networks factors

Clients, partner organisations (e.g. suppliers) and competitors can be invaluable sources of knowledge and expertise. Scanning the environment and making the most of external relationships – by managing exchanges of information, collaborating and asset and risk sharing – can open up new ways of working, new ways of accessing resources and new market opportunities. Evidence suggests that innovative organisations are more likely to involve their employees in the exchange of information within and across their supply chain, sector and broader trading environment.

## Chart 7: Connections and networks

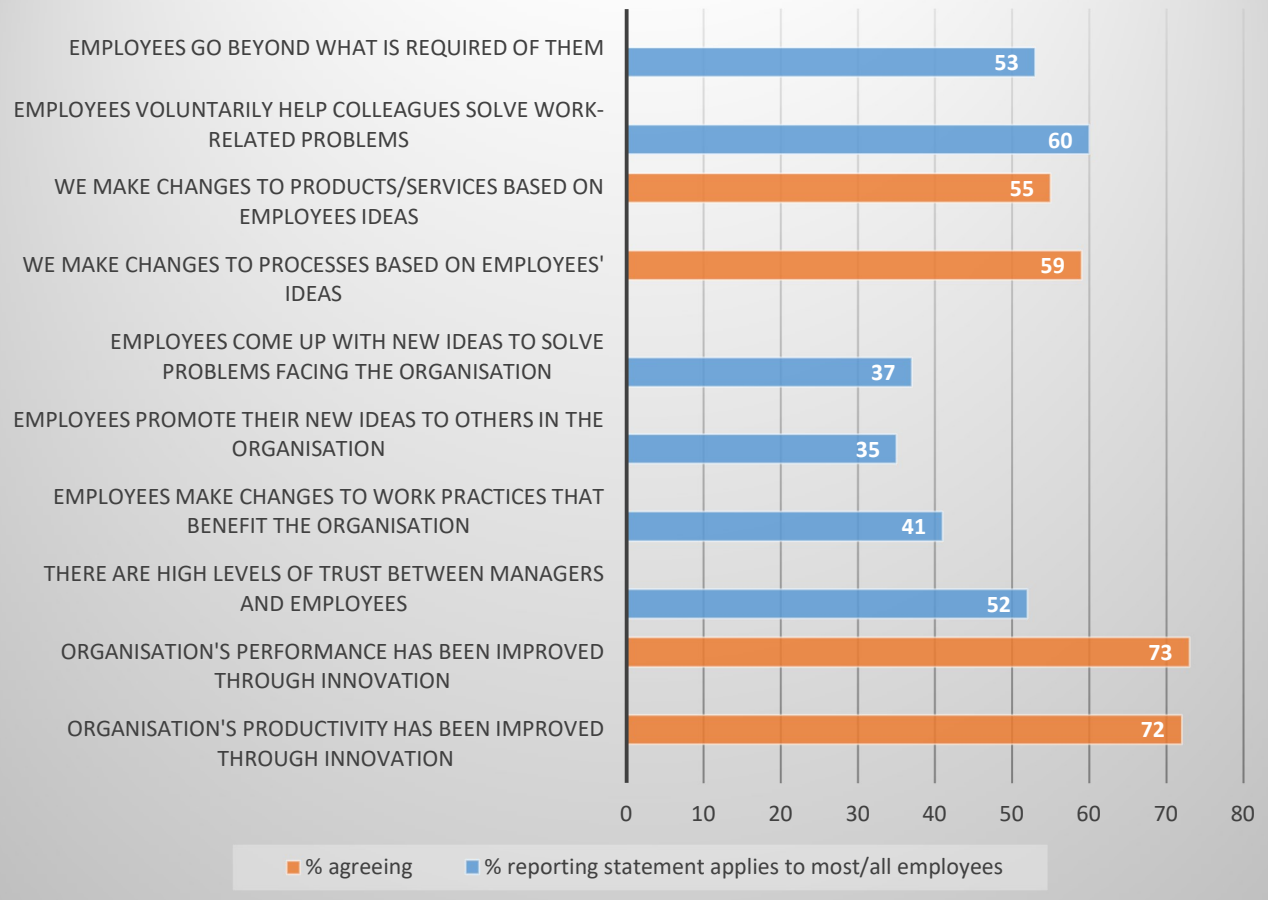


- It is clear from the data that customers and suppliers are seen as more likely sources of new ideas than employees, though managers were more likely to see employees as a source of ideas than were non-managerial employees themselves (though still a minority of managers so reporting).
- Notwithstanding that half of the sample reported external connections as valuable, the picture across the data suggests less prevalent networking and less diverse information sources than might be required to support broader innovation.

### 1g. Positive business outcomes

Cross-sectional data presents challenges in causally relating practices to outcomes. In this analysis, we have explored the association of practices supporting working place innovation – in particular – those practices that contribute to employees’ abilities, motivation and opportunities to perform and to innovate. Our underlying model investigates whether particular workplace practices are associated with a range of positive business outcomes. We focus below on the extent of discretionary behaviour – both in terms of discretionary effort (that is, employees go beyond what is required of them) and in terms of discretionary innovative behaviours (specifically around examples of employee-driven innovation that makes changes to work, products/services and organisational processes). We also examine respondents’ assessments of trust relationships within their organisations. These three types of outcomes were chosen because each is associated – in the wider research base – with higher performance and support for innovation. In addition, we consider responses to explicit statements on the impact of innovation on organisational performance and productivity, though noting that such statements reflect individual assessments of developments in performance and productivity.

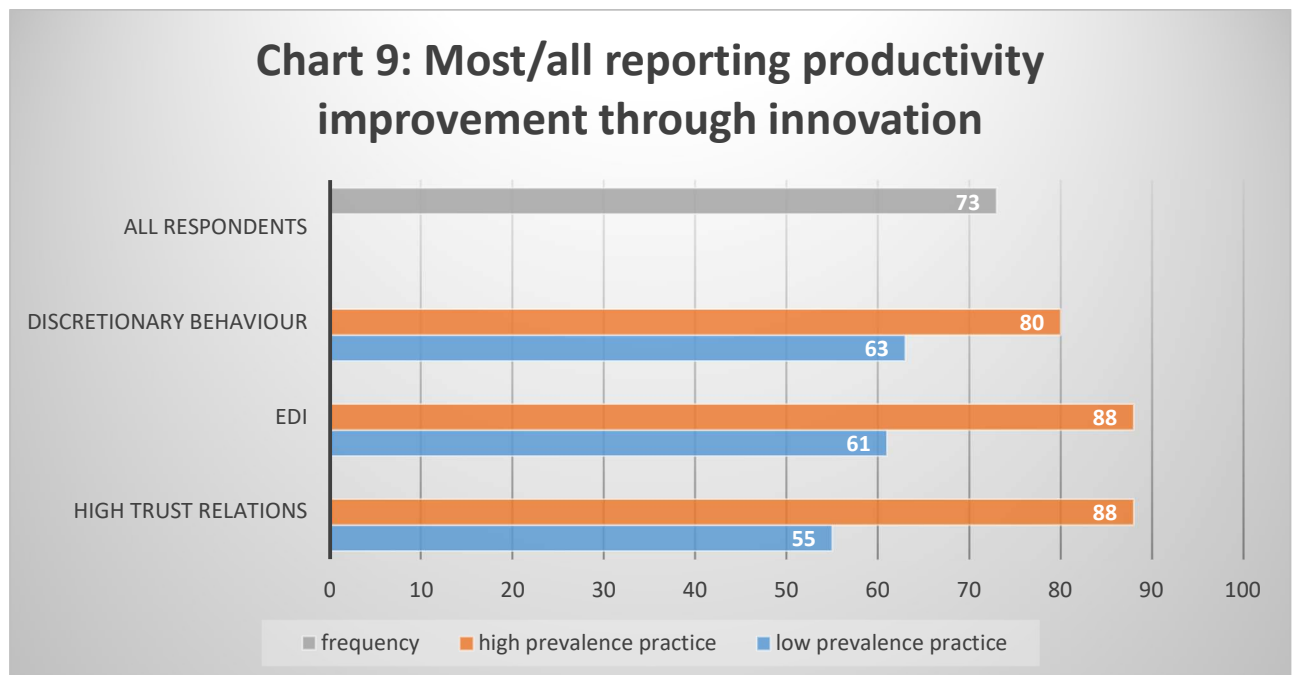
### Chart 8: Reported positive business outcomes



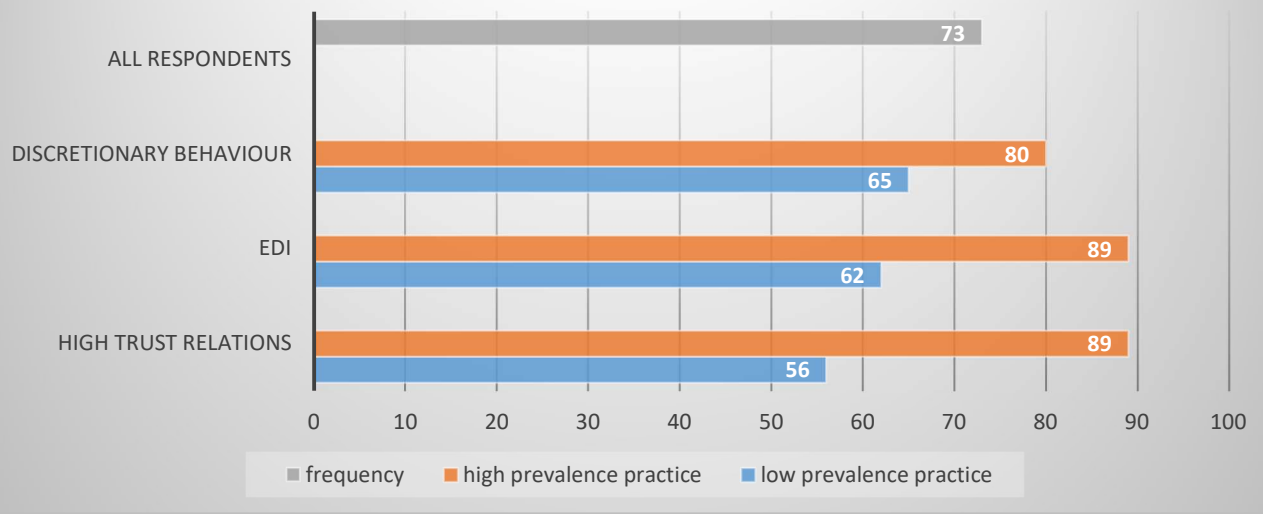
- In terms of discretionary behaviours, a majority of respondents report high prevalence of employees going beyond requirements and voluntarily supporting the work of other employees. There were no significant variations across the sample in demographic terms (other than women being more positive than men), nor were there any variations relating to company size or ownership.
- More than half of respondents report that their companies make changes to products/services and processes based on employee ideas, but significantly fewer reported examples of practices of employee-driven innovation in terms of coming up with new ideas, promoting new ideas and making beneficial changes to work practices.
- Just over half of respondents reported high trust relationships at their workplace. Managers were more positive in this regard than non-managerial employees, while respondents in small and medium size companies were more positive than those in larger companies in assessing trust relationships.

The FITwork model poses a relationship between workplace practices supporting employee ability, motivation and opportunity, and outcomes in relation to discretionary behaviour, EDI and high trust relationships that are associated more broadly with high performance and innovation as well as positive employee orientations. The chart above highlights that most respondents reported productivity and performance enhancement

through innovation. Given that this is a subjective measure of an objective phenomena, this data should be treated with some caution. However, it is worth exploring the relationship between our outcome variables and reported productivity and performance improvement. In the charts below, we compare the relationship between reporting high and low prevalence of each of the outcome variables and the likelihood of most/all respondents reporting productivity or performance improvement through innovation.



**Chart 10: Most/all reporting performance improvement through innovation**

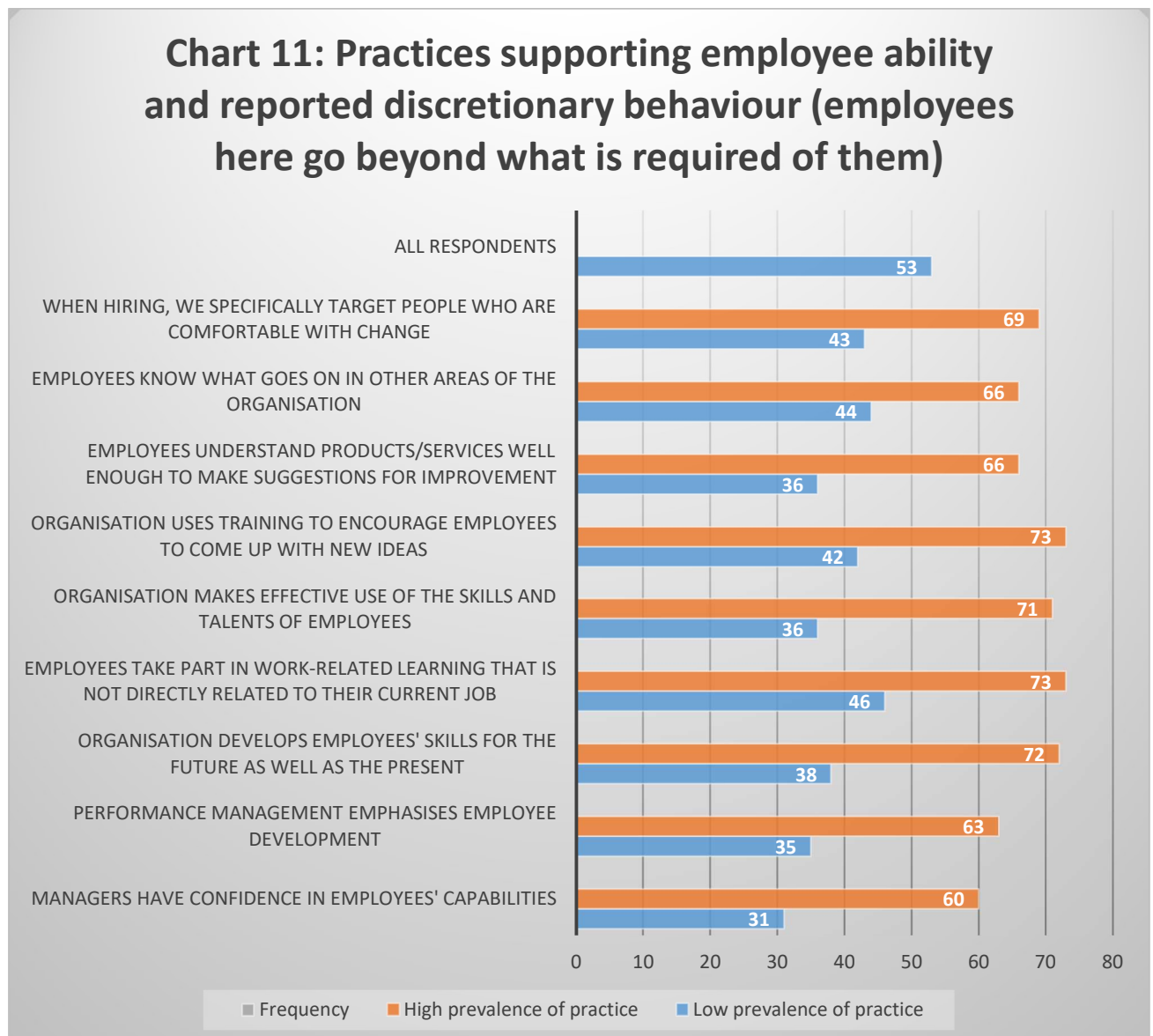


Higher prevalence of discretionary behaviour, EDI and high trust relations are significantly associated with higher prevalence of reported performance and productivity improvements through innovation.

## Findings 2: Workplace practices, AMO and positive business outcomes

### Practices supporting employee ability and discretionary behaviour

The chart below explores the association between practices that support employees in their access to information and knowledge, support for their skills and development, and perceptions of managements' confidence in employee capabilities.



High prevalence of each of the practices outlined in the chart are significantly and substantially different in their association with high prevalence of discretionary effort. Put simply, each of these practices that support employee ability appear to be positively related to the willingness of employees to go beyond what is required of them. This association – and its converse – is intuitively plausible: more able employees are more likely to be confident in their own ability to 'go the extra mile'. More generally, positive

perceptions of HR and workplace practices among employees have been shown to be associated with higher levels of engagement and performance (Purcell et al, 2009; Shipton, 2017). Our research adds to this evidence base.

Where respondents report high prevalence of effective skills utilisation (Our organisation makes effective use of all the skills and talents of our employees – 51% report high prevalence), they are also significantly more likely to high prevalence of the EDI variables below:

- Our organisation makes changes to our products and services based on ideas from our employees.
- Our organisation makes changes to our processes based on ideas from employees.
- Employees make changes in the way they do their work that benefits the organisation.
- Employees come up with new ideas to solve problems facing the organisation.
- Employees promote their new ideas to others in the organisation.

One example is the relationship between reported effective skills utilisation and whether or not employees make changes to their work to benefit the organisation.

- Where respondents report very low prevalence of effective skills utilisation, they are very unlikely to report high prevalence of employees' changing their work (less than ½ %).
- Where employees report high prevalence of effective skills utilisation, 32% report that most employees make changes to their work in ways that benefit the organisation.

This positive impact of effective skills utilisation on EDI variables is also replicated for training practices that support idea generation, which are positively associated with the EDI variables above.

When looking at the relationship between training for creativity (Our organisation uses training specifically to encourage our employees to come up with new ideas – 38% report high prevalence) and whether or not employees come with new ideas (Employees come up with new ideas to solve problems facing the organisation – 37% report high prevalence), there is a clear and significant relationship between the two:

- Where respondents report very low prevalence of training for creativity, only 17% report high prevalence of new ideas. Where respondents report high prevalence of training for creativity, 62% report high prevalence of new ideas.
- Data suggests that training employees to be more creative/generate new ideas is associated with much higher levels of reported idea generation.

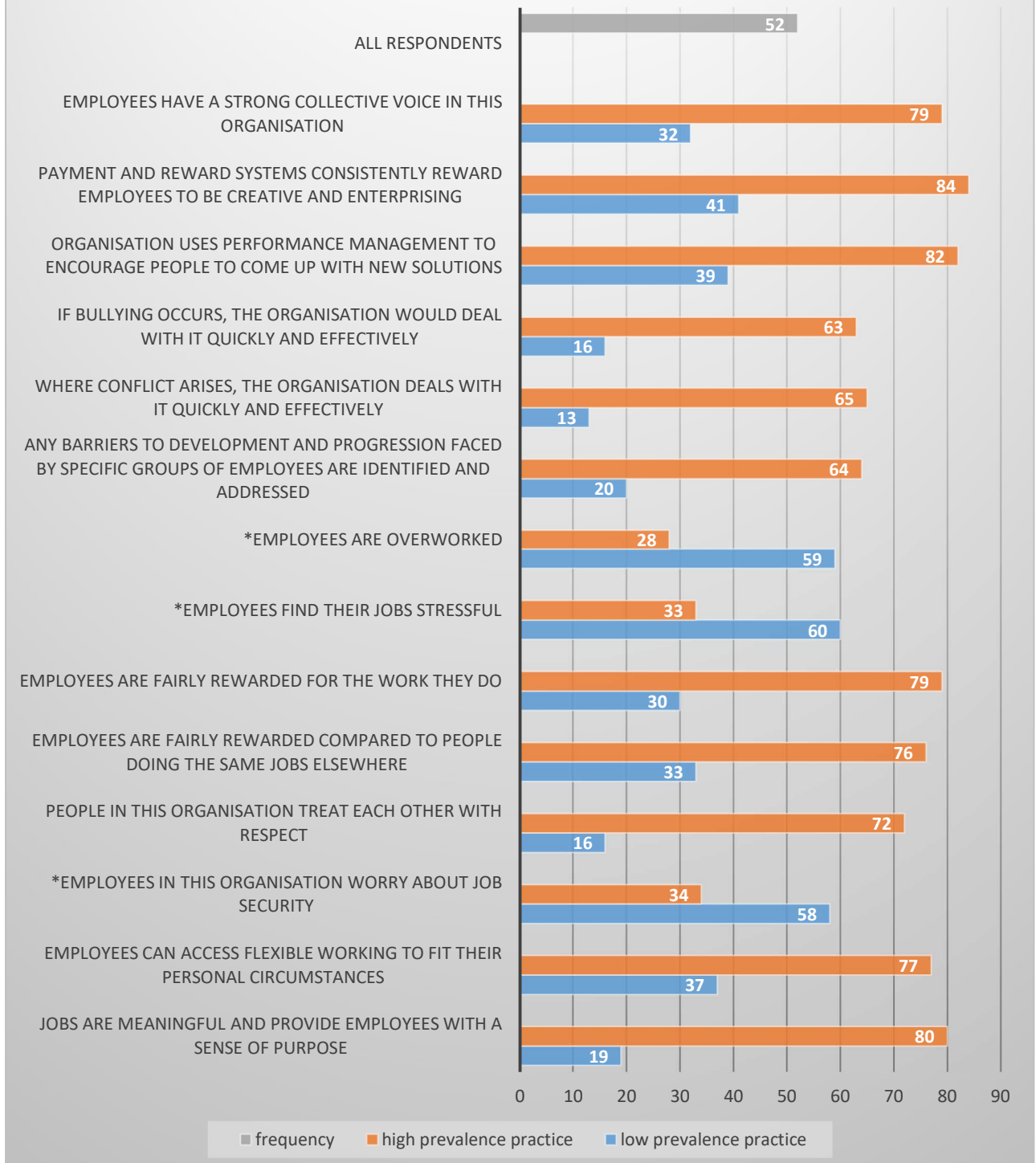
How respondents perceive managers feel about employees' abilities also relates to the EDI variables:



- Where employees report high prevalence of managerial confidence in employees' abilities, 37% of respondents report a high prevalence of employees' making changes to their work in ways that benefit the organisation, compared with only 17% reporting such a high prevalence where managerial confidence isn't present.
- Where employees report high prevalence of managerial confidence in employees' abilities, 44% of respondents report a high prevalence of employees' coming up with new ideas to solve problems facing the organisation, compared with only 13% reporting such a high prevalence where managerial confidence isn't present.
- Where employees report high prevalence of managerial confidence in employees' abilities, 42% of respondents report a high prevalence of employees' promoting new ideas to others in the organisation, compared with only 11% reporting such a high prevalence where managerial confidence isn't present.

We hypothesise that employees' positive orientations or motivations towards their employer will support discretionary performance- or innovation-oriented behaviours. Such positive orientations are likely to be influenced by the presence or absence of fair work. The chart below considers the association of high prevalence fair work/job quality practice with reported trust relations.

## Chart 12: Fair work practices and reported high trust relations

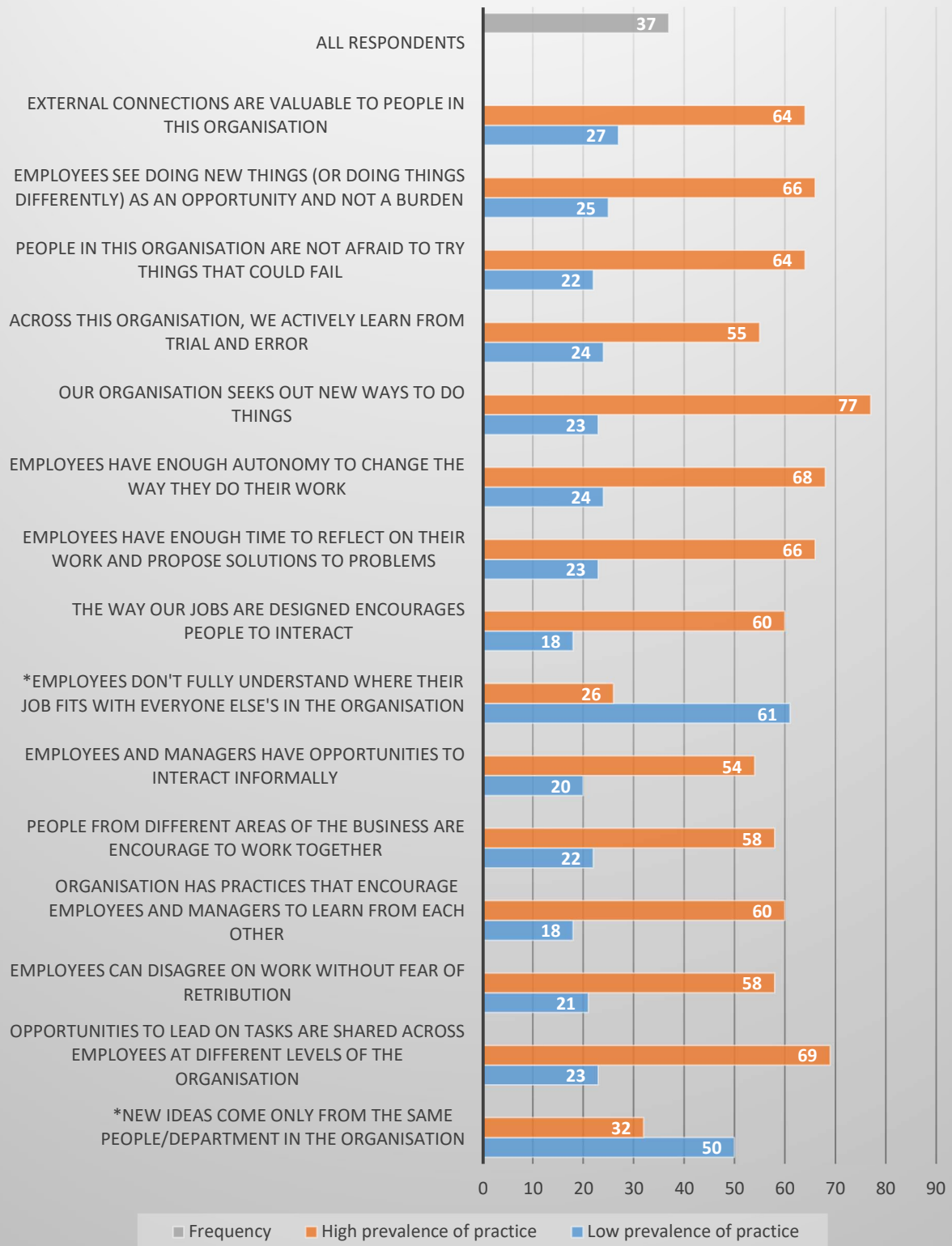


High prevalence of any of the fair work practices identified above are significantly and substantially associated with higher prevalence of high trust workplace relationships which, drawing on wider research, has positive implications for employee performance and commitment amongst other things. The data suggest that all the positive practices

that reflect the dimensions of fair work, and that span material, intrinsic and relational issues, support high-trust relations between workplace actors. Respectful relationships and meaningful work appear to be important in supporting positive trust relations, but material factors such as pay that is seen as fair for the work that is done and relative to pay for equivalent work elsewhere also matters.

In order for investments in employee ability and employees' positive orientations to make a difference to organisational performance and innovation, employees need to have an opportunity to deploy their ability and to have scope to make a difference. The chart below considers practices that enhance opportunities for employees to perform and to innovate, and relates these to the reported prevalence of employee-driven innovation.

### Chart 13: Practices supporting opportunity and EDI outcome (employees come up with new ideas to solve problems facing the organisation)



Once again, it is clear that the extent of adoption of workplace practices that create opportunities for employees – space in which to make a more effective contribution – is closely associated with the extent to which respondents report the prevalence of employee-driven innovation. Good product and organisational knowledge, opportunities to interact, learning, freedom to speak out, try new things, and to take risks – all of these elements create the conditions for employees to participate in innovation. These findings concur with an established evidence base linking job design that facilitates opportunities for employees and innovative work behaviours and leadership of innovation.

### **Exploring relationships between workplace practices and positive business and employee outcomes**

As outlined earlier, the hypothesis which we propose is that positive employee behaviours and orientations result from employees having the ability, motivation and opportunity to engage in them. We have examined specific workplace practices which capture or influence ability, motivation and opportunity – referred to here as mediating processes. The relationship between these factors and the outcome variables is not necessarily a simply one-way channel. So, for example, a high level of trust between managers and employees might give employees the opportunity and the motivation to engage in innovative and transformative work but, also, employee innovation may create high levels of trust.

The relationship between these workplace practices and a range of positive outcomes has been illustrated by the cross-tabulations shown earlier. More detail on the size and extent of these relationships can be found using ordinal regression analysis. This is an appropriate method when the data in question is categorised data of the kind collected for this project.

Below are three key variables that we have classified as outcome variables and we have considered which of the mediating influences are likely to be most relevant, in each case, to whether or not employees report positive employee behaviours and orientations.

Table 1 : Outcomes

	<b>Outcome Variables</b>	<b>Mediating processes</b>
1	Employees here go beyond what is required in their jobs	Ability  Motivation
2	Employees here come up with new ideas to solve problems facing the organisation	Ability  Opportunity
3	There are high levels of trust between managers and employees	Opportunity  Motivation

The variables listed in Table 1 are grouped into three groups: each group describes practices which influence either employee ability, motivation and opportunity.

The outcome variables listed in Table 1 above are regressed on a selection of the practice variables listed in Table 2

**Table 2: Practices**

<b>Ability</b>	<b>Motivation</b>	<b>Opportunity</b>
Makes effective use of skills and talents Q29_24	Employees have a strong collective voice in this organisation Q21_8	*New ideas come only from the same people/dept in the organisation Q19_7
Take part in work-related learning not related to current job Q29_25	Our payment and reward systems consistently reward employees to be creative and enterprising Q28_20	Opportunities to lead on tasks are shared across employees at different levels of the organisation Q21_9
Develops skills for future as well as present Q29_26	Our organisation uses performance management to encourage people to come up with new solutions Q28_21	In our organisation, employees can disagree over work issues without fear of retribution Q21_11
Managers have confidence in employees' capabilities Q25	If bullying occurs, the organisation would deal with it quickly and effectively Q31_43	Our organisation has practices that encourage employees and managers to learn from each other Q22_11
Uses training specifically to encourage employees to come up with new ideas Q28_19	Where conflict arises, the organisation deals with it fairly and objectively Q31_46	Our organisation encourages people from different areas of the business to work together Q22_12
When hiring we specifically target people who are comfortable with change Q30_23	Any barriers to development and progression faced by specific groups of employees are identified and addressed Q32_47	Our employees and managers have opportunities to informally interact with each other Q22_13.
Employees at every level have opportunities for progression Q34_39	*Employees here are overworked Q120_37	*Employees don't fully understand where their job fits with everyone else's in the organisation Q22_15
Know what is going on in other areas of the org'n Q22_16	*Employees here find their jobs stressful Q33-34	The way our jobs are designed encourages people to interact Q24_28
Our employees understand our products/services well enough to make suggestions for improvement Q24_29	Employees here are fairly rewarded for the work they do Q33_35	Our employees have enough time to reflect on their work and propose solutions to problems Q24_30

In our organisation, performance management emphasises employee development Q36	Employee here are fairly rewarded compared to people doing the same job elsewhere Q33_36	Our employees have enough autonomy to change the way that they do their work Q24_31
	People in this organisation treat each other with respect Q120_38	Our organisation seeks out new ways to do things Q26_21
	*Employees in this organisation worry about job security Q120_36	Across this organisation, we actively learn from trial and error Q26_22
	Employees in this organisation can access flexible working to fit their personal circumstances Q34_40	People in our organisation are not afraid to try things that could fail Q27-17
	Jobs are meaningful and provide employees with a sense of purpose Q34_41	Our employees see doing new things (or doing things differently) as an opportunity and not a burden Q27_18
		External connections are valuable to people in this organisation Q99



**Table3a: Employees here go beyond what is required in their jobs**

<b>Model 1: Ability Variables</b>		<b>Effective skills utilisatio n</b>	<b>Development of future skills</b>	<b>Mgt confident in employee ability<sup>4</sup></b>	<b>Training for creativity</b>	<b>Hiring for chang e</b>	<b>Product/ services knowledge</b>
<b>Parameter Estimates (Sig)<sup>5</sup></b>		<b>-0.329**</b>	<b>-0.615***</b>	<b>0.374**</b>	<b>-0.32**</b>	<b>- 0.325**</b>	<b>-0.362***</b>
<b>Odds Ratio<sup>6</sup></b>		<b>0.72</b>	<b>0.54</b>	<b>1.45</b>	<b>0.73</b>	<b>0.72</b>	<b>0.70</b>
<b>Nagelkerke R<sup>2</sup></b>		<b>0.224</b>					
<b>Pearson <math>\chi^2</math></b>		<b>345.41  (0.139)</b>					

\*  $\rho < 0.1$ , \*\*  $\rho < 0.05$ , \*\*\*  $\rho < 0.01$  . For the Pearson  $\chi^2$  , if  $\rho > 0.05$  the model is a good fit

The variables used have been transformed into binary variables which separate organisations where the fair work practices in question have been reported to apply to most/all employees (High prevalence) and those where these practices are being reported

<sup>4</sup> For this variable the default category is High prevalence of a more negative practice, for example, employees believe that managers don't trust most employees

<sup>5</sup> Parameter estimates can be ignored for the purpose of this analysis

<sup>6</sup> For a basic description of odds ratios and their interpretation see:

<https://thestatsgeek.com/2015/01/03/interpreting-odds-and-odds-ratios/>

A rule of thumb which can be used here is that, where the default category is High prevalence (of a positive practice), an odds ratio  $< 1$  shows that the practices have a positive effect on outcomes, an odds ratio of exactly 1 show that the practices have no effect and an odds ratio  $> 1$  indicate that they have a negative effect.

as applying to no/some employees (Low prevalence). The default category is High prevalence except where indicated. We take the outcome variables and estimate the impact of the practices on the outcome by producing an estimate of the odds ratio between organisations with High prevalence and Low prevalence of the relevant practices.

Table 3a shows the results of regressing the Ability practices variables indicated in Table 2 on the outcome variable which measures discretionary effort. The table shows only those variables which are significant. The following is a complete interpretation of the table (reference to this will assist in the interpretations of the other tables).

- Those organisations that have a low prevalence of effective skills utilisation are reporting that Employees here go beyond what is required in their job (discretionary effort) at 72% of the rate reported by those with a high prevalence of skills utilisation.
- Those organisations that have a low prevalence of development of future skills are likely to report that Employees here go beyond what is required in their job (discretionary effort) at just over half the rate (54%) than those with a high prevalence of this practice.
- Those organisations that have a low prevalence of reporting of Employees not believing their managers trust them (ie high trust organisations) are 1.45% as likely (or, in other words 45% more likely) to report employees here go beyond what is required in their job (discretionary effort) than those with a low prevalence (low trust). **(This practice is presented differently because of the way the question was originally asked).**
- Those organisations that have a low prevalence of Training for Creativity report that Employees here go beyond what is required in their job (discretionary effort) at 73% of the rate that those with a high prevalence of Training for Creativity.
- Those organisations that have a low prevalence of Hiring for change report that Employees here go beyond what is required in their job (discretionary effort) at 72% of that reported by organisations with a high prevalence of this positive practice.
- Those organisations that have a low prevalence of product/services knowledge report discretionary effort at 70% of that reported by those with a high prevalence of product/service knowledge.

**Table3b: Employees here go beyond what is required in their jobs**

<b>Model 2: Motivation Variables</b>	<b>Strong collective voice</b>	<b>Performance mgt for creativity</b>	<b>EO barriers to progression are addressed<sup>1</sup></b>	<b>Jobs are stressful</b>	<b>People treat each other with respect</b>	<b>Access to flexible working</b>	<b>Jobs are meaning- ful</b>
<b>Parameter Estimates (Sig)</b>	<b>-0.582***</b>	<b>-0.793***</b>	<b>0.292*</b>	<b>-0.773***</b>	<b>- 0.789***</b>	<b>-0.325**</b>	<b>-0.487***</b>
<b>Odds Ratio</b>	<b>0.56</b>	<b>0.45</b>	<b>1.34</b>	<b>0.46</b>	<b>0.45</b>	<b>0.72</b>	<b>0.61</b>
<b>Nagelkerke R<sup>2</sup></b>	<b>0.244</b>						
<b>Pearson <math>\chi^2</math></b>	<b>656.5  (0.098)</b>						

\*  $\rho < 0.1$ , \*\*  $\rho < 0.05$ , \*\*\*  $\rho < 0.01$ . For the Pearson  $\chi^2$ , if  $\rho > 0.05$  the model is a good fit

<sup>1</sup>This variable indicates if barriers to progression are addressed and in this case the default category is High prevalence of a bad practice.

Looking at the same output variable (ie discretionary effort) we examine the impact on practices which capture motivation. Here the effect of the practices are all positive and increase the likelihood of a High prevalence outcome (ie one which applies to most or all employees) by just over double where performance management is used to encourage employees to come up with solutions to problem (so, in other words if a low prevalence of performance management for creativity is reported, that organisation reports discretionary effort at 45% of the rate of those organisations with a high prevalence of encouraging creativity); this is a same or similar effect where few people find their work stressful and where people treat each other with respect. Other practices also have a significant but smaller impact on the likelihood of reporting a high prevalence of discretionary effort ranging from two thirds to around three quarters (0.34 and 0.78 respectively) of the equivalent results for firms who don't deploy the same good practices.

A second outcome variable which was considered in relation to these ability-supporting practices that captured the prevalence of employees coming up with new ideas to solve problems facing the organisation. Here we considered practices supporting Ability and Opportunity as the mediating influences.

Table 4a: Employees come up with new ideas to solve problems facing the organisation

<b>Model 3: Ability Variables</b>	<b>Effective skills utilization</b>	<b>Learning beyond current job</b>	<b>Development of future skills</b>	<b>Training for creativity</b>	<b>Hiring for change</b>	<b>Knowledge of other areas of org'n</b>	<b>Product/service knowledge</b>
<b>Parameter Estimates (Sig)</b>	<b>-0.731***</b>	<b>-0.489***</b>	<b>-0.623***</b>	<b>-0.294*</b>	<b>- 0.427**</b>	<b>-0.461***</b>	<b>-1.046***</b>
<b>Odds Ratios</b>	<b>0.48</b>	<b>0.61</b>	<b>0.54</b>	<b>0.75</b>	<b>0.65</b>	<b>0.63</b>	<b>0.35</b>
<b>Nagelkerke R<sup>2</sup></b>	<b>0.424</b>						
<b>Pearson <math>\chi^2</math></b>	<b>314 (0.037)</b>						

\*  $\rho < 0.1$ , \*\*  $\rho < 0.05$ , \*\*\*  $\rho < 0.01$ . For the Pearson  $\chi^2$ , if  $\rho > 0.05$  the model is a good fit

As would be expected, ability plays an important role in whether employees generate new ideas to solve problems. Good practices which promote ability increase the prevalence of employees generating problem-solving ideas by a factor of 1.37 to 2.9 times compared to organisations which have a low prevalence of good practices. Where most or all employees report that the organisation provides training which supports creativity for most or all employees this increases the likelihood of ideas-generation by a factor of 1.34. Where it is reported that most/all employees understand the company's products or services well enough to make suggestions the likelihood that they will generate new ideas increases by a factor of 2.8.

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<sup>7</sup> This is calculated using the inverse of the odds ratio ie  $1/0.35 = 2.86$  and  $1/0.75 = 1.34$

Table 4b: Employees come up with new ideas to solve problems facing the organisation

<b>Model 4: Opportunity Variables</b>	<b>Org'n seeks new ways to do things</b>	<b>Learn from trial and error</b>	<b>Opportunities for task leadership</b>	<b>Time to reflect and problem solve</b>	<b>Autonomy to change work</b>	<b>See new things as an opportunity</b>	<b>New ideas come from the same place<sup>1</sup></b>	<b>External connections are valuable</b>
<b>Parameter Estimates (Sig)</b>	<b>-0.410**</b>	<b>-0.413***</b>	<b>-0.641***</b>	<b>-0.464**</b>	<b>-0.637***</b>	<b>-0.588***</b>	<b>0.463***</b>	<b>-0.617***</b>
<b>Odds Ratios</b>	<b>0.66</b>	<b>0.66</b>	<b>0.53</b>	<b>0.63</b>	<b>0.53</b>	<b>0.56</b>	<b>1.59</b>	<b>0.54</b>
<b>Nagelkerke R<sup>2</sup></b>	<b>0.453</b>							
<b>Pearson <math>\chi^2</math></b>	<b>958  (0.028)</b>							

\*  $\rho < 0.1$ , \*\*  $\rho < 0.05$ , \*\*\*  $\rho < 0.01$ . For the Pearson  $\chi^2$ , if  $\rho > 0.05$  the model is a good fit

<sup>1</sup>For this variable the default option is High prevalence of a negative practice i.e. that new ideas mostly/always come from the same place (rather than from across the organisation)

The practices which create opportunities for employees to make a more effective contribution and which support appropriate risk-taking contribute significantly to problem-solving.. The size of the effect of the various practices can be seen from the range of the odds ratios ie it increases the likelihood of High prevalence of the outcome by a factor ranging from 1.5 – 1.9<sup>8</sup>.

For the same outcome variable, we examine practices which create motivation for employees.

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<sup>8</sup> The impact of constraining new ideas to only come from parts of the business reduces the likelihood that an organisation will report a high prevalence of problem-solving in their workforce by around 63%. Again this is calculated by taking the inverse of the odds ratio:  $1/1.59 = 0.63$

Table 5a: There are high levels of trust between managers and employees

<b>Model 5a: Opportunity Variables</b>	<b>Org'n seeks new ways to do things</b>	<b>Can disagree without retribution</b>	<b>Mgt/employee cross learning</b>	<b>Opportunities for informal interaction</b>	<b>Job design encourage s interaction</b>	<b>Time to reflect and problem solve</b>	<b>Autonomy to change work</b>	<b>Not afraid to try and fail</b>	<b>New ideas come from the same place<sup>1</sup></b>	<b>External connections are valuable</b>
<b>Parameter Estimates (Sig)</b>	<b>-0.434***</b>	<b>-1.014***</b>	<b>-0.659***</b>	<b>-0.703***</b>	<b>-0.39**</b>	<b>-0.457***</b>	<b>-0.35**</b>	<b>-0.373**</b>	<b>0.263*</b>	<b>-0.543***</b>
<b>Odds Ratio</b>	<b>0.65</b>	<b>0.36</b>	<b>0.52</b>	<b>0.50</b>	<b>0.68</b>	<b>0.63</b>	<b>0.70</b>	<b>0.69</b>	<b>1.30</b>	<b>0.58</b>
<b>Nagelkerke R<sup>2</sup></b>	<b>0.549</b>									
<b>Pearson <math>\chi^2</math></b>	<b>872  (0.513)</b>									

\*  $\rho < 0.1$ , \*\*  $\rho < 0.05$ , \*\*\*  $\rho < 0.01$  . For the Pearson  $\chi^2$  , if  $\rho > 0.05$  the model is a good fit

<sup>1</sup>For this variable the default option is High prevalence of a bad practice ie that new ideas mostly/always come from the same place

From this table it can be seen that some of the opportunity variables have a strong and significant effect on whether a High prevalence of trust between managers and employees is reported. For instance, where employees report that there can be disagreement over work issues without fear of retribution, then the odds of that company also showing a High prevalence of trust between employees and managers is increased almost threefold relative to where that is not the case. Similarly a High prevalence of informal interaction and learning from each other doubles the likelihood of high levels of trust.



The influence of motivation on the prevalence of high levels of trust can be seen from Table 5b.

Table 5b: There are high levels of trust between managers and employees

<b>Model 6: Motivation Variables</b>	<b>Strong collective voice</b>	<b>Reward for creativity</b>	<b>Performanc e mgt for creativity</b>	<b>Conflict dealt with fairly<sup>1</sup></b>	<b>EO barriers to progression are addressed<sup>1</sup></b>	<b>Employee s are overworke d<sup>1</sup></b>	<b>Fair reward for work done</b>	<b>People treat each other with respect</b>	<b>Access to flexible working</b>	<b>Jobs are meaningf ul</b>
<b>Parameter Estimates (sig)</b>	<b>-0.38**</b>	<b>-0.465**</b>	<b>-0.634***</b>	<b>0.625**</b>	<b>0.658***</b>	<b>0.527**</b>	<b>-0.743***</b>	<b>-1.1486***</b>	<b>- 0.455***</b>	<b>-1.299***</b>
<b>Odds Ratios</b>	<b>0.68</b>	<b>0.63</b>	<b>0.53</b>	<b>1.87</b>	<b>1.93</b>	<b>1.69</b>	<b>0.48</b>	<b>0.32</b>	<b>0.63</b>	<b>0.27</b>
<b>Nagelkerke R<sup>2</sup></b>	<b>0.619</b>									
<b>Pearson <math>\chi^2</math></b>	<b>671  (0.047)</b>									

\*  $\rho < 0.1$ , \*\*  $\rho < 0.05$ , \*\*\*  $\rho < 0.01$  . For the Pearson  $\chi^2$  , if  $\rho > 0.05$  the model is a good fit

<sup>1</sup>For these variables the default options are a High prevalence of a bad practice ie that most/all employees feel overworked; that conflict is not dealt with fairly and that barriers to progression are not addressed

High prevalence of the various motivation variables increase the likelihood that there is a High prevalence of trust between managers and employees by factors ranging from 1.5 to almost 4. The highest impact is from having a High prevalence of employees agreeing that jobs in the organisation are meaningful and give employees a sense of purpose. This makes the likelihood of reporting a High prevalence of trust 3.7 times greater compared to companies where that is not the case.

## Summary

The results shown here give strong support to the hypothesis that organisations where employees report a high prevalence of practices which develop ability, provide motivation and create opportunity have a sizeable and significant effect on the likelihood of them also reporting the positive outcome effects considered here. A consideration of the summary table of all odds ratios (with all variables being set to the same default category so that the table can be read easily) shows the size of the impact. All results reported here are significant to at least 10% and in most cases 1% or 5%.

Of all 39 practices which we investigated, 32 had a significant and sizeable impact on at least one outcome measure. 15 of the 32 significant variables impacted on two outcome variables. This provides us with the basis to refine the fit work tool for future use. We have not investigated any interaction effects as of yet but the data set would allow us to do this relatively straightforwardly.

Table 6: Summary workplace practice impact			Outcomes		
Mediating influences	Survey Q No	Practices	Discretionary Effort	Ideas Generation	High Levels of Trust
				<b>Odds Ratios</b>	
A	22_16	Know what goes on elsewhere in org'n		0.63	
A	29_24	Effective skills utilisation	0.72	0.48	
A	29_25	Learning beyond current job		0.61	
A	29_26	Development of future skills	0.54	0.54	
A	25	Mgt confident in employee ability	0.69		
A	28_19	Training for creativity	0.73	0.75	
A	30_23	Hiring for change	0.72	0.65	
A	24_29	Product/service knowledge	0.70		
M	21_8	Strong collective voice	0.56		0.68
M	28_20	Reward for creativity			0.63

M	28_21	Performance mgt for creativity	0.45		0.53
M	31_46	Conflict dealt with fairly			1.87
M	32_47	EO barriers to progression are addressed	0.75		1.93
M	33_34	Jobs are stressful	0.46		
M	33_35	Fair reward for work done			0.48
M	120_37	Employees are overworked			0.59
M	120_38	People treat each other with respect	0.45		0.32
M	34_40	Access to flexible working	0.72		0.63
M	34_41	Jobs are meaningful	0.61		0.27
A	22_16	Knowledge of other areas of org'n			
O	26_21	Org'n seeks new ways to do things		0.66	0.65
O	26_22	Learn from trial and error		0.66	
O	21_9	Opportunities for task leadership		0.53	
O	21_11	Can disagree without retribution			0.36

O	22_11	Mgt/employee cross learning			0.52
O	22_13	Opportunities for informal interaction			0.50
O	24_28	Job design encourages interaction			0.68
O	24_30	Time to reflect and problem solve		0.63	0.63
O	24_31	Autonomy to change work		0.53	0.70
O	27_17	Not afraid to try and fail			0.69
O	27_18	See new things as an opportunity		0.56	
O	19_7	New ideas come from the same place		0.63	1.30
O	99	External connections are valuable		0.54	0.58

## Conclusions and reflections

The overwhelming conclusion across the data presented in this report is that workplace practice matter. Positive workplace practices are commonly associated with valued business and employee outcomes. These relationships are maintained across managers and non-managerial employees, and often across companies of different sizes.

There are some systematic variations in the data in relation to demographic and personal characteristics. On a broad range of workplace practices, women are consistently more positive than men. On a relatively broad range of practices, respondents with disabilities are significantly less positive than those without disability, and those respondents who report that disabilities have a more extensive impact on them are particularly less positive. On a narrower range of practices, trade unions members are less positive than non-members, a finding that is consistent with the wider research base.

We have drawn some interesting conclusions in relation to company size. On a small number of workplace practices, smaller businesses were more likely to adopt positive and innovation-supporting practices than larger businesses. The challenge for growing small businesses is to find ways of maintaining practices that support innovation as the number of employees and managers increases.

One crucial point to note is the prevalence of practices that appear to be associated with positive outcomes. HR practices that explicitly target innovation are associated with employees' discretionary effort and employee-driven innovation. But these practices are not widely adopted across the sample. Similarly, effective skills utilisation is strongly associated with discretionary effort, EDI and high trust workplace relationships, but around half of the sample report effective skills utilisation as low prevalence. Part of the challenge, therefore, is to encourage employers to increase their adoption or reliance on such positive practices.

We have adopted a broad interpretation of the AMO approach as a lens through which to view workplace practice that drives positive business and employee outcomes. The data presented here endorses that approach. More practically, this approach provides clear guidance to employers as to the types of practices that are likely to be beneficial in supporting performance and innovation.

The key prize is to mainstream progressive and innovative business practice into the wider population of businesses. There is little active state intervention at UK level to encourage high value, progressive business and workplace practices. The Scottish Government and its partners/agencies have intervened using 'soft' influence to support successful and progressive business practice that delivers fair work and workplace innovation. Considerable public funding is devoted to skills investment. Ensuring that plans for effective utilisation of these skills is in place should be a core part of such funding.

The data presented here supports our contention that fair, innovative and transformative work is the workplace representation of the inclusive growth agenda. Policy can influence and shape and workplace practice, and there is potential for more aligned support for local business networks, HE, college and training institutions, business support services and

other components of the economic governance architecture to ensure a shared focus on supporting positive workplace practices. Business and management educators also have an important role to play in using data and evidence to drive more positive workplace practices and in supporting employers' strategic decision making.

Employers are, however, the key players in workplace practice, and that there is a need for more explicit high level and pragmatic engagement debate with employers and their representatives on these issues. There is a need to share contextualised lessons from a range of evidence bases, including from the FITwork data, on the value of interventions to: more effectively deploy employee skills; provide opportunities for voice and the sharing of ideas and innovations; redesign jobs and teams to create spaces for reflexive learning and collaboration; and distribute leadership to empower employees to innovate. To reiterate, the evidence presented in this report focuses not on topical 'best practices' but on configuring a range of workplace practices in context to align support for strengthening employees' ability, identifying opportunities for more employees to make a difference, and leveraging positive employee orientations and behaviours by providing fair work. The data presented here suggests that FITwork practices so aligned are good for workers and for employers, and in supporting business performance and innovation, are good for the Scottish economy and wider Scottish society.



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