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Discussion Forum

# Workplace Innovation–Europe's Competitive Edge

## A manifesto for enhanced performance and working lives

### **EUWIN Members & Honorary Advisors**

#### Why a manifesto?

Workplace innovation is an increasingly influential global movement. With strong European origins, it is increasingly recognised by policymakers and other stakeholders in countries across the world as a powerful tool in helping to achieve diverse economic and social policy goals, from inclusive growth and productivity to mental health and wellbeing in the workplace. For enterprise leaders, managers and employee representatives, it provides an actionable framework for effective, sustainable and win-win organisational change, one solidly grounded in research evidence as well as practical experience.

Yet we know from successive EU-wide surveys (most recently the 2019 European Company Survey) that there is a long tail between the less than 20% of European companies using workplace innovation practices systematically throughout their organisations and the majority. The EU misses out on potential gains in business performance, workforce skills and health.

Several European governments have recognised the importance of workplace innovation within their economic policy platforms and actively implement measures to enhance awareness, promote dissemination and stimulate research. The European Commission itself adopted workplace innovation as part of its policy portfolio, creating the European Workplace Innovation Network (EUWIN) in 2013.

Since 2013, EUWIN has been a consistent advocate for the broader adoption of workplace innovation policies and programmes at regional, national and EU levels. Now supported solely by its partners in ten European countries, EUWIN welcomes the European Commission's continuing recognition of workplace innovation but argues strongly for expanding related measures in its industry, employment and research policy fields. EUWIN also argues for the

expansion of national and regional policy measures throughout Europe and enhancing awareness amongst social partners and other stakeholder bodies.

This manifesto addresses the European Social Pillar agenda as well as the broader policy priorities of DG EMPL and DG GROW. It summarises the nature, origins and policy significance of workplace innovation, making a case for enhanced recognition throughout Europe's policy eco-system.

Workplace innovation matters . . .

**For companies** because it boosts productivity, capacity for innovation and talent retention.

**For employees** because it leads to stress prevention, skills development and wellbeing at work.

**For policymakers and wider society** it enhances wellbeing and prosperity as well as supporting wider policy goals such as the retention of older workers, and social and economic inclusion.

## What is workplace innovation?

EUWIN describes workplace innovation as "new and combined interventions in work organisation, human resource management, labour relations and supportive technologies". The term describes a participatory process of innovation which leads to empowering workplace practices and sustains continuing learning, reflection and innovation.

Workplace innovation does not offer a blueprint. Rather, it provides global concepts and practices, generative resources that organisational actors can contextualise as "local theories" to fit their specific circumstances. Implementing these theories results in tangible changes to workplace practice. Most importantly, workplace innovation is an inherently social process, building skills and competence through creative collaboration.

Drawing on Scandinavian approaches to democratic dialogue, workplace innovation seeks to engage all stakeholders in ways that enable the force of the better argument to prevail. Democratic dialogue helps build bridges between the strategic knowledge of business leaders, the professional and tacit knowledge of frontline employees and the organisational design knowledge of experts. It works towards 'win-win' outcomes based on creatively forged convergence between enhanced organisational performance and quality of working life, leading to self-sustaining processes of participative organisational development fuelled by continuing learning and experimentation.

Workplace innovation is also a systemic approach, influenced in part by the European socio-technical design tradition in recognising the interdependency of organisational practices;

likewise, it reflects other bodies of research that emphasise the combination of representative and direct participation in achieving superior outcomes for organisations and their employees.

## What is distinctive about workplace innovation?

A growing body of research has contributed to workplace innovation as a distinctive, robust, yet practically focused approach to organisational transformation. Its distinctiveness as a direct and immediate concept to policymakers, enterprises, employees, and other stakeholders can be summarised in nine propositions.

Workplace innovation is:

1. Part of a strategic choice, running through the organisation's entire business model and underpinned by a long-term vision and perspectives, sustainability and ethics.
2. Strongly associated with the *simultaneous* achievement of high performance and high quality of working life – and contributing to wider society.
3. Separate from – but builds on - 'fair work' principles such as job security, a living wage, equality & diversity, and opportunities for training and education.
4. Promoting occupational safety & health primarily, but not exclusively, through job content (e.g. decision latitude, skill discretion), stress prevention, wellbeing and sustainable employability.
5. Focused on workplace practices grounded in substantial research and case study evidence.
6. Based on high levels of employee involvement and empowerment, combining direct and representative participation.
7. A *systemic* approach recognising the interdependence of work organisation, technologies, control structure and labour relations.
8. Not a blueprint but an evidence-based framework for dialogue and learning, within which organisations creative innovative working practices reflecting their own context and circumstances.
9. Not just about changing organisations – it changes and develops the people who work in them. It is strongly associated with trust, accountability, curiosity, creativity, coaching behaviours & emotional intelligence, all of which grow with the workplace innovation journey.

### If it works, why isn't everyone doing it?

If workplace innovation is proven to be beneficial for organisations, why isn't it more commonplace? Many reasons can be mentioned here, most identified as far back as 2002 in DG EMPL's *Obstacles to New Forms of Work Organisation* study. For example:

- lack of knowledge about it
- lack of the right management skills to implement it

- strong traditions
- preference for a 'command and control regime' instead of 'participation and trust'
- a short-term focus
- waiting to see what competitors will do
- managerial fear of losing power to employee voice
- adversarial industrial relations etc.

One of the lessons learned is that workplace innovation needs permanent attention and stimulation, including by policymakers. During the 2008 financial crisis, some companies fell into a low road trap focused on cost-cutting at the expense of long-term competitiveness; others argued that crisis is exactly the time to strengthen their high road strategy. The same divergence has been evident during the Covid-19 economic crisis.

More generally, the market mechanism will not produce workplace innovation by itself. US researchers Rodrik and Sabel (2019) argued recently that the shortfall in 'good jobs' could be viewed as a massive market failure – a kind of gross economic malfunction and not just a source of inequality and economic exclusion.

Of course, there is no point in trying to persuade the unpersuadable hardcore of companies and managers locked into traditional mindsets. Still, there is a great potential to target the many business leaders and managers struggling to address persistent poor productivity or employee engagement, those grappling with the emerging challenges of global competition, new technology, and demographic change, and those who are simply inspired by the evidence.

Altogether this indicates a pressing need for social partners and governments to work together in designing and implementing new forms of soft regulation, promoting and resourcing workplace innovation through awareness campaigns, capacity building, knowledge dissemination, the creation of learning networks, social partner agreements, research, and direct support to businesses.

## Workplace innovation's long EU pedigree

Throughout the 1990s, several influential European policymakers and researchers began to focus on the increasingly apparent divide in companies' strategies in response to the changing market environment, leading to quite different economic and employment consequences.

In 2001, the European Commission (DG EMPL & DG Research) requested a study designed to analyse evidence from existing literature and an international sample of more than one hundred private and public sector organisations, each characterised by high-performance and high quality of working life. The *Hi-Res* study involved collaboration across eight EU

countries and represents the first known attempt in Europe to define 'workplace innovation' in detail (Totterdill et al., 2002).

Several European countries subsequently developed programmes adapting the principles of workplace innovation to specific national and regional contexts. In October 2012, the European Commission (DG Enterprise, now DG GROW) adopted workplace innovation in its *EU 2020 Strategy*, whilst further recognition came from DG EMPL.

In 2017, the *European Pillar of Social Rights* was launched. Chapter 2 defines several key principles relating to innovative forms of work, social dialogue and worker involvement, high levels of health and safety protection, and the adaptation of working environments to support retention of older workers. In each case, workplace innovation enhances the practical realisation of these principles.

In the *European Pillar of Social Rights Action Plan* (March 2021), the concept of workplace innovation is mentioned twice in the chapter 'More and better jobs'.

- P16: "Social dialogue, information, consultation and participation of workers and their representatives at different levels (including company and sectoral level) play an important role in shaping economic transitions and fostering workplace innovation, in particular with a view to the ongoing twin [green and digital] transitions and the changes in the world of work".
- P18: "The Commission encourages national authorities and social partners to ensure the information and consultation of workers during restructuring processes as required by EU rules and to promote the participation of workers at company level with a view to fostering workplace innovation".

The European Commission also recognises that workplace innovation not only helps to secure social rights but increases productivity and skills development:

"Robust economic expansion in the EU cannot be sustained without higher total factor productivity growth, which relies more on the efficient use of productive factors, rather than just expanding their use. Total factor productivity thrives in the Member States and regions with strong labour market institutions and in firms that invest in workers' training and innovative capital and processes. Policies that help to develop human capital and facilitate workplace innovation are most effective in increasing productivity in the long term, provided labour markets do not discriminate, and firms can access the necessary capital" (European Commission, 2019, p. 28).

In summary, workplace innovation's longstanding position within EU policy, culminating in its firm recognition within the European Pillar of Social Rights, places an unavoidable obligation on the Commission to act in ways that encourage and resource its wider adoption by businesses in all Member States.

## The role of policies for workplace innovation

Significant within workplace innovation theory and practice is how it makes connections between different policy agendas such as productivity, innovation, skills, digitalisation, social dialogue and the European Pillar of Social Rights, identifying the development and realisation of human potential at work as the common thread.

Europe's most vital asset is its 'knowledge-based capital' (OECD): an educated workforce and developed systems of industrial relations, reflected in relatively high-quality jobs. Europe needs to build on these assets to keep its prosperity and remain competitive in world markets. Significantly, one of the earliest definitions of workplace innovation described it in terms of empowering "workers at every level of an organisation to use and develop their full range of knowledge, skills, experience and creativity" (Hi-Res report), highlighting the importance of workplace practices in building the knowledge-based capital on which Europe's future depends.

The challenges presented by emerging digital technologies, energy transition and the 'green deal' bring the importance of knowledge capital – and the workplace – into an even sharper focus. 'Industry 4.0' promises to transform productivity, remove waste, eliminate repetitive work and enhance capacity for innovation through the rational organisation of production and service delivery. Research evidence and practical experience suggest that improvements in business performance will be achieved mainly by enhancing human labour through digital assistance rather than replacing it. In short, organisations are unlikely to achieve a full return on investment unless technological innovation and workplace innovation are considered together. By empowering employees to use and develop their full range of competencies and creative potential, workplace innovation builds an organisational culture in which digital technologies are embraced and their benefits maximised through the best possible synergies with human potential. This has been called *Industry 5.0*.

The policy debate on skills often focuses on formal education, particularly vocational education and training (VET): formal education should be modernised, teaching 21<sup>st</sup> Century skills and enabling lifelong learning; provision should include work-based learning such as apprenticeships.

However, this is only half the story. The most crucial development of skills occurs through informal learning on the job – but mainly when appropriate workplace practices support it. Creating the best conditions for such continuous learning presupposes deliberate policy to design high-quality jobs with task complexity, job autonomy, skill discretion and organisational participation.

European companies need to adapt to rapid change. Advances in automation, digitisation and advanced manufacturing represent enormous opportunities for both employers and employees. But too few companies are actually rethinking the way people work and collaborate. Too few companies are remodelling their internal organisation to tap into the capacities of all their employees—not only in their R&D departments. To be a leader of the new industrial revolution means to look beyond technologies. It requires having workplace innovation at the very DNA of the organisation" (Antti Peltomäki, 2017).

*Antti Peltomäki was until April 2019 Deputy Director-General of the Internal Market, Industry, Entrepreneurship and SMEs Directorate-General (DG GROW), European Commission.*

Social partners have recently begun to set interesting targets for their members at EU and national levels. The *European Economic and Social Committee (EESC)* published a new 'own-initiative opinion' on 'Social dialogue for innovation in the digital economy', recommending the continuation and expansion of measures to support workplace innovation:

"At national level, initiatives by social partners to enhance the productivity and wellbeing of workers at workplace level are a promising method, that should be promoted in a wider European context. In this regard, the EESC welcomes the initiatives and research of Eurofound and the European Workplace Innovation Network and proposes that the EU take action to develop the dialogue between social partners and other stakeholders in the context of participative approaches to promote workplace innovation" (EESC, 2019, p. 4).

Another example is the European Partners Framework Agreement on Digitalisation (June 2020). This agreement covers all sectors, both private and public, and applies to the whole of the EU/EEA. It is an action-oriented framework to encourage a partnership approach between employers, workers and their representatives in devising measures and actions aimed at reaping the opportunities of digitalisation and dealing with the challenges.

## What is to be done?

This manifesto has shown that concern with the underutilisation of human and organisational potential due to poor workplace practices has been a recurrent theme in EU policy since at least the mid-1990s, yet the challenge persists.

The EU's vision promises a high-performing economy combined with high quality employment. Yet far too often current policy measures are one-dimensional and reactive, focusing on skills provision rather than skills utilisation, technology *per se* rather than the technological enhancement of skills, and unemployment rather than support for the employed.



The historical focus on supply-side skills interventions at EU and national levels has proven insufficient to raise productivity, enhance capacity for product and service innovation, and improve the quality of working life to the level required.

Research demonstrates convincingly that the gap in productivity, innovation and workforce wellbeing between those firms utilising workplace innovation practices systematically and those using them partially or not at all is substantial. Failing to close this gap represents a wasted opportunity to improve Europe's wealth and health.

## The role of EUWIN

From 2013-2016 the European Commission instigated and resourced EUWIN to stimulate and develop workplace innovation across Europe. Outcomes included an extensive programme of national and international workshops and conferences, support for capacity building in several countries, an authoritative and extensively accessed knowledge bank, a Bulletin with circa 1500 subscribers and a vast social media following.

The European Commission subsequently asked EUWIN's partners to continue to promote workplace innovation *pro bono*. They have taken up the challenge with enthusiasm, albeit with greatly reduced resources.

EUWIN's thirteen-strong international partnership actively promotes the sharing of knowledge and experience between different countries and stimulates collaboration in joint actions and research. Specifically, EUWIN currently fulfils its role by:

- Supporting public authorities and social partners in developing action programmes.
- Providing good examples and evidence through research, publications and a knowledge bank.
- Disseminating news and information through its website ([www.euwin.net](http://www.euwin.net)) and a Bulletin.
- Organising (inter)national seminars, webinars, conferences and study visits.

## A call to action

EUWIN recognises the competing claims on European Commission time and resources but draws on a major body of research and experience to argue that other economic and social policy interventions will not achieve their full potential unless workplace innovation is embraced as a powerful enabler of economic performance and social wellbeing.

The current EU policy commitment to workplace innovation, especially in the Social Pillar, is very welcome. At the same time, the scale of resources allocated to supporting change on the ground is not sufficient to the challenge of closing the gap between the most and the least advanced companies in Europe.

EUWIN argues for a consistent, long-term and adequately funded European policy framework based on joined-up action across the Commission (especially DG EMPL, GROW and RTD), focused on:

- Building capacity at national and regional levels through targeted support to governments and development agencies; countries in southern and eastern Europe with less developed knowledge and experience of workplace innovation should be prioritised.
- Resourcing and enhancing the specific and combined roles of social partners, professional organisations and researchers in scaling up the evidence-based practice through awareness-raising and the provision of business advice.
- Support for EUWIN and the development of national and regional learning networks as a means of disseminating and resourcing workplace innovation through knowledge-sharing.
- Targeted research focused on workplace innovation in emerging contexts and settings.
- Funding for pilot interventions to develop and test new dissemination methodologies.
- Inclusion of workplace innovation indicators in systematic data collection to raise awareness and to monitor progress towards wider dissemination (Warhurst & Knox, 2020).

National and regional authorities have a key role to play in elaborating and supplementing these priorities. Long-established policy platforms in countries such as Finland and Germany generate valuable evidence about the effectiveness of targeted interventions and, through the medium of EUWIN, have shared knowledge and experience with a new generation of workplace innovation policymakers in the Basque Country and elsewhere. A further task is to raise awareness by including workplace innovation in educational curricula, from secondary schools through to post-graduate studies, supported by EU-level collaboration and knowledge sharing.

**EUWIN is a unique coalition of European researchers, policymakers and practitioners, and it is ready to work with the European Commission to help make its own policy commitments a reality. It's time to talk.**

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