



The Changing Workplace: A Survey of Employers' Views and Experiences

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Preface

This survey of employers is one of two reports on the National Workplace Surveys 2009. While the focus of this report is on the perspectives and experiences of employers in the private and public sectors, a complementary report captures the views and experiences of employees. The 2009 surveys are the second major national workplace surveys to be conducted in Ireland in the past decade: the first surveys were conducted in 2003. It is therefore possible to track the changes in the attitudes and experiences of employers over a period of six years of intense change.

This survey was conducted in the midst of the most severe economic recession the country has experienced since the foundation of the State. It provides profound and telling evidence of the actual experiences and stories of Irish employers in this unique and difficult time in our history. It will no doubt be an important reference point for future research as well as a rich archival record for future generations. For now however, it will be invaluable for policy and decision-makers in charting appropriate, targeted and evidence-based responses to the current crisis.

The views and experiences of employers are critical in understanding the full effects of the economic downturn on businesses and the public service, and will be critical in framing appropriate responses and in countering any negative effects on competitiveness and performance. The ingenuity, management expertise and practical knowledge of employers are key elements in rebuilding a vibrant and competitive economy and in implementing public service reform.

While the impact of the economic recession is being felt in all sectors of the economy, and indeed the public sector is not immune from the harshest of these effects, there is much to provide hope for the future in the findings from this survey. There is considerable evidence of workplace development and a steady but marked increase in the diffusion of progressive work practices.

For the first time, this survey captures levels of innovation in Irish workplaces. It assesses levels of product and service innovation, levels of organisational/workplace innovation and support and openness to innovation in organisations in both the private and public sectors. Importantly, it also examines the workplace practices and strategies that support innovation outputs in the form of new products and services. It provides some new and stunning evidence of the importance of particular bundles of practices in significantly increasing innovation levels in both private and public sector organisations. This evidence will be invaluable in meeting the innovation challenges set out in the *Smart Economy* and in building a robust and inclusive national system of innovation in the decade ahead.

Innovation and change are no less critical for the public service and the findings are important in informing the next steps of the *Transforming Public Services* agenda. The policy implications of the survey findings are set out in the concluding section of this report.

While noting the serious impact of the recession, this survey confirms that our workplaces are resilient, increasingly progressive and well-positioned to undertake the major challenges that lie ahead. They offer a strong platform on which to build a broad-based national recovery strategy for increased competitiveness, improved productivity and innovation.

I would like to acknowledge the contribution of each of the 2,668 private sector and 359 public sector employers who kindly gave of their time to participate in this survey. Without their participation, this National Workplace Survey would not have been possible as their responses form the basis of our analysis and understanding of Irish workplaces.

The project has been a collaborative effort between the ESRI, Amárach Research and the NCPP. I would like to thank all the staff involved. In particular, I would like to thank the authors: Dorothy Watson, John Galway, Philip O'Connell and Helen Russell of the ESRI. Our thanks also to Wendy Kehoe, Corona Naessens, David Dunleavy and the field staff of Amárach Research for their work in administering the survey.

Particular thanks is due to the NCPP staff who managed the project and provided guidance and expertise throughout: to Damian Thomas as project leader, and to Edna Jordan, Cathal O' Regan and Gaye Malone who bore much of the responsibility as the core project team. Thanks also to Larry O'Connell of NESC who gave willingly of his expertise.

Throughout the project, the NCPP Council chaired by Mr. Peter Cassells, provided direction and support as well as valuable insights at each stage of the process. I would like to particularly thank Mr. Philip Kelly, Department of the Taoiseach, who provided oversight and support throughout and without whose unwavering commitment this survey would not have been possible.

Finally, I would like to acknowledge the support of the Department of the Taoiseach for funding the National Workplace Surveys 2009.

Luis Fallon-Byrne

Director

National Centre for Partnership and Performance

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The authors would like to thank the survey respondents who gave willingly of their time: their participation was essential to the study and they have contributed greatly to our understanding of the Irish workplace.

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We would like to thank Wendy Kehoe, Corona Naessens, David Dunleavy and the field staff of Amárach Research for their work in carrying out the survey and in preparing the data file.

Our colleagues Martina Clarke very ably coded the large amount of occupational data and Seamus McGuinness also of the ESRI provided us with helpful comments on the report

The authors remain solely responsible for the contents of the report.

Executive Summary

This report is one of two volumes based on the *National Workplace Surveys 2009*, which Government and the Social Partners called for in *Towards 2016* (Department of the Taoiseach, 2006). The report provides an in-depth empirical examination of the nature and scale of workplace change and innovation across the public and private sectors. The research explores the experience of, and attitudes towards, workplace change and innovation from two important perspectives – that of the employer and that of the employee. It looks at workplace change from the perspective of important policy themes facing the public and private sectors including: managing through an economic downturn, improving competitiveness, increasing levels of innovation, the transition towards the *Smart Economy* and transforming the public services.

Survey Methodology

The focus of this report is on workplace innovation and change from the perspective of employers. The second volume will focus on the perspective of employees. The data on employers come from a national postal and web survey of 2668 private sector and 359 public sector employers with highly satisfactory response rates of 40 per cent and 57 per cent, respectively.

The field work for this survey was carried out between February and June of 2009. The organisations included in the survey employ almost 271,000 private sector and nearly 297,000 public sector workers. In line with all sample surveys, the data was re-weighted or statistically adjusted prior to analysis to ensure that it is fully representative of Irish workplaces. The weighting strategy that we adopted for this report means that our results are about the employment context rather than about firms. The data is weighted to reflect total employment by sector and size. Thus in interpreting the results, we will speak about the proportion of employment that is in workplaces with particular characteristics e.g., union membership, rather than the proportion of firms with these characteristics.

Context

The survey was conducted during the most severe economic crisis that Ireland has experienced since the foundation of the State. The crisis was precipitated by the global financial crisis, and was compounded in Ireland by the collapse of the property market. This, in turn, not only caused serious difficulties for the banking system, but also generated a fiscal crisis for the State, due to an overdependence on property related taxes. Employers in both the public and private sectors faced severe challenges. In the private sector, contracting markets threatened the very survival of many firms. In the public sector, budget cuts and recruitment constraints created severe challenges in delivering public services and in meeting the goals of the *Transforming Public Services* agenda.

A key objective of the employers' survey was to examine both the scale and nature of workplace innovation and to explore its relationship with product and service innovation in the public and private sectors. Developing a richer understanding of workplace innovation and the contribution it can make to the achievement of key organisational outcomes is important as Ireland seeks to embark on the road to economic recovery. At key points in the discussion of the results we compare the situation of employers in 2009 to their situation in 2003 and we also draw on the results of the survey of employees to highlight the differences in perspective between employers and employees.

Economic Context

As noted previously, the *National Workplace Surveys 2009* were conducted in the midst of a severe economic crisis. The impact of the dramatic economic downturn is evident in private sector employers' perceptions of their business and employment position. Almost two-thirds of private sector employment is in firms that view their current business position as bad and almost half is in firms that expect a further deterioration in the next six months (Table 1). Sixty-one per cent of private sector employment is in firms that employ fewer people now than two years ago and almost half of employment is in firms that expect employment to decline further in the next three months.

Table 1 Private sector employment – key firm characteristics and business position (percentage)

		2009	2003
Volume of business in last two years	Increased	19	48
	Stayed the same	13	20
	Decreased	68	32
Overall profits in last two years	A substantial loss	14	5
	A moderate loss	19	13
	Broken even	17	13
	A moderate profit	45	63
	A substantial profit	5	7
Current business position	Good	7	16
	Satisfactory/normal	30	54
	Bad	63	30
Expected business trend (six months)	Improve	11	19
	Remain unchanged	42	50
	Deteriorate	47	31
Workforce compared to two years ago	Larger	15	37
	The same	24	31
	Smaller	61	32
Expected employments – three months	Increase	4	10
	Remain unchanged	47	69
	Decline	49	21

Critically on all the indicators, the perceived position in 2009 was considered to be substantially worse than that recorded for 2003.

A business outcomes scale that takes account of the employer's assessment of profitability, volume of business and employment change over the past two years and current business position was also constructed. The average score, out of ten, is 3.2 – well below the 'neutral' value of 5, reaffirming the impact of the deep recession (Figure 1).

Figure 1 demonstrates that business outcomes tended to be unfavourable rather than neutral (that is, beneath the neutral score of 5) for all size categories and sectors – clear evidence of the widespread impact of the recession. The differences by sector are more substantial than the differences by size of firm, with more favourable business outcomes in Financial/ Insurance and Business Services (mean = 3.7) and Manufacturing (mean = 3.5) than in Construction (mean = 2.3) and Distribution (mean = 2.6). Nevertheless it is also evident

that all sectors have suffered as a result of the dramatic downturn in the economy. Small firms have experienced more unfavourable business outcomes in the last two years than the large firms (mean 2.9 to 3.0 compared to 3.9 for firms with more than 250 employees).

Challenges Facing Employers in 2009

The external challenges faced by both private and public sector employers in 2009 were dominated by the recession. In the private sector the downturn in the economy was a source of intense pressure for firms accounting for almost two-thirds of total employment. Related issues such as contraction in markets and competition from other companies were a source of intense pressure for almost a third of total private sector employment in firms. Other factors causing intense pressure for change in a substantial proportion of private sector employment (30 per cent to 38 per cent) include labour costs and energy costs.

Figure 1 | Mean Value on Business Outcomes Scale by Industry and Firm Size in the Private Sector

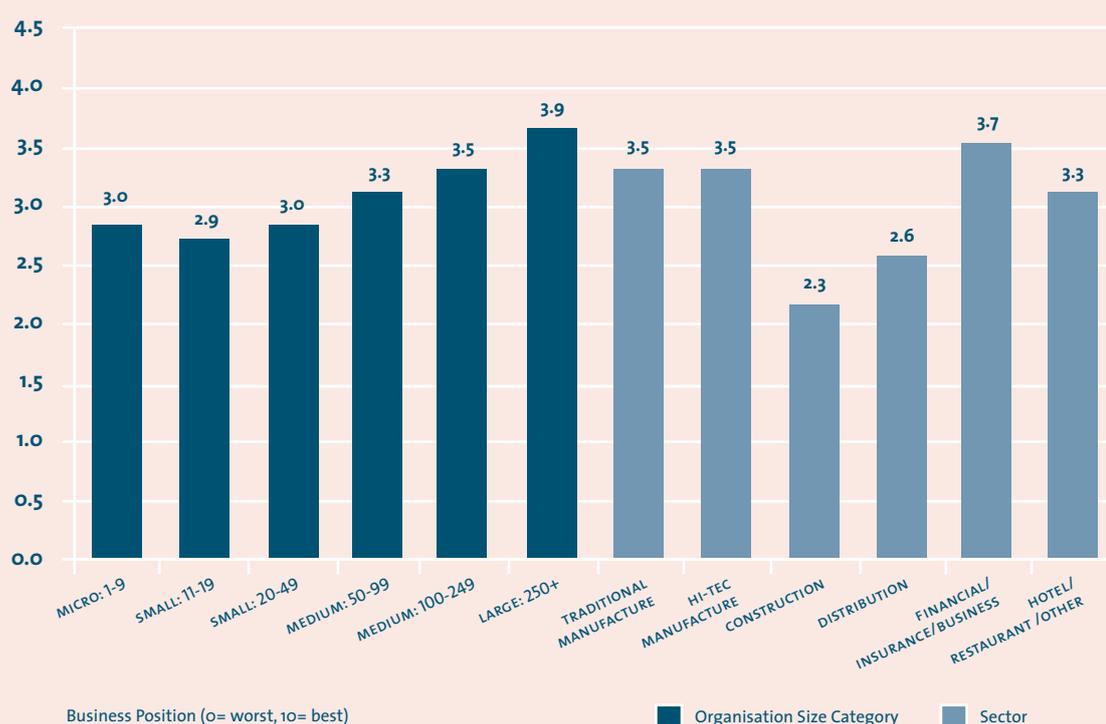


Table 2 | Factors leading to pressure for change in the private sector (percentage)

Private Sector	2009			2003		
	Intense	Some	None/NA	Intense	Some	None/NA
Competition & Markets						
Downturn in the economy	64	33	3			
Competition from other companies	30	56	15	34	57	9
Increasing demands of your customers	15	54	30	19	63	18
Contracting market for your goods or services	31	37	32	13	40	47
Product innovation in your line of business	7	35	59	8	37	55
Labour						
Difficulty in recruiting appropriate staff	1	15	84	8	40	52
Increasing demands for workplace changes from employees	2	19	79	4	37	59
Labour costs and benefits (including social insurance)	38	48	14	37	50	13
Labour regulation and legislation	22	47	31	20	54	27
Operating Environment						
Changes in technology in your line of business	4	29	66	6	35	59
Product and production regulation and legislation	12	48	40	23	45	32
Fluctuations in exchange rates	16	31	53	11	38	52
Insurance costs	21	57	22	64	29	7
Energy costs	32	51	17			
Other operating costs	27	61	13	27	62	11
Access to credit and money	26	37	37			
Other	12	3	84	5	2	93

Source: National Workplace Surveys – Employers, 2009 and 2003, weighted to total employment.

It is interesting to note, however, that there was very little change in the response to labour costs as a source of intense pressure between 2003 and 2009, despite the dramatically changed labour market context in this period. The recession was clearly a source of considerable external pressure and its intensity undoubtedly accentuated the impact of other related factors. The broad range of issues that were identified as sources of intense pressure by employers also suggests that tailored and sophisticated responses will be required to address the diversity of challenges (Table 2).

The public sector has also been strongly affected by the deep-seated recession. Almost nine out of ten public sector jobs are in organisations experiencing intense pressure as a result of coping with the economic downturn, and a similar proportion is experiencing intense pressure as a result of budget constraints (Table 3). Budget constraints were also most often cited as leading to intense pressure for change in the 2003 survey.

Table 3 | Factors leading to pressure for change in the public sector (percentage)

Public Sector	2009			2003		
	Intense	Some	None/NA	Intense	Some	None/NA
Regulations						
National regulations, legislation or policy	52	48	1	35	62	3
European or international regulations, legislation	22	73	5	16	74	10
Legislation on equality or diversity in the workplace	3	79	18	10	65	25
Service Provision						
Demand for an increase in quality of service delivered	43	45	12	55	37	8
Requirement for efficiency/productivity	63	35	2	56	37	7
Need to change opening/closing times to suit your clients or users	10	52	38	8	38	54
Providing new services for users	29	57	14	11	74	15
Co-ordination with the services provided by others	5	68	27	12	72	16
Increases in the size of your target group or clients	45	40	15	24	58	18
The demand to make services available online	1	59	41			
Accountability						
Scrutiny by the media	32	54	14	18	58	24
Freedom of information	25	42	33	7	68	25
Increased accountability to the Oireachtas	26	37	36			
Public Service						
Public service reform agenda	49	36	14	40	42	18
Budget constraints	85	11	5	73	23	4
Decentralisation	3	40	56			
Adhering to social partnership agreements	25	50	25	13	62	24
Availability of appropriately qualified staff	3	65	31	16	65	18
Rationalisation/restructuring of State agencies	8	57	35			
Coping with the economic downturn	87	9	4			
Other	31	59	10	9	4	87
Public Sector Internal Pressures						
Internal—employee needs for greater flexibility	9	90	1	14	77	9
Internal – demands by staff for greater say and involvement	21	60	20	7	82	12
Internal – employee needs for recognition and reward	3	89	9			
Internal – introduction of new technology	9	85	6	15	72	13
Internal – equality and diversity in the workplace	2	82	17	10	67	24
Internal – in house initiatives to deliver public service reform	47	46	6			
Internal – need to work with other departments /agencies	8	70	22			
Internal – other	14	81	5	62	33	5

Source: National Workplace Surveys – Employers, 2009, weighted to total employment.

Other factors leading to intense pressure for change for a substantial proportion of those employed in the public sector included the requirement for efficiency and productivity in the delivery of services; demands for an increase in the quality of the service delivered; national regulation, legislation and policy, and increases in the size of the target group of clients.

Accountability is also an issue for a substantial proportion of the public sector: 32 per cent of the public sector experiences intense pressure as a result of scrutiny by the media; 25 per cent as a result of requests under the Freedom of Information Legislation and 26 per cent as a result of increased accountability to the Oireachtas. Scrutiny by the media and freedom of information requests have both become significantly more important as sources of intense pressure in 2009 compared to 2003.

Barriers to Change in the Public Sector

Aspects of the downturn are also making change more difficult in the public sector with budget constraints, recruitment constraints and uncertainty about the future emerging as the most frequent major barriers to change. Significantly, inherited structures and practices that make it more difficult for organisations to adopt flexible employment practices were identified as major barriers for change much more often than in 2003. These systemic barriers to change include the management structure within the organisation, the hierarchical nature of the organisation, the centralisation of HR, the promotions process, the willingness of staff to change and the willingness of unions to engage constructively with change. It is likely that these barriers have become more salient with the intensification of efforts to introduce new workplace practices in line with the *Transforming Public Services* agenda.

These responses suggest that public sector managers experience considerable frustration arising from structures over which they have limited control in their efforts to introduce reforms. There was also a great deal of diversity across different types of public sector organisations in the factors identified as the major barriers to change. This suggests that a tailored and customised approach to public sector modernisation will be needed in order to progress the transformation agenda.

Responses to Pressures

In responding to the aforementioned pressures, the responses identified most often as very important in the private sector were cost reduction, improving the quality of goods and services, customising goods or services to the needs of customers and introducing new products or services. In the public sector, the strategies most often identified as very important were: encouraging greater flexibility among the workforce, reducing costs, improving quality, introducing new ways of working, and training and development of management and staff. The range of issues identified as being very important in responding to pressures in the public sector is indicative of the complexity of the challenges facing the sector. However, it also suggests that there may be a lack of prioritisation in selecting those issues that need to be most urgently addressed in seeking to initiate major change across the public sector.

Not surprisingly, given the current recession, reducing costs emerged as one of the most important strategies identified by employers in both the public and private sectors in responding to these pressures. Interestingly, reducing the number of employees was infrequently identified as a very important strategy. Indeed, the range of responses identified in both the public and private sectors suggests recognition of the need

to adopt a more sophisticated response that combines both a focus on reducing costs with an increased emphasis on innovation, product/service quality and organisational change.

In addition to an increased focus on reducing costs, the analysis identified two general strategic responses by employers: an emphasis on output and customers, and an emphasis on workplace change. While an emphasis on workplace change tends to be somewhat more important than an emphasis on output in the public sector, the two general strategies tend to be equally important in the private sector. A focus on output and customers is also expected to increase in importance in the public sector in the next three years.

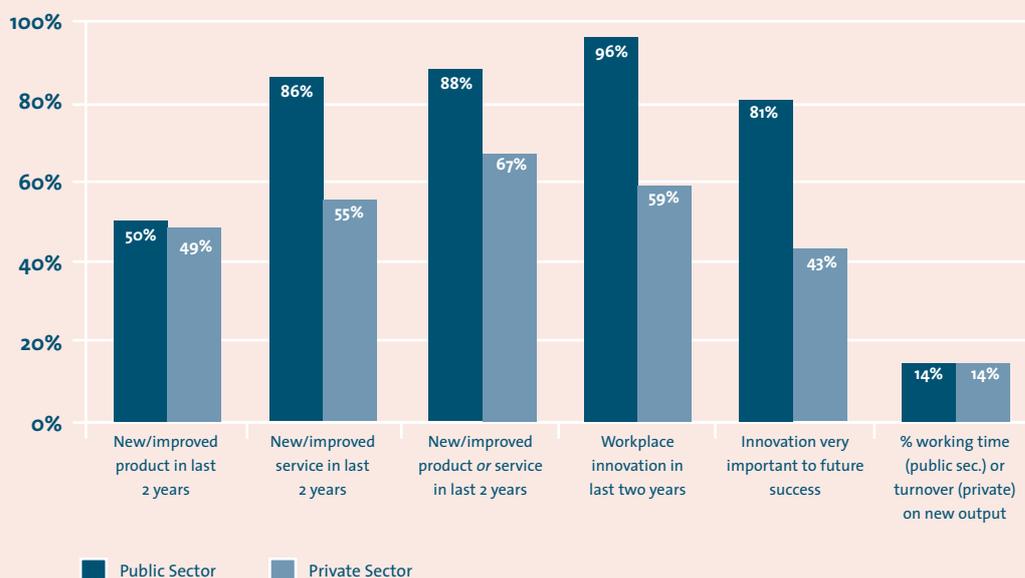
Commitment to Innovation

It is widely recognised that the adoption and spread of innovation is an essential factor in economic development and social change, and that innovation has become a distinguishing feature of how developed economies compete

successfully in world markets. As outlined in Figure 2, about half of public and private sector employment is in organisations that introduced new or significantly improved products in the last two years. The introduction of new services is more common in the public than the private sector, where 86 per cent and 55 per cent, respectively, introduced new or significantly improved services. Combining product and service innovation, we see that 88 per cent of public sector and 67 per cent of private sector employment is in firms or organisations who introduced either new products or new services in the previous two years.

The survey also sought to examine the scale of workplace innovation defined as ‘new ideas, processes or behaviours that are designed to promote improvements in the way work is carried out’. The responses show a strong commitment to workplace innovation with approximately 60 per cent of private sector and 96 per cent of public sector employment in firms or organisations that implemented workplace innovation in the last two years.

Figure 2 | Innovation in the public and private sectors



Source: National Workplace Surveys – Employers, 2009 and 2003, weighted to total employment

In the private sector, the highest incidence of workplace innovation was found in the Financial/Insurance/Business Services sectors (67 per cent of employment), Traditional Manufacturing (66 per cent) and High-Tech Manufacturing (65 per cent), with lower rates of adoption found in the Construction, Distribution and the Hotel, Restaurant and other Services sectors.

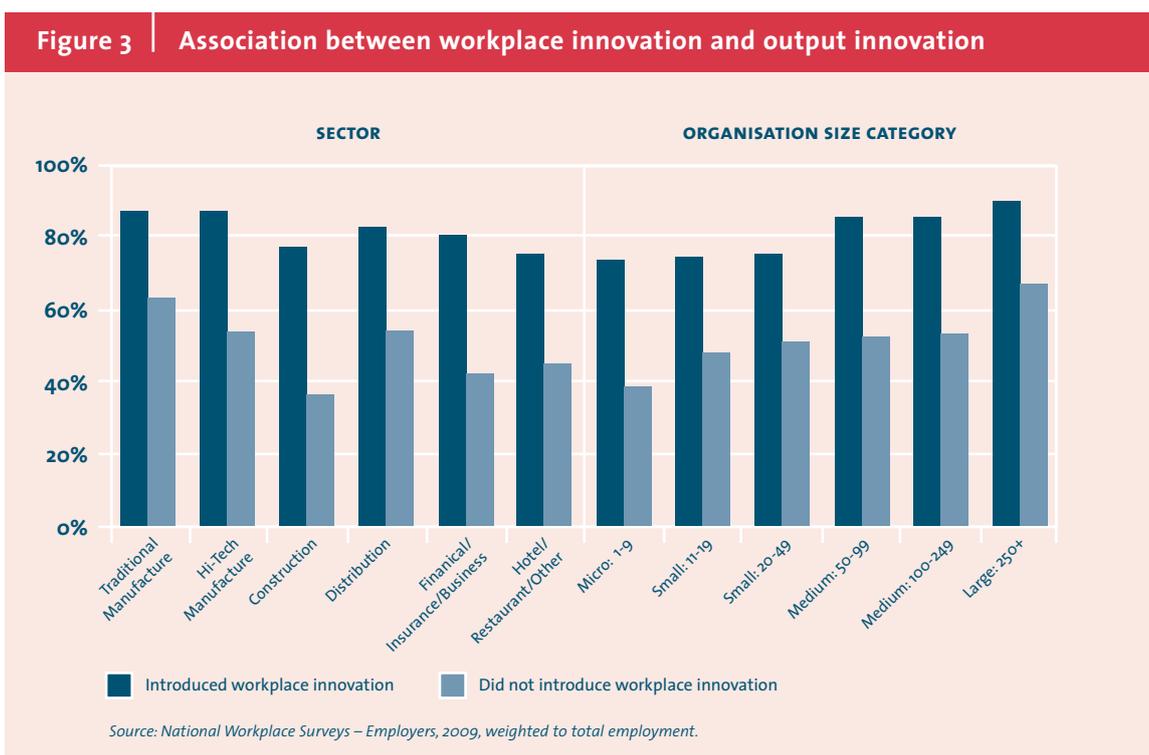
Foreign-owned firms are also more likely to introduce workplace innovation, with 74 per cent of employment in the multinational sector being within firms that have introduced workplace innovation in the past two years. The difference across sectors in the commitment to workplace innovation was also reflected in the percentage of employment where the CEO considers workplace innovation to be very important to the future success and viability of the firm.

The survey reveals a high proportion of public sector employment in organisations with a commitment to innovative work practices and who have also been able to deliver new or improved services in the previous two years. The

impact of the *Transforming Public Services* agenda is very evident in these figures, and also in the very high proportion of public sector employment in organisations where the manager believes workplace innovation to be ‘very important’ to the future success of the organisation: 81 per cent in the public sector compared to 43 per cent in the private sector.

The overall levels of commitment to workplace innovation in the private sector were lower than in the public sector. The main differentiating factor with respect to innovation in the private sector was firm size. Smaller firms were less likely to have introduced new products or services or workplace innovations in the previous two years and were less likely to believe that workplace innovation was very important to the future success of the firm.

Significantly, workplace innovation is clearly associated with output innovation in the private sector: those firms that have introduced new ways of working in the previous two years are more likely to have introduced new products or services (Figure 3). This association is true for each industry and for each size category.



This association could be because of the impact of workplace innovation on product or service innovations, or because producing new products or delivering new services requires changes in the workplace. Although it is not possible to establish a causal relationship, the strong association between workplace innovation and output innovation suggests that this is an issue that should be further explored, given the strong policy commitment to increasing the levels of innovation across the economy.

Later when we discuss employment practices, we will look at the links between particular bundles of practices and innovation outcomes.

Evidence of Change and Workplace Development

In the private sector there is evidence of change in workplace practices and considerable progress in workplace development since 2003. The responses show an increase in the adoption of new work practices (such as teamwork and quality circles), and a very substantial increase in the introduction of flexible working times. There have also been important increases since 2003 in providing staff with information on change in the company, which may reflect the impact of the introduction of the *Employees (Provision of Information and Consultation) Act 2006*, which gives employees certain statutory rights in relation to information and consultation. Similarly, the results reveal an increase since 2003 in arrangements for work–life balance. We also see evidence of increasing professionalisation of human resource practices such as formally agreed in-house dispute-resolution procedures, equality policies and performance review. The impact of the recession is also evident in the increased use of temporary lay-offs or involuntary reduction in working times and the reduction in the use of temporary staff. The main differentiating factor in terms of the adoption of work practices in the private sector was the size of the firm.

In the public sector, although we do not have detailed data from 2003 to compare employment practices, we can compare the general strategic approaches between 2003 and 2009. Strategic responses that involve workplace change were more likely to be considered very important in 2009 than in 2003, including open-recruitment to all grades, staff involvement in decision-making and performance review. In addition, almost all public sector organisations introduced new ways of working in the two years prior to the survey.

Utilising a factor analysis it was possible to develop three scales measuring distinct groupings of employment practices:

- **Human Capital Development**, which involves staff training combined with performance monitoring and modern human resource practices such as having formally agreed in-house dispute resolution procedures and an explicit policy on equality and diversity in the workplace.
- **Employee Involvement**, which encompasses consultation with employees, direct employee involvement in decision-making and problem-solving, employee discretion in carrying out work and arrangements for work–life balance, and
- **Co-working**, which involves a re-examination of how people work together and includes working across divisions in the organisation, working with employees in other organisations, working in teams, making the organisation less hierarchical and experimentation with new ways of carrying out work.

Overall rates of adoption for Human Capital Development and Employee Involvement were found to be high, while the adoption of Co-working is somewhat lower (Table 4).

Given the emphasis within the *Transforming Public Services* agenda on creating a more integrated public service, it is interesting to note that 39 per cent of employment is in organisations where staff work on projects with other organisations. Although this represents a solid foundation, achieving the goal of a more integrated public service will require an ongoing commitment to increasing the scale and intensity of inter-organisational collaboration in both the design and delivery of public services. Only 26 per cent of employment in the private sector is in firms where staff work on projects with other organisations. Given the emphasis within the literature on the importance of inter-firm networking and collaboration, this figure is surprisingly low and would suggest that this is an area that requires enhanced attention. Again in the context of the *Transforming Public Services* agenda it is interesting to note that making the organisation less hierarchical is something that is less common in the public sector (present in 22 per cent of employment and planned in 15 per cent) than in the private sector (present in 52 per cent and planned in a further 5 per cent).

The adoption of all three types of employment practices is higher in the public sector than the private sector, partly reflecting the larger size of the organisations. In the private sector, larger firms had a higher adoption rate for Employee Involvement and Co-working and difference by size was also particularly marked in relation to the adoption of Human Capital Development.

Formal partnership structures involving unions and management in the workplace are associated with an increased adoption of Human Capital Development practices, when we control for sector, size of organisation and ownership, but not with Employee Involvement or Co-working.

Complementary Bundles of Employment Practices

The literature on the impact of progressive working practices suggests that most benefit is derived from the adoption of coherent bundles of employment practices. In this context we examined whether employers tended to adopt these three types of practices singly or in combination.

By far the largest group, almost one-third of employers, combine all three bundles of practices (Human Capital Development, Employee Involvement and Co-working). Human Capital Development practices alone are emphasised by one employer in six, and a further one in four combine Human Capital Development with Employee Involvement. Employee Involvement alone is adopted by just over one employer in eight. Significantly, only one employer in seven has a low rate of adoption of all three practices.

The adoption of combinations of practices is higher in the public than the private sector (60 per cent versus 28 per cent for all three practices). In the private sector there were very strong differences by size of firm. Large firms were much more likely than smaller firms to adopt combinations of practices. On the other hand, smaller firms were more likely to adopt Employee Involvement alone or to have low rates of adoption of all three practices.

Workplace Practices: Impact on Innovation and Business Outcomes

The impact of adopting these practices on output innovation - product and/or service innovation was then examined. This analysis indicated that – private sector firms and public sector organisations that adopt all three practices (Human Capital Development, Employee Involvement and Co-working) are most likely to have introduced new products or services in the past two years.

Table 4 | Employment practices (current and planned in next two years) in the public and private sectors

	Public Sector 2009			Private Sector 2009			2003
	Current %	Planned %	No %	Current %	Planned %	No %	Private current %
Human capital development/incentives							
Staff training and development for managers	97	2	1	77	7	16	71
Staff training and development for employees	87	2	11	82	6	12	81
Formal staff performance review	46	27	28	62	14	24	55
Formally agreed in-house dispute resolution procedures	97	2	1	69	6	25	52
Explicit policy on equality/diversity	97	2	1	67	5	27	52
Employee involvement							
Information/consultation on change in company	75	4	20	80	4	16	69
Information/consultation on business context	88	12	0	70	5	25	---
Direct employee involvement in decisions	72	3	25	63	8	29	64
Employee discretion in carrying out work	44	3	54	67	3	30	64
Arrangements for work-life balance	98	1	1	56	8	36	42
Co-working: new ways of working together							
Employees experiment with new ways of carrying out work	61	12	27	50	11	39	---
Staff work on projects with other organisations (networking)	39	7	54	26	6	68	---
New work practices e.g. teamwork/quality circles	83	9	8	49	11	40	31
Making organisation less hierarchical	22	15	63	52	5	43	---
Employees work across divisions within organisation	53	10	36	60	7	33	---
Formal and informal partnership							
Formal partnership arrangements	96	1	2	16	2	82	16
Informal partnership style arrangements	69	2	29	34	5	61	33
Other Strategies in private sector							
Introduction of performance-related pay	14	6	80				
Profit-sharing/share options/gain-sharing	---	---	---	20	5	75	23
Increasing managerial/supervisory control	52	5	43	46	5	48	---
Use of part-time staff	87	1	11	70	6	25	68
Use of agency workers (incl. occasional use)	41	3	56	13	5	82	
Use of other temporary labour/contract staff	83	1	16	36	8	55	50
Flexible working times	75	2	23	65	7	28	30
Individual discretion in managing budgets	71	6	23	---	---	---	---
Conducting staff surveys	51	24	26	---	---	---	---
Temporary lay offs or involuntary reduction in working	48	6	46	50	10	40	30

Source: National Workplace Surveys – Employers, 2009 and 2003, weighted to total employment.

In the private sector, firms that combine all three practices are **almost three times as likely** to have introduced new products or services as those that adopt Human Capital Development only. The corresponding figure for the public sector is even greater, where organisations that combine all three practices are **five time more likely** to have introduced new products or services.

Although the associations were not as strong as for innovation, there is also evidence that private sector firms that combine Human Capital Development and Employee Involvement (with or without Co-working practices) perceive more favourable business outcomes, as measured by our business outcomes scale, than those who focus on Human Capital Development alone.

We caution that these associations between output innovation and business outcomes, on the one hand, and employment practices, on the other, cannot be assumed to be causal, since innovative firms may be more likely to adopt these practices for entirely separate reasons, and firms with positive business outcomes may be more likely to have the resources to introduce workplace change.

It is very likely that the adoption of bundles of employment practices reflects, at least in part, a long-term commitment to workplace improvement. Moreover, the diversity by sector in the challenges faced by businesses organisations means that a tailored response is needed rather than a single blueprint for organisational change.

Small Firms

The literature on firm size suggests that smaller firms may be less likely to introduce workplace innovation practices because of limited resources and because of the absence of economies of scale. Throughout the report we saw evidence that size of firm makes a substantial difference in terms of a number of outcomes. Smaller firms are less likely to have introduced new products or services in the last two years and are likely to have experienced more negative business outcomes, when we control for sector. Small firms are also less likely to emphasise Human Capital Development and Co-working, although they do adopt, to a somewhat greater degree, Employee Involvement practices.

However, our analysis revealed that small firms who adopt combinations of all three of these employment practices also see benefits in terms of innovation and business outcomes. Small firms who adopt all three employment practices are about as likely as medium to large firms to have introduced new products or services. They also experience improved business outcomes, although the benefit in this area is not as great as for medium to large firms.

Policy Lessons

Workplace Development

The survey findings reveal the considerable progress that has been made since 2003 in relation to workplace development in both the public and private sectors, as indicated by the increased adoption of progressive employment practices. It is important that this momentum is sustained and that a continued commitment to, and ongoing investment in, workplace and workforce development is viewed as an integral part of the strategic response to the deep-seated crisis in the economy.

Innovation

The survey findings suggest a very strong association between the adoption of complementary bundles of workplace practices and significantly improved innovation outputs, i.e. new products and services. The findings suggest that the innovation gains from adopting these practices, Human Capital Development, Employee Involvement and Co-working practices, are **threefold** in the private sector and **fivefold** in the public sector. There is also a strong association between these practices and improved business performance. It is important therefore to provide support for the adoption of these bundles of new workplace practices in order to improve innovation outputs and business performance in the public and private sectors.

Particular attention needs to be given to supporting the diffusion of Co-working practices as this is the area that is least developed and because of the increased importance of inter-firm networking and collaboration in the innovation process.

At the level of the individual organisation or firm, increasing the adoption of progressive employment practices is best achieved by a continuous improvement strategy that assesses all aspects of how work is carried out, builds the capacities of employees and fully involves them in the process of developing tailored solutions to the challenges faced by the individual organisation.

The survey findings reveal a very strong association between workplace innovation and increased levels of product and service innovation in both the public and private sectors. Aside from its impact on innovation outputs, workplace innovation also generates other direct benefits for both organisations and their employees. Given this relationship, it is essential that national innovation policy fully recognises the important contribution that workplace innovation can make to the goal of improving the levels of product and service innovation across the whole economy.

There is still considerable scope for convincing the private sector of the importance of workplace innovation to the future success of their businesses in terms of the positive impact on both innovation and business outcomes. This will necessitate forging a broader consensus around the potential contribution that workplace innovation can make in assisting private sector firms to not only address their immediate competitive challenges but also to build the internal capabilities that will enable them to take advantage of future growth opportunities.

Small firms

The survey revealed that small firms are less likely to adopt the kinds of workplace practices that are associated with innovation (Human Capital Development, Employee Involvement and Co-working). However, the association between innovation and these workplace practices was found for small as well as large firms. This suggests that small firms may be less able to afford the set-up costs involved in making these changes and points to the need for programmes to enable them to do so. These may include facilitating small firms to come together to share the costs of training, human resource management and workplace change techniques. It is important to ensure that the eligibility requirements of State sponsored workplace development programmes do not exclude small firms.

Transforming Public Services

The high levels of innovation outputs and the high level of commitment to innovation by public service managers are encouraging and suggest that there is a strong foundation on which to build. Support for the widespread adoption and diffusion of the complementary practices strongly associated with improved innovation outputs is imperative in this regard. The survey findings suggest that public sector organisations adopting these complementary bundles of practices report a **fivefold** increase in product and service innovation. If we can interpret this association as a causal one, the benefits of adopting these practices should be emphasised and supported throughout the public service.

Particular attention should be given to introducing and supporting Co-working practices, which include working across departments, team working, experimenting, and collaborating and networking with other organisations. This is an important next step in the *Transforming Public Services* agenda because of the need for greater levels of integration and more cross-cutting approaches to policy development and implementation.

In addition, the strong strategic commitment of top public service managers to workplace innovation needs to be fully acknowledged and facilitated in order to deliver public service reform. There is a need also for strong two-way dialogue between senior managers and employees so that all employees are aware of the organisational commitment to innovation and that management is also aware of local improvement strategies. Practices such as networking, team working, and employee involvement need to be diffused through all levels of the organisation in order to maximise the potential benefits.

For public sector transformation to be effective, urgent attention needs to be given to addressing the structural barriers to change, in particular the centralisation of human resources and finance functions, management structures, organisational hierarchies and bureaucracy and the lack of local flexibility in industrial relations. A greater degree of empowerment of public service managers and staff at local level is required as the high degree of centralisation and hierarchy have become a greater barrier to change since 2003, suggesting a degree of frustration among managers.

There is considerable diversity in the barriers to change faced by organisations in the different parts of the public sector. This means that there must be scope for tailored responses at the local level, as recommended in *Transforming Public Services* agenda.

Chapter 1

Introduction

This report is one of two volumes based on the *National Workplace Surveys 2009* which Government and the Social Partners called for in *Towards 2016* (Department of the Taoiseach, 2006). This is the second time this decade that the Irish Government has commissioned research of this kind, which provides an in-depth empirical examination of the nature of change and innovation within workplaces across the public and private sectors. The research explores the experience of, and attitudes towards, change and innovation from two important perspectives – that of the employer and that of the employee.

It contextualises its analysis of workplace change in terms of important themes facing the public and private sectors: themes such as managing through an economic downturn, improving competitiveness, increasing levels of innovation, the transition towards the *Smart Economy*, and transforming the organisation and delivery of public services.

The focus of this report is on workplace change and innovation from the perspective of employers. The research explores the changes that have occurred since 2003 across the public and private sectors of the economy. For the first time in Ireland, we examine the important connection between workplace change and innovation and business outcomes.

These findings raise important policy implications in a number of areas, including competitiveness, innovation and the *Smart Economy* as well as the organisation of workplaces. This report draws out these implications with a view to informing the future development and refinement of supports to private enterprises and to public sector organisations.

An important theme in this research is innovation as it is seen as the key to restoring international competitiveness to Ireland's economy and to improving living standards more generally (DETE, 2008). Although policy in the past emphasised upgrading skills and R&D, there is now widespread recognition that new employment practices can enhance both innovation in products and services, and efficiency in their production. The Government's *National Workplace Strategy (2005)* argued that improving the pace, level and quality of workplace innovation was critical to Ireland's transition to a more dynamic, highly skilled, innovative and knowledge-based economy. Further, the Department of Enterprise Trade and Employment report *Innovation in Ireland* identifies ten key policy areas that underpin the Government's approach to innovation in support of the knowledge economy and enterprise, including partnership and workplace innovation.

Outline of Report

In Chapter 1, we begin by providing an overview of the 2009 National Workplace Survey. We then contextualise the study of employers by outlining some of the major developments in the economic and political context in recent years. The chapter ends with a brief review of the literature on workplace innovation.

In Chapter 2 we compare the organisational characteristics of employment in 2009 and 2003, including characteristics such as size, sectoral distribution, vacancies, union representation and the business position of private sector firms.

In Chapter 3 we consider the factors that create pressure for an organisation to change, including the broader political and economic context and factors internal to the organisation, such as the needs of employees. Where possible, we compare the relative importance of these pressures to those in 2003. For the public sector, we also examine the main barriers to change.

In Chapter 4 we turn to the strategic orientation of employers in response to these pressures, and examine the extent to which innovative work practices are deemed to be important. One key strategic orientation is the commitment to innovation, and we examine this issue separately in Chapter 5.

In Chapter 6, we focus on the actual employment practices that are adopted or planned in public and private sector employment, and ask to what extent these differ from those prevalent in 2003. In this chapter, we also comment on some of the results that differ between the Employer and Employee Surveys.

We turn in Chapter 7 to the question of whether organisations tend to adopt ‘bundles’ of workplace practices and whether these are associated with differences in commitment to innovation and with differences in business outcomes. We also ask whether any benefits associated with particular bundles of employment practices are found for small firms as well as for medium and large firms.

In Chapter 8, we draw together the main findings of the report to comment on the impact of the recession on workplace practices and to highlight future possibilities for change.

The National Workplace Survey 2009

The National Workplace Survey of Employers 2009 was designed to capture detailed information on workplace organisation in the Irish context and to link it to innovation in both the public and private sectors, and to business outcomes in the private sector. The survey will make an important contribution to the development of a more robust data infrastructure in relation to workplace and workforce issues.

This present report uses organisation level data from Ireland to examine the responses of employers to the pressures they are facing and the employment practices adopted. It complements a parallel study of employees. Some of the unique features of the present study include the following:

- Inclusion of both public and private sector workplaces
- Large sample size
- Representative of Irish workplaces
- Comparability to the National Workplace Survey 2003 so that changes over time can be examined

- Capacity to compare the perspective of employers to the perspective of employees.

The survey allows us to compare the situation in Irish workplaces in 2009 to the situation captured by the National Workplace Survey 2003. The survey targeted public and private sector employers (excluding agriculture) with workplaces in the Republic of Ireland. Following a pilot in February 2009, the survey was fielded by post, with an option to complete the survey online, from April to July 2009 by Amárach Research. Details of the survey are summarised here and full details, including a copy of the questionnaire, are included in Appendix B.

The private sector survey included all firms who had responded to the 2003 survey and of these, 60 per cent (580) responded in 2009. In addition, we contacted a new sample of private sector firms, of whom 2088 responded, yielding a total sample of 2668 private sector firms with an overall response rate of 40 per cent. In the case of the public sector, as in 2003, we attempted a census of public sector organisations and of 627 organisations contacted, 359 (57 per cent) responded.

The questionnaire was directed to the chief executive of the firm or organisation. In some cases, where an organisation had multiple outlets or branches, the questionnaire was redirected to ‘Head Office’ for completion, typically where HR practices are organised centrally. This is of particular relevance in the public sector, where responses governing a very large number of local units were given centrally, particularly in the case of the Gardaí, primary and secondary-level education.

There are important differences between the public and private sectors in terms of how we think about the numbers employed. In the public sector, the ‘employer’ in sectors such as Health and Education can be considered as the Department of Education and HSE, on the one hand, or the local school board or hospital, on the other. As in 2003, we directed the questionnaire for the primary and secondary education sectors to the Department of Education and sought information on typical implementation at local level from representative bodies of school principals. In the case of Health, we directed the questionnaire to the HSE and also to public hospitals, so as to obtain information from the central employing body and from the local unit where workplace practices are implemented. While private sector firms with multiple branches or outlets present a similar kind of challenge, such firms constitute a much smaller proportion of private sector employment.

The questionnaire was designed to capture a comprehensive range of information on the nature of the organisation and the organisation of work. As well as replicating items included in the 2003 survey, new items were included to gather data on work–life balance and on issues related to diversity in the workplace, training and innovation.

The questionnaire was organised into the following sections:

- Organisation Details
- Pressures for Change
- Barriers to Change (public sector only)
- Responses to Pressures for Change
- Employment Practices
- Innovation

In line with all sample surveys, the data were re-weighted or statistically adjusted prior to analysis to ensure that these were fully representative of Irish workplaces. The weighting strategy we adopted for this report means that our results are about the employment context rather than about firms. We weighted the data to reflect total employment by sector and size. Thus, in interpreting the results, we will speak about the proportion of employment that is in workplaces with particular characteristics (such as union membership, pension coverage and so on) rather than the proportion of firms with these characteristics. The two will differ to the extent that small and large organisations differ. For instance, since large private sector firms are more likely to provide pension coverage for employees, and there are many more small firms than large firms, the percentage of firms providing pension coverage would be lower than the percentage of employees in firms with pension coverage. The weighting scheme makes a much greater difference in the public sector, where there are very many small organisations (particularly local government/regional bodies such as town councils and non-commercial semi-states) and a smaller number of very large organisations, such as the Gardaí, Government departments, universities, hospitals and the larger county and city councils.

For the bulk of this report (Chapters 2 to 6), our unit of analysis is employment rather than firms. This makes the comparison of results for the Employer and Employee Surveys more straightforward, so that differences in the perspectives of employees and employers can be highlighted. In Chapter 7, we focus on decision-making by firms and organisations, and re-weight the data to be representative of employer organisations.

This will be somewhat different from the approach adopted for the 2003 report, where the weights were designed to reflect the situation of firms and organisations. As such, we need to be cautious in comparing the results to those in the 2003 report. To make comparisons possible, we re-weighted the 2003 data on a comparable basis to the 2009 results and report the 2003 re-weighted results here.

In addition, this survey explored for the first time levels and commitment to workplace innovation. The survey questions were drawn from the 2003 survey, the ongoing work and intelligence gathered by the NCPP since 2003 and a review of a broad range of relevant literature. Arising from this, we examine a number of key questions:

- What were the main pressures faced by employers in Ireland in 2009, and how does this compare to 2003?
- What broad strategic response to these pressures is favoured by employers? To what extent does workplace innovation feature as a response?
- What level of commitment do Irish employers have to innovation? Does this differ between the public and private sectors and by industry in the private sector? Is workplace innovation linked to innovation in products or services?
- To what extent do Irish employers adopt combinations of workplace practices? What is the impact of combining broad workplace strategies on innovation and business outcomes?

Comparing the Employer and Employee Survey

As noted above, the weighting strategy for the Employer Survey was designed to make comparisons between the Employer Survey and the parallel Employee Survey more straightforward. The weighting strategy, in effect, has removed the difference between the two studies due to the size of organisation. Nevertheless, there are a number of reasons why we might expect differences between the Employer and Employee Surveys:

- When asked whether certain employment practices are used, employers would be expected to answer in the affirmative if the practice is used anywhere in the workplace. Although many items on the employee questionnaire ask whether a practice is in place in the workplace (and not just whether the employee is covered), employees may not always be aware of practices in other divisions or branches. This discrepancy is likely to be particularly strong in large workplaces or those with multiple branches and, as a consequence, we are likely to find greater disagreement between employers and employees in the public than in the private sector.
- Differences in item-wording exist between the employer and employee questionnaires and this may have an impact on responses.
- In many cases, the wording is very similar but employers and employees may view the situation differently.

Where relevant in this report, we will point to similarities or differences in the responses of employers and employees.

The Economic and Political Context in 2009

In this section, we draw on data from the most reliable national sources, such as the CSO *Quarterly National Household Survey*, to provide background to the results of the National Workplace Survey. We focus on the period 2003 to 2009 and, where relevant, we also provide figures for 2007, which was the last full year before the economic crisis.

The *National Workplace Survey 2009* was conducted in the midst of the most severe economic and labour market crisis that Ireland has experienced since the foundation of the State. Employers were confronted by a severe deterioration in business conditions in the private sector, and by widespread expenditure cuts in the public sector. Employees in the private sector faced job losses and wage cuts, although the evidence for this latter trend is, as yet, uncertain. In the public sector, the pressure to implement budget cuts and recruitment constraints, together with the ongoing public sector reform agenda and increasing demands for services resulting from the recession, presented intense challenges. In 2009, public sector employees suffered an effective wage cut, in the form of the public sector pension levy, and many were also likely to experience increased work intensity as a result of the recruitment embargo.

The crisis was precipitated by the global financial crisis, but this led rapidly to a bursting of the property bubble, which in turn caused a major crisis in our banking system and in our public finances, whose revenues had become overly dependent upon taxes on property transactions. Gross National Product contracted by 2.8 per cent in 2008 and by 10 per cent in 2009 and is expected to fall by 1.7 per cent in 2010 (Barrett et al., 2009).

As a consequence of this severe contraction, total employment fell by 1.5 per cent in 2008 and by 8.8 per cent in 2009. Employment losses have been concentrated in Construction and related sectors, but are nevertheless widespread across the private sector. Unemployment increased from less than 5 per cent at the beginning of 2008 to 12.5 per cent in autumn 2009, and is expected to increase further.

Competitiveness

From a healthy competitive position at the start of EMU with high productivity, relatively strong cost competitiveness and a relatively weak exchange rate, the Irish economy suffered a significant loss of competitiveness up to 2008. According to figures reported by the National Competitiveness Council (NCC) (2009a, p.12), Ireland experienced a 35 per cent loss in its trade-weighted international price competitiveness between 2000 and 2008. Exchange rate movements accounted for approximately two thirds of the deterioration in price competitiveness since 2000, while higher inflation in Ireland accounted for the remaining third. Inflation in Ireland was a result of the labour market pressures exerted by the growing bubble in the property market and the building sector of the economy and higher costs in areas such as rents, business services and energy. The exceptionally tight labour market in the period to 2007 saw wage rates and other prices rise very rapidly. The loss of competitiveness was reflected in the increasing deficit on the current account of the balance of payments in recent years (NCC, 2009a). The NCC notes some signs of improvement in 2009, however, driven by price moderation in a number of areas as a result of the fall in demand for goods and services and the strength of the euro, so that imports became cheaper. It remains unclear at this stage whether the cost of doing business in Ireland is falling relative to our main trading partners, which is one of the necessary conditions for restoring competitiveness (NCC, 2009a).

In addition to rising costs in Ireland, recent developments in the financial sector have had a negative impact on Ireland's reputation overseas and have damaged business and consumer confidence within Ireland. Nevertheless, the NCC notes, Ireland retains a wide range of competitive strengths, including a young and comparatively well educated workforce, growing levels of research and development activity, a modern internationally trading enterprise base and a long track record as a successful location for overseas investors (NCC, 2009a, p.3). The NCC identifies a number of priorities in order to restore competitiveness, including the restoration of stability to the public finances, ensuring that banks channel credit to viable businesses, restoration of cost competitiveness while sustaining jobs and restoration of Ireland's international reputation (NCC, 2009b).

Employment

The first National Workplace Survey was conducted in 2003, a period when total employment was still growing strongly, in contrast to the contraction of employment at the time of the present survey. Employment grew at unprecedented rates between 1993 and 2003, from less than 1.2m to over 1.8m, an average of over 5 per cent per annum. Employment growth continued at an average rate of over 3 per cent per annum from 2003 to 2007 and total employment peaked at 2.15m in the 3rd quarter of 2007. Since then, there has been a sharp drop, falling by 13.9 per cent between the 3rd quarter of 2007 and the 4th quarter of 2009

Underlying the growth in employment was a dramatic surge in female employment. Women's share of total employment increased steadily, from 36 per cent in 1993 to almost 46 per cent in 2009. In fact if we focus only on employees (i.e. excluding the self employed and the very small category of relatives assisting) we find that the number of women employees exceeded the number of male employees for the first time in the 4th quarter of 2008, and thereafter. This was largely due to the fact that the decline in the number of employees from its peak in 2007 was greater among men than women.

The unemployment rate was just 4.6 per cent in 2003 and in 2007. It increased dramatically during the recession, reaching 12.9 per cent of the labour force by the 3rd quarter of 2009. Long-term unemployment (being unemployed for twelve months or more), having fallen to 1.4 per cent of the labour force, has also increased during the recession.

There is substantial continuity over time in the distribution of employment by sector. The most notable change is the expansion and subsequent collapse in Construction employment, from 11 per cent of total employment in 2004 to 13 per cent in 2007, and its rapid decline, to 8 per cent in 2009. The other notable shifts in employment between 2004 and 2009 are the decline in employment in industry (from 16 per cent to 13 per cent of employment) and the expansion of service activities, including public administration and defence (from 5 per cent to 6 per cent), Education (7 per cent to 8 per cent) and Health and social work activities (from 10 per cent to 12 per cent).

Composition of the Workforce

In the period of strong economic growth in Ireland that ended in 2008, there was a general upgrading of occupations, with particularly strong growth in professional and technical jobs (from 21 per cent in 2003 to 23 per cent in 2009). This growth at the top of the occupational structure was counterbalanced by growth in personal and protective services (from 10 per cent to 13 per cent between 2003 and 2009) and in Sales occupation (8 per cent to 9 per cent, O'Connell and Russell, 2007). After 2007 the decline in Construction resulted in a sharp drop in the proportion of skilled manual occupations (from 15 per cent in 2007 to 11 per cent in 2009). As a result of the continuing decline in industrial employment, the proportion of people employed in semi-skilled manual jobs also declined (10 per cent to 7 per cent).

There has been a continuation of a long-term trend towards increasing the educational attainment of those at work in recent years and this has continued during the period of recession, in part driven by the greater vulnerability to unemployment of those with fewer qualifications. Between 2003 and 2009, those with less than completed second-level education declined from 28 per cent to 19 per cent of the workforce, while the proportion of those with third-level degree or higher increased from 19 per cent to 23 per cent.

Inward migration grew steadily since the mid-1990s in the context of the economic boom and growth in employment, reaching well over 100,000 per annum in 2006 and 2007 (Central Statistics Office, Database Direct, 2009d). However, in the context of the recession, immigration declined to 57,300 in the twelve months to April 2009. In 2009 this inward flow was counterbalanced by an outward flow of 65,100, with the result that net migration turned negative for the first time since 1995 (Central Statistics Office, 2009c).

The proportion of non-Irish nationals in employment increased from 8 per cent in 2004 to 16 per cent in 2007 and dropped back to 14 per cent in 2009 (Central Statistics Office, 2004 and 2009a). Non-Irish nationals are particularly concentrated in accommodation and food service activities (35 per cent) and have experienced greater job losses than Irish nationals.

The Public Finances

The recession and financial crisis have not only taken a very heavy toll on the Irish economy, they have also led to a very rapid deterioration in the public finances. Lower economic activity and employment, combined with over-reliance on property-related taxes, which were used to fund rapid increases in expenditure, have led to a dramatic shortfall of Government revenue over expenditure. The General Government Balance fell to -7.2 per cent of Gross Domestic Product (GDP) in 2008, and even following a series of emergency budgets, is expected to be close to -12 per cent of GDP in 2009 and 2010. The long-term implications for the economy and the public finances of Government actions to resolve the banking crisis through the National Asset Management Agency (NAMA) remain uncertain. In response to the severe fiscal crisis, Government introduced a series of expenditure cuts as well as tax increases and a levy on public sector incomes early in 2009, and further cuts in public sector pay and social welfare in the budget for 2010.

The Public Sector Reform Agenda

Developments in public sector employment practices are taking place against the background of a drive to substantially transform the public sector. Since the mid 1990s with the publication of the *Strategic Management Initiative* and *Delivering Better Government* (Co-ordinating Group of Secretaries, 1996) there has been a renewed emphasis on efficient service delivery and accountability as part of the overall public service modernisation programme. Following the publication of the OECD's *Review of the Irish Public Service* the Government implemented its comprehensive *Transformation of Public Services* programme which contained a comprehensive set of actions designed to radically transform the Irish Public Service.

Drawing on the previous modernisation programmes and the recommendations set out by the OECD the *Transforming Public Services* agenda aims to achieve a more integrated, customer centred and higher performing public service.

In the current recession, fiscal pressures have led to the demand for a reduction in the cost of the public sector pay bill. A number of measures were introduced in 2009, such as a moratorium on public sector recruitment, a pension levy, a voluntary retirement scheme and a career break programme. Managing the cost of the public sector in the context of maintaining investment in infrastructure, education and health, while social welfare claims continue to grow, presents a major challenge.

Compared to 2003, 2009 is a period of greater economic challenges, characterised by job losses and recession, fiscal crisis and an embargo on public sector recruitment. Nevertheless, the workforce is more highly educated and more diverse than in 2003, creating both opportunities and challenges for workplace organisation.

In the next section, we turn to a brief overview of international literature on innovation in the organisation of workplaces in order to provide further context to the results of the present study.

Literature Review

Workplace Innovation - Definition

There is little consensus about what constitutes innovation in workplace practices. Terminology differs depending on the researcher. Common labels include terms such as high performance work systems, workplace innovation and employee involvement schemes. Different studies have used various indicators to capture workplace innovation, with the result that empirical findings are seldom comparable because of the absence of common theoretical foundations and, consequently, cumulative development of knowledge in the field does not take place.

Read (2000) in a review of the research, argues that organisational innovation can be defined as ‘a dynamic and iterative process of creating or modifying an idea and developing it to produce products, services, processes, structures or policies that are new to the organisation.’ This definition captures the idea that innovation in products and services may be separate from but related to organisational process and intentional changes in the manner in which work is carried out.

The third edition of the *Oslo Manual* (OECD, 2005) recognised that workplace innovations were not just supporting factors for product and workplace innovation but could also have an important impact on firm performance in their own right. The manual includes guidelines for the measurement of both organisational and marketing innovations. It also provides a definition of organisational innovation:

‘An organisational innovation is the implementation of a new organisational method in the firm’s business practices, workplace organisation or external relations’ (OECD, 2005, pp. 51–2).

According to the *Oslo Manual*, organisational innovation encompasses three types of workplace practice: business practices, workplace organisation and external relations. *Business practice* innovation includes the introduction of new practices for employee development, such as training, as well as the implementation of new management systems like total quality management systems or lean production. *Organisational innovation* refers to the implementation of new methods for distributing responsibilities and decision-making among employees and promoting flexibility and employee involvement. This includes any work practices such as decentralised decision-making, job rotation, self-directed work teams and shared rewards. *External relations* refer to collaborations with other firms or public bodies, closer integration with suppliers, and outsourcing.

This perspective strongly correlates with the work of Ramstad (2009) who defines organisational innovation as ‘renewals in the structure, processes or boundaries of work organisation that achieve savings in the use of labour or capital resource and/or improved ability to respond to customer needs’. Within Ramstad’s work there is a clear focus both on different types of changes in work organisation as the basis of innovation and also in the capacity of such changes to generate tangible improvements for the organisation in question.

Within the literature certain authors have sought to define workplace or organisational innovation in terms of a bundle of specific practices and it is clear that aspects of workplace innovation overlap strongly with high performance work systems and progressive working practices.

Appelbaum et al., (2000) define the key components of new work practices as adaptive teams, incentive pay schemes and employer-provided training. Teams are regarded as adaptive where individual employees participate in the planning of their work and undertake additional responsibilities. Incentive pay is defined as a fixed salary plus some performance-related payment to employees. Employer-provided training is regarded as a key dimension of such new work practices to provide rank-and-file employees with the necessary skills to engage in devolved decision-making and problem-solving. Black and Lynch (2005) regard workplace innovation as the combination of workforce training, decentralised decision-making, employee discretion in determining work and shared rewards. Murphy (2002) defines organisational innovation as encompassing flexible working arrangements, new management systems such as TQM and changes in external relations such as outsourcing.

Drawing on this literature, the NCPP has articulated a broad action-oriented definition of workplace innovation, which covers the adoption of all new workplace practices, structures and relationships. This approach recognises the importance of developing new ideas about how things are done in public and private sector workplaces – and how to involve employees in doing them. Workplace innovation involves reconsidering traditional approaches to the way workplaces are organised and rethinking everything that is done there, from employee relations and human resource management to the organisation of work and work practices.

This working definition draws on the emphasis within the literature on changes in work organisation and work practices linked to improvement, while also recognising that there is a cultural and relationship dimension to workplace innovation. Importantly, there is no attempt to strictly define a model of workplace innovation in terms of a set number of specific working practices or a particular approach to the organisation of work or job design. The NCPP's approach to workplace innovation also incorporates both the multi-dimensional nature of innovation - through its focus on practices, structures and relationship - and also the collaborative aspect of innovation as there is a strong emphasis on employee involvement in driving innovation. It is important to note that for the purpose of the survey this broader definition of workplace innovation was adapted further to provide respondents with a clearer focus of what workplace innovation would mean for them in practical terms.

Q.20 During the last two years did your organisation introduce any workplace innovations? By workplace innovation we mean new ideas, processes or behaviours designed to promote improvements in the way the work is carried out, rather than improvements to the product or service provided (NCPP National Workplace Survey 2009).

The Impact of New Work Practices

A number of empirical studies have analysed the impact of organisational innovation on business performance and employee welfare. There are a number of broad themes emerging from a diverse body of research that focuses on different levels of analysis ranging from single firms to the broader economy. Ichniowski, et al., (1997) found that steel plants that reported the introduction of innovative employment practices reported higher productivity levels from production workers by 6.7 per cent.

MacDuffie and Pil (1997) also found that higher levels of performance and product quality were found in automotive plants that had introduced forms of organisational innovation.

In recent years, the wider availability of data has enabled more comprehensive studies with findings that can be applied across industrial sectors. Black and Lynch (2001), using a more representative study, find that increasing employee involvement in the decision processes of firms leads to higher levels of productivity. Caroli and Van Reenen (2001) also find a positive relationship between the introduction of new workplace practices and productivity, based on a sample of French firms. A comprehensive review of the international literature undertaken by the NCPP (O'Connell, 2003) highlighted the ways in which partnership and associated new work practices can generate tangible improvements that impact on key aspects of organisational performance. The results are by no means universally positive, however. Freeman and Kleiner (2000) find no significant relationship between workplace innovation and firm productivity, while Capelli and Neumark (2001) find that the introduction of innovative work practices has no apparent effect on firm efficiency.

A large body of literature also focuses on the beneficial effect organisational changes have on firm performance when implemented alongside the introduction of new technology (MacDuffie, 1995; Brynjolfsson and Hitt, 2000; Bresnahan et al., 2002; Arvantis, 2005; Baldwin, et al., 2003; Murphy, 2002; Ramstad, 2009). In a study of four countries (Germany, Norway, Sweden and Finland), Ramstad finds that organisational innovation has an independent impact on productivity and economic growth as well as an indirect impact on the success of implemented technological innovations. What remains unclear is whether technological innovation is a key driver for workplace innovation or if the increased

flexibility and creativity arising from the adoption of new workplace practices facilitates the most effective use of new technology. What has been established in the literature is that there are undoubted synergistic effects arising from the simultaneous adoption of complementary ICT and workplace innovation.

A related strand in the literature on organisational innovation points to the importance of complementary groups of employment practices. MacDuffie (1995) pointed to the importance of considering 'bundles' of employment practices and showed that auto assembly plants with teamwork, job rotation and employee involvement had higher levels of labour productivity and lower levels of product defects. Jensen et al. (2007) find that firms who combine an emphasis on formal, codified learning with an emphasis on experience-based learning perform better in terms of product or service innovation than those adopting one mode or the other. Other studies have shown that firms benefit little from implementing single practices at a time but realise the greatest benefits when clusters of coherent innovative workplace practices are introduced (Ichniowski, et. al., 1997).

There have been a number of reasons put forward for the positive association between the introduction of new workplace practices and the economic performance of firms. The Oslo Manual (OECD, 2005) argues that organisational innovations can help improve firm performance by reducing transaction costs, improving workplace satisfaction, gaining access to non-tradable assets such as non-codified knowledge or reducing cost of supplies. Another explanation found in the literature is that the introduction of flexible workplace practices can improve the usage of new technology (Bresnahan, et al., 2002).

Organisational innovation has also been shown to enhance the effectiveness of skilled labour (Caroli and Van Reenen, 2001) and employee involvement initiatives may help increase the motivation of employees as they become stakeholders in the firm (Godard and Delaney, 2000).

If new work practices enhance business outcomes, the question arises as to their impact on employee well-being. One view is that workplace innovation can become a 'virtuous cycle', delivering increased levels of performance for firms, alongside increased wages and job satisfaction for employees. In this vein, studies have shown that workers involved in new workplace practices often report higher levels of job satisfaction relative to workers in the same firm who do not work under the same arrangements (Bauer, 2004; Mohr and Zoghi, 2006; Godard, 2001). Freeman and Kleiner (2000) find that employees in innovative firms report higher levels of trust towards management and higher satisfaction towards work. It has been argued that these positive effects on job satisfaction appear to be driven by increasing the involvement of workers in the organisation of their work (Bauer, 2004).

However, another stream of the literature has reported less positive implications for employees. For instance, Askenazy and Caroli (2006) find that new work practices may be associated with increased mental strain and a risky environment for employees. Crisitini (2007) finds that while giving autonomy to employees through the introduction of team-working can raise well-being, the allocation of responsibility for specific products or services is related to high levels of stress among participants. This increased stress can be attributed to increased peer pressure, which may increase the potential for conflict amongst workers.

If innovative workplace practices are related to firm productivity, it may be reasonable to assume that employees could be rewarded through higher wage levels. However, the results from empirical studies on wage payoffs from new work practices are mixed (see Black and Lynch, 2004; Cappelli and Neumark, 2001; Handel and Gittleman, 2004; Osterman, 2000).

Finally, the impact of workplace innovation on job security remains uncertain due to inconsistent findings. The introduction of workplace innovation has been related to increases in redundancy for unskilled production workers (Black, et al., 2004; Caroli and Van Reenen, 2001). In contrast, Batt (2004) finds that certain innovative practices that promote employee involvement in decision-making, diminish job security for supervisors while enhancing the job security of production workers.

Organisational Innovation in the Public Sector

Innovation has traditionally been associated with the private sector, where there is a powerful incentive for private enterprises to innovate in order to cut costs, improve market share, and create better value or quality products and services (IDEA, 2005). There has, however, been a growing emphasis in recent times on the capacity of the public sector to engage in innovative activity, given the increasingly complex, dynamic and demanding environment in which public organisations operate (see, for example Borins, 2001; Hartley, 2005; 2008; IDEA, 2005; Lekhi, 2007; Mulgan and Albury, 2005). These studies have identified a number of factors that have driven this increased focus on public sector innovation, including the rising expectations of citizens and other stakeholders, the need to improve how services are delivered, and pressures to contain costs and provide value for money.

Some authors contend that there has been an over-reliance on the concepts and models derived from private sector manufacturing, with insufficient consideration of how the context, goals, processes and stakeholders of public service organisations can be significantly different (Hartley, 2005; Hartley and Allison, 2000).

A central theme that has emerged from the literature is the recognition that, as in the private sector, innovation in the public sector is a dynamic, multi-dimensional, interactive and highly collaborative and socialised process (Borins, 2001, 2008; Lester and Piore, 2004). Borins research, in particular, stresses that innovation is a multi-faceted phenomenon and that there is no simple formula for ensuring it is successful.

Public sector innovation is not limited to R&D or the application of ICT, but rather also involves organisational redesign, the adoption of new working practices and the development of new working relationships. Public sector innovation can therefore encapsulate a new idea, practice, product, language, service, relationship or structure and indeed its manifestation may include a combination of these various dimensions (Hartley, 2008; Quinlivan and Schon-Quinlivan, 2009). Significantly, research has also demonstrated that the majority of innovations in the public service are instigated by middle management and front line staff as part of their everyday work (Borins, 2001) and as such it reaffirms the contention that the role of senior management is to function as enablers rather than creators of innovative activity.

Previous Research on Organisational Innovation in Ireland

A number of studies have addressed the issue of the adoption of innovative workplace practices across Irish firms in recent years, though as with the international literature there is no accepted definition of what constitutes workplace innovation. McCartney and Teague (1998) measure workplace innovation by four work practices (team-working, total quality management, job rotation and task forces) and examine some of the determinants of what they refer to as 'high performance work organisation (HPWO) bundles'. The results show that the adoption of such practices is positively related to a competitive strategy based on quality, exporting activity and union recognition. The study also finds that high levels of competitive pressure had a negative association with HPWO adoption. In contrast with much of the literature, the study finds no significant relationship between the adoption of team-working and firm size. Geary (1999) analysed the factors associated with the adoption of one innovative practice, team-working and, found that firms with a competitive strategy based on quality are more likely to adopt team-working.

Williams et al. (2004) used the NCPP National Workplace Survey 2003 data to examine the pressure for organisational change in Irish workplaces and the factors associated with adoption of a wide range of progressive employment practices such as partnership, employee involvement, staff development and the use of temporary or part-time staff. The results show that the adoption of partnership schemes was positively associated with the manufacturing sector, while staff development practices were more likely to be adopted by larger organisations. Overall, the main finding was that firm size was strongly associated with the adoption of progressive human resource practices while foreign ownership, union recognition and sector were insignificant.

Flood et al.'s (2008) study of medium and large firms, demonstrated that organisations that adopted a broad and integrated approach that combined strategic human resource management, workplace partnership, diversity and equality and flexible working were associated with higher levels of workforce innovation, higher levels of labour productivity and lower levels of employee turnover compared to work systems which focused on strategic human resource management only.

This chapter has contextualised the National Workplace Survey 2009 by both outlining some of the major economic and political developments in recent years and also briefly reviewing some of the key issues from the literature on workplace innovation.

In the next chapter, we compare the organisational characteristics of employment in 2009 and 2003, including characteristics such as size, sectoral distribution, vacancies, union representation and the business position of private sector firms.

Chapter 2

Organisational Characteristics of Employment in 2009

In this Chapter, we provide an overview of the organisational characteristics of employment. As noted in Chapter 1, the weighting strategy we adopt facilitates an interpretation of the results in terms of employment context. The weights make more of a difference to the public sector than the private sector results because a large proportion of public sector employment is covered by responses from a relatively small number of large employers, particularly in Health and Education. Thus, the figures should be interpreted as the percentage of employment that is in organisations with particular characteristics.

This differs from the percentage of organisations with certain characteristics to the extent that large and small employers differ in terms of these same characteristics. For example, 21 per cent of the public sector organisations that responded to the survey had between one and nine employees. When weighted to total employment, on the other hand, we see (Table 2.1) that 96 per cent of public sector employment is in large organisations (over 250 employees).

Size, Sector and Employment Contracts

Size of Organisation

As noted in Chapter 1, there are important differences between the public and private sectors in terms of measuring the size (number employed) of the organisation or enterprise which makes it difficult to compare size across the two broad sectors. We noted that in certain parts of the public sector, such as Education or Health, we get a very different picture of the size of the organisation depending on whether we consider the employer to be the Department of Education or the HSE, on the one hand, or the school management board or hospital, on the other. In the case of Education, we targeted the Department of Education for information on employment numbers and conditions, and representative bodies of school principals for information on practices at the school level. In the case of Health, we targeted both the HSE and public hospitals. The data on the size of the organisation in the public sector, then, will reflect the highly centralised nature of employment in sectors such as Health and Education, but also for the Gardaí, prison service and defence.

With this caveat in mind, it is clear from the table that employment in the public sector is dominated by large employers: 96 per cent of public sector employment is in organisations with 250 or more employees, compared to only 11 per cent in the private sector. In contrast, almost 60 per cent of private sector employment is in organisations with 50 or fewer employees. Again, it is worth noting that this refers to the employing organisation, rather than the size of the local workplace, and is influenced by our decision to collect information centrally for much of the public sector. The differences between the public and private sectors in the scale of the organisations will be crucial to understanding the barriers to change in the public sector, which we discuss in the next chapter.

Table 2.1 Organisational characteristics of public and private sector employment in 2009: per cent of total employment in each size category

	Public Sector	Private Sector
Total numbers employed in all branches and divisions of organisation		
Micro: 1-9	24	0
Small: 11-19	23	0
Small: 20-49	11	1
Medium: 50-99	1	17
Medium: 100-249	2	13
Large: 250+	11	96

Source: National Workplace Surveys – Employers, 2009, weighted to total employment.

Table 2.2 Organisational characteristics of public and private sector employment in 2009: use of temporary and agency workers

	2009 Public Sector	2009 Private Sector
Temporary Workers (% category)		
None	20	76
Less than 1%	7	2
1–5%	18	7
5–10%	5	4
10–20%	34	5
Over 20%	15	7
Agency workers (% category)		
None	82	93
Less than 1%	14	1
1–5%	2	4
5–10%	2	1
Over 10%	0	1

Source: National Workplace Surveys – Employers, 2009, weighted to total employment.

Temporary and Agency Workers

We can see from Table 2.2 that employing temporary workers is also more characteristic of the public sector, where 80 per cent of employment is in organisations that have at least some temporary employees. This statistic will be affected by organisation size, since large organisations are more likely to have at least some employees on a temporary contract, if only

during their probationary period. About half of public sector employment is in organisations where 10 per cent or more of the employees have temporary contracts. In contrast, 76 per cent of private sector employment is in organisations that have no temporary employees and only 12 per cent is in organisations where more than one in ten employees is on a temporary contract.

Employment of agency workers is uncommon in both the public and private sectors, but is slightly more often found in the public sector (Table 2.2). Only 18 per cent of public sector employment and 7 per cent of private sector employment was in organisations that employed any agency workers at the time of the survey. Where agency workers are employed, they tend to account for a very small proportion of total employment (less than 5 per cent).

Detailed Sector

Table 2.3 shows the distribution of public and private sector employment by detailed sector. In the public sector, Health and Education account for about two-thirds of all public sector employment. Just over ten per cent of public sector employment is in the Civil Service, a similar proportion in local Government/Regional bodies, 8 per cent is in the Gardaí, Prisons or Defence and 3 per cent is in non-commercial semi-state organisations, statutory bodies and State agencies.

In the private sector, we can clearly see the importance of the services industries, with 69 per cent of employment spread across Distribution (wholesale, retail and repair/maintenance of automobiles), Financial, Insurance and Business Services (Business Services such as advertising, legal services, accounting services, market research banking and insurance) and Hotel/Restaurant/Other services (hotels, restaurants, bars, transport, communication, personal and other services, including private sector employment in Health and Education).

Manufacturing accounts for about one in five private sector jobs and Construction accounts for one in ten. Traditional (food and beverages, publishing and printing, electricity, gas, furniture and wood products) and Hi-Tech Manufacturing (including the chemical and pharmaceutical industries, precision instruments, machinery and equipment) are about equally important in terms of employment in both years and both have declined by about two percentage points in terms of total employment between 2003 and 2009.

Most private sector employment in 2009 is in firms that are Irish-owned (85 per cent), and this has remained relatively stable since 2003 (84 per cent).

Vacancies

Another characteristic we can compare across the public and private sectors from the 2009 survey is the proportion of vacancies in the previous year¹ (as a percentage of current employment in the organisation). We will refer to this as the vacancy rate. We see from Figure 2.1 that just under one-fifth of public sector employment is in organisations that had no vacancies in 2008, compared to over half of employment in the private sector. This, of course, will be strongly influenced by the size of the organisation as large organisations are more likely to have at least some vacancies in any given period.

1. Note that the number of vacancies refers to 2008, when the recession was just beginning and is likely to reflect growth in the firm during the boom years.

Table 2.3 Organisational characteristics of public and private sector employment in 2009 and 2003: detailed sector of employment and ownership of private sector firms (percentage)

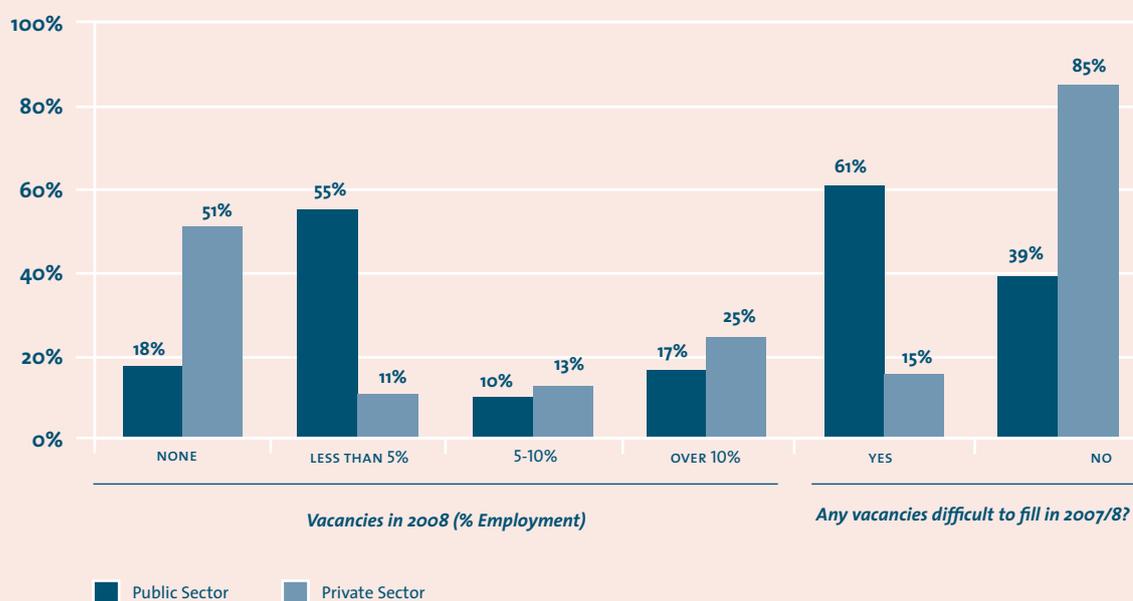
	2009	2003
Sector: Public		
Civil service	11	12
Gardaí, prisons and defence	8	9
Education	30	26
Local government/regional bodies	11	12
Non-commercial semi-state	3	3
Health	37	37
Sector: Private		
Traditional manufacture (NACE: 10–22, 36, 37, 40, 41)	10	12
Hi-Tech manufacture (NACE: 23–35)	11	13
Construction (NACE: 45)	10	10
Distribution (NACE: 50–52)	19	16
Financial/insurance/business services (NACE: 65–74)	20	16
Hotel/restaurant/other (NACE: 55–64, 80, 85, 90–95)	30	34
Ownership (Private Sector)		
Irish-owned (includes commercial semi-state)	85	84
Foreign-owned	15	16

Source: National Workplace Surveys – Employers, 2003 and 2009, weighted to total employment.

A large proportion of public sector employment (55 per cent) is in organisations that had a vacancy rate under 5 per cent, however, and a further 10 per cent is in organisations with a vacancy rate between 5 and 10 per cent. Seventeen per cent of public sector employment is in organisations with a vacancy rate over 10 per cent. Private sector employment (because of the smaller average size of the firms) is more likely to be in firms that had no vacancies in 2008. On the other hand, 26 per cent of private sector employment is in organisations that had a vacancy rate of over 10 per cent.

Vacancies that are difficult or impossible to fill because of a lack of adequately qualified candidates are more of an issue in the public sector. Sixty one per cent of public sector employment is in organisations where there were difficult-to-fill vacancies in 2007 or 2008, compared to 15 per cent of private sector employment. This reflects the average skill differential between the public and private sectors (Kelly, et al., 2009; Foley and O’Callaghan, 2009).

Figure 2.1 Organisational characteristics of public and private sector employment: vacancy rate in 2008 and whether there were any vacancies in 2007/08 that were difficult to fill due to lack of adequately qualified candidates



Source: National Workplace Surveys – Employers, 2009, weighted to total employment.

Table 2.4 Number of employees by sector in private sector employment, 2009 (percentage)

	Traditional Manufacture	Hi-Tech Manufacture	Construction	Distribution	Financial/ Insurance/ Business	Hotel/ Restaurant/ Other
Average number employees	182	167	74	107	211	103
Size Categories (%)						
Micro: 1–9	19	24	24	16	21	34
Small: 11–19	15	13	28	26	19	29
Small: 20–49	12	7	13	15	11	11
Medium: 50–99	29	16	17	21	15	12
Medium: 100–249	13	21	11	14	15	8
Large: 250+	13	20	5	8	19	6

Source: National Workplace Surveys – Employers, 2009, weighted to total employment.

Differences by Size of Organisation and Detailed Sector

Table 2.4 shows a breakdown of private sector employment by sector and size. The smallest organisations tend to be in Construction, where the average employee works in a firm with seventy four employees and over half of employment is in firms with fewer than twenty employees. The largest organisations tend to be in Financial/Insurance/Business Services, where one-third of employment is in firms employing 100 or more employees.

Table 2.5 shows the characteristics of employment by detailed business area in the private sector. Although the use of agency workers is rare in all sectors, they are most likely to be used in High-Tech Manufacturing, where 15 per cent of firms have at least some agency workers. Even here however, only 1 per cent of employment is in firms where more than one in ten employees is an agency worker.

Most sectors do not employ temporary staff and when they do, temporary workers tend to account for a small proportion of employment. The use of temporary staff is again highest in High-Tech Manufacturing; where 44 per cent of employment is in firms that employ at least some temporary workers. Even where temporary workers are used, they account for a small proportion of total employment: the highest figure is for the Hotel Restaurant and Other Services sector where 12 per cent of employment is in firms where more than one in five employees is on a temporary contract.

Vacancies can indicate a high turnover of staff, difficulty in recruiting qualified personnel or, more positively, employment growth. While the latter is unlikely during the recession, note that the vacancy figures refer to the previous year (2008) when the recession was just beginning to have an impact.

The highest level of private sector vacancies in 2008 was found in Finance/Insurance/Business Services: 30 per cent of employment in this sector is in firms that had more than one in ten positions vacant. This is also the sector most likely to have had difficulty in filling vacancies in 2007/2008.

Union Recognition, Employee Representation and Collective Bargaining

Trade union recognition in the private sector ranges from a low of 22 per cent of employment in Financial/Insurance/Business Services to a high of 53 per cent in Construction. Trade union recognition is also low in Hotel/Restaurant/Other services and in the Distribution sector (25 per cent to 27 per cent). Financial/Insurance/Business Services and Manufacturing are the sectors most likely to have staff associations (11 per cent to 12 per cent) and Construction is least likely (5 per cent). Staff associations most often are a complement to trade union representation rather than an alternative, as we can see from the fact that the proportion of firms with either trade union or staff association is less than the sum of the percentages with either of these forms of employee representation. In general, employee representation is more common in Manufacturing and Construction than in the services sectors. While collective bargaining is most common in Manufacturing (29 per cent to 31 per cent of employment), only 18 per cent of employment in Construction is covered by collective bargaining, despite the fact that union recognition rates are highest in this sector. The apparent contradiction between high levels of union recognition and low levels of collective bargaining in the Construction sectors reflects the impact of the Registered Employment Agreement. This is negotiated centrally between the unions and employer organisations and then applied to the sector, so that there is no engagement of individual firms in collective bargaining in relation to pay rates.

Table 2.5 | Employment characteristics by industry in the private sector (percentage)

	Traditional Manufacture	Hi-Tech Manufacture	Construction	Distribution	Financial/ Insurance/ Business	Hotel/ Restaurant/ Other
Agency workers (% category)						
None	90	85	91	96	89	97
Less than 1%	1	2	1	1	2	0
1–5%	5	8	5	2	5	1
5–10%	2	3	0	0	3	0
Over 10%	2	1	3	1	2	1
Temporary workers (% category)						
None	71	66	90	82	70	76
Less than 1%	1	4	0	2	2	1
1–5%	13	14	3	4	13	3
5–10%	4	5	0	5	5	3
10–20%	7	7	1	4	5	4
Over 20%	4	4	5	3	5	12
Vacancies in 2008 (% category)						
None	45	43	60	56	43	55
Less than 5%	21	22	8	10	12	5
5–10%	15	13	12	15	15	9
Over 10%	19	22	21	19	30	31
Any difficult-to-fill vacancies in 2007-2008?						
	16	17	15	10	21	14
Trade union	41	41	53	27	22	25
Staff association	11	11	5	9	12	8
Union or staff Association	48	46	53	32	29	29
Collective bargaining	29	31	18	16	14	14

Source: National Workplace Surveys – Employers, 2009, weighted to total employment.

Temporary and Agency Workers in the Public Sector

We turn to employment characteristics by type of organisation in the public sector in Table 2.6. Use of agency workers is more common in the Health sector than elsewhere. Over half of employment in Health is in organisations that use agency workers, but they tend to account for a very small proportion of total employment

(less than one per cent is most common). Use of temporary workers is common in Education and Health, where about one quarter of employment in is organisations where more than one worker in five is on a temporary contract.

Table 2.6 | Employment characteristics by type of public sector organisation (percentage)

	Civil Service	Education	Local Gov./ Regional bodies	Non-commercial semi-state	Health
Agency workers (% category)					
None	80	90	88	74	47
Less than 1%	11	10	10	18	41
1–5%	1	0	2	6	7
5–10%	9	0	0	1	2
Over 10%	0	0	0	0	3
Temporary workers (% category)					
None	13	8	6	12	13
Less than 1%	47	0	0	8	0
1–5%	31	0	51	53	25
5–10%	4	3	17	11	3
10–20%	4	62	23	7	35
Over 20%	1	27	3	9	23
Vacancies in 2008 (% category)					
None	42	45	38	28	10
Less than 5%	16	6	15	8	1
5–10%	15	5	25	23	10
Over 10%	27	44	23	41	79
Any difficult-to-fill vacancies in 2007/08?					
Yes	25	71	27	60	77

Source: National Workplace Surveys – Employers, 2009, weighted to total employment.

Note: Gardai/Prisons/Defence not shown separately because of small number of responses.

Vacancies in the Public Sector

Health is the sector most likely to have had vacancies in 2008 (90 per cent of employment is in organisations with at least some vacancies and 79 per cent is in organisations with more than one in ten posts vacant).

Again, the large size of Health sector organisations must be kept in mind in interpreting these results: by virtue of size alone, a larger organisation is more likely to have at least some vacancies, but the vacancy rate is also particularly high in Health. Employment in Health, Education and State agencies was also characterised by difficulties in filling at least some vacancies in 2007–2008 (60–77 per cent of employment), due to a lack of adequately qualified candidates.

The level of vacancies in 2008 in a number of sectors is likely to pose particular challenges to public sector organisations in a period of recruitment constraints, particularly Health (79 per cent of employment is in organisations where more than one job in ten was vacant), Education (44 per cent) and non-commercial semi-state organisations (41 per cent).

Business Position in the Private Sector

Table 2.7 provides details of the perceived business position of private sector firms in 2009 compared to 2003. The business and employment position in the private sector shows clear evidence of the current economic downturn. Almost two-thirds of private sector employment is in firms that view their current business position as bad and almost half is in firms that expect a further deterioration in the next six months. A similar pattern is reflected in the volume of business (decrease in the last two years for 68 per cent of private sector). Sixty one per cent of private sector employment is in firms that employ fewer people now than two years ago and almost half of employment is in firms that expect employment to decline further in the next three months. Despite these negative indicators, the situation with respect to profitability in the last two years is slightly more positive, as the recession was in its first year at the time of the survey. About half of private sector employment is in firms who made at least a moderate profit in the last two years and a further 17 per cent broke even. We can take little comfort from this given that one-third of private sector employment is in firms that made a loss in the last two years. Moreover, we have no data on those firms who have ceased trading altogether.

Table 2.7 Private sector employment – key firm characteristics and business position (percentage)

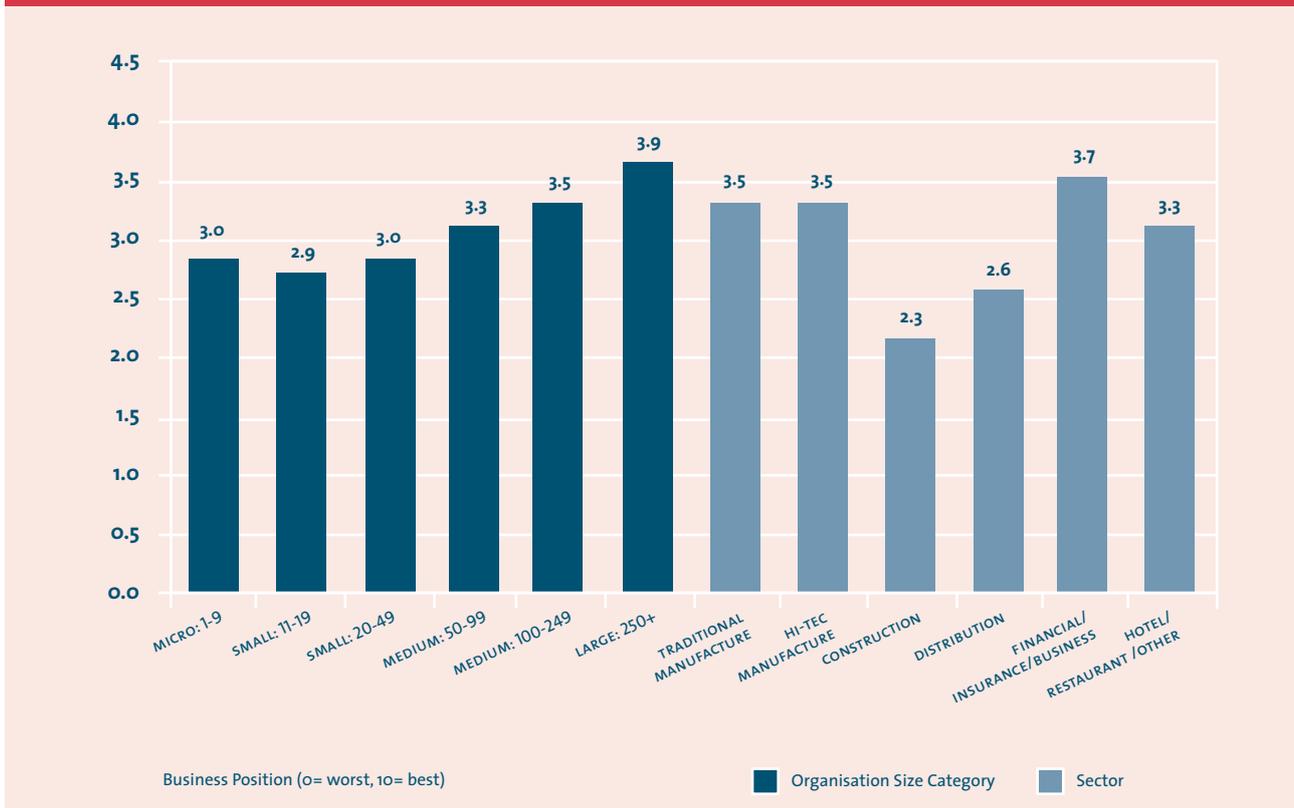
	2009	2003
Volume of business in last two years		
Increased	19	48
Stayed the same	13	20
Decreased	68	32
Overall profits over last two years		
A substantial loss	14	5
A moderate loss	19	13
Broken even	17	13
A moderate profit	45	63
A substantial profit	5	7
Current business position		
Good	7	16
Satisfactory/normal	30	54
Bad	63	30
Expected business trend (6 months)		
Improve	11	19
Remain unchanged	42	50
Deteriorate	47	31
Workforce compared to 2 years ago		
Larger	15	37
The same	24	31
Smaller	61	32
Expected employments – 3 months		
Increase	4	10
Remain unchanged	47	69
Decline	49	21

Source: National Workplace Surveys – Employers, 2003 and 2009, weighted to total employment.

In Figure 2.2, we show the business outcomes of the private sector by size and sector. 'Business Outcomes' is measured using a scale comprising several of the items in Table 2.7: volume of business in the last two years, overall profits in the last two years, current business position and size of workforce compared to two years ago. Each item is scaled to range from 0 (worst position) to 2 (best position) and the scale is the average across the items and multiplied by five so that it ranges from 0 (the worst possible position) to 10 (the best possible position). A score of 5 on this scale represents the neutral (remains unchanged) point. The scale has a reliability of 0.76, a mean value of 3.2 and a standard deviation of 2.7.

We can see from Figure 2.2 that business outcomes tend to be unfavourable rather than neutral (that is, beneath the neutral score of 5) for all size categories and sectors – clear evidence of the general impact of the recession. The differences by sector are more substantial than the differences by size of firm, with more favourable business outcomes in Financial/ Insurance and Business Services (mean = 3.7) and Manufacturing (mean = 3.5) than in Construction (mean = 2.3) and Distribution (mean = 2.6). Small firms have experienced more unfavourable business outcomes in the last two years than the large firms (mean 2.9 to 3.0 compared to 3.9 for firms with more than 250 employees).

Figure 2.2 Mean Value on Business Outcomes Scale by Industry and Firm Size in the Private Sector



Summary

In this chapter, we examined characteristics of the organisational context of public and private sector employment in Ireland. We saw that public sector employment is characterised by large organisations that were more likely to have had vacancies that were difficult to fill in the previous years, and that make greater use of temporary staff. As we will see in the next chapter, budgetary constraints as well as staffing difficulties pose a challenge to public sector employers. Private sector employment is more likely to be in smaller organisations that have experienced a decline in their business position and profitability since 2003. The findings, in some detail, are as follows:

- The public sector is characterised by large employers (though, not necessarily by large workplaces), a higher proportion of temporary workers, and a higher use of agency workers, although the latter typically constitutes a very small proportion of all employment. Use of agency workers is more common in the Health sector than elsewhere, but they tend to account for a very small percentage of total employment (less than one per cent). Use of temporary workers is most common in Education and Health, where about one-quarter of employment is in organisations with more than one worker in five on a temporary contract.
- In the public sector, two thirds of employment is in Health and Education, while the biggest share of employment in the private sector is in services such as Hotel/Restaurant/ Other Services and Financial/Insurance/ Business Services.
- The largest employer organisations in the private sector tend to be in the High-Tech Manufacturing and Financial/Insurance/ Business Services sector, where about one job in five is in an organisation employing 250 or more people. The smallest employer organisations are in Construction, where over half of employment is in firms with fewer than twenty employees.
- The public sector was more likely to have had vacancies in 2008, the year prior to the survey: 82 per cent of public sector employment and 49 per cent of private sector employment is in organisations with at least some vacancies in 2008. The level of vacancies tended to be higher in the Health sector, but also Education and Semi-State organisations. In a period of recruitment constraint, the relatively high level of vacancies in these sectors is likely to pose challenges for service delivery.
- Public sector employment, particularly in Education, Health and State agencies, is also more likely to be in organisations with difficult-to-fill vacancies in the two years prior to the survey due to a lack of adequately qualified candidates.
- Use of temporary and agency workers is rare in the private sector, and, where they are employed, they constitute a small proportion of total employment in 2009. Most private sector employment is in firms that are Irish-owned (85 per cent), firms that do not recognise a union or have a staff association (65 per cent) and firms that do not engage in collective bargaining (82 per cent).

- The business and employment position in private sector firms shows clear evidence of the economic downturn. Using a business outcomes scale that takes account of the employer's assessment of profitability, volume of business and employment change over the past two years and current business position, the average score (out of ten) is 3.2 – well below the 'neutral' value of 5. Differences by sector are more substantial than differences by size of firm, with somewhat more favourable outcomes in Finance/Insurance/Business Services (3.7) and Manufacturing (3.5) than in Construction (2.3) or Distribution (2.6).

In the next chapter, we turn to the pressures for change that affect employment in the public and private sector in 2009 compared to 2003. As we might expect from the results presented so far, the economic downturn will figure as a major factor in both the public and private sectors.

Chapter 3

Pressures for Change and Barriers to Change

We saw in Chapter 1 that there are reasons to expect that external pressures on the organisation may be a spur to organisational innovation. Organisational performance may decline because organisational routines have become less effective, leading to a search for solutions that result in organisational innovation. On the other hand, while an economic crisis such as that faced by organisations in 2009 may result in pressures for change, organisations may lack the resources to introduce such changes in a period of recession.

In this chapter we present the results on the main pressures for change faced in the private and public sectors in 2009. As the operating context is quite different, we present the results for the public and private sectors separately. Again, we present the weighted results for 2009 and for 2003 using the employment weights so that the results presented refer to employment in the sectors rather than to firms or organisations in the sectors. For the public sector, we also examine barriers to change to provide an insight into the strategies that will be needed to deliver on the *Transforming Public Services* agenda.

Pressures for Change in the Private Sector

Table 3.1 presents the factors leading to pressure for change in the private sector under a number of headings. We examine various sources of pressure for change on private sector organisations and measure the reported intensity of those pressures.

The first impression from Table 3.1 is that, the downturn in the economy is by far the greatest cause of intense pressure for firms (64 per cent). After that, the range of issues resulting in intense pressure is quite broad with at least one-quarter of employment in firms experiencing intense pressure in areas related to competition and markets, labour and the operating environment.

The effects of the downturn are also reflected in other associated pressures, including competition from other companies (30 per cent), increasing demands of customers (15 per cent) and contracting markets (31 per cent).

Overall, labour issues are less important than competition and markets as a source of intense pressure. The most important of the labour issues is labour costs (including the cost of benefits and social insurance), which results in intense pressure for 38 per cent of the private sector. Labour regulation and legislation is associated with intense pressure for 22 per cent of private sector employment. Difficulty in recruiting appropriate staff is relatively unimportant (only 1 per cent intense pressure), as we would expect in a period of rising unemployment.

In Table 3.1, we also compare the results from 2009 to those for 2003. Note that the 2003 figures may appear to differ from the previously published results for 2003 because, here, we are weighting to total employment rather than to total number of firms. It is apparent that Contracting Markets for goods and services is a more common source of intense pressure in 2009 (31 per cent) than in 2003 (13 per cent). In terms of labour issues, the private sector in 2009 is experiencing less difficulty in recruiting appropriate staff, but broadly similar levels of pressure associated with demands from staff for workplace change, Labour costs and benefits and Labour regulation and legislation.

Table 3.1 | Factors leading to pressure for change in the private sector (percentage)

Private Sector	2009			2003		
	Intense	Some	None/NA	Intense	Some	None/NA
Competition & Markets						
Downturn in the economy	64	33	3			
Competition from other companies	30	56	15	34	57	9
Increasing demands of your customers	15	54	30	19	63	18
Contracting market for your goods or services	31	37	32	13	40	47
Product innovation in your line of business	7	35	59	8	37	55
Labour						
Difficulty In recruiting appropriate staff	1	15	84	8	40	52
Increasing demands for workplace changes from employees	2	19	79	4	37	59
Labour costs and benefits (Incl. social insurance)	38	48	14	37	50	13
Labour regulation and legislation	22	47	31	20	54	27
Operating Environment						
Changes In technology in your line of business	4	29	66	6	35	59
Product and production regulation and legislation	12	48	40	23	45	32
Fluctuations In exchange rates	16	31	53	11	38	52
Insurance costs	21	57	22	64	29	7
Energy costs	32	51	17			
Other operating costs	27	61	13	27	62	11
Access to credit and money	26	37	37			
Other	12	3	84	5	2	93

Source: National Workplace Surveys – Employers, 2009 and 2003, weighted to total employment.

It is significant that the extent to which Labour costs and Labour regulations are causing intense pressure for firms has changed very little from 2003 to 2009, although it remains the second most important source of pressure, after the economic downturn.

In terms of the operating environment, Energy costs are most likely to be a source of intense pressure in 2009 and the relative importance of Insurance costs in the private sector has declined dramatically since 2003 (21 per cent compared to 64 per cent ‘intense pressure’ in 2003). Similarly, Product and Production regulations/legislation are less likely to result in intense pressure for

change in 2009 (12 per cent) than in 2003 (23 per cent).

Table 3.2 examines factors causing intense pressure for change in the private sector by size of the firm. The similarities across the size categories are much more striking than the differences. Where there are differences, larger firms are more likely to experience intense pressure. Contracting markets, labour costs, energy costs and fluctuating exchange rates are more likely to be an issue in larger firms, but otherwise the same factors are important irrespective of firm size.

Table 3.2 Factors causing intense pressure for change- percentage by size of enterprise in private sector employment

	Micro: 1-9	Small: 11-19	Small: 20-49	Medium: 50-99	Med: 100-249	Large: 250+
Downturn in the economy	54	66	68	66	72	67
Competition from other companies	24	27	29	35	36	33
Increasing demands of your customers	9	12	16	19	18	26
Contracting market for your goods or services	22	25	28	39	40	40
Product innovation in your line of business	6	6	6	6	8	11
Difficulty in recruiting appropriate staff	2	1	2	1	1	1
Increasing demands for workplace changes	1	2	2	3	3	3
Labour costs & benefits (including social insurance)	25	35	34	42	53	53
Labour regulation and legislation	15	22	21	27	25	25
Changes in technology in your line of business	4	4	2	3	3	9
Product and production regulation and legislation	11	13	11	12	14	13
Fluctuations in exchange rates	10	10	12	26	24	21
Insurance costs	21	22	22	22	16	18
Energy costs	27	33	31	35	32	36
Other operating costs	24	26	24	30	27	30
Access to credit and money	26	26	29	27	26	18
Other	10	11	14	17	12	14

Source: National Workplace Surveys – Employers, 2009, weighted to total employment.

Table 3.3 turns to differences by sector in the factors causing intense pressure for change. The impact of the economic downturn is the most commonly cited source of intense pressure in all sectors, but particularly in Construction. Four-fifths of employment in the Construction sector is in firms experiencing intense pressure as a result of the recession. The impact on employment in Traditional Manufacturing and in the Hotel/Restaurant/Other services sector is still considerable but much lower than in Construction (56 per cent to 58 per cent of employment is in firms experiencing intense pressure).

Other differences by sector include the greater impact of competition in Construction (49 per cent intense pressure) than in other sectors (22 per cent to 34 per cent); the general impact of labour costs and benefits (highest in Construction and Distribution); the significance of fluctuations in exchange rates for the manufacturing and Distribution sectors; and, apart from Financial/Insurance/Business Services (14 per cent), the significance of energy costs (24 per cent to 39 per cent). Access to credit and money is more likely to cause intense pressure in Construction (44 per cent) and Distribution (32 per cent) than in the other sectors (19 per cent to 23 per cent).

Table 3.3 Factors causing intense pressure for change (%) by sector of enterprise in private sector employment

	Trad. Manuf.	Hi-Tech Manuf.	Construction	Distribution	Finan./ Insur./ Business	Hotel/ Rest./ Other
Downturn in the economy	56	62	80	73	61	58
Competition from other companies	32	34	49	30	22	26
Increasing demands of customers	17	14	10	17	21	12
Contracting market for goods/services	31	31	46	35	35	21
Product innovation in business	9	14	4	6	6	5
Difficulty in recruiting appropriate staff	1	1	1	1	1	2
Increasing demands for workplace changes	1	1	3	1	2	3
Labour costs and benefits (including social insurance)	30	41	46	44	32	36
Labour regulation and legislation	17	22	28	25	17	23
Changes in technology in business	5	9	1	3	3	4
Product and production regulation & legislation	16	13	9	14	9	13
Fluctuations in exchange rates	32	25	6	27	7	10
Insurance costs	19	19	22	23	12	26
Energy costs	39	38	24	38	14	38
Other operating costs	25	28	24	31	16	31
Access to credit and money	23	19	44	32	21	22
Other	9	13	12	15	14	11

Source: National Workplace Surveys – Employers, 2009, weighted to total employment.

Pressure for Change in the Public Sector

In Table 3.4 we examine the factors leading to pressure for change in the public sector. As we saw in the private sector, the challenges of coping with the economic downturn and related issues such as budget constraints are the source of the most intense pressure in the public sector. Almost nine out of ten (87 per cent) of public sector employees, work in organisations experiencing intense pressure as a result of coping with the economic downturn and budget constraints (85 per cent). It is worth noting that the importance of budget constraints is not solely a feature of the economic downturn, as this was also the most frequently cited source of intense pressure in the public sector in 2003.

Turning to regulation we see that 52 per cent of public sector employment is in organisations that experience intense pressure as a result of national regulation, legislation or policy. European legislation and regulation is less important, resulting in intense pressure for 22 per cent of the public sector.

Other pressures are found in the area of service provision in the public sector. The main related source of pressure is the requirement for efficiency and productivity in the delivery of services: 63 per cent of public sector employment is in organisations experiencing intense pressure in this regard. Also important is a demand for an increase in the quality of the service delivered (43 per cent) and increases in the size of the target group of clients (45 per cent).

Table 3.4 Factors leading to pressure for change in the public sector (percentage)

Public Sector	2009			2003		
	Intense	Some	None/NA	Intense	Some	None/NA
Regulations						
National regulations, legislation or policy	52	48	1	35	62	3
European or international regulations, legislation	22	73	5	16	74	10
Legislation on equality or diversity in the workplace	3	79	18	10	65	25
Service Provision						
Demand for an increase in quality of service delivered	43	45	12	55	37	8
Requirement for efficiency/productivity	63	35	2	56	37	7
Need to change opening/closing times to suit your clients or users	10	52	38	8	38	54
Providing new services for users	29	57	14	11	74	15
Co-Ordination with the services provided by others	5	68	27	12	72	16
Increases in the size of your target group or clients	45	40	15	24	58	18
The demand to make services available online	1	59	41			
Accountability						
Scrutiny by the media	32	54	14	18	58	24
Freedom of information	25	42	33	7	68	25
Increased accountability to the Oireachtas	26	37	36			
Public Service						
Public service reform agenda	49	36	14	40	42	18
Budget constraints	85	11	5	73	23	4
Decentralisation	3	40	56			
Adhering to social partnership agreements	25	50	25	13	62	24
Availability of appropriately qualified staff	3	65	31	16	65	18
Rationalisation/restructuring of State agencies	8	57	35			
Coping with the economic downturn	87	9	4			
Other	31	59	10	9	4	87
Public Sector Internal Pressures						
Internal—employee needs for greater flexibility	9	90	1	14	77	9
Internal—demands by staff for greater say and involvement	21	60	20	7	82	12
Internal—employee needs for recognition and reward	3	89	9			
Internal—introduction of new technology	9	85	6	15	72	13
Internal—equality and diversity in the workplace	2	82	17	10	67	24
Internal—in house initiatives to deliver public service reform	47	46	6			
Internal—need to work with other departments /agencies	8	70	22			
Internal—other	14	81	5	62	33	5

Source: National Workplace Surveys – Employers, 2009 and 2003, weighted to total employment.

Other pressures for change in 2009 (31 per cent) included a range of issues specific to the organisation or sector, and some general issues such as public sector recruitment constraints.

In early 2009, there were a number of high profile controversies involving travel and other expenses of politicians and senior officials in public sector organisations and intense media interest in the extent to which large expenditures in the public sector were delivering value for money. In this context, it is not surprising that the issue of accountability and media scrutiny were sources of intense pressure. Accountability is also an issue for a substantial proportion of the public sector: 32 per cent of the public sector experiences intense pressure as a result of scrutiny by the media and 25 per cent to 26 per cent as a result of freedom of information and increased accountability to the Oireachtas.

Internal pressures for change tend to be less important. Chief among these are internal pressures to deliver public sector reform (47 per cent intense pressure) and internal demands by staff for greater involvement in the workplace (21 per cent).

In comparing the 2009 findings with those of 2003, we can see that some elements of service provision in the public sector were causing more intense pressure in the most recent survey. For example, a higher proportion of employment in the public sector in 2009 was in organisations experiencing intense pressure associated with increases in the size of their target group or clients in comparison with 2003 (45 per cent versus 24 per cent). This reflects, in part, the increased demand for particular public services resulting from the recession. We also find that the pressure to provide new services generated more intensive pressure in 2009 (29 per cent) than in 2003 (11 per cent). Other factors, including ongoing demographic changes to the overall size and age profile of the population may also explain some of these changes.

It is also clear from the analysis that the requirement for accountability is currently causing more pressure for change in the public sector than in 2003. In 2003, the percentage of public sector employment in organisations experiencing intense pressure caused by media scrutiny was 18 per cent and this has risen to 32 per cent in the more recent survey. Similarly, compliance with Freedom of Information Legislation is a source of intense pressure for 29 per cent of the public sector in 2009, which has risen from only 7 per cent of the sector in 2003. Accountability and transparency are important goals for the public sector in a democracy. However, in the context of the ongoing fiscal crisis in 2009 concerning expenditure by a number of public sector bodies, the pressure of media scrutiny is likely to have been unusually intense.

Barriers to Change in the Public Sector

In this section, we turn to the public sector to examine employers' perceptions of the main barriers to change. As we saw in Chapter 2, most public sector employment is in very large organisations. Although Schumpeter's (1950) argument linking innovation to organisation size was developed with respect to the private sector, the logic is equally valid in the public sector. To the extent that organisational innovation involves a fixed cost, in larger organisations this can be spread over a larger number of employees and the greater resources of larger organisations should increase the capability of the public sector to implement technological and organisational innovation. Further, since larger organisations face greater challenges around co-ordination, this ought to increase the motivation to adopt flexible work-practices, cross-functional teamworking and flatter management structures.

However, the public sector may face a number of unique barriers to change. We asked public sector employers to identify whether a range of factors represented a barrier to change, with response options being 'major barrier', 'barrier', 'not a barrier' or 'not applicable'. This will help identify some of the issues that need to be tackled in order to deliver public sector reform. The results are summarised in Table 3.5.

The main barrier (most often identified as a major barrier) is budget constraints (82 per cent) followed by recruitment constraints (65 per cent) and uncertainty about the future (63 per cent). The impact of the economic downturn and the fiscal crisis can be readily seen in these figures.

There is also evidence of significant barriers to change in inherited organisational structures, particularly those linked to the centralisation of budgeting, HR and decision making. Apart from recruitment constraints, other factors frequently identified as a major barrier to change are management structures within the organisation (28 per cent), the hierarchical nature of the organisation (29 per cent) and lack of leadership capability (28 per cent). Among the human resource factors frequently identified are the promotions process (41 per cent), willingness of unions to engage constructively with change (50 per cent), capacity to deal with underachievement (35 per cent) or reward good performance (32 per cent), and willingness of staff to change (31 per cent). The public sector managers are clearly facing barriers to making work rewarding for employees in a challenging environment. Many of the structural issues experienced as barriers are not within the remit of public sector managers to change at the organisation level because of centralisation of decisions on reward systems, grades and negotiations with unions. This will inevitably lead to frustration among those public sector managers who are proactively seeking to implement changes in the context of public sector modernisation.

We noted already that the main barrier is budget constraints and that uncertainty about the future is also very important. Other external factors identified as important barriers to change include the centralisation of public sector resource allocation and financing (47 per cent), lack of clarity regarding future institutional support for the organisation (46 per cent) and centralisation of public sector human resource systems (41 per cent).

When we compare the results for 2009 to those from the 2003 survey, it is clear that a number of barriers have gained in importance since 2003. In particular, inherited structures and practices that make it more difficult to adopt flexible and adaptive work practices are more to the fore in 2009. It is likely that these barriers have become more salient with the intensification of efforts to introduce organisational innovations in line with the *Transforming Public Services* agenda. For instance, the management structure within an organisation represents a major barrier for 28 per cent of public sector employment in 2009 in comparison to 4 per cent in 2003. Other factors that have grown in importance as barriers to change are the hierarchical nature of the organisation (29 per cent 'major barrier' compared to 6 per cent in 2003), the promotions process (41 per cent compared to 5 per cent), the willingness of staff within an organisation to change (31 per cent compared to 9 per cent in 2003) and the willingness of unions to engage constructively with change (50 per cent, compared to 17 per cent). These responses suggest that public sector managers are experiencing considerable frustration arising from structures over which they have limited control in their efforts to introduce reforms.

Table 3.5 | Barriers to change in the public sector in 2009 and 2003 (percentage)

	2009			2003		
	Major Barrier	Barrier	No/NA	Major Barrier	Barrier	No/NA
Management and Organisation						
Management structures within your organisation	28	38	34	4	47	49
Ability and experience of management	3	61	36	4	42	55
Recruitment constraints	65	25	10			
Willingness of management to change	3	59	38	3	39	58
Hierarchical nature of organisation	29	42	30	6	48	46
High levels of bureaucracy	19	63	17	9	56	35
Lack of leadership capability	28	35	37			
Human Resources						
The promotions process	41	25	34	5	31	64
Level of responsibility devolved to individual	23	45	32	4	48	48
Capacity to deal with under-achievement	35	52	13	20	58	22
Capacity to reward high performance	32	60	9	47	38	14
Limitations on career progression	5	75	21			
Willingness of staff to change	31	51	17	9	41	51
Union willingness to engage constructively with change	50	36	14	17	50	32
Lack of local flexibility in industrial relations	37	36	26	18	45	37
External Constraints						
Budget constraints	82	17	1	70	22	8
Centralisation of resource allocation/finance	47	22	31	48	32	20
Centralisation of public sector HR systems	41	20	39	36	24	40
Lack of integration with other relevant departments	16	44	40			
Uncertainty about the future	63	25	12			
Lack of clarity re future institutional support for organisation	46	31	23			

Source: National Workplace Surveys – Employers, 2009 and 2003, weighted to total employment.

Barriers by Sector

We can see from Table 3.6 that there is considerable variation across the public sector. We saw earlier that across the public sector as a whole, budget constraints and recruitment constraints were most often identified as a major barrier. These tend to be the most important barriers overall, but there are some interesting differences. For instance, budget constraints are cited as a major barrier by organisations accounting for 77 per cent of civil service employment, and recruitment constraints are relatively less important (44 per cent). In the Education sector, budget constraints and recruitment constraints are the dominant barriers (89 per cent to 90 per cent), though ‘the extent

to which one can reward high performance’ is almost as important (83 per cent) as is ‘the extent to which one can deal with underachievement’ (80 per cent). Uncertainty about the future (78 per cent) is also important in the Education sector.

Budget constraints are by far the most important barrier to change for Local government/ regional bodies (91 per cent). Like the civil service, recruitment constraints are relatively less important for these organisations (41 per cent), but unlike the civil service, uncertainty about the future is a significant barrier to change (51 per cent). Recruitment constraints and uncertainty about the future are the most important barriers

in the non-commercial Semi-State sector, (52 to 57 per cent), and budget constraints are less important for these organisations than for others in the public sector (40 per cent). In the Health sector, budget constraints (88 per cent) and recruitment constraints (74 per cent) are the most important barriers to change, but uncertainty about the future (76 per cent) and the centralisation of public sector resource allocation (71 per cent) are also very important barriers.

There are a number of factors which emerge as a major barrier in some sectors but not generally in the public sector. Among these are management structures within the organisation (66 per cent, Education sector), willingness of staff to change (58 per cent, Health sector), high levels of bureaucracy (51 per cent, Education sector), the level of responsibility devolved to individuals or

work teams (57 per cent, Health sector), and lack of integration with other relevant departments and agencies (50 per cent, Education sector).

Overall, and apart from budget and recruitment constraints, which are important across the public sector, what is striking is how organisations within the public sector differ in terms of what they experience as major barriers to change. This diversity has its roots in the very different roles of the organisations, differences in the mix of professional, technical and routine operations, and differences in the scale of their operations. The diversity suggests that no single strategy will be appropriate for all parts of the public sector in terms of progressing public sector modernisation, but that the approach must be tailored to the needs and circumstances of the organisation and its role.

Table 3.6 Major barriers to change by sector (percentage of public sector employment by sector where each factor represents a major barrier)

	Civil Service	Education	Local Gov./ Regional Bodies	Non Commerical Semi-state	Health
Management structures within your organisation	13	66	3	6	16
Ability and experience of management	0	5	1	5	3
Recruitment constraints	44	90	41	57	74
Willingness of management within the organisation to change	17	1	1	4	2
Hierarchical nature of the organisation	13	9	5	2	64
High levels of bureaucracy	3	51	3	0	9
Lack of leadership capability	0	5	2	5	70
The promotions process	24	52	8	3	60
The level of responsibility devolved to individuals/work teams	0	6	1	0	57
Capacity to deal with under-achievement	39	80	15	22	11
Capacity to reward high performance	2	83	21	11	11
Limitations on career progression	10	3	2	26	5
Willingness of staff to change	18	26	2	4	58
Willingness of unions to engage constructively with change	23	69	25	27	62
Lack of local flexibility in industrial relations negotiations	0	46	3	12	62
Budget constraints	77	89	91	40	88
Centralisation of public sector resource allocation/finances	14	46	48	22	71
Centralisation of public sector human resource systems	11	45	10	9	68
Lack of integration with other relevant departments and agencies	1	50	9	2	0
Uncertainty about the future	24	78	68	52	76
Lack of clarity re future institutional support for organisation	4	31	51	15	71

Source: National Workplace Surveys – Employers, 2009, weighted to total employment.

Summary

In this chapter we examined the pressures for change in the public and private sectors and barriers to change in the public sector. The key findings are:

- In both the public and private sectors, a range of issues were identified as causing intense *pressure for change*. Not surprisingly, the economic downturn was the dominant factor, but a range of other issues was identified by organisations accounting for one third or more of total employment. The diversity of challenges facing employers suggests that a tailored set of responses will be needed.
- In the *private sector*, the downturn in the economy is most likely to cause intense pressure for change (average 64 per cent across all sectors), particularly in Construction (80 per cent).
 - Other factors causing intense pressure for change in 2009 for a substantial proportion (30 per cent to 38 per cent) of firms include labour costs and benefits, energy costs, contracting markets for goods and services and competition from other companies.
 - It is significant, however, that there has been very little change since 2003 in the extent to which labour costs and labour regulation is causing intense pressure. We might have expected an increase resulting from the recession. Clearly, the understanding that employers have of the source of their current challenges goes beyond a focus on labour costs.
- The similarities are more striking than the differences by size of firm in the factors causing intense pressure for change. Some differences worth noting are that contracting markets, fluctuations in exchange rates and labour costs tend to be experienced as an intense pressure more often by large firms.
- The Construction sector stands out in a number of respects. It is most likely to be experiencing intense pressure as a result of the economic downturn (80 per cent), competition (49 per cent), labour costs and benefits (46 per cent) and access to credit and money (44 per cent).
- Since 2003, the extent to which contracting markets are creating intense pressure in the private sector has increased markedly from 13 per cent to 31 per cent. At the same time, Insurance costs have become less important by 2009 (from 64 per cent to 21 per cent intense pressure).
- In the *public sector*, the factors most likely to lead to *pressure for change* are coping with the economic downturn (87 per cent) and budget constraints (85 per cent). Budget constraints were also most often cited as leading to intense pressure for change in the 2003 survey.
 - Accountability is also an issue for a substantial proportion of the public sector: 32 per cent of the public sector experiences intense pressure as a result of scrutiny by the media; 25 per cent as a result of requests under the Freedom of Information Act and 26 per cent as a result of increased accountability to the Oireachtas. Scrutiny by the media and freedom of information requests have become more important as sources of intense pressure in 2009 than they were in 2003.

- Other factors causing intense pressure more often in 2009 than in 2003 are the increasing size of client or target groups (from 24 per cent to 45 per cent) and the provision of new services (from 11 per cent to 29 per cent).
- In the context of the public sector modernisation agenda, we asked public sector employers about *barriers to change* in the public sector. As in 2003, budget constraints (82 per cent) were most often identified as a major barrier to change. Recruitment constraints (65 per cent) and uncertainty about the future (63 per cent) were also very frequently identified as major barriers in 2009.
- A number of barriers have gained importance since 2003. In particular, structures and practices that make it more difficult to adopt flexible employment practices are more to the fore in 2009. These include management structures within the organisation (from 4 per cent in 2003 to 28 per cent in 2009); the hierarchical nature of the organisation (from 6 per cent to 29 per cent); the promotions process (from 5 per cent to 41 per cent); the willingness of staff to change (from 9 per cent to 31 per cent); and the willingness of unions to engage constructively with change (17 per cent to 50 per cent). It is likely that these barriers, over which public sector managers have limited control, have become more salient with the intensification of efforts to introduce new work practices in line with the public sector reform agenda.
- When we examine the similarities and differences *between these barriers to change across the public sector*, budget and recruitment constraints tend to be the most important but there are some important differences. For instance, the extent to which one can reward high performance and deal with underachievement and management

structures within the organisation are most likely to be experienced as a major barrier to change in the Education sector. The centralisation of public sector resource allocation and human resource systems and the lack of local flexibility in industrial relations negotiations are much more likely to be experienced as a major barrier to change in Health than elsewhere in the public sector.

- The considerable diversity in the barriers to change faced by organisations in the different parts of the public sector suggests that the emphasis in the *Transforming Public Services* agenda on developing customised implementation strategies at the sectoral level has to be fully realised if the goals of the reform process are to be achieved.

We saw in Chapter 2 the impact of the recession in terms of a decline in profitability, business position and employment trends. In this chapter, challenges resulting from the economic downturn emerge as the main source of pressure, both in the public and private sector. In the private sector, the pressure is most likely to be intense in Construction.

Also in Chapter 2, we saw that the public sector was more likely to experience difficulty in filling vacancies in 2007 and 2008, due to a lack of qualified applicants. This was a particularly the case in the Health sector. Moving into a recessionary period of recruitment constraints with a backlog of unfilled vacancies poses a particular challenge to these public sector workplaces. In the public sector, recruitment constraints and budget constraints both generate pressure for change and constitute a barrier to change. Workplace innovations to enhance efficiency in service delivery are crucial if the quality of service is to be maintained and needs are to be met.

Chapter 4

Employer Strategic Response

In this Chapter, we focus on employers' general orientation in responding to pressures. Here we ask how important a set of general strategies is in responding to pressure for change currently and how important it is expected to be in the future. As such, we are dealing with general orientations rather than specific practices.

In this way, we are able to compare the responses to pressures for change in the public and private sectors, as most of the items were included on both questionnaires. Table 4.1 shows the results in terms of current responses to pressure. As in earlier chapters, the figures in this section are weighted to reflect the employment distribution in the public and private sectors.

One difference between the public and private sectors that is immediately evident is the greater tendency for strategies to be identified as 'very important' in the public sector. In the public sector, there are nine responses that are identified as 'very important' by organisations accounting for over 50 per cent of employment. In the private sector, by contrast, no one response has been identified as 'very important' by firms accounting for more than 50 per cent of employment.

This is evidence of diffusion of the message in the *Transforming Public Services* agenda, which emphasises the development of new ways of working in order to enhance the efficiency and quality of service delivery. Moreover, the current budgetary climate is one in which all organisations are seeking ways to 'do more with less'. The responses show that public sector senior managers have an awareness and understanding of the workplace development processes required to modernise the organisation and delivery of public services.

We can surmise a number of potential explanations for the different patterns of responses in the public and private sectors. For instance, the organisational impact arising from the economic downturn may have been more immediately felt by private sector employers than by public sector employers, who are most likely to experience the full impact in the context of future rounds of budget allocation. Or, it could be the case that many of the extensive range of issues now being dealt with by public sector managers had at some time in the past been dealt with by their counterparts in the private sector.

Nevertheless, evidence of the diffusion of ideas on the need for innovation in workplace organisation can be seen in the public sector responses. In particular, it is clear that public sector managers regard a wide range of responses as important, suggesting a sense of the need for change across a range of areas rather than identifying a single, simple solution. Among the most important strategies in the public sector are encouraging greater flexibility in the workforce (78 per cent of the public sector); reducing other production costs (77 per cent); improving the quality of goods or services (77 per cent); introducing new ways of working (72 per cent); and training and development (65 per cent). It is interesting to look at strategies that are rarely regarded as important (10 per cent or less), and there are few such strategies in the public sector: increased use of agency workers (2 per cent); increased use of other temporary staff (3 per cent); outsourcing (5 per cent); and increasing the number of employees (10 per cent).

Table 4.1 | Responses to pressures in the public and private sectors (how important currently percentage)

	Public Sector 2009			Private Sector 2009			Public 2003	Private 2003
	importance Very	importance Fairly	Not	importance Very	importance Fairly	Not	importance Very	importance Very
Output/Customer orientation								
Introducing new products/services	35	31	34	33	43	25		33
Introducing new technology	49	49	1	18	41	41	41	15
Introducing new processes	52	46	2	19	45	36		
Improving quality of goods/services	72	26	2	42	44	14		45
Customising goods/services to needs of clients	59	32	9	41	44	16		41
Workplace change orientation								
Encouraging greater flexibility	78	21	0	34	49	17		23
Introducing new ways of working	72	26	2	24	52	25		14
Increase staff involvement	24	73	3	15	57	28	18	15
Training and development	65	35	0	23	58	19	62	23
Other Strategies								
Reducing other (production) costs	77	21	2	43	42	15		33
Relocation of operations abroad				3	7	91		3
Outsourcing	5	54	41	3	15	82	4	7
Increasing the number of employees	10	37	53	2	12	86		
Reducing the number of employees	14	46	40	16	34	50		8
Increased use of agency workers	2	31	67	1	5	94		
Increased use of other temporary staff	3	47	50	3	16	81	5	
Other Strategies in public sector								
Rationalisation/restructuring agencies	41	26	32					
Performance measurement	52	36	13				43	
Open recruitment for all grades	40	16	44				17	
Redeployment of staff	53	28	19					
Other Strategies in private sector								
Increased marketing or promotion				25	50	25		23
Other								
				34	7	60		1

Source: National Workplace Surveys – Employers, 2009 and 2003, weighted to total employment.

In the private sector, no strategy is identified as very important by organisations accounting for over half of employment. There seems to be less unanimity than in the public sector and less of a tendency to identify responses as currently very important.

Again, the responses identified as important range across a number of areas, including innovation in products and services, improving quality, customising, cost reduction and encouraging worker flexibility and new ways of working.

The reduction of other production costs, improving the quality of goods and services and customising goods and services to the needs of customers are identified as very important most often (by organisations accounting for 41 per cent to 43 per cent of private sector employment). Encouraging greater flexibility in the workforce and introducing new products and services are identified as very important fairly frequently (33 per cent to 34 per cent).

It is interesting that while introducing new ways of working was often identified as very important in the public sector, this did not emerge as particularly important in the private sector (24 per cent). The same is true of training and development (65 per cent in the public sector and 23 per cent in the private sector). This may reflect the impact on thinking in the public sector of the emphasis on workplace organisation in *Transforming Public Services*, and the associated need to develop employee skills.

It is also interesting, in the current economic climate, that reducing the number of employees is infrequently identified as a very important strategy (14 per cent in the public sector and 16 per cent in the private sector). Related strategies such as increasing the number of agency or other temporary workers (1 per cent to 3 per cent) and outsourcing (3 per cent to 5 per cent) are also rarely identified as currently very important in either the public or private sectors.

Since 2003, a number of responses to change have grown in importance in the private sector, being more often cited as a ‘very important’ response to change in 2009. These include reducing production costs (from 33 per cent ‘very important’ in 2003 to 43 per cent in 2009) and encouraging greater flexibility among the workforce (from 23 per cent to 34 per cent).

In the public sector, the most significant development has been the growing importance of open recruitment for all grades (from 17 per cent ‘very important’ in 2003 to 40 per cent in 2009). This may be a response to difficulties, as we saw in Chapter 2, in filling vacancies that were experienced in 2007–2008, but it is also a strategy that is endorsed by the OECD (2008) review of the public sector in Ireland as a means to ensure that required skills and capacities are available.

Broad strategic responses now and in the future

The primary strategy identified by employers in both the public and private sectors for responding to pressure for change was cost reduction. In addition, in order to get a clearer picture of other significant strategic responses by employers, we conducted a factor analysis of the range of other issues. This analysis identified two other main factors: a general orientation to output and customers, and a general orientation to workplace change. The component items are shown under the corresponding headings in Table 4.1.

We constructed a scale for each of these orientations, ranging from 0 to 10, where a higher score indicates greater importance. Table 4.2 shows the mean value on each scale by sector and by size of firm in the private sector. It also shows how important these general approaches will be in the next three years.

As noted above, public sector employers tend to rate more of the responses as ‘very important’ than private employers. As a result, we can see in Table 4.2 that the average score on the scales tends to be higher in the public than the private sector. It is worth noting that while an emphasis on workplace change tends to be somewhat more important than an emphasis on output in the public sector (7.9 and 7.2 respectively); the two general strategies tend to be equally important in the private sector (5.1 and 5.2 respectively).

Table 4.2 Employers general orientation by sector and size of private sector firm: Importance currently and in the next three years

	Output/customer orientation		Workplace Change orientation	
	Current	Next 3 years	Current	Next 3 years
Total Public Sector	7.2	8.1	7.9	8.0
Total Private Sector	5.2	5.9	5.1	5.5
Detailed Sector (Public)				
Civil Service	5.4	6.2	6.6	6.7
Education	6.1	8.0	7.7	7.8
Regional bodies	7.1	7.7	7.4	7.6
Non-commercial semi-state	6.6	7.1	7.2	7.6
Health	8.4	8.8	8.4	8.4
Industry (Private)				
Traditional manufacture	5.6	6.3	5.1	5.6
Hi-Tech manufacture	6.2	6.8	5.2	5.6
Construction	4.6	5.3	4.7	5.4
Distribution	5.1	5.7	5.2	5.7
Financial/insurance/business	5.4	6.2	5.1	5.5
Hotel/restaurant/other services	4.9	5.6	5.1	5.5
Firm size (Private)				
Micro:1-9	4.4	5.1	4.0	4.3
Small:11-19	4.9	5.6	4.9	5.4
Small:20-49	5.1	6.0	5.1	5.6
Medium:50-99	5.7	6.3	5.6	6.1
Medium:100-249	5.9	6.5	6.0	6.3
Large: 250+	6.3	7.0	6.1	6.6

Source: National Workplace Surveys – Employers, 2009, weighted to total employment. Table shows mean value on a scale ranging from 0 (low) to 10 (high).

It is interesting to compare employers' views of these two strategies currently with their perceived importance in the next three years. In the public sector, strategies that emphasise output and customer service are seen as increasing in importance (from 7.2 to 8.1) while strategies that emphasise workplace change remain at the same level as currently. In the private sector, both strategies emphasising output and customer service (from 5.2 to 5.9) and strategies emphasising workplace change (from 5.1 to 5.5) increase in importance.

Within the public sector, the orientation to output and customer service is strongest in Health (8.4 currently and 8.8 in the next three years), but is expected to increase in importance in all parts of the public sector, particularly in Education (from 6.1 to 8.0). The emphasis on workplace change is also strongest in Health (8.4) where it is expected to retain its importance in the next three years.

In the private sector, the orientation to output and customer service is weaker in Construction and Hotel/Restaurant/Other Services (4.6 to 4.9) than in other sectors, but is expected to increase substantially in importance over the next three years (to 5.3 and 5.6 respectively). The emphasis on workplace change is also weaker in Construction than elsewhere in the private sector (4.7) but is expected to become about as important as elsewhere in the private sector over the next three years (increasing to 5.4).

Size of firm is an important determinant of the importance of both general strategic orientations, with both an emphasis on output/customer service and on workplace change having higher average scores in large (over 250 employees) firms (6.3 and 6.1 respectively) and expected to remain more important here than in smaller firms.

Summary

In this chapter we examined employers' general strategic response to the pressures they were facing. We found a striking difference between the public and private sectors, with a high proportion of public sector employment in organisations where management consider a range of strategies 'very important'. In contrast in the private sector, there is less unanimity than in the public sector and less of a tendency to identify responses as currently very important. We cautioned that this may reflect familiarity with the language of the *Transforming Public Services* agenda, it does not necessarily indicate that change has taken place in public sector workplaces. We will examine the actual employment practices in some detail in Chapter 6.

- Practices identified most often as very important in the private sector were cost reduction, improving the quality of goods and services, customising goods or services to the needs of customers and introducing new products or services. It is not surprising in the current economic environment that cost reduction is often identified as a response. What is encouraging, however, is that employment practices such as encouraging flexibility and new ways of working are also identified as responses.
- In the public sector, the practices most often identified as very important were encouraging greater flexibility among the workforce, reducing costs, improving quality, introducing new ways of working, and training and development of management and staff.
- In both the private and public sectors, reducing the number of employees was not identified frequently as a very important practice. This is a very significant finding in the context of the current economic recession.
- Compared to 2003, a number of responses are more frequently identified as very important in the private sector in 2009, including reducing production costs and encouraging greater flexibility among the workforce. The most notable change in the public sector has been the growing perceived importance of open recruitment.

- We identified two general strategic responses by employers: an emphasis on output / customers and an emphasis on workplace innovation and change strategy. It is important to note that these general orientations are in addition to reducing other costs which was the most important response identified by employers in both the public and private sectors. While an emphasis on workplace innovation and change strategy tends to be somewhat more important than an emphasis on output in the public sector, the two general strategies tend to be equally important in the private sector. A focus on output and customers is expected to increase in importance in the public sector in the next three years.
- The *range of responses* identified in both the public and private sectors suggest a more sophisticated understanding of the scope of change needed to address the current crisis. This goes beyond a traditional focus on reducing costs to include innovation, product/service quality and organisational change. The range of strategies identified, and the fact that no single strategy was identified by more than half of the private sector, suggests that organisations will need to carefully tailor their responses based on the challenges and resources specific to their situation.

While the focus in this chapter was on employers' general strategies in responding to change, we focus on innovation in the next chapter and ask to what extent employers in the public and private sectors show evidence of a commitment to innovation.

Chapter 5

Commitment to Innovation

It is widely recognised that the adoption and spread of innovation is an essential factor in economic development and social change, and that innovation has become a distinguishing feature of how developed economies compete successfully on world markets. What is also clear is that more insights into the innovation process itself are needed in order to better understand its specific character.

In this chapter we examine employers' commitment to innovation. A few words and caveats about our measures are warranted before we discuss the results. The first measure is a fairly straightforward one, and is based on asking employers how important they believe workplace innovation to be to the future success of the organisation. The second measure requires a little more context. We asked employers whether they had introduced new or significantly improved products in the last two years, whether they had introduced new or significantly improved services in the same period and, if yes to either, what percentage of turnover (in the private sector) or working time (in the public sector) was associated with these new products or services. This might seem like a straightforward measure, but there are a number of ambiguities. The first is the lack of certainty about how respondents are differentiating between products and services. Very often what we would traditionally think of as services, such as Financial Services, are now routinely referred to as 'products' – as in 'our new investment/pension/savings product'. Because of this ambiguity, we find new products being introduced in service industries to a higher degree than we might expect. For this reason, a more reliable measure is probably to combine the two and examine the introduction of either products or services.

The second ambiguity concerns what it means to 'introduce' a new product or service. In manufacturing, this is straightforward and we might expect it to refer to a new or significantly improved manufactured output. But what about the Distribution sector? Stocking a new or significantly improved product amongst the large number of items already for sale has a very different meaning from designing and manufacturing it. Or, in the public sector, using a new and highly sophisticated device for medical tests, or inserting a new and improved pacemaker in a cardiac patient, although it may require new surgical procedures, is not the same as designing and making them. However, the very high rate of product innovation reported by the Health sector leads us to expect that using new devices or equipment in this way is interpreted as 'product innovation'.

The third ambiguity concerns what counts as 'significantly' improved. In the present survey, this is left open to the employer to decide.

For all of these reasons, we have titled this chapter 'Commitment to Innovation' rather than claiming that we have a quasi-objective measure of actual innovation in output. We discuss employers' views of the importance of innovation and the introduction of new products and services and conclude the chapter with a tentative comparison of the responses of employers and employees.

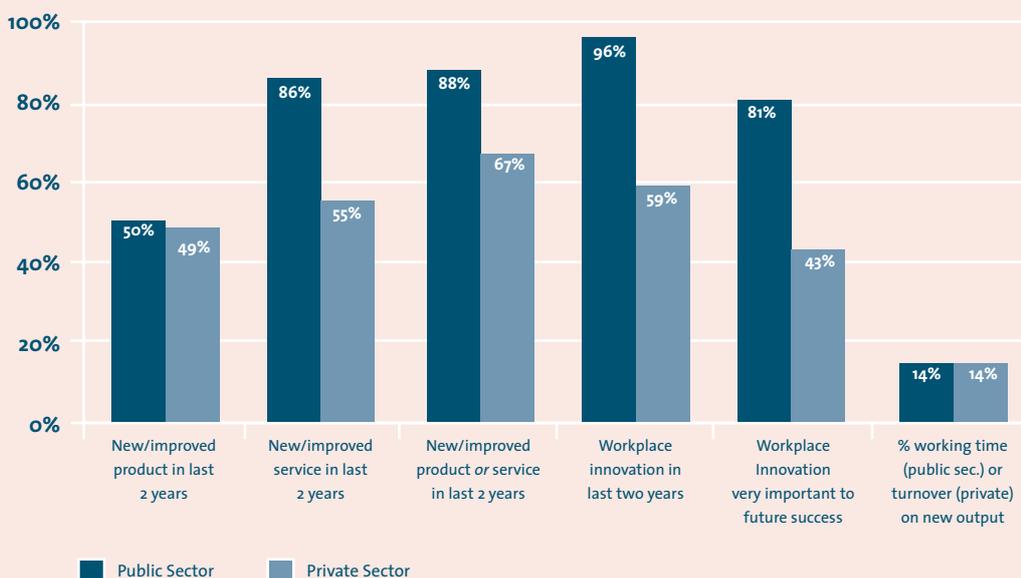
Commitment to Innovation in the Public and Private Sectors

Figure 5.1 examines commitment to innovation. In terms of product innovation, employers were asked whether they had introduced a new or significantly improved product in the past two years. As a reflection of the increasing role played by services in the Irish economy, respondents were also asked whether they had introduced new or significantly improved services in the previous two years. To gauge the scale of innovation, private sector firms who introduced new products or services were asked to estimate the proportion of turnover in their last financial year associated with these innovation activities. This information may help show not only how important innovation is to firms but the level of diffusion of innovation throughout establishments. To provide an indicator of the scale of innovation in the public sector, we asked employers who had introduced new products or services to estimate the proportion of working time that was spent on the new products or services. As well as output innovation, we asked employers whether the organisation had

introduced any workplace innovations in the previous two years: 'By workplace innovation we mean new ideas, processes or behaviours designed to promote improvements in the way the work is carried out, rather than improvements to the product or service provided?' Finally, employers were asked how important they felt workplace innovation to be to the future success of the organisation.

We see from Figure 5.1 that about half of public and private sector employment is in organisations that introduced new or significantly improved products in the last two years. Introduction of new services is more common in the public than the private sector, where 86 and 55 per cent, respectively, introduced new or significantly improved services. Combining product and service innovation, we see that 88 per cent of public sector and 67 per cent of private sector employment is in firms or organisations who introduced either new products or new services in the previous two years.

Figure 5.1 Indicators of commitment to innovation in the public and private sectors



Source: National Workplace Surveys – Employers, 2009 and 2003, weighted to total employment.

Workplace innovation is also more common in the public sector where almost all (96 per cent) employment is in organisations that introduced new ways of working in the last two years (compared to 59 per cent in the private sector). The impact of the *Transforming Public Services* agenda is very evident in these figures, and also in the very high proportion of public sector employment in organisations where the manager believes innovation to be ‘very important’ to the future success of the organisation: 81 per cent in the public sector compared to 43 per cent in the private sector.

Innovation by characteristics of private sector firms

Table 5.1 examines whether innovation is associated with characteristics of the firm, such as the sector, size and whether foreign-owned or Irish-owned. We would expect to see differences across sectors in the relative importance of product innovation and service innovation arising from the nature of the business.

Table 5.1 | Private sector output and workplace innovation by industry, size and ownership (percentage)

	Product innovation	Service innovation	Product or Service innovation	% of turnover associated with product/service innovation	Work-place innovation	Work-place innovation very important to future success
Industry						
Traditional manufacturing	71	53	79	16	66	52
Hi-Tech manufacturing	68	48	75	18	65	52
Construction	40	52	59	15	54	35
Distribution	59	55	70	15	56	38
Financial/insurance/business	40	63	67	13	67	49
Hotel/restaurant/other	36	56	61	11	53	40
Size						
Micro:1–9	39	44	53	14	42	32
Small:11–19	42	52	63	13	54	36
Small:20–49	44	57	65	15	59	39
Medium:50–99	62	63	77	16	73	53
Medium:100–249	58	58	74	11	66	52
Large: 250+	60	71	85	14	78	62
Ownership						
Indigenous	47	55	65	14	57	40
Foreign-owned	61	60	80	13	74	60
All Enterprises	49	55	67	14	59	43

Source: National Workplace Surveys – Employers, 2009, weighted to total employment.

Not surprisingly, the introduction of new or significantly improved products was most common in both the Traditional Manufacturing and High-Tech Manufacturing with 71 per cent and 68 per cent of employment in firms which are active in product innovation. The lowest rates for product innovation were found in the Hotel, Restaurant and other services sectors (36 per cent).

In terms of services, the rates of innovation for services were highest in the Financial, Insurance and Business Services sector compared to other sectors. Almost two thirds of employment in the sector is in enterprises that have engaged in services innovation over the period compared to 55 per cent of all enterprises.

Considering innovation in either products or services is a useful measure when comparing across sectors that differ in terms of their outputs. When we combine product and service innovation, we can see that Traditional Manufacturing emerges as the industry that is most likely to have introduced either new products or new services in the previous two years (79 per cent of employment), with the lowest levels in Construction (59 per cent).

The percentage of turnover associated with new products for services is an indicator of the importance of the new outputs to the total production of the firm. This measure reveals that new products or services are most important in the Hi-Tech Manufacturing sector (18 per cent of turnover) and least important in Hotel, Restaurant and Other Services (11 per cent).

The sector in which a firm operates may often be a proxy for numerous firm specific factors. However, in the case of workplace innovation, it has been shown that firms who have adopted new technologies are more likely to have made changes in the way work is carried out. Hence, the expectation is that sectors in which there is a high degree of technological innovation and wider use of ICT are expected to have correspondingly higher rates of adoption of workplace innovation.

The highest incidences of workplace innovation were found in the Financial/ Insurance/Business Services sectors (67 per cent of employment) and in Traditional (66 per cent) and High-Tech Manufacturing (65 per cent). The lowest rate of adoption was found in the Hotel, Restaurant and Other Services sector (53 per cent) and also in Construction (54 per cent) and Distribution (56 per cent).

This difference across industries in the commitment to workplace innovation is also reflected in the percentage of employment in firms where the CEO considers workplace innovation to be very important to the future success and viability of the firm. This figure is highest in manufacturing (52 per cent in both Traditional and Hi-Tech Manufacturing) and lowest in Construction (35 per cent). It is also relatively low in Distribution (38 per cent) and the Hotel/Restaurant and Other Services industries (40 per cent). The relatively low level of importance attached to workplace innovation in Construction and Distribution may reflect the fact that these are the two sectors that have suffered most in the recession, according to the figures on business outcomes in Chapter 2. It is likely that the CEOs of firms in these sectors see other factors, such as the restoration of demand, as more crucial than workplace innovation to their survival in the present climate.

Firm Size

The general view of the relationship between firm size and innovation is that larger firms have more resources and scale advantages to enable them to engage in innovative activities. However, an argument can also be made that smaller firms may have other endowments such as higher flexibility, which can also influence innovative behaviour.

From Table 5.1 it is clear that the introduction of new or significantly improved products and services is, in general, positively associated with the size of establishment. In the largest firms (250+), 85 per cent of employment is in companies that have introduced either a new product or a new service, compared to 53 per cent of employment in the smallest firms (1–9 employees).

Interestingly, the proportion of turnover associated with product and services innovation does not vary in the same way by size of firm. The differences by size of firm, ranging from a low of 11 per cent to a high of 16 per cent, are smaller than the differences by industry. The highest figure (15 per cent to 16 per cent) is found for firms of small to medium size, with between 20 and 99 employees.

In terms of firm size, the superior resources associated with larger firms may facilitate the introduction of workplace innovations. Similarly, larger firms may also be more susceptible to difficulties in co-ordination arising from scale, which may increase the motivation for the adoption of new ideas, processes or behaviours related to the way in which work is carried out.

From Table 5.1, one can see that there is a strong relationship between firm size and workplace innovation with 78 per cent of employment in the largest establishments being in firms that have introduced an element of workplace innovation. With one exception for firms with between 50 and 99 employees, who have the second highest rate of workplace innovation at 73 per cent, the adoption rate of workplace innovation increased in line with the size of the establishment.

What remains uncertain is whether this higher propensity to innovate was driven by superior resources or by economies of scale, which provide an impetus for change.

The perceived importance of innovation to the future success and viability of the firm also increases with firm size, from 32 per cent of employment in the smallest firms (1–9 employees) to 62 per cent of employment in the largest firms (250 or more employees).

Foreign and Domestic firms

Some research has shown that foreign ownership may be a positive influence on product and services innovation in firms. What is unclear is whether globally engaged firms have higher rates of innovation or whether the industries in which they operate provide greater potential for innovation. Most private sector employment in Ireland is in Irish-owned firms (85 per cent), with 15 per cent in foreign-owned firms. The results in Table 5.1 show that foreign-owned firms tend to have higher product and services innovation rates. While 80 per cent of employment is in foreign-owned firms that were active in product or service innovation, 65 per cent of employment is in Irish firms that were engaged in product or service innovation in the past two years.

Foreign-owned firms are also more likely to introduce workplace innovations, with 74 per cent of all employment in the multinational sector being within firms that have introduced a workplace innovation in the past two years. Indigenous Irish firms appear to have a lower propensity to undertake workplace innovation, with 54 per cent of employment in Irish firms who are actively innovative in relation to the way work is carried out. This difference is also reflected in the perceived importance of workplace innovation to the future success and viability of the firm: 60 per cent of employment in foreign owned firms and 40 per cent of employment in Irish owned firms is in organisations where the CEO believes workplace innovation to be very important.

Innovation in the Public Sector

Typically, when we think of innovation what comes to mind most naturally is the invention of new products in the manufacturing context. However, as we have already seen, innovation can also encompass new or significantly improved services. As the major service provider in areas such as Health, Education and Public

Administration, innovation is also very relevant to the public sector. One major difference between the public and private sector is that the decision to introduce new products or services is often politically determined, at the level of Government policy, rather than being decided at the level of the public sector organisation. This means, that in many instances, the introduction of a new product or service is due to policy developments rather than to the commitment to improvement within the public sector organisation.

As shown in Table 5.2, and as we would expect since the public sector deals mainly in services rather than products, product innovation rates tended to be lower in the public sector than the corresponding results for the private sector. However, a very high proportion of employment in the Health Sector is in organisations that introduced new products (85 per cent) in the past two years. This may reflect a blurring of the usual distinction between products and services, where particular service bundles, or the use of new medical devices, are referred to as 'products'.

Table 5.2 | Public sector innovation by type of organisation (percentage)

Division	Product innovation	Service innovation	Product or service innovation	% working time associated with product/ services innovation	Workplace innovation	Workplace innovation very important
Civil Service	31	86	89	6	99	59
Education	28	78	78	25	91	66
Local government/ regional bodies	52	96	97	22	94	73
Non-commercial semi-state	66	95	96	24	95	73
Health	85	96	100	8	100	97
All Organisations	50	86	88	14	96	81

Source: National Workplace Surveys – Employers, 2009, weighted to total employment.

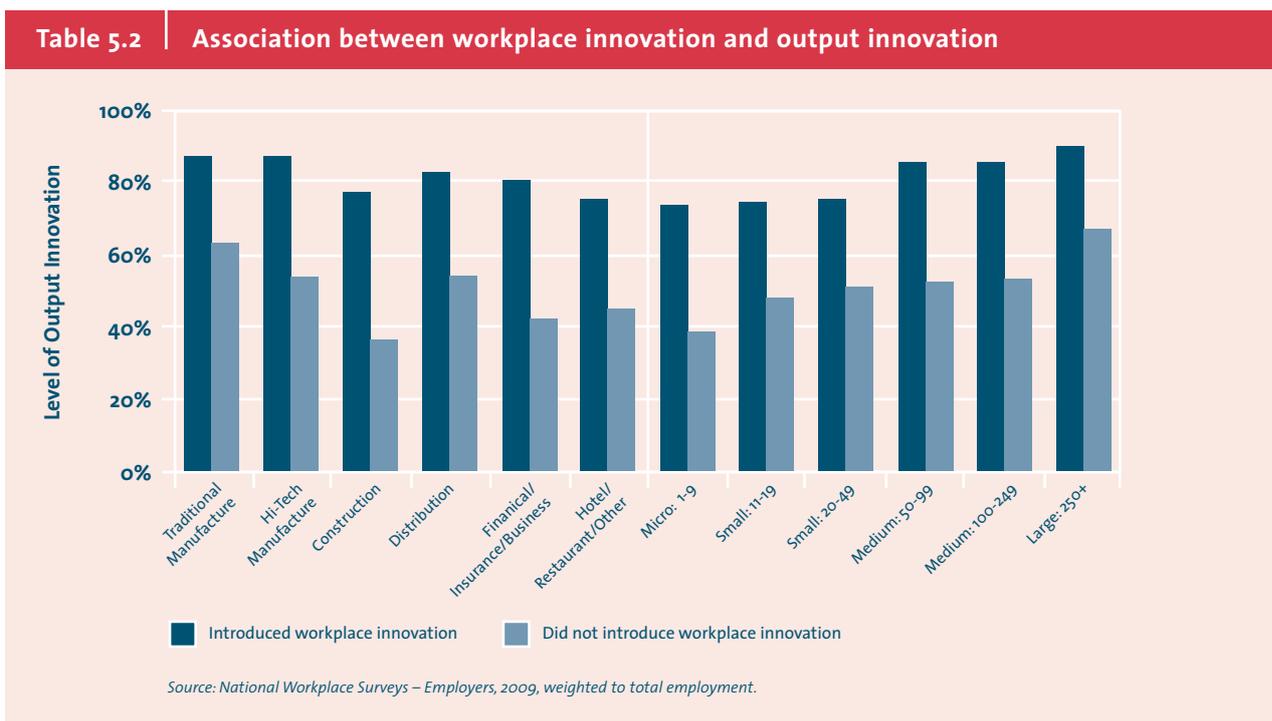
Given the types of activity undertaken in the public sector, it is not surprising that all divisions were more likely to engage in services innovation than product innovation. The rate of service innovation is high in all sectors, ranging from 86 per cent to 96 per cent of employment. When we combine product and service innovation, we see that the rate of introduction of either new products or new services ranges from 78 per cent of employment in Education to 100 per cent in Health.

In all divisions of the public sector, there is a high incidence of workplace innovation with practically universal adoption in the Civil Service and Health. Often, workplace innovation is seen as a solution to problems of co-ordination and control in large organisations. This may help explain the greater prevalence of changes in the use of new ideas, processes or behaviours designed to promote improvements in the way the work is carried out. However, there is more variation across the divisions of the public sector in the assessment of how important workplace innovation is to the future success of the organisation.

The figure is highest in Health, where almost all employment is in organisations where the manager sees future workplace innovation as very important, and lowest in the Civil Service, where the figure is just under 60 per cent. These differences may reflect an assessment as to whether the most important workplace changes have already been made, or an assessment that other pressures, such as an increase in size of the client group, will be relatively more important in the future.

Association between workplace innovation and output innovation

From the associations we observed earlier between firm size and sector and both workplace and output innovation, we would expect the two to be associated. It is interesting, however, to ask whether workplace and output innovations are associated when we control for industry and size. We conduct this analysis for the private sector. In the case of the public sector, there are too few organisations reporting an absence of workplace innovation to provide a reliable comparison.



In Figure 5.2 we show the percentage of employment in firms that introduced new products or services by whether or not they introduced workplace innovations by industry and size category. The association is very clear. Where a firm introduced workplace innovation, it is more likely to have introduced new products or services. This is true for each industry and for each size category.

These results are consistent with the findings reported in the literature review of an association between organisational innovation and output innovation. We need some caution in interpreting these findings, however. While the results suggest that workplace innovation promotes output innovation, it is also possible that the introduction of new products and services required changes to the workplace.

Innovation: Comparing the responses of employers and employees

The results reported above reflect employers' views of innovation, both output innovation and workplace innovation. It is instructive to compare the perceptions of employers and employees in this regard. The National Workplace Survey of Employees, conducted in parallel to this survey, was based on telephone interviews with over 5000 employees regarding their workplaces.

As noted in Chapter 1, there are a number of reasons for this difference in perspective among employers and employees. One reason is that employers are likely to answer that a practice is in place in the organisation if it is used *anywhere* in the organisation. On the other hand, employees are likely to answer that a practice is in place if it affects their own work. Employees may not be aware of employment practices throughout the organisation. In large organisations, particularly where practices are confined to specific divisions, we are likely to find a discrepancy between employer and employee responses.

The Employer Survey would suggest a considerably higher level of output innovation in the public sector than the Employee Survey. According to the Employer Survey, 88 per cent of public sector employment and 67 per cent of private sector jobs are in organisations that introduced new or significantly improved products or services in the previous two years. The Employee Survey reveals a different perspective, however, with more innovation in output in the private sector: 68 per cent of private sector employees and 58 per cent of public sector employees state that their organisation introduced new or significantly improved products or services in the last two years. The employer and employee figures are close in the case of the private sector (67 per cent to 68 per cent), but there is a sizeable gap for the public sector (58 per cent compared to 88 per cent).

We hypothesised at the outset that we would find a greater discrepancy between employers and employees in large organisations, simply because employees of large organisations are less aware of new products or services introduced throughout the organisation. This certainly seems to be the case in the finding of a greater discrepancy between employers and employees in the public sector, with its larger organisation size, than in the private sector. It would also suggest that the innovation in products and services in the public sector may be more limited in scope than in the private sector. The gap between the perceptions of managers and employees in the public sector suggests a need for communication to employees of the commitment of the organisation to innovation.

Summary

- The survey reveals that 88 per cent of public sector and 67 per cent of private sector employment is in firms or organisations that have introduced new or improved products or services in the last two years.
- A very high proportion of public sector employment is in organisations with high levels of commitment to workplace innovation and who have been able to deliver new or improved services in the last two years. Nine out of ten public sector jobs in all divisions of the public sector are in an organisation that introduced new ways of working in the last two years.
- Approximately 60 per cent of private sector employment is in organisations that introduced innovative work practices in the last two years. Although this is considerably lower than the figure for the public sector it is still indicative of a broad commitment to workplace innovation across the private sector.
- While 81 per cent of public sector employment is in organisations that consider workplace innovation to be important to future success the levels of commitment is considerably lower in the private sector where only 43 per cent of employment is in organisations that perceive workplace innovation to be important to future success.
- In the private sector, there was a strong association between innovation (both product/service and workplace) and firm size, with larger firms showing higher levels of innovation. Also in the private sector, manufacturing firms emerged as most likely to have introduced new products while firms in the Financial/Insurance/Business Services sector were most likely to have introduced new services.
- Workplace innovation is clearly associated with output innovation in the private sector: those firms that have introduced new ways of working in the previous two years are more likely to have introduced new products or services. This could be because of the impact of workplace innovation on product or service innovations or because producing new products or delivering new services requires changes in the workplace.

In the next chapter, we move away from strategic orientations of employers and focus on actual workplace practices in more detail. We ask what practices are in place in public and private sector workplaces in 2009 and in what respects these differ from the practices in place in 2003.

Chapter 6

Employment Practices in the Public and Private Sectors

In the previous two chapters, we focused on the importance employers attach to general strategies, including innovation, in response to pressures faced by the organisation. At this point, we focus on more specific employment practices and ask whether they are currently in place in the organisation or are planned for the next two years.

A word of caution is needed in interpreting the employers' responses here, as in the previous chapter. The items are based on asking whether particular employment practices were currently in place in the organisation, or planned for introduction in the next two years. This does not tell us how widespread a practice is in the organisation. For instance, the fact that temporary or part-time workers are employed tells us little about the proportion of staff who work part-time or on temporary contracts. This issue will be particularly important for large organisations and enterprises, where a practice that is in place in a small part of the organisation, or for a small proportion of employees, may not generally reflect practices in the organisation as a whole.

We are able to compare employment practices in the public and private sectors, as most of the items were included on both questionnaires. Much of the literature on the adoption of new employment practices focuses on the adoption of coherent bundles of complementary practices rather than the adoption of stand alone initiatives. Studies have shown that combining bundles of workplace practices often yields the highest benefit to firms. To examine this complex phenomenon, we begin by presenting the descriptive results on the adoption of employment practices in the public and private sectors,

comparing the picture in 2009 for the private sector to that in 2003.² We go on to identify the practices that tend to be adopted as a set, using factor analysis. We then present descriptive results on the adoption of types of employment practices by sector and size of organisation. In the next chapter, we present the results of a cluster analysis to identify firms that adopt different combinations of employment practices and profile the composition of each cluster of firms to learn more about the patterns of adoption. Then, also in the next chapter, we examine the impact of these employment practices on innovation and business outcomes, controlling for key organisational characteristics such as sector, size and ownership (foreign or Irish-owned).

Detailed employment practices in the public and private sectors

Table 6.1 shows whether each employment practice is currently being used, is to be introduced in the next two years, or is neither currently used nor planned. The figures in this section are weighted to reflect the employment distribution in the public and private sectors. It is worth keeping in mind that we present figures on whether or not the practice is currently in place or planned in an organisation, but this does not tell us how many employees are covered.

We examine employment practices under a number of headings: **Human Capital Development, Employee Involvement, Co-working** (new ways of working together) and other employment practices. The grouping of practices into the first three of these categories reflects the results of a factor analysis of the items shown in Table 6.1 under each heading. Factor analysis is an effective way of reducing a large number of variables to a smaller set of components or factors.

2. Detailed information on employment practices in the public sector was not collected in 2003, so we are not able to compare the two time periods for the public sector.

We are asking whether firms that adopt a particular practice also tend to adopt other practices and we make the assumption that the items on the questionnaire are measuring a particular underlying set of practices that tend to be adopted together.

The results of the factor analysis, which was conducted on the unweighted data,³ are shown in Appendix C. Three factors were derived, covering fifteen employment practice variables and accounting for 52 per cent of the variation in these items. The reliability (Cronbach's alpha) is satisfactory for all three scales, ranging from .72 to .77⁴.

The first set of employment practices, *Human Capital Development*, involves an emphasis on training combined with performance-monitoring and modern human resources practices, such as having formally agreed in-house dispute resolution procedures and an explicit policy on equality and diversity in the workplace.

The second set of practices, *Employee Involvement*, encompasses consultation with employees, direct employee involvement in decision-making and problem-solving, employee discretion and arrangements for work–life balance.

The third groups of practices, which we term *Co-working*, emphasises a re-examination of how people work together and involves working across divisions in the organisation, working with employees in other organisations, working in teams, making the organisation less hierarchical and experimentation with new ways of carrying out work.

Human Capital Development

Staff training and development receives a lot of emphasis in the public sector: it is currently practised in organisations, accounting for 97 per cent of public sector employment in the case of managers and 87 per cent in the case of training and development for staff. This is higher than in the private sector where the figures are 77 per cent for training and development of managers and 82 per cent for training and development of staff. It is interesting that the public sector places slightly more emphasis on training and development of managers than of staff, whereas the reverse is true in the private sector. This may reflect the different sizes of the organisations concerned.

There is also evidence of considerable professionalisation of human resources practices. Formal procedures for dispute resolution and explicit policies on equality and diversity are almost universal in the public sector (97 per cent of employment) and are also very common in the private sector, being present in firms accounting for about two-thirds of private sector employment.

Formal staff performance review is more commonly practised in private sector employment (62 per cent) than in the public sector (46 per cent). This practice is planned in a further 27 per cent of the public sector.

Employee Involvement

Employee involvement workplace practices also tend to be more common in the public sector. Seventy-two per cent of public sector employment is in organisations where employees have direct involvement in decision-making and problem-solving, higher than the 63 per cent in the private sector.

3. Using the unweighted data means we give equal weight to each responding firm rather than a higher weight to larger employers. The latter would have obscured important differences in the practices of firms as actors.

4. The three measures, 'Human Capital Development', 'Employee Involvement' and 'Co-working', are constructed as the average (ranging from 0 for "not current or planned" to 2 for "currently in place") on the component items and the measures are then re-scaled to range from 0 (not adopted or planned) to 10 (all currently adopted).

Table 6.1 | Employment practices (current and planned in next two years) in the public and private sectors (percentage)

	Public Sector 2009			Private Sector 2009			2003
	Current	Planned	No	Current	Planned	No	Private current
Human capital development							
Staff training and development for managers	97	2	1	77	7	16	71
Staff training and development for employees	87	2	11	82	6	12	81
Formal staff performance review	46	27	28	62	14	24	55
Formally agreed in-house dispute resolution procedures	97	2	1	69	6	25	52
Explicit policy on equality/diversity	97	2	1	67	5	27	52
Employee involvement							
Information/consultation on change in company	75	4	20	80	4	16	69
Information/consultation on business context	88	12	0	70	5	25	--
Direct employee involvement in decisions	72	3	25	63	8	29	64
Employee discretion in carrying out work	44	3	54	67	3	30	64
Arrangements for work-life balance	98	1	1	56	8	36	42
Co-working: new ways of working together							
Employees experiment with new ways of carrying out work	61	12	27	50	11	39	---
Staff work on projects with other organisations (networking)	39	7	54	26	6	68	---
New work practices e.g. teamwork/quality circles	83	9	8	49	11	40	31
Making organisation less hierarchical	22	15	63	52	5	43	---
Employees work across divisions within organisation	53	10	36	60	7	33	---
Formal and informal partnership							
Formal partnership arrangements	96	1	2	16	2	82	16
Informal partnership style arrangements	69	2	29	34	5	61	33
Other employment practices							
Introduction of performance-related pay	14	6	80				
Profit-sharing/share options/gain-sharing	---	---	---	20	5	75	23
Increasing managerial/supervisory control	52	5	43	46	5	48	---
Use of part-time staff	87	1	11	70	6	25	68
Use of agency workers (incl. occasional use)	41	3	56	13	5	82	
Use of other temporary labour/contract staff	83	1	16	36	8	55	50
Flexible working times	75	2	23	65	7	28	30
Individual discretion in managing budgets	71	6	23	---	---	---	---
Conducting staff surveys	51	24	26	---	---	---	---
Temporary lay offs or involuntary reduction in working	48	6	46	50	10	40	30

Source: National Workplace Surveys – Employers, 2009 and 2003, weighted to total employment.

Arrangements for work–life balance are found in almost all public sector employment but in only 56 per cent of private sector employment. In the public sector, 88 per cent of employment is in organisations that consult with employees on changes in the organisational context and 75 per cent consult regarding changes in the organisation itself. In fact, only two of these employee involvement practices are more prevalent in the private sector: consultation with employees regarding organisational change (80 per cent compared to 75 per cent in the public sector) and employee discretion in carrying out the work (67 per cent compared to 44 per cent in the public sector).

Co-working: New ways of working together

Turning to Co-working, we find that the contrast between employment in the public sector and the private sector is not as great, and there are a number of practices that are more often found in the private sector. Having employees work across divisions within the organisation is characteristic of 53 per cent of public sector and 60 per cent of private sector employment. Making the organisation less hierarchical is something that is less common in the public sector (present in 22 per cent of employment and planned in 15 per cent) than in the private sector (present in 52 per cent and planned in a further 5 per cent). On the other hand, arrangements for at least some staff to work on projects with employees of other organisations is characteristic of 39 per cent of public and 26 per cent of private sector employment – perhaps reflecting the larger size of public sector organisations. Although this figure of 39 per cent of employment represents a relatively solid foundation, the emphasis within the *Transforming Public Services* agenda on creating a more integrated public service suggests that there is considerable scope for increasing the level of inter-organisational collaboration in the provision of services.

The fact that only 26 per cent of employment in the private sector is in firms where staff work on projects with other organisations, despite the emphasis within the business literature on inter-firm networking, indicates that this is an area that necessitated increased attention by businesses. Arrangements for employees to experiment with new ways of carrying out work characterises 61 per cent of public sector and 50 per cent of private sector employment. The contrast between the public and private sector is greater for new work practices such as teamwork or quality circles. In the public sector, 83 per cent of employment is in organisations that have introduced such practices, compared to only 49 per cent in the private sector.

Formal partnership structures and informal partnership arrangements

When we consider *formal partnership arrangements* involving unions and management, the contrast between the public and private sectors in terms of the typical size of the organisation is very evident. Most public sector employment involves these practices. For instance, almost all employment in the public sector (96 per cent) is in organisations that have formal partnership arrangements involving unions, compared to 16 per cent in the private sector. Some, but not all, of this difference is due to the higher rates of union recognition in the public sector, since formal partnership arrangements involving unions and management will only be found in organisations where union representation is present. Nearly half of employees in unionised private sector firms work in an organisation that has formal partnership arrangements in the workplace.

In the public sector, 69 per cent of employment is in organisations that have *informal partnership style arrangements* between management and staff representatives, compared to 34 per cent in the private sector.

In fact, in the private sector, partnership style arrangements are more likely to be informal (34 per cent of private sector employment) rather than formal (16 per cent).

Other employment practices

Employee incentive schemes such as performance-related pay is not something that is envisaged in the public sector: 80 per cent of public sector employment is in organisations that neither currently have this practice nor plan to introduce it in the short term. However, employee incentive schemes are also rare in the private sector. We asked private sector employers about incentive schemes such as profit-sharing, share options or gain-sharing and these are currently in place in organisations that account for 20 per cent of private sector employment and planned in only a further 5 per cent.

Increasing managerial control, which is the opposite strategy to reducing hierarchy and encouraging employee discretion, is something currently present in 52 per cent of public sector and 46 per cent of private sector employment.

Allowing individual *discretion in managing budgets*, something we included only on the public sector questionnaire is currently practised in 71 per cent of public sector employment. *Conducting staff surveys*, which can be a way to elicit feedback from employees in a confidential manner, is currently undertaken in organisations that account for 51 per cent of public sector employment.

Employment practices such as *part-time work*, *agency work* and *temporary work* can be a way for employers to achieve flexibility while reducing the costs associated with long-term contracts with full-time employees. This seems to be a particular issue in the public sector, where regular employment is very secure, the redeployment of staff across the public sector is unusual and redundancies have, at least historically, not been made.

Use of part-time staff is common in both public and private sector organisations: 87 per cent of public sector and 70 per cent of private sector employment is in organisations that use part-time staff. Although, as we saw earlier, the proportion of employees in both the public and private sectors who are agency workers was relatively low at the time of the survey (over 90 per cent had no agency workers), this does not reflect the use of agency workers from time to time, particularly in the public sector where 41 per cent of employment is in organisations that sometimes use agency employees. The figure is lower (13 per cent) in the private sector. Use of temporary staff is also higher in the public sector (83 per cent of public sector employment is in organisations that use temporary staff) than in the private sector (36 per cent).

The use of *temporary lay-offs and involuntary reduction in working time* (which could involve reductions in overtime or non-renewal of temporary contracts) is practised in organisations that account for roughly half of total employment in both the public and private sectors. Note that this does not give an indication of the proportion of employees affected: in large organisations, including most of the public sectors, reduction in overtime for a single staff member or non-renewal of a single temporary contract would have resulted in a 'yes' response to this item.

Current and planned employment practices

Another fact worth highlighting in Table 6.1 is the relatively low proportions in both the public and private sector where a practice that is not currently in place is planned for the next two years. In the public sector, the practices not currently in place that are most often mentioned as planned for the next two years are *formal staff performance reviews* (27 per cent) and *staff surveys* (24 per cent). In the private sector, the proportions planning to introduce new practices are even lower.

The most frequently mentioned new practice is *formal staff performance reviews* (14 per cent). This may reflect a reluctance to introduce new practices in the current climate of economic uncertainty, but it could equally reflect the fact that change could take the form of rolling out existing practices to cover a larger number of employees.

Changes since 2003 in the private sector

Table 6.1 also shows the results for 2003 in the Private Sector.⁵ Since 2006, there has been an impetus from Employees (Provision of Information and Consultation) Act, which gives employees the right to be informed and consulted on matters likely to impact on their jobs and future work practices. This can be seen in the substantial increase (from 69 per cent to 90 per cent) in the proportion of employment in firms that provide staff with information on change in the company. Private sector workplaces have also become more likely to encourage employee involvement and new ways of working in other respects. There has been a fairly sizeable increase (from 31 per cent to 49 per cent) in the proportion of private sector employment in organisations that have adopted new work practices (such as teamwork and quality circles and arrangements for work–life balance (42 per cent to 56 per cent)).

At the same time, there has been a very substantial increase in the introduction of flexible working times (30 per cent to 65 per cent) and use of temporary lay-offs or involuntary reduction in working times (30 per cent to 50 per cent). The latter is clear evidence of the impact of the economic recession. There has also been a fall in the proportion of employment in organisations that use temporary staff (50 per cent to 36 per cent). This may reflect non-renewal of temporary contracts linked to the economic downturn.

Other notable changes are the increasing professionalisation of human resource practices, such as explicit policies on equality and diversity (52 per cent to 67 per cent), formally agreed in-house dispute resolution procedures (52 per cent to 69 per cent) and formal staff performance review (55 per cent to 62 per cent).

Comparing the Employer and Employee Perspectives

Although the 2009 surveys were not designed as matched surveys and contain different wording – making it difficult to draw direct comparisons between the employer and employee perspectives, Table 6.2 summarises some of the items that can be tentatively compared. The comparisons that are possible suggest that *in many instances, employees perceive a higher level of workplace innovation than employers*. For instance, the Employer Survey suggests that 39 per cent of public sector employment and 26 per cent of private sector employment is in organisations that have arrangements for staff to work on projects with employees of other organisations (networking). This is lower than the figures of 70 per cent and 60 per cent of employees in the public and private sector, respectively, who agree that the employer encourages employees to collaborate with employees in other organisations. The wording difference makes it difficult to be sure of our interpretation here, as employees may be including a wider range of activities, such as relatively routine contacts with suppliers.

We see a similar pattern for new ways of working: 75 per cent of public and 79 per cent of private sector employees agree that ‘people in my organisation are always searching for new ways of working’; 50 and 71 per cent, respectively, agree that the organisation is willing to take risks in order to be innovative.

5. Detailed employment practices were not examined in the public sector in 2003.

Table 6.2 Comparing Employer and Employee Perspectives on Employment Practices Currently in Place

Practice	Employer	Employee
<p>Networking</p> <p>Employees may be including more informal practices. Both sources confirm higher rates of networking in public sector.</p>	<p>39% of public and 26% of private sector employment is in organisations with arrangements for staff to work on projects with employees of other organisations (networking).</p>	<p>70% of public sector and 60% of private sector employees agree that employer encourages employees to collaborate with employees in other organisations.</p>
<p>New ways of working</p> <p>Employees may search for new ways of working without encouragement from management.</p> <p>Employer Survey > public sector more innovative. Employee Survey > private sector more innovative.</p>	<p>61% of public sector and 50% of private sector employment is in organisations where employees are encouraged to experiment with new ways of carrying out work.</p>	<p>75% of public and 79% of private sector employees --> people in my organisation are always searching for new ways of working.</p> <p>50% of public and 71% of private sector employees -->organisation is willing to take risks to be innovative</p>
<p>Formal partnership arrangements</p> <p>Low levels of awareness of partnership structures in public sector > perhaps due to larger size of organisation.</p>	<p>96% of public sector employment and 16% of private sector employment is in organisations which have formal partnership-style arrangements involving employers and unions.</p>	<p>41% of public sector & 16% of private sector employees --> committees on which unions work with management to promote partnership and co-operation or to improve organisation's performance.</p>
<p>Direct involvement of employees</p> <p>Difference in wording; incomplete diffusion of practice throughout organisation.</p>	<p>72% of public sector and 63% of private sector employment is in organisations that have arrangement for 'direct Employee Involvement in decisions and problem-solving'.</p>	<p>53% of public sector and 42% of private sector employees say workplace has arrangements in place for employees to have a direct say in how the work is actually carried out (such as through problem-solving groups, project groups, quality circles, and continuous improvement programmes or groups).</p>
<p>Information and Consultation</p> <p>Broad agreement between employer and Employee Surveys only if we include 'occasional' information and exclude consultation.</p>	<p>75% of public sector and 80% of private sector employment is in organisations that provide information or consult with employees on change in the organisation.</p>	<p>71% of public and 74% of private sector employees regularly or occasionally receive information on plans to change work practices.</p> <p>48% of employees feel they are 'almost always' or 'often' consulted before decisions are taken that affect their work.</p>

However, according to the employers, 61 per cent of public sector and 50 per cent of private sector employment is in organisations where employees are encouraged to experiment with new ways of carrying out work. The difference here may also be related to wording: employees may include more informal searches for new processes whereas employers may include only the more formal company-wide arrangements.

The reverse pattern is evident in the responses regarding partnership, although differences in wording of the items again make it difficult to conclusively compare the employer and employee responses. The tentative comparisons we can make suggest a greater discrepancy between employers and employees in the public sector than in the private sector. This is consistent with the argument that in larger organisations employers may refer to practices in one part of the organisation and employees in the wider organisation may not be aware of them.

According to employers, 96 per cent of public sector employment and 16 per cent of private sector employment is in organisations that have formal partnership-style arrangements involving employers and unions. According to employees, on the other hand, 42 per cent of public sector employees and 15 per cent of private sector employees are in organisations with ‘committees on which unions work with management to promote partnership and co-operation or to improve the organisation’s performance’. The more detailed and specific wording on the employee questionnaire may also account, in part, for the different responses.

We also find employees reporting a lower rate of Direct involvement than employers. Overall, 45 per cent of employees say that their workplace has arrangements in place for employees to have a ‘direct say in how the work is actually carried out (through problem-solving groups, project groups, quality circles, continuous improvement programmes or groups)’. The employers report a higher figure, but the wording is not as detailed and the specific examples are not given. According to the Employer Survey, 72 per cent of public sector employment and 63 per cent of private sector employment is in organisations that have arrangements for ‘direct employee involvement in decisions and problem-solving’.

We find somewhat greater agreement on the items dealing with information and consultation, although the comparison has to be tentative. The items on communication and consultation were combined on the employer questionnaire (though a distinction was drawn between communication/consultation on the business or organisation context and communication / consultation on changes in the workplace). According to the Employer Survey, 75 per cent of public sector employment is in organisations that provide information or consult with employees

on change in the organisation, and 88 per cent is in organisations that provide information or consult with employees on the context in which the organisation operates. The figures for the private sector are 80 per cent and 70 per cent, respectively.⁶ The Employee Survey has items on consultation regarding decisions that affect employees’ work and on the frequency with which employees receive information regarding workplace changes, plans or contexts. If we focus on information, we find that 35 per cent of private sector employees receive information on plans to change work practices on a regular basis and a further 39 per cent do so occasionally (very close to the employer figure, if we combine ‘regularly’ and ‘occasionally’). The corresponding figures among public sector employees are 37 per cent for ‘regularly’ and 34 per cent for ‘occasionally’ (again, very close to the employer figure when ‘occasionally’ and ‘regularly’ are combined). On the other hand, employees are somewhat less likely to feel that they are consulted before decisions are taken that affect their work: 28 per cent ‘almost always’ and 20 per cent ‘often’ consulted, with a further 26 per cent feeling that they are ‘sometimes’ consulted.

In summary, there are a number of differences in perspective between employers and employees when it comes to workplace organisation. Some of these differences may be due to employee knowledge and a broader range of more informal workplace practices. An example here is the higher incidence of networking and search for new ways of working reported by employees. Other differences may be due to incomplete diffusion of practices throughout all parts of large organisations. A possible example of this is the higher incidence of formal partnership structures and arrangement for direct employee involvement reported by employers.

6. It is interesting that a slightly greater emphasis is placed on information/consultation regarding the external operating environment in the public sector, while the reverse is true in the private sector.

Table 6.3 Employment practices by sector, size of firm, ownership and presence of formal partnership structures (average score out of 10)

	Human Capital Development	Employee Involvement	Co-working
All Employment	7.8	7.2	5.3
Public/Private			
Public sector	8.7	7.8	5.7
Private sector	7.6	7.1	5.2
Type of Public Sector Organisation			
Civil Service	9.8	8.9	6.2
Education	8.0	8.5	4.2
Local government and regional bodies	9.9	9.1	8.2
Non-commercial semi-state	9.7	9.5	5.8
Health	8.4	6.4	5.8
Industry (Private Sector)			
Traditional manufacture	7.5	7.1	5.3
Hi-Tech manufacture	7.7	7.1	5.6
Construction	7.1	6.3	5.0
Distribution	7.4	6.7	4.7
Financial/insurance/business services	8.1	7.5	5.5
Hotel/restaurant/other	7.4	7.2	5.1
Size of Firm (Private Sector)			
Micro:1-9	5.7	6.8	4.3
Small:11-19	7.1	6.9	5.0
Small:20-49	7.8	6.8	4.9
Medium:50-99	8.4	7.3	5.6
Medium:100-249	8.9	7.2	5.6
Large: 250+	9.1	7.7	6.2
Ownership (Private Sector)			
Irish-owned	7.3	6.9	5.0
Foreign-owned	9.1	7.8	6.2
Formal Partnership Structures			
Irish-owned	7.2	6.9	5.0
Foreign-owned	8.8	7.6	5.6

Source: National Workplace Surveys – Employers, 2009 weighted to total employment.

Employment Practices by Organisation Sector and Size

Table 6.3 provides a breakdown of three types of employment practices by sector public or private, type of public sector organisation, industry private sector, firm size, firm ownership and the presence of formal partnership structures involving unions and management in the workplace. Turning first to the overall picture, recall that the scales range from 0 (none of the practices implemented or planned) to 10 (all currently implemented). Both Human Capital Development practices and Employee Involvement practices are fairly common, with an average score of 7.8 and 7.2 across all employments. Co-working – new ways of working co-operatively together – is less common, with an average score of 5.3.

The score for all three types of employment practice is higher in the public sector than the private sector, but the gap is biggest for Human Capital Development and smallest for Co-working. There are some interesting differences across employment within the public sector, however. Human Capital Development is close to the maximum possible score in the Civil Service, Local Government and Regional Bodies and the Non-Commercial Semi-States (9.7 to 9.9), and is less common in Health (8.4), although the average score here is still higher than the overall average for the private sector. The average for Employee Involvement is also lowest in Health (6.4), though the score for Co-working is close to the public sector average. When it comes to Co-working, we see the lowest score in the Education sector (4.2), well below the private sector average.

In private sector employment, Human Capital Development practices are most common in the Financial/Insurance/Business Services firms (8.1) and least common in Construction (7.1). Employee Involvement is also most developed in Financial/Insurance/Business Services firms (7.5) and least developed in Construction (6.3). Co-working, or

new ways of working together, is highest in High-Tech Manufacturing and in Financial/Insurance/Business Services (5.6 and 5.5, respectively) and lowest in Distribution (4.7).

Size of firm and ownership make a substantial difference in the private sector, with all three types of employment practice more developed in large firms and foreign-owned firms. The gap between the largest and smallest firms is particularly marked for Human Capital Development. The average score on this scale is 5.7 for employment in the smallest firms (1–9 employees) compared to 9.1 for the largest firms (250 or more employees).

The final two rows in the table show that firms with formal partnership structures are likely to have adopted more practices in the area of Human Capital Development (mean of 8.8 compared to 7.2 in firms without formal partnership structures), Employee Involvement (7.6 compared to 6.9) and Co-working (5.6 compared to 5.0). Formal partnership structures involving unions and management are more common in larger firms and in the public sector, however, so this difference may be driven by firm size and by sector. We examine this question in the next section and ask whether formal partnership structures have a net impact on the adoption of these employment practices in the private sector, apart from size, industry and ownership.

Employment Practices by Presence of Formal Partnership Structures

We have seen that formal partnership structures are associated with the adoption of Human Capital Development, Employee Involvement and Co-working. However, we cautioned above that the association may be due to the fact that formal partnership structures are more common in larger firms, which are also more likely to adopt these practices. In this section, we present the results of an analysis showing the *net* effect of formal partnership structures on the adoption of the three

types of workplace practice, *controlling* for firm size, industry and ownership in private sector firms.⁷

In other words, when we control for size, sector and ownership, to what extent, if any, do formal partnership structures increase the adoption of Human Capital Development, Employee Involvement and Co-working in private sector firms?

Table 6.4 shows the amount by which a firm with each characteristic would be more or less likely to adopt each of the practices compared to the reference category. For instance, when we control for size, industry and ownership, firms with partnership structures have an average score on Human Capital Development that is 0.7 higher on the ten-point scale than firms with no such structures.

However, it is only in terms of the adoption of Human Capital Development practices that

firms with formal partnership structures differ from those without such structures. Firms with formal partnership structures do not differ significantly from those with no formal partnership structures in terms of Employee Involvement or Co-working, when we control for size, industry and ownership.

A number of other findings are worth noting in Table 6.4. There is a large difference in adoption of the three practices by firm size: small firms, especially those with fewer than ten employees, have much lower adoption levels of Human Capital Development and Co-working. They also have lower adoption levels of Employee Involvement, but the difference by size of firm is not as great.

When we control for size, firms in the services sectors, apart from Distribution, have higher adoption levels of Human Capital Development than those in manufacturing and Construction. Foreign-owned firms have higher adoption levels than domestic firms of all three practices.

Table 6.4 Net impact of size, industry, ownership and formal partnership structures on the adoption of Human Capital Development, Employee Involvement and Co-working in private sector firms (average change in scale that ranges from 0 to 10)

Size of firm (ref.=large)	Human Capital Development	Employee Involvement	Co-working
Micro:1-9	-3.1	-0.8	-1.9
Small:11-19	-1.7	-0.6	-1.2
Small:20-49	-0.9	-0.7	-1.1
Medium:50-99	n.s.	n.s.	n.s.
Medium:100-249	n.s.	n.s.	n.s.
Industry (ref.=hotel/restaurant/ other services)			
Micro:1-9	-3.1	-0.8	-1.9
Small:11-19	-1.7	-0.6	-1.2
Small:20-49	-0.9	-0.7	-1.1
Medium:50-99	n.s.	n.s.	n.s.
Medium:100-249	n.s.	n.s.	n.s.
Ownership (ref.=Irish) formal partnership structures (Ref.=no)			
Foreign-owned	0.9	0.7	0.5
Formal partnership structures	0.7	n.s.	n.s.
Constant	8.7	7.6	6.1
Adjusted R. square	0.22	0.03	0.05

Source: National Workplace Surveys – Employers, 2009, private sector firms, unweighted data.

Employee Incentive and Pension Coverage in the Private Sector

At this point we turn to a consideration of employee reward systems in the private sector: employee incentive schemes and pension coverage. It is worth noting, once again, that we measure whether the organisation has the practice in place and not the proportion of employees that is covered.

Turning first to the overall figures for private sector employment, shown in the final column of Table 6.5, we see that most private sector employment is in firms that have at least some employees covered by an employee incentive scheme. The most common schemes are an individual bonus schemes (44 per cent), regular increments (34 per cent), a company bonus scheme (32 per cent) and merit-or performance-related pay (24 per cent). Smaller proportions of private sector employees work in firms that have employee shared options, profit sharing, gain sharing or team bonuses (all under 10 per cent) and non-monetary incentive schemes (15 per cent).

Almost a third of private sector employment is in organisations with no pension scheme for employees and just under half is in firms that offer all employees membership in such a scheme. Almost one in five private sector employees works in a firm that offers membership of a pension to some, but not all, employees.

There is a strong association between incentive schemes and organisation size, as can be seen from Table 6.5. For instance, 94 per cent of employment in large (over 250 employees) firms is in an organisation that offers some form of employee incentive scheme, compared to 41 per cent of employment in the smallest (1–9 employees) firms. Similarly for pension coverage, only 8 per cent of employment in large firms is in organisations with no pension scheme compared to 56 per cent of employment in the smallest firms.

Employee incentives and pension coverage in the private sector is detailed by sector in Table 6.6.

Table 6.5 Employee incentives and pension coverage in the private sector by size of firm (percentage where each type of scheme is present)

	Micro: 1–9	Small: 11–19	Small: 20–49	Medium: 50–99	Medium: 100–249	Large: 250+	All sizes
Employee Incentive Schemes							
Regular increment	23	32	34	33	44	50	34
Employee share option	2	3	6	6	14	26	8
Profit-sharing	4	5	8	7	16	19	9
Gain-sharing	2	2	2	2	3	5	3
Company bonus scheme	12	23	34	35	49	65	32
Team bonuses	3	5	7	14	16	21	9
Individual bonus	25	41	46	52	58	65	44
Merit/performance pay	7	17	22	30	38	51	24
Non-monetary incentive	9	11	12	15	22	33	15
None of these	59	34	32	25	16	6	33
Pension Coverage							
No scheme	56	36	29	15	15	8	31
1–9% covered	2	4	6	4	4	5	4
10–39% covered	2	7	11	14	8	9	8
40–59% covered	4	6	3	5	2	5	4
60–89% covered	3	4	4	6	10	9	5
Over 90% covered	33	43	47	56	60	65	48

Source: National Workplace Surveys – Employers, 2009, weighted to total employment.

Table 6.6 Employee incentives and pension coverage in the private sector by detailed sector (percentage where each type of scheme is present)

	Traditional Manuf.	Hi-Tech Manuf.	Construction	Distribution	Financial/ Insurance /Business	Hotel/ Restaurant /Other
Employee Incentive Schemes						
Regular increment	30	36	29	38	42	28
Employee share option	10	16	2	6	14	2
Profit-sharing	9	14	4	7	14	5
Gain-sharing	3	7	2	2	3	2
Company bonus scheme	31	43	22	35	44	21
Team bonuses	13	12	7	13	11	5
Individual bonus	45	42	41	51	58	34
Merit/performance pay	29	33	16	23	35	14
Non-monetary incentive	12	18	11	14	18	15
None of these	32	28	39	29	20	43
Pension Coverage						
No scheme	28	19	18	31	25	44
1–9% covered	3	1	3	4	5	4
10–39% covered	8	9	6	11	7	7
40–59% covered	3	4	7	5	4	4
60–89% covered	7	6	10	6	5	3
Over 90% covered	51	61	56	43	54	38

Source: National Workplace Surveys – Employers, 2009, weighted to total employment.

Summary

In this chapter, we focused on the employment practices either currently in place or planned in Irish workplaces. We developed three scales measuring distinct types of employment practices: Human Capital Development (training, performance review, formal dispute resolution procedures and formal equality policy), employee involvement (consultation/ communication, direct employee involvement in problem-solving, employee discretion and arrangements for work–life balance) and Co-working (or working co-operatively in new ways such as teamworking, networking, or reducing the layers of hierarchy).

- Overall rates of adoption for Human Capital Development and Employee Involvement are high (with a mean score of 7.8 and 7.2

respectively, out of 10) but the adoption of Co-working is somewhat lower (mean score of 5.3 out of 10).

- The level of adoption of all three employment practices is higher in the public than in the private sector, but the gap is smaller for Co-working and larger for Human Capital Development.
- Other employment practices such as formal and informal partnership arrangements and flexible working times are also more common in the public than in the private sector. On the other hand, practices to make the organisation less hierarchical are more common in the private sector.

- There are some differences within the public sector in the adoption of these practices. The Health sector lags behind the other parts of the public sector on Human Capital Development and Employee Involvement. The recruitment constraints prompted by the budgetary crisis, which impacted strongly on the Health sector, and the resulting reliance on temporary and agency staff, is likely to be one of the factors limiting these practices in the Health sector. Co-working is less developed in the Education sector.
- In the private sector, we also saw considerable development of employment practices since 2003. There is evidence of an increase in the adoption of new work practices (such as teamwork and quality circles), and a very substantial increase in the introduction of flexible working times. There have also been important increases in providing staff with information on change in the company and arrangements for work–life balance. We also see evidence of increasing professionalisation of human resource practices such as formally agreed in-house dispute resolution procedures, equality policies and performance review. The impact of the recession is also evident in the increase in use of temporary lay-offs or involuntary reduction in working times and the reduction in the use of temporary staff.
- The main differentiating factor in terms of adoption of work practices in the private sector was the size of the firm. As well as Human Capital Development, where the difference by size was particularly marked, larger firms had a higher adoption rate for Employee Involvement and Co-working.

- Formal partnership arrangements are associated with higher adoption of Human Capital Development, with size sector and ownership controlled, but not with a higher adoption of Employee Involvement or Co-working practices.

In the previous chapter, we saw evidence of a difference in perspective between employers and employees when it comes to general orientations to innovation and the introduction of new work practices. This was particularly true of the public sector, where employers reported more innovation in services and in work practices than employees. We attributed this to the slow diffusion of practices and processes, or of information about them, in large, and often bureaucratic, organisations.

When it comes to specific employment practices rather than general orientations, however, the picture is a little different. Although direct comparisons are limited because of differences in the wording of items, in many instances, employees perceive a higher level of organisational innovation than do employers. This appears to be the case for networking and new ways of working. This difference in perspective may arise if employees include more informal searches for new processes whereas employers may include only the more formal arrangements. Alternatively, it may reflect a slow bottom-up diffusion of practices (or awareness of practices) that depend for their effectiveness on employee discretion in carrying out work.

In the next chapter we turn to a multivariate analysis in order to examine employer strategies in adopting ‘bundles’ of employment practices and the impact of such packages on innovation and business outcomes.

Chapter 7

Sets of Employment Practices and Impact on Innovation and Business Outcomes

In this Chapter, we turn to an argument that emerged from the literature review that employment practices work best, in terms of productivity and other favourable outcomes, if they form part of a coherent package (MacDuffie, 1995). Much of the literature on the adoption of new employment practices focuses on the adoption of coherent bundles of complementary practices rather than the adoption of stand-alone initiatives. Studies have shown that combining bundles of workplace practices often yields the highest benefit to firms (MacDuffie, 1995; Ichniowski, et al., 1997). To examine this complex phenomenon, we conduct a multivariate analysis with the aim of identifying the impact of particular employment practice bundles strategies in the Irish workplace.

Our analysis consists of two steps. Drawing on the results of the factor analysis (shown in Appendix C), we conduct a cluster analysis to identify firms that adopt different combinations of the three types of employment practice (Human Capital Development, Employee Involvement and Co-working). We then examine the impact of these combinations of employment practices on innovation and business outcomes, controlling for key organisational characteristics such as sector, size and ownership (foreign-owned or Irish-owned).

At this stage, since the focus is specifically on the behaviour of firms and organisations, rather than the organisational context of employment, when we present averages and percentages we weight the data to represent employer organisations and firms, rather than, as in previous chapters, total employment by sector. This means that small and large firms or organisations each count as one unit. This is the appropriate unit of analysis when the focus is on decision-making of firms rather than, as in earlier chapters, on the organisational context of employment.

Identifying Combinations of Employment Practices (Cluster Analysis)

In Chapter 6, we identified three underlying groupings of employment practice using factor analysis. The first, **Human Capital Development**, involves an emphasis on training combined with performance-monitoring and modern human resources practices such as formally agreed in-house dispute resolution procedures and an explicit policy on equality and diversity in the workplace. The second, **Employee Involvement**, includes consultation with employees, direct employee involvement in decision-making and problem-solving, employee discretion and arrangements for work–life balance. The third groups of practices, which we term **Co-working**, emphasises a re-examination of how people work together and involves working across divisions in the organisation, networking with employees in other organisations, working in teams, making the organisation less hierarchical and experimentation with new ways of carrying out work.

We are interested in whether employers tend to combine these types of employment practices in particular ways and in the impact of different combinations of practices on business outcomes and innovation. We conducted a cluster analysis to classify the employers on the three scales. Broadly speaking, cluster analysis is a statistical technique used to identify a group of relatively homogeneous cases or observations by taking into account any set of characteristics selected by the analyst. In the present context, the clustering technique consists of grouping the sample firms and public organisations into clusters based on their factor scores on the employment practices scales. It helps us understand how the three types of employment practices are combined by Irish employers.

A simple two-step clustering method was used on the unweighted data. The resulting clusters are shown in Table 7.1, together with the average score on the three employment practice scales for each cluster and the percentage of employer organisations in each cluster.

This procedure identified five clusters of firms with distinct combinations of employment practices: low adoption of all three practices, Human Capital Development only, Employee Involvement only, Human Capital Development and Employee Involvement, and the combination of all three practices.

Table 7.1 Combinations of employment practices: mean value of clusters on three employment practices scales

	Combination	Average score			% of organisations*
		Human Capital Development	Employee Involvement	Co-working	
1	Low adoption of all three practices	2.2	2.4	1.0	15
2	Human Capital Development	7.7	4.1	3.7	17
3	Employee Involvement	4.2	8.4	3.7	13
4	Human Capital Development and Employee Involvement	9.2	8.6	4.2	22
5	Human Capital Development, Employee Involvement & Co-working	9.3	9.1	8.9	32
Average		7.5	7.2	5.3	

Source: National Workplace Surveys – Employers, 2009

* Cluster analysis is conducted on unweighted data; percentage of organisations based on data weighted to represent all employer organisations.

The results show considerable diversity. Organisations do not fall into two simple groups, but vary considerably in terms of their adoption of these practices. The largest cluster (accounting for almost one-third of employers) involves a combination of all three types of employment practices: firms and organisations in this cluster have above-average levels of all three types of practice (Human Capital Development, Employee Involvement and Co-working). One employer in seven has a low rate of adoption of all three practices. Human Capital Development practices alone are emphasised by one employer in six and a further one in four combine Human Capital Development with Employee Involvement.

Employee Involvement practices on their own are adopted by just over one employer in eight.

It is also clear from the cluster analysis that Co-working practices such as networking and working across divisions tend not to be adopted in the absence of practices such as Human Capital Development and Employee Involvement.

How do the combinations of practices differ by size and sector of the organisation? Table 7.2 shows the percentage of organisations and firms with each combination of employment practices by detailed sector, size and ownership of firm. Adoption of the three types of employment practice is higher in the public sector, especially for the combination of all three practices. Within the public sector, the combination of all three practices is particularly high for the Health sector and the non-commercial Semi-State (63 per cent to 65 per cent) and somewhat lower in the Civil Service and Education (52 per cent to 53 per cent).

In the private sector, the combination of all three practices is less common overall (28 per cent) and there is less variability by sector, but it is somewhat lower in Distribution (22 per cent) than for firms in other industries (29 per cent to 32 per cent). The proportion of firms adopting none of the employment practices is highest in Construction (25 per cent) and Distribution (22 per cent).⁸

There are large differences by size of firm: 47 per cent of large firms (250 or more employees) adopt all three practices, compared to 26 per cent to 27 per cent in smaller firms (1–50 employees). Smaller firms tend to score higher on Employee Involvement only, however. Communication, direct employee involvement and employee discretion are likely to be facilitated in smaller organisations. This is consistent with some of the patterns observed in the literature.

The literature on the association between firm size and organisational innovation is mixed, but there is evidence that larger firms are more likely to adopt Human Capital Development approaches such as training (Gittleman, et al., 1998) and teamworking (Blasi and Kruse, 2006), but that smaller firms may be more likely to adopt Employee Involvement strategies (Chi, et al., 2007).

This raises the question of whether small firms could benefit as much from the introduction of practices such as Human Capital Development and Employee Involvement. We will return to this question in a later section.

In terms of ownership, foreign-owned firms are likely to adopt combinations of practices more often than Irish-owned firms (38 per cent compared to 27 per cent).

8. Note that the results by sector here are somewhat different to those presented in Chapter 5 as the results in there were weighted to total employment by sector – giving a greater weight to bigger employers.

Table 7.2 Combinations of employment practices by characteristics of firm/organisation

	Combination of Employment Practices (Row %)				
	Low adoption of all three	Human Capital Development only	Employee Involvement only	Human Capital Development and Employee Involvement	Human Capital Development Employee Involvement Co-working
All employer organisations/firms	15	17	13	22	32
Public sector	1	6	4	29	60
Private sector	17	19	15	21	28
Type of organisation (public sector)					
Civil Service	0	8	3	36	53
Education	0	15	3	30	52
Local Gov./ regional bodies	2	5	6	27	61
Non-commercial semi-state	0	1	3	33	63
Health	3	8	3	22	65
Industry (private)					
Traditional manufacture	12	19	15	25	29
Hi-tech manufacture	14	22	16	16	32
Construction	25	19	8	18	29
Distribution	22	22	15	19	22
Financial/insurance/business	13	16	16	26	29
Hotel/restaurant/other	13	18	16	20	32
Organisation size category (private Sector)					
Micro:1-9	27	11	21	15	26
Small:11-19	16	20	15	21	27
Small:20-49	13	23	12	26	27
Medium:50-99	7	28	7	26	32
Medium:100-249	3	28	3	31	34
Large: 250+	1	18	3	31	47
Ownership					
Irish-owned	18	19	15	21	27
Foreign-owned	6	19	7	30	38

Source: National Workplace Surveys – Employers, 2009, weighted to be representative of organisations.

Impact of Employment Practices on Innovation and Business Outcomes

What is the impact of different combinations of employment practices on outcomes such as innovation and business outcomes? Given that the survey data were collected at a single point in time, we can only look at the associations here. We do not know when the employment practices were introduced, so we cannot be sure whether adopting these practices leads to better business outcomes or whether improved business outcomes allow firms to introduce new practices.

Table 7.3 shows the association between the different bundles of practices and innovation (in both the public and private sector), and business position in the private sector. There is a clear association between product and service innovation and the adoption of a combination of employment practices, particularly the combination of Human Capital Development, Employee Involvement and Co-working. Employers that combine all three are most likely to have introduced new products (55 per cent), new or significantly improved services (74 per

cent) or either new products or services (82 per cent) in the previous two years. The most useful innovation measure – since some organisations produce products and some produce services – is whether the organisation introduced any new or significantly improved products or services in the last two years. Firms and organisations with a low adoption rate for all three practices were least likely to have introduced new products or services (45 per cent).

What is particularly interesting is that firms and organisations who adopt a combination of practices are more likely to have introduced new products or services than those adopting one type of practice only. Firms and organisations implementing Human Capital Development only or Employee Involvement only are considerably more likely than those who adopt neither of these practices to have introduced new products or services (58 per cent to 60 per cent versus 45 per cent), but 72 per cent of those who combine the two have introduced new products or services.

Table 7.3 Innovation (public and private sectors) and business outcomes (private sector only) where employer adopts different bundles of employment practices

Cluster Label		Product Innovation	Service Innovation	Product or Service Innovation	Work-place Innovation	Business Outcome Mean (Private Sector only)*
		%	%	%	%	
1	Low adoption of all three practices	32	34	45	29	2.5
2	Human Capital Development	44	46	60	49	2.7
3	Employee Involvement	41	43	58	50	2.8
4	Human Capital Development and Employee Involvement	48	61	72	64	3.2
5	Human Capital Development, Employee Involvement and Co-working	55	74	82	78	3.1
Total		45	55	65	57	2.9

Source: National Workplace Surveys – Employers, 2009, weighted to be representative of organisations. *Business outcomes scale measures profitability, employment growth and volume of business in the last two years and self-assessed present business position. The scale ranges from 0 to 10, with high scores indicating favourable outcome (See Chapter 2).

As we have seen above, firms combining all three practices are most innovative in terms of products and services.

The combination of practices is also associated with workplace innovation: 78 per cent of employers who combine all three practices introduced workplace innovations in the past two years, compared to 29 per cent of employers with a low adoption of all three practices. Again, the combination of practices is associated with a higher level of organisational innovation than Human Capital Development or Employee Involvement alone.

The final column of Table 7.3 examines the association between business outcomes and employment practices. Business outcomes is measured on a scale ranging from 0 (poor outcomes) to 10 (positive outcomes) and includes consideration of profitability, change in the volume of business, change in numbers employed in the past two years and current business position.

The association between business outcomes and employment practices is not as strong as the association between innovation and business outcomes, ranging from a mean of 2.5 for those with low adoption of all three employment practices to 3.1 for those who combine Human Capital Development and Employee Involvement. Nevertheless, we still see evidence that the combination of employment practices is associated with more positive business outcomes (3.1) than low adoption of all three (2.5) or the adoption of Human Capital Development alone (2.7) or Employee Involvement alone (2.8).

Impact of Combinations of Employment Practices: Multivariate Analysis

Of course, it is possible that the apparent association between innovation and employment practices is driven by other characteristics of the firm or organisation. For instance, organisations with all three employment practices in place tend to be larger and, as we saw earlier, there are some differences by sector, particularly between the public and private sector, in the adoption of these practices. We, therefore, conducted a multivariate analysis to examine the impact of bundles of practices on product or service innovation, controlling for size, sector, ownership and other organisation characteristics. The models were run separately for public and private sector employers and the results are shown in Table 7.4. The table shows the odds ratio⁹ for each variable: the odds that a particular group will have introduced new products or services in the last two years compared to the reference category. For instance, the reference category for size of organisation is 250 or more employees. Compared to large organisations, those with 1–9 employees are 0.36 or 36 per cent as likely to have introduced new products in the private sector, when industry and employment practices are controlled. We had a large number (2668)¹⁰ of private sector organisations on which to test the model.

In the private sector, the impact of organisation size is clear, with smaller firms less likely to have introduced new products or services than large firms or organisations (the reference category), although firms with 50–249 employees do not differ significantly from large firms. The smallest firms (1–9 employees) are only 36 per cent as likely as large firms to have introduced new products or services in the previous two years, with sector, ownership and employment practices controlled.

9. The logistic regression co-efficient itself does not have an intuitive interpretation: it is the log of the odds of the outcome variable when the independent variable equals 1.

10. 187 firms were excluded because of missing information on innovation or on the employment practices variables.

Table 7.4 Logistic regression of innovation in products or services on employment practice bundles controlling for other organisation characteristics

	Private Sector Odds Ratio	Public Sector Odds Ratio
Size (ref.=large, 250+)		
Micro 1–9	0.36	0.24
Small 11–19	0.47	0.18
Small 20–49	0.48	n.s.
Medium 50–99	n.s.	n.s.
Medium 100–249	n.s.	n.s.
Ownership (ref. Irish) Public sector–division (ref.=Civil Service)		
<i>Foreign-owned</i>	n.s.	—
Gardaí, defence, prisons	—	n.s.
Education	—	n.s.
Local government/regional bodies	—	n.s.
Non-commercial semi-state	—	n.s.
Health	—	n.s.
Private Sector – Industry (ref.=Hotel/Restaurant/other services)		
Traditional manufacturing	2.13	—
Hi-tech manufacturing	1.56	—
Construction	n.s.	—
Distribution	1.51	—
Finance/insurance/business services	n.s.	—
Employment Practice Bundles (ref.=HC Development only)		
Low adoption of all three*	0.66	—
Human Capital Development only	Ref	Ref.
Employee Involvement only	n.s.	n.s.
Human Capital Development and Employee Involvement	1.62	n.s.
Human Capital Development, Employee Involvement, Co-working	2.93	5.69
Constant	2.35	n.s.

*Source: National Workplace Surveys – Employers, 2009, unweighted data. Nagelkerke R²=0.132 for Private sector model and 0.174 for public sector model. *Since very few organisations in the public sector adopt none of the three employment practices, it was not possible to obtain a stable estimate of the impact of this employment practice strategy. Organisations adopting none of the three were omitted from the analysis.*

Foreign-owned firms do not differ significantly from Irish-owned firms when we control for size, industry and employment practices. There are some differences by industry, however. When we control for size and employment practices, Traditional Manufacturing firms are over twice as likely as firms in the Hotel/Restaurant and Other Services sector (the reference category in the model) to have introduced new products or services and Hi-Tech Manufacturing firms and firms in Distribution are about one and a half times as likely. It is interesting that once we control for size and employment practices, neither the Construction industry nor the Financial/Insurance/Business Services Sector differ significantly from the reference category (Hotel/Restaurant and Other Services).

Turning to the bundles of employment practices, we take as the reference category in the model those firms who adopt Human Capital Development practices only. Compared to these firms, and controlling for size and industry, firms who adopt none of the three employment practices are only 66 per cent as likely to have introduced new products or services, firms who adopt Employee Involvement practices only are no different, while those who combine different kinds of employment practices are more likely to have innovated. Firms who combine Human Capital Development with Employee Involvement are 62 per cent more likely to have introduced new products or services. **However, those firms who introduce all three bundles, Human Capital Development, Employee Involvement and Co-working are nearly three times more likely to have done so.**

Turning to the public sector, remember that we had a smaller number of organisations.¹¹ Since smaller sample sizes make it more difficult to detect small differences between groups, only the larger effects will show up in the model.

In the public sector, only the two smallest categories of organisations (fewer than 20 employees) are less likely to have introduced new products or services than the largest organisations. There are no differences in innovation between the Civil Service (the reference category) and other parts of the public sector, when size and employment practices are controlled. Employment practices are significantly associated with innovation in the public sector, however. **Those public sector organisations that combine all three practices, Human Capital Development, Employee Involvement and Co-working are over five times as likely as those who emphasise Human Capital Development alone to have introduced new products or services in the previous two years.**

It is clear from this analysis that, at least in terms of innovation in products and services, greater benefits are associated, both in the public and private sector, with the combination of employment practices into coherent bundles that emphasise investment in Human Capital Development, Employee Involvement and new, more co-operative ways of working together. Given the nature of the data, the observations on innovation and employment practices refer to a particular point in time. We cannot say whether the employment practices enhance the innovativeness of firms and organisations or whether innovative organisations adopt coherent bundles of employment practices. Nevertheless, the association is compelling and worthy of further attention.

11. The analysis is based on 342 public sector organisations. Those with low adoption of all practices (three organisations) were excluded because of difficulties in identifying the model. In addition, those with missing information on either the employment practices or innovation measures were excluded.

It is important, then, to ask what is being measured by the indicator of adoption of these workplace practices and how we move from the findings to lessons for policy. The combination of Employee Involvement, Human Capital Development and Co-working indicates a long-term commitment to continuous improvement of the way work is carried out. To some extent, since it takes time to introduce these practices and diffuse them throughout the organisation, it is capturing the length of time for which

this commitment has been in place. Given the differences between organisations, in terms of size, the nature of the processes and the challenges, some degree of flexibility and tailoring of workplace practices is needed in order to meet the specific needs of individual organisations. Rather than a blueprint or checklist of specific practices, then, what is needed is a general orientation and commitment to the principles of continuous improvement.

Table 7.5 | Regression of business outcomes on employment practice bundles controlling for other organisation characteristics

Size (ref.=large)	Coefficient
Micro 1–9	-0.14
Small 11–19	-0.13
Small 20–49	-0.13
Medium 50–99	-0.09
Medium 100–249	n.s.
Ownership (private sector)	
Foreign-owned	0.11
Private sector-industry (ref.=hotel/restaurant/other)	
Traditional manufacturing	n.s.
Hi-tech manufacturing	n.s.
Construction	-0.19
Distribution	-0.10
Finance/insurance/business services	n.s.
Employment Practice bundles (ref.=HC development only)	
Low adoption of all three	n.s.
Human Capital Development only	ref.
Employee Involvement only	n.s.
Human Capital Development and Employee Involvement	0.10
Human Capital Development, Employee Involvement, Co-working	0.10
Constant	0.68

Source: National Workplace Surveys – Employers, 2009, unweighted data. R-squared=.05. The table shows the expected change in the Business Outcomes scale (which ranges from 0 to 10) associated with each firm characteristic compared to the reference category.

Employment Practice Bundles and Business Outcomes

For the private sector, we also examined the association between bundles of employment practices and business outcomes. We constructed a business outcomes scale, described in Chapter 2, based on the employers rating of four aspects of their businesses:

- Current business position (recoded so that high=good)
- Employment, compared to two years ago (high=larger)
- Volume of business compared to two years ago (high=higher)
- Profitability in the last two years (high=substantial profit)

We combined the items, giving them equal weight, into a scale that ranges from 0 (worst outcome) to 10 (best outcome). As we saw in Chapter 2, the average value across the private sector in 2009 is well below the middle or neutral point, at 3.2. We treated the scale as a continuous variable and used Ordinary Least Squares Regression to examine the association between employment practices and business outcomes controlling for industry, size and ownership.

Table 7.5 shows the results of the regression of sector, size, ownership and employment practice groups on business outcomes over the last two years. The regression co-efficient can be interpreted as the amount by which the score on the business outcomes scale (which ranges from 0 to 10) would be expected to differ, compared to the reference category, for each group. Thus, for instance, we would expect that the score for the smallest firms would be 0.14 lower than the score for the reference category (firms with 250 or more employees) with industry, ownership and employment practices controlled.

We can see from Table 7.5 that, controlling for industry, ownership and employment practices, the experience of smaller firms has been more negative over the last two years than the largest firms (the reference category). Foreign-owned firms have done slightly better than Irish-owned firms. Comparing across industries, we can see that the Distribution and, particularly, the Construction sectors have fared worse than the reference category (Hotel/Restaurant/Other Services), while there is no difference between the reference category and Manufacturing or Financial/Insurance/Business Services when we control for size and employment practices.

Employment practices also have an impact on business outcomes, with combinations of practices associated with more positive outcomes. Compared to the reference category (firms who emphasise Human Capital Development only), firms combining Human Capital Development with Employee Involvement or both of these with Co-working practices have an average score on the business outcomes Scale that is 0.1 higher. This may not seem like a large difference, but it is about half the size of the difference between the Construction sector, which we know to have been particularly affected by the recession, and other sectors.

As was the case for innovation, we must caution that the observations on business position and employment practices refer to a particular point in time. We cannot be sure whether employment practices enhance the business position of firms or whether firms with a positive business position adopt bundles of employment practices. Nevertheless, as we saw for innovation, the association between business position and combining several types of employment practices is worthy of further attention.

Table 7.6 Logistic regression of product or service innovation on employment practice bundles controlling for other organisation characteristics – separate regressions for small (under fifty employees) and medium or large (over fifty) firms

	Small firms Odds ratio	Medium & Large firms Odds ratio
Size of Firm		
Micro 1–9	ref.	—
Small 11–19	1.29	—
Small 20–49	1.31	—
Medium 50–99	—	n.s.
Medium 100–249	—	n.s.
Large (250+)	—	Ref.
Ownership (ref. Irish)		
Foreign-owned	—	n.s.
Industry (Ref... = Hotel/Restaurant/Other Service)		
Traditional manufacturing	2.09	n.s.
Hi-tech manufacturing	1.69	n.s.
Construction	n.s.	n.s.
Distribution	1.68	n.s.
Finance/insurance/business services	n.s.	n.s.
Employment Practices (Ref..= Human Capital Development Only).		
Low adoption of all three	0.61	n.s.
Human Capital Development only	ref.	ref.
Employee Involvement only	n.s.	n.s.
Human Capital Development and Employee Involvement	1.74	n.s.
Human Capital Development, Employee Involvement, Co-working	2.81	3.11
Constant	n.s.	0.00

Source: National Workplace Surveys – Employers, 2009, unweighted data. Nagelkerke R2=0.11 for small firms and .091 for medium and large firms.

Innovation, Business Position and Employment Practices in Small firms

Throughout this report we have seen evidence that size of firm makes a substantial difference in terms of a number of outcomes. Smaller firms are less likely to have introduced new products or services in the last two years. Small firms are also less likely to emphasise Human Capital Development and Co-working, although they do adopt, to a somewhat greater degree, Employee Involvement practices. The literature argues that

it is more difficult for small firms to introduce new organisational practices because the cost of doing so is likely to be a higher proportion of total turnover and a cost benefit analysis may well suggest that it is not economical to do so (Schumpeter, 1950). Given the current policy emphasis on organisational innovation as a means to enhancing Ireland's competitiveness, it is important to ask whether there is evidence that small firms benefit from improved employment practices.

Table 7.7 Association between business outcomes* and employment practices for small firms and for medium–large firms, controlling for industry

	Small firms	Medium & Large firms Odds ratio
Size		
Micro 1–9	Ref	—
Small 11–19	ns	—
Small 20–49	ns	—
Medium 50–99	—	ns
Medium 100–249	—	ns
Large (250+)	—	Ref
Ownership (private sector)		
Foreign-owned	0.14	ns
Private sector–industry (ref.=Hotel/restaurant/Other)		
Traditional manufacturing	ns	0.20
Hi-tech manufacturing	ns	0.17
Construction	-0.29	ns
Distribution	-0.14	ns
Finance/insurance/business services	ns	0.20
Employment Practice Bundles (Ref.=Human Capital Development only)		
Low adoption of all three	ns	ns
Human Capital Development only	Ref	Ref
Employee Involvement only	ns	ns
Human Capital Development and Employee Involvement	0.09	0.14
Human Capital Development, Employee Involvement, Co-working	0.08	0.17
Constant	0.59	0.55

Source: National Workplace Surveys – Employers, 2009, weighted to number of firms by size category and sector.

*Business Outcomes Scale measures profitability, employment growth and volume of business in the last two years and self-assessed present business position. The scale ranges from 0 to 10, with high scores indicating favourable outcome (See Chapter 2).

To address this question, we conduct the same analysis here as in the previous sections, but distinguish between small firms with fifty or fewer employees and medium to large firms. We ask whether employment practices are associated with product and service innovation and perceived business outcomes in small firms, when we control for industry and ownership.

Table 7.6 shows the logistic regression of product or service innovation run separately for small and medium to large firms. The table shows the odds ratios, which can be interpreted as the odds, compared to the reference group, of having introduced new or significantly improved products or services in the previous two years.

If we can interpret the association between employment practices and innovation as a causal one, then small firms benefit almost as much as large firms from adopting a combination of employment practices. For small firms, those combining Human Capital Development, Employee Involvement and Co-working are almost three times more likely to have introduced new products or services than those introducing Human Capital Development strategies alone. This association is only slightly smaller than it is for larger firms. There is also some increase in innovation associated with the combination of Human Capital Development and Employee Involvement (1.7 times) for small firms.

As before, we need to caution that the causal interpretation is not warranted in the data since it is equally possible that more innovative firms are more likely to adopt employment practices that emphasise Human Capital Development, Employee Involvement and new ways of working together. Nevertheless, the association is compelling and lends support to the argument that small, as well as large, firms can benefit from a combination of employment practices.

Table 7.7 shows the results of the regression of the business outcomes scale on employment practices, controlling for ownership, size and industry. Separate regressions were run for small and medium to large firms.

As before, the impact of employment practices on business outcomes is small, but they are significant for both small and medium to large firms. However, the benefit in terms of business outcomes to small firms is less than the benefit to larger firms. This is consistent with the argument that introducing changes in employment practices has a certain fixed cost so that introducing them is likely to show a lower benefit to cost ratio for smaller firms and organisations.

Summary

In the previous chapter, we identified three broad types of employment practices: Human Capital Development (an emphasis on training combined with performance review and modern HR practices), Employee Involvement (communication, consultation and employee discretion) and Co-working (an emphasis on co-operation across divisions and organisations and a reduction in hierarchy). Human Capital Development and Employee Involvement strategies were the most widespread in Irish workplaces, with Co-working slightly less common.

In this chapter we asked whether Irish employers tend to combine these practices in particular ways and examined the impact of different combinations of practices on product or service innovation and perceived business outcomes. The key findings are:

- We can identify five distinct clusters of employers in terms of how these practices are combined. The largest group (almost one-third of employers) combine high levels of Human Capital Development, Employee Involvement and Co-working. The next largest group (22 per cent of employers) combine Human Capital Development and Employee Involvement. Smaller numbers of employers adopt Human Capital Development alone (17 per cent) or Employee Involvement alone (13 per cent) while 15 per cent of employers have low levels of adoption of all three practices.
- The adoption of combinations of practices is higher in the public than the private sector (60 per cent versus 28 per cent for all three practices and 29 per cent versus 21 per cent for Human Capital Development Combined with Employee Involvement).

- In the private sector there were very strong differences by size of firm. Large firms were much more likely than smaller firms to adopt combinations of practices. On the other hand, smaller firms were more likely to adopt Employee Involvement alone or to have low rates of adoption of all three practices.
 - We used a multivariate model to examine the association between these bundles of employment practices (controlling for size, sector and ownership) and innovation and business outcomes.
 - We found that, in the private sector, product/service innovation was associated with the combination of employment practices into coherent bundles that emphasise investment in Human Capital, Employee Involvement and new, more co-operative ways of working together. Firms with this combination of practices *are nearly three times as likely* as those who focus on Human Capital Development only to have introduced new products or services in the past two years. Firms that combine Employee Involvement with Human Capital Development are 1.6 times as likely as those adopting human capital development practices alone to have introduced new products or services.
 - Similar, and even stronger, benefits were identified in the public sector for organisations that combine all three practices (Human Capital Development, Employee Involvement and Co-working). Organisations with this profile are *over five times more likely* to have introduced new or significantly improved products or services in the previous three years compared to those who focus on Human Capital Development only.
- No benefit was identified for public sector organisations that combined Human Capital Development and Employee Involvement without Co-working practices.
- Although the associations were not as strong as for innovation, there is also evidence that private sector firms that combine Human Capital Development and Employee Involvement (with or without Co-working practices) perceive more favourable business outcomes than those who focus on Human Capital Development alone. Business outcomes are measured on a scale that includes employers' perceptions of the current business position and trends in the last two years in profitability, volume of business and size of workforce.
 - We also asked whether the positive associations with innovation and business outcomes were found for small firms (fewer than fifty employees). We found that the benefits to small firms in terms of innovation were almost as big as the benefits enjoyed by medium and large firms. Small firms that combine all three practices (Human Capital Development, Employee Involvement and Co-working) are 2.8 times more likely than those who rely on Human Capital Development alone to have introduced new or significantly improved products or services in the previous two years. The corresponding figure for medium and large firms is 3.1. Small firms that combine Employee Involvement with Human Capital Development are also more likely to have innovated than those who rely solely on Human Capital Development by a factor of 1.7.

- We also found evidence that combining Human Capital Development and Employee Involvement (with or without Co-working) is associated with positive business outcomes for small firms, though the benefits are not as great as for medium and large firms.
- We caution that these associations between innovation and business outcomes, on the one hand, and employment practices, on the other, cannot be assumed to be causal, since innovative firms may be more likely to adopt these practices for entirely separate reasons, and firms with positive business outcomes may be more likely to have the resources to introduce workplace change. Nevertheless the findings suggest that these combinations of practices are worthy of further attention

Chapter 8

Conclusions and Policy Lessons

The Workplace in Recession

Evidence of the impact of the economic downturn on both public and private sector firms was very clear in this report. Compared to 2003, in the private sector we saw a drop in the volume of business, a fall in the number of firms reporting a profit in the last two years and more employers expecting deterioration in their business position. There was also, compared to 2003, a fall in the proportion of employers reporting that their workforce had increased in the last two years and a rise in the proportion expecting a decline in numbers employed in the coming months. Further evidence of the impact of the downturn can be seen in the high proportion of private sector employment in firms experiencing intense pressure as a result of the downturn and the increase since 2003 in the proportion experiencing intense pressure as a result of contracting markets.

The public sector has also been strongly affected. Almost nine out of ten public sector jobs are in organisations experiencing intense pressure as a result of coping with the economic downturn and a similar proportion is experiencing intense pressure as a result of budget constraints. Aspects of the downturn are also making change more difficult in the public sector: budget constraints, recruitment constraints and uncertainty about the future are the factors most frequently cited as major barriers to change.

The recession could affect workplace innovation in one of two ways. On the one hand, a fall in profits and an intensification of competition may incentivise firms to search for new solutions, including new workplace practices (Porter, 1990; Pil and MacDuffie, 1996). On the other hand, in a period of recession firms may lack the resources needed to implement new organisational routines. The analogue to reduced profitability in the public sector would, presumably, be budget constraints resulting from the current fiscal crisis. Indeed, we saw evidence of these forces at work in the survey of employers. Budget constraints were identified very frequently as both a pressure for change and also a barrier to change.

Nevertheless, since 2003 there is evidence of considerable change in workplace practices. Comparing the 2003 and 2009 National Workplace Survey of Employers, we see that private sector workplaces have become more likely to encourage employee involvement and new ways of working together. We also see sizeable increases in the proportion of private sector employment in firms providing information or consulting with employees on changes in the company, in arrangements for work–life balance and flexible working times, and in adopting new work practices, such as teamwork or quality circles. There have been smaller, but still important, changes that suggest a professionalisation of human resource management i.e., explicit policies on equality and diversity, formally agreed in-house dispute resolution procedures and formal staff performance review.

In the public sector, although we do not have detailed data from 2003 to compare employment practices, we can compare the general strategic approaches between 2003 and 2009. A number of strategic responses that involve workplace change were more likely to be considered very important in 2009 than in 2003.

These included open-recruitment to all grades, something recommended by the 2008 OECD review (OECD, 2008), staff involvement in decision-making and performance review. Looking ahead, rationalisation or restructuring of agencies was expected to be more important in 2009 than they were in 2003. In addition, almost all public sector organisations introduced new ways of working in the two years prior to the survey.

We cannot attribute these changes to the economic recession, however. In fact, given that it takes time to introduce and implement organisational changes, particularly in large organisations, it is most likely that these processes were begun before the beginning of the economic downturn in late 2008. The fieldwork took place from March to July 2009 – not enough time for firms to have introduced and implemented new practices. It is too early to say what overall impact the recession will have on the adoption of workplace innovations. However, the responses of both public and private sector employers regarding general strategies in Chapter 4 and evidence of their commitment to innovation as outlined in Chapter 5, suggest that, as well as reducing costs, workplace innovation is a central component of their strategic responses to the current pressures they face.

In the following, we synthesise some of the key findings of this report and draw out the lessons for policy. The results of the survey have lessons for policy in a number of areas, including workplace organisation to improve efficiency and enhance international competitiveness in the private sector, and progressing the public sector reform agenda in line with the *Transforming Public Services* agenda.

Strategies to Enhance Competitiveness: Innovation

We saw in Chapter 3 that contracting markets and competition from other firms was a significant pressure for change in the private sector, resulting in intense pressure for almost one-third of the private sector. These pressures have undoubtedly intensified as a result of the economic downturn, particularly the contraction of markets, which is considerably more important in 2009 than it was in 2003.

Ireland experienced a decline in competitiveness from 2002 to 2007. As the National Competitiveness Council notes, two-thirds of the loss in competitiveness between 2000 and 2008 was attributable to exchange rate fluctuations – factors outside the direct control of Irish enterprise and Government (National Competitiveness Council, 2009a). The remaining third was due to higher inflation in Ireland. While there are some signs of improvement in 2009 as a result of price moderation, we do not yet know how our competitive position compares to that of our main trading partners (National Competitiveness Council, 2009b). Our relative competitiveness is a challenge, not only for firms in the export sector, but also for firms catering for the domestic market which compete with imports.

Innovation is an important element in ensuring competitiveness while maintaining a high standard of living in Ireland (Department of Enterprise, Trade and Employment, 2008). This can take the form of producing new, or significantly improved, products or services, introducing new processes so that the products or services can be manufactured or delivered with greater efficiency and to a higher standard, or introducing new workplace practices, which enhance efficiency and quality and reduce waste.

We typically associate innovation with the invention of new products in the manufacturing sector. However, as the Department of Enterprise, Trade and Employment's policy document, *Innovation in Ireland*, notes, there are many different types of innovation including innovation in services. This is crucial given that 70 per cent of employment in Ireland is in services and that Ireland is the eleventh-largest exporter of services in the world (Department of Enterprise, Trade and Employment, 2008).

In the private sector, the overall level of commitment to innovation was substantial but far from universal. We saw that the chief executives of firms accounting for over two-fifths of private sector employment believe workplace innovation is very important to the future success of the organisation. More than half of private sector employment is in firms that had introduced new or significantly improved products and just under half is in firms that had introduced new or significantly improved services in the previous two years. Almost three private sector workers in five are employed in firms that had introduced workplace innovations in the same time period. The main differentiating factor among firms in terms of commitment to innovation was size of firm: the largest firms (over 250 employees) were twice as likely as the smallest firms (1–9 employees) to regard workplace innovation as very important to the future success of the organisation.

Policy Lesson

There is still considerable scope for convincing the private sector, particularly small firms, of the importance of workplace innovation to the future success of their businesses in terms of the positive impact it can have on both innovation and business outcomes. This will necessitate forging a broader consensus around the potential contribution that workplace innovation can make in assisting private sector firms to address their immediate competitive challenges.

Workplace Practices: Alone and in Combination

In Chapter 6, we identified three distinct groups of employment practices in Irish workplaces. **Human Capital Development** involves an emphasis on staff and management training combined with a professionalisation of human resource practices such as performance-monitoring, having formally agreed in-house dispute resolution procedures and an explicit policy on equality and diversity in the workplace. **Employee Involvement** includes consultation with employees, direct employee involvement in decision-making and problem-solving, employee discretion in carrying out work and arrangements for work–life balance. The third group of practices, which we term **Co-working**, emphasises a re-examination of how people work together and involves working across divisions in the organisation, working with employees in other organisations, new workplace practices such as working in teams and quality circles, making the organisation less hierarchical and experimentation with new ways of carrying out work.

When we considered how these practices were combined in Irish workplaces, we found that Human Capital Development and Employee Involvement approaches were most widespread and Co-working is less common. In fact, Co-working is rarely present in the absence of the other two.

In Chapter 7, we turned to the firm and organisation as the unit of analysis to ask how firms and organisations combine these work practices. The literature review in the first chapter led us to expect that the adoption of a coherent bundle of workplace practices is likely to be more beneficial than reliance on a single approach to act as a 'magic bullet'.

In the public sector, these practices are much more likely to be adopted in combination, with 60 per cent of public sector organisations adopting all three and a further 29 per cent adopting Human Capital Development combined with Employee Involvement. In the private sector, 28 per cent of firms adopted all three and a further 21 per cent adopted Human Capital Development and Employee Involvement. The remaining half was fairly evenly divided among firms adopting Human Capital Development strategies alone, Employee Involvement practices alone or none of the three.

Within the private sector, firm size mattered most in terms of adoption of practice bundles. Almost half of large firms adopted the combination of all three strategies, compared to just over one-quarter of the smallest firms. Smaller firms were, however, more likely to adopt Employee Involvement strategies alone (without Human Capital Development and Co-working).

Workplace Practices: Impact on Innovation and Business Outcomes

The adoption of different bundles of employment practices is interesting in itself, but becomes more relevant if we can show that it is linked to outcomes that matter to organisations and to the wider economy and society. We examined the linkages between employment practice bundles and product or service innovation and, for the private sector, business outcomes. In both the public sector and private sector, employers who adopted a combination of work practices were more likely to have introduced new or significantly improved products or services in the previous two years. In the private sector, firms that adopted a combination of work practices were likely to have somewhat better business outcomes.

In the private sector, firms that combine all three practices are **almost three times as likely** to have introduced new products or services as those that adopt Human Capital Development only. The corresponding figure for the public sector is

even greater, where organisations that combine all three practices are **five time more likely** to have introduced new products or services.

We cautioned that the association cannot be automatically interpreted as a causal one. Coherent bundles of employment practices may enhance innovation and business outcomes, but it is also possible that positive business outcomes give firms the resources to introduce new employment practices and innovative firms may be inclined to introduce innovative work practices for entirely separate reasons. Nevertheless, the findings are worthy of further attention and are consistent with the literature on the impact of employment practices.

Another caution we issued in Chapter 7 concerned the meaning of our findings on combinations of workplace practices. The combination of Employee Involvement, Human Capital Development and Co-working indicates a long-term commitment to continuous improvement in the way work is carried out. Since it takes time to introduce these practices and diffuse them throughout the organisation, part of what is being captured is the length of time for which this commitment has been in place. Given the differences between organisations – in terms of size, the nature of the processes and the challenges faced – some degree of flexibility and tailoring of workplace practices is needed in order to meet the specific needs of individual organisations.

Rather than a blueprint or checklist of specific practices, then, what is needed is a general orientation and commitment to the principles of continuous improvement and employee engagement. The emphasis needs to be on a holistic process that permeates all aspects of how work is carried out – an ongoing commitment to questioning, assessing and improving structures and practices that builds the capacity of employees and fully includes them.

Policy Lessons:

- The survey findings reveal the considerable progress that has been made in relation to workplace development in both the public and private sectors as indicated by the increased adoption of progressive employment practices. It is important that this momentum is sustained and that a continued commitment to, and ongoing investment in, workplace and workforce development is viewed as an integral part of the strategic response to the deep-seated crisis.
- If we can interpret the association between employment practices and both innovation and business outcomes as a causal one, then it is important to emphasise the benefits of adopting coherent bundles of employment practices, rather than adopting new stand alone workplace practices
- In particular it is important that national policies and supports designed to enhance the levels of product and service innovation fully recognise the important contribution that workplace innovation can make to the achievement of this key policy objective.
- Increasing the adoption of progressive employment practices is best achieved by a continuous improvement strategy that assesses all aspects of how work is carried out, builds the capacities of employees and fully involves them in the process of developing tailored solutions to the challenges faced by the individual organisation or firm.

Managing Change in the Public Sector

The modernisation of the public sector in Ireland began in earnest in the 1990s with the *Strategic Management Initiative* and the publication of *Delivering Better Government*. The emphasis was initially on efficient service delivery and accountability, but has now shifted to ensuring that the different parts of the Irish Public Service work cohesively, with a greater integration at national and local levels. The Government's *Transforming Public Services* programme, published in 2008, places an emphasis on flexibility, empowering employees, sharing of resources, accountability and monitoring of performance (Department of the Taoiseach, 2008a).

The results in Chapter 2 painted a picture of a public sector intensely challenged by coping with the economic downturn – particularly budget constraints, requirements for increased productivity, and an increasing client group – and by the need to deliver reforms. Since 2003, the pressures associated with the *Freedom of Information Act* and scrutiny by the media have also increased. The context in 2009, with a number of high profile controversies involving public sector expenditure, has made this pressure particularly intense.

Despite the pressures, the survey reveals a high level of awareness in the public sector of the importance of new employment practices. In Chapter 4, we saw that the emphasis on the importance of improving quality, training for staff and reducing costs is still important, but encouraging a flexible workforce and introducing new ways of working are also to the fore.

In Chapter 6, we saw that the public sector had higher levels of adoption, than the private sector, of employment practices such as Human Capital Development, Employee Involvement and Co-working. Further, as we saw in Chapter 7, the public sector is more likely than the private sector to adopt bundles of employment practices that are more effective when combined: 60 per cent of public sector employment is in organisations with high levels of adoption of Human Capital Development, Employee Involvement and Co-working.

We saw in Chapter 3, however, that the public sector faced a number of barriers in implementing public sector reform. Budget and recruitment constraints were frequently identified as major barriers, reflecting the difficult context faced by the public sector as a result of the recession. As well as this, there was evidence that inherited structures and practices, which make it more difficult to adopt flexible and adaptive work practices, are more to the fore in 2009 than in 2003. These include management structures, levels of hierarchy, bureaucracy, the willingness of staff and unions to change and the lack of local flexibility in industrial relations. It is likely that these barriers have become more salient with the intensification of efforts to introduce new work practices in line with the *Transforming Public Services* agenda. As public sector managers do not have the autonomy or authority to change and adapt many of these structures to local needs, policy needs to examine the extent to which centralisation and lack of local autonomy are inhibiting progress.

One of the striking aspects of the analysis of barriers to change was the diversity across types of public sector organisations in terms of the barriers faced. Although budget and recruitment constraints were the major obstacles for all types of organisation, recruitment constraints were a greater barrier in Education and Health than elsewhere.

The centralisation of public sector resource allocation was considerably more important as a barrier to change in Health than elsewhere. This suggests that achieving the goal of public sector transformation will require a tailoring of strategies and practices in different parts of the public sector.

Although innovation in the public sector has received less attention in the context of competitiveness, the cost of the public sector has been the focus of much attention in 2009, with factors such as the public–private pay gap and the overall public sector pay bill receiving widespread attention and debate. However, efficiently delivering public services is not just about pay levels. Innovation in the public sector is important to improving the quality of public services and delivering them more efficiently and cost-effectively.

In Chapter 5, we noted that one of the most striking findings was the high level of commitment to innovation in the public sector. More than eight in ten public sector jobs is in an organisation that introduced new or significantly improved services in the previous two years and over nine in ten is in an organisation that introduced new ways of working. Further, over 80 per cent of public sector employment is in organisations that see innovation as very important to the future success of the organisation.

Among public sector employees, however, there was a less enthusiastic picture of innovation in the public sector than in the private sector. Public sector employees are less likely than their private sector counterparts to agree that the organisation is willing to take risks in order to be innovative. We interpreted this gap between rhetoric and implementation to indicate a slow diffusion through the mainly large public sector organisations of the commitment to innovation among management. In addition, the barriers to change in the public sector, including lack of local flexibility and autonomy, are likely to inhibit the diffusion of effective workplace practices throughout the organisation.

Policy Lessons

- The strong strategic commitment of top public sector managers to workplace innovation is an important achievement and resource for the *Transforming Public Services* agenda. To fully exploit this resource, the structural barriers to change, in particular the centralisation of human resources and industrial relations, organisational hierarchies and bureaucracy have to be addressed.
- The survey revealed that public sector managers were more likely to identify the centralisation of human resource management in the public sector as barriers to change in 2009 than in 2003. For public sector reform to be effective, a greater degree of empowerment of public sector managers and staff at a local level is required.
- There was a discrepancy between the stated commitment of senior public service managers to workplace innovation and the perception of public sector employees. This suggests the need for better communication with staff and for greater diffusion of practices such as networking, team working and employee involvement throughout public sector organisations.
- There was considerable diversity across the public sector in the main barriers to change. This suggests that the practices adopted in order to implement public sector reform will need to be tailored to the specific needs of the organisations.

Managing Change in the Public Sector

The analysis in Chapter 7 of this report showed that once we control for industry, small firms experienced greater challenges to their business position in the last two years. We also saw that small firms are much less likely to have introduced new products or services in the past two years and that they are less likely to adopt combinations of workplace practices that enhance business position and innovation. The literature we reviewed in Chapter 1 would lead us to expect this latter outcome. Either because of diseconomies of scale or difficulties in marshalling sufficient resources, small firms tend to be less likely to introduce workplace innovations.

One very important finding from this report, however, is that those small firms that have adopted coherent bundles of workplace practices, such as combining Human Capital Development and Employee Involvement or, combining both of these with practices to encourage a more co-operative style of working together benefit almost as much as larger firms in terms of innovation. The benefits in terms of business outcomes are also significant but not as great as for larger firms.

Policy Lessons

The survey findings reveal an association between certain combinations of workplace practices and innovation. This association was found in small as well as large firms. The fact that small firms are less likely to adopt these practices suggests that diseconomies of scale may be important. Programmes to enable small firms to overcome the diseconomies of scale might include facilitating small firms to pool resources and share the costs of training. It is important to ensure that state funded workplace development programmes do not exclude small firms.

Future Research and Lessons from this Project

Given the breadth of the information collected in the National Workplace Surveys, it was not possible to examine all issues in the present report. There are a number of issues that could very usefully be explored further in the data. In particular:

- What is the link between workplace practices and productivity in the private sector? Is there evidence that Human Capital Development, Employee Involvement and Co-working are associated with increased productivity?
- In the public sector, to what extent do barriers limit the implementation of workplace practices? Are there particular barriers (budget constraints, recruitment constraints, management structures and so on) that are associated with a lower level of adoption of progressive workplace practices?

In interpreting the results of this study, it is well to be aware of its limitations. It was a survey of employers, conducted at a particular point in time. As such, particularly given the severe economic pressures arising from the recession in 2009, it is not clear to what extent the results would generalise to a period of improved economic circumstances. Would the commitment to innovation in the private sector be greater or would it be reduced?

Another limitation of this study was that data was collected from the CEO or director of the enterprise or organisation. This will not be an issue for small organisations, where there is a single workplace i.e. most private sector firms and the smaller public sector organisations, such as most non-commercial Semi-States and many regional bodies. It does become an issue in areas such as Education and Health, however, where the detail and range of practices present in local workplaces were inadequately captured in the present design. In designing future research on transformation in the public sector from the perspective of management, it would be extremely useful to emphasise the collection of information at the level of the workplace as well as at the level of the organisation.

Finally, there was no link in the present study between the survey of employers and the survey of employees. We found important differences in perspective between employers and employees in the aggregate. However, an exploration of the causes of these differences and of the factors that facilitate effective communication and co-operation within organisations would require a linked study design where data is collected from a linked sample of organisations and their employees. This is something to keep in mind when designing future studies of the workplace. It is likely to be particularly important in research on the public sector workplace where the large size of organisations makes effective communication crucial to the delivery of public sector reform.

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Appendices

Appendix A

Detailed Methodology

Sample Selection

For the private sector, we included all firms and organisations that had completed the 2003 survey, as well as a representative sample of private sector firms. For the public sector, we attempted a census of all public sector employers.

The sampling frame for the private sector survey was developed by the ESRI from a number of sources, principally the Data Ireland (formerly Kompass) database of firms and organisations in Ireland. The sample was stratified according to size (number of employees) and sector (as shown in Table A2).

One challenge in surveying firms and organisations is the choice of the unit of analysis: the local workplace or the 'head office'. This arises in the case of large organisations with several branches or outlets. The sampling frame is based on 'local units' rather than enterprises. In a survey that gathers information on workplaces, this would generally seem to be the most appropriate unit of analysis. In a number of cases, however, the questionnaire was redirected to 'Head Office' for completion.

In the public sector, human resources in a number of sectors are more centralised. This is true in Education, for the Gardaí and Defence forces. In these cases, the questionnaires were completed by the central offices. In the case of the Primary and Secondary Level Education sector, we drew on information from the Department of Education and from representatives of principals, who were in a better position to provide information on practices in schools.

The questionnaire was directed to the chief executive of private sector companies, and the director or secretary general (as appropriate) of public sector organisations.

Fieldwork

The questionnaire was posted to firms and organisations in March 2009. Employers were offered the option of returning the questionnaire in a reply-paid envelope or completing the survey online. Three weeks later, a reminder letter was sent. Telephone calls were made to all large firms and organisations to ensure that the appropriate person had received the questionnaire and to encourage a response. The final postal reminder was sent in July 2009.

Survey Outcomes and Response Rate

Table A1 shows the response rate for the public sector and private sector samples. In the private sector, the response rate was 40 per cent while it was 57 per cent in the public sector. These are highly satisfactory response rates for a survey of firms or organisations conducted by post.

Table A1 | Response rate by sector

	Private	Public
A Completed by post	2121	234
B Completed by web	547	125
C Refused	30	1
D Returned, not suitable for analysis	71	53
E Out of business	58	16
F Duplicate	120	2
G Included with another firm/organisation	38	23
H Returned by An Post	482	8
I Ineligible – no employees, not private/commercial	59	23
J Non-response	4979	251
K Total confirmed eligible: Sum(A to D)	2769	413
L Total confirmed ineligible: Sum(E to I)	757	72
M Eligibility rate (where known): (K/(K+L))	79%	85%
N Number presumed eligible of non-response (M x J)	3910	214
O Total estimated eligible (K+N)	6679	627
P Total completed (A+B)	2668	359
Q Response rate (P/O)	40%	57%

As shown in Table A2, the response rate was higher among firms who had completed the survey in 2003 (60 per cent compared to 36 per cent of 'new' firms).

The response rate was somewhat lower in the smallest firms (under eleven employees) and for firms in 'Other Services' and Construction (37–38 per cent).

Table A2 | Private sector response rate

<i>Response rate by sector, size and whether completed in 2003</i>	N Completed	Response Rate
Sector		%
Traditional manufacture (NACE1: 10–22, 36, 37, 40, 41)	275	42
Hi-tech manufacture (NACE1: ¹⁴ 23–35)	343	45
Construction (NACE 45)	196	37
Distribution (NACE 50–52)	765	41
Financial/insurance/business (NACE 65–74)	565	43
Hotel/restaurant/other (NACE 55–64, 80–95)	524	35
Size		
1–10	906	38
11–19	451	46
20–49	532	41
50–99	318	37
100–249	245	43
250–499	103	37
500 and over	113	45
New or Follow-up		
New	2,088	36
Follow-up	580	60

Table A3 | Public sector response rate at level of organisation and at level of employees covered

	N Employees (from CSO)	N employees – completed sample	N organisations completed	Response rate at level of organisation	Response rate (coverage of employees)
Part of Public Sector				%	%
Civil Service	37,700	18,743	36	56	50
Gardaí, Prisons and Defence	29,000	24,735	3	75	85
Primary & Secondary Level Education	59,600	48,932	6	86	82
VEC, IT, third level	44,600	38,641	40	51	87
Local government/regional bodies	37,800	34,824	143	57	92
Non-commercial Semi-State	11,300	11,000	92	59	97
Health	128,800	120,043	39	53	93
Total	348,800	296,918	359	57	85

Table A3 shows the response rate by type of organisation in the public sector. The response rate was higher among the larger organisations, mainly through the emphasis on securing their participation at the fieldwork stage. Thus, while 57 per cent of the organisations contacted responded to the survey, these responses cover 85 per cent of employment in the public sector. Coverage is lower in the Civil Service than in other parts of the public sector, but even here it is 50 per cent of employment.

Of the 400 public sector organisations that responded in 2003, 37 were ineligible in 2009¹² and 244 responded. This gives a response rate of 67 per cent for these public sector organisations.

Reweighting the data

In line with all sample surveys the data were reweighted or statistically adjusted prior to analysis to ensure that it is fully representative of the full population of all employers. In 2003, the weighting for the public sector was based on employment in the different parts of the public sector: responses were reweighted so as to cover total employment rather than total number of organisations. Weighting for the private sector in 2003 was based on the number of firms by sector and size category.

For the 2009 data, we base the weights on total employment for both the public and private sectors. We do this for a number of reasons. First, it keeps the basis the same for both public and private sector employment. Second, we are able to obtain more up-to-date information on employment by sector and size of firm from the 2009 first-quarter QNHS. Comparable data at the level of the firm is several years old at this point and does not reflect the recent very dramatic changes in employment.

Data for reweighting came from the Quarterly National Household Survey (QNHS) from the first quarter of 2009. This is a large sample survey (over 30,000 interviews per quarter) conducted by the Central Statistics Office that is used to provide definitive information on the Irish labour market. This ex-post adjustment ensures that the data are wholly representative of the population from which they have been selected and so allows us to provide unbiased estimates of the employment context in the public and private sectors. Figures from the QNHS were used to recalibrate the sample data prior to analysis.¹³

12. This occurred where an organisation was no longer in existence or, more commonly, where the response was provided by an organisation at a higher level (such as county councils including local town councils in their responses).

13. Since the QNHS does not distinguish public and private sector employment, the figures were adjusted using data from the CSO on public sector employment in 2009.

Table A4 | Weighting the private sector data to reflect total employment

	Number Employees (QNHS Q1 2009)	% of private sector employees	Number of firms responding	% of responding firms	Weight
Private Sector firms by Sector and Size of Unit					
Traditional manufacturing, <11	28,467	2.2	75	2.81	0.80
Traditional manufacturing, 11–19	14,439	1.1	34	1.27	0.89
Traditional manufacturing, 20–49	15,080	1.2	58	2.17	0.55
Traditional manufacturing, 50+	69,275	5.5	108	4.05	1.35
Hi-tech manufacturing, <11	44,741	3.5	80	3.00	1.18
Hi-tech manufacturing, 11–19	9,493	0.7	46	1.72	0.43
Hi-tech manufacturing, 20–49	9,846	0.8	71	2.66	0.29
Hi-tech manufacturing, 50+	81,179	6.4	146	5.47	1.17
Construction, <11	37,201	2.9	85	3.19	0.92
Construction, 11–19	30,003	2.4	28	1.05	2.25
Construction, 20–49	16,774	1.3	38	1.42	0.93
Construction, 50+	43,609	3.4	45	1.69	2.04
Distribution, <11	43,810	3.5	326	12.22	0.28
Distribution, 11–19	56,361	4.4	118	4.42	1.00
Distribution, 20–49	34,947	2.8	170	6.37	0.43
Distribution, 50+	102,393	8.1	151	5.66	1.43
Financial/insurance/business, <11	60,604	4.8	233	8.73	0.55
Financial/insurance/business, 11–19	38,790	3.1	79	2.96	1.03
Financial/Insurance/Business, 20–49	27,824	2.2	87	3.26	0.67
Financial/insurance/business, 50+	121,109	9.5	166	6.22	1.53
Hotel/restaurant/other, <11	157,905	12.4	177	6.63	1.88
Hotel/restaurant/other, 11–19	82,838	6.5	76	2.85	2.29
Hotel/restaurant/other, 20–49	41,147	3.2	108	4.05	0.80
Hotel/restaurant/other, 50+	101,165	8.0	163	6.11	1.30

The variables used for weighting in the private sector were industry and organisation size. Table A4 shows the population employment figures (total employment by sector and size), the number of responding firms and the weights applied to private sector organisations so that we can use the results to draw conclusions about the workplace context for private sector employment. For instance, seventy-five Traditional Manufacturing firms with 1–10 employees responded to the survey and constitute 2.8 per cent of the responding firms. However, from the second column we see that employees in small Traditional Manufacturing firms account for 2.2 per cent of all private

sector employment. The responses of these firms need to be weighted downwards in order to reflect the correct representation of private sector employment. The responses of firms in the hotel/restaurant and other services sectors need to be given a higher weight in order to reflect the fraction of total employment in that sector (the smallest firms in this sector account for 12.4 per cent of employment but only 6.1 per cent of responding organisations). In general, the larger firms receive a higher weight because they account for a relatively high proportion of employment in each sector even though the number of organisations is small.

Table A5 | Reweighting the public sector employer survey

	Number Employees (from CSO)	% of private sector employment	Number organisations completed	Weight
Part of Public Sector				
Civil Service	37,700	10.8	36	1.08
Gardaí, Prisons and Defence	29,000	8.3	3	9.95
Primary and Secondary Level Education	59,600	17.1	6	10.22
VEC, IT, third level	44,600	12.8	40	1.15
Local Government/regional bodies	37,800	10.8	143	0.275
Non-commercial Semi-State	11,300	3.2	92	0.13
Health	128,800	36.9	39	3.40
Total	348,800	100.0%	359	

The weighting strategy we adopt means that our results are about the employment context rather than about firms. Thus, in interpreting the results, we will speak about the proportion of employment that is in workplaces with particular characteristics (such as union membership, pension coverage, flexible working arrangements, an emphasis on innovation and so on) rather than the proportion of firms with these characteristics. This will be somewhat different from the approach adopted in 2003. As such, we need to be cautious in comparing the results to those found in the 2003 dataset at this point. We developed a weighting scheme on a comparable basis for the 2003 data and these reweighted figures are presented in this report.

For the public sector, data came from the 2009 Central Statistics Office Publication on Public Sector Employment by Sector (Central Statistics Office, 2009).¹⁴ Table A5 shows the weights applied to the public sector Employer Survey.

As can be seen from the weights column, the weighting procedure will make more of a difference in the public sector than in the private sector, as the public sector is more often characterised by a highly centralised employment structure, especially for terms and conditions of employment. This is particularly the case in Education and for the Gardaí, Defence and Prisons, where a small number of completed questionnaires cover a large proportion of Civil Service employment. At the other end of the scale, we have a large number of responses from Local government/Regional bodies and non-commercial semi-states (including statutory bodies and State agencies), which tend to be small in size so that the total employment is lower.

Again, in interpreting the results, it is important to remember that we are speaking about the institutional context of public sector employment rather than about the characteristics of public sector organisations.

14. Adjustments were made to the CSO figures on employment in Health as these refer to full-time equivalents whereas our questionnaire responses refer to total employees.

Organisation-level weights

In Chapter 7 of the report, where we turn to the analysis of clusters of employment practices, we shift our attention to the level of the organisation. The cluster and regression analyses in this chapter are conducted on the unweighted data, but for averages and percentages we use data weighted to the level of the organisation. This is the appropriate unit of analysis when the focus shifts to decision-making by organisations rather than, as in the rest of the report, the organisational context of employment. In order to produce averages and percentages that accurately reflect the position of employing

organisations, we use a different set of weights. The unit of analysis becomes the organisation and each organisation in our data represents organisations of similar size and sector. The distribution of organisations is shown in Table A6 and is based on details from the sampling frame used to select the samples (the list of public sector organisations and the gross sample of private sector employers). We can see that this will be different from the weights used in the majority of the report as it gives equal weight to a single large organisation and a single small organisation.

Table A6 Organisation level weights (for Chapter 7) in the public and private sector

	% of all firms	% of responding firms	Weight
Private Sector			
Traditional manufacturing, <11	3.1	2.6	1.19
Traditional manufacturing, 11–19	1.4	1.5	0.95
Traditional manufacturing, 20–49	1.3	1.2	1.06
Traditional manufacturing, 50+	5.9	5.0	1.19
Hi-tech manufacturing, <11	1.1	2.8	0.38
Hi-tech manufacturing, 11–19	2.3	1.9	1.21
Hi-tech manufacturing, 20–49	1.5	1.1	1.29
Hi-tech manufacturing, 50+	1.5	7.0	0.22
Construction, <11	7.0	2.8	2.51
Construction, 11–19	3.4	1.4	2.41
Construction, 20–49	1.1	0.6	1.85
Construction, 50+	1.0	2.5	0.40
Distribution, <11	3.2	11.4	0.28
Distribution, 11–19	13.3	5.3	2.52
Distribution, 20–49	5.0	3.0	1.63
Distribution, 50+	3.7	9.0	0.41
Financial/insurance/business, <11	9.2	8.2	1.11
Financial/insurance/business, 11–19	8.2	3.4	2.38
Financial/insurance/business, 20–49	3.3	1.8	1.86
Financial/insurance/business, 50+	2.1	7.7	0.28
Hotel/restaurant/other, <11	8.2	6.1	1.34
Hotel/restaurant/other, 11–19	0.0	3.4	1.92
Hotel/restaurant/other, 20–49	9.9	1.8	1.92
Hotel/restaurant/other, 50+	3.3	8.4	0.39
Public Sector			
Civil Service	9.7	10.0	0.96
Gardaí, Prisons and Defence	0.4	0.8	0.53
Primary & Secondary Level Education	0.3	1.7	0.18
VEC, IT, third level	13.1	11.1	1.18
Regional bodies	38.2	39.8	0.96
State agency/state-sponsored body	25.0	25.6	0.98
Health	13.2	10.9	1.22

Appendix B

Questionnaire: Private Sector Employers

SECTION A. QUESTIONS ABOUT YOUR FIRM

Q.1 How many outlets or branches do you have in the State (Ireland)?

Please answer the remainder of the questionnaire in respect of all of your business throughout all of your branches in Ireland

Q.2 In general, do you consider your current business (sales) position to be: *(tick one only)*

Good Satisfactory/normal for time of year Bad

Q.3 Excluding purely seasonal fluctuations, compared to your present situation do you expect that your business trend over the next six months will: *(tick one only)*

Improve Remained unchanged Deteriorate

Q.4 Compared to your present situation, do you expect that the number of people you employ over the next three months will: *(tick one only)*

Increase Remained unchanged Decline

Q.5 How many people are currently engaged on a full-time and part-time basis in all branches or outlets of your business throughout the Republic of Ireland?

Persons engaged on a FULL-TIME basis:

Persons engaged on a PART-TIME basis:

(Note: Please include proprietors, owners and managers. By part-time we mean usually working less than 30 hours per week. If no-one is engaged on a part-time basis please write NONE.)

Q.6 Of the current employees, how many are agency workers?

Q.7 Of the current employees, and apart from any agency workers, how many others are temporary or contract workers?

Q.8 Please give a brief description of the nature of your business.

Q.9 Which of the following best describes your company? (tick one only)

Irish owned Foreign owned Commercial Semi-State

Q.10 Compared with this time two years ago would you say your workforce today is:

Larger The same Smaller

Q.11 Has the volume of your business increased, stayed the same or decreased in the last 2 years?

Increased Stayed the Same Decreased

Q.12 Thinking back over the last 2 years, in terms of the overall profits of your company would you say your business has shown:

A Substantial Loss A Moderate Loss Broken Even
 A Moderate Profit A Substantial Profit

Q.13 Does management in your company recognise any Trade Union?

Yes No

Q.14 Does your firm have a Staff Association?

Yes No

Q.15 Does the firm engage in collective bargaining?

Yes No

Q.16 Approximately how many vacancies did your firm have in 2008?

Q.17 Did your firm have any vacancies that were difficult or impossible to fill due to a *lack of adequately qualified candidates* in 2007 or in 2008?

Yes (> Go to Q.18) No (> Go to Q.18)

	2007	2008
Q.18 Please provide an estimate of the number of vacancies that were <i>difficult to fill</i> due to a lack of adequately qualified candidates in 2007 and 2008. (If none, please enter '0')	<input type="text"/>	<input type="text"/>
Q.19 Of these, how many <i>remained unfilled</i> due to a lack of adequately qualified candidates? (If none, please enter '0')	<input type="text"/>	<input type="text"/>

SECTION B. PRESSURES FOR CHANGE

Q.20 We would like you to think about factors which are generating **PRESSURE FOR CHANGE** in your company. Please tick one box on each line to indicate how much pressure for change each of the items below cause for your company?

	Intense Pressure	Some Pressure	No Pressure	Not Applicable
Downturn in the economy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Competition from other companies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Difficulty in recruiting appropriate staff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Increasing demands of your customers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Changes in technology in your line of business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Increasing demands for changes in the workplace from your employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Product and production regulation and legislation (e.g. environmental, safety, sustainability)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fluctuations in exchange rates	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Contracting market for your goods or services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Labour costs and benefits (incl. Social Insurance)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Labour regulation and legislation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Insurance costs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Energy costs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other Operating costs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Product innovation in your line of business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Access to credit and money	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (please specify) <input type="text"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SECTION C. RESPONSES TO PRESSURES FOR CHANGE

Q.21 Companies have a number of different responses to the types of pressures outlined above.

(a) In Column A below please tick one box on each line to indicate how important each of the following **CURRENTLY** is to your company in responding to the external pressures your company is facing today.

(b) In Column B below please tick one box on each line to indicate how important you **EXPECT** it to **BE** over the next 3 years in responding to the external pressures your company will face.

Type of response to external pressure	(A) How important <i>currently</i> in addressing pressures				(B) How important do you <i>expect</i> it to be in <i>next 3 years</i> in addressing pressures			
	Very Important	Important	Not Important	N.A.	Very Important	Important	Not Important	N.A.
Introducing new products or services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Introducing new technology	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Introducing new processes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Improving the quality of the goods or services you produce	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Customising your goods or services to the needs of your customer(s)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Increasing the number of employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reducing the number of employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reducing other production costs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Increased use of agency workers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Increased use of other contract or temporary staff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Relocation of some or all of your operation abroad	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Outsourcing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Increased marketing or promotion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Introducing new ways of working	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Training and development	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Encouraging greater flexibility among your workforce	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Increase staff involvement in decision making and problem solving	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (please specify)	<input type="text"/>							

SECTION D. EMPLOYMENT PRACTICES

Q.22 We would like you to think about employment practices which are currently being implemented in your organisation. Please tick one box on each line to indicate:

(a) whether or not it is being implemented in your organisation and

(b) if the practice is **NOT** being implemented at present, do you plan to implement it in the **NEXT TWO YEARS**

Employment Practice	(A) Implemented in your company?		(B) If 'No' in column (A) Do you plan to implement in <i>next 2 years</i>	
	Yes	No	Yes	No
Arrangements for direct involvement of employees in decision making & problem solving	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Employee discretion in the way their work is organised or carried out	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Profit sharing/share options/gain sharing for employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Formal Partnership agreement involving unions and employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Informal partnership style arrangements between management & employee representatives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Use of part-time staff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Use of agency workers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Use of other temporary labour/contract staff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Explicit policy on equality/diversity in the workplace	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Arrangements for work-life balance for employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information to and consultation with staff on change in the company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information to, and consultation with, staff on the business context	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Formally agreed in-house dispute resolution procedures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Temporary layoffs or involuntary reduction in working	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Flexible working times	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Staff training and development for managers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Staff training and development for employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Formal staff performance review	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
New work practices such as team working/multi-tasking/quality circles	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Arrangements for employees to work across divisions or sectors within the organisation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Arrangements for staff to work on projects with employees of other firms or organisations (networking)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Arrangements for employees to experiment with new ways of carrying out work	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Making the organisation less hierarchical	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Increasing managerial/supervisory control	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (specify) <input type="text"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Q.23 Does your firm offer any of the following incentive schemes to employees?*(please tick all that apply. If none apply, please tick the last box below)*

- | | |
|--|--|
| <input type="checkbox"/> Regular increment | <input type="checkbox"/> Employee share options |
| <input type="checkbox"/> Profit sharing | <input type="checkbox"/> Gain sharing |
| <input type="checkbox"/> Company bonus schemes | <input type="checkbox"/> Team bonuses |
| <input type="checkbox"/> Individual bonus | <input type="checkbox"/> Merit/performance related pay |
| <input type="checkbox"/> Non-monetary performance incentives | <input type="checkbox"/> None of these |

Q.24 Does your firm offer membership of an occupational pension scheme to employees?

- Yes (> Go to Q.25) No (> Go to Q.26)

Q.25 Roughly what percentage of your employees are offered such membership?

SECTION E. INNOVATION**Q.26 During the LAST TWO YEARS, did your firm introduce... ?**

- New or significantly improved products Yes No
 New or significantly improved services Yes No

Q.27 Please estimate the proportion of your turnover in the last financial year associated with such new or significantly improved goods or services.*(If none, please enter zero)*
 % of turnover
Q.28 During the LAST TWO YEARS, did your firm introduce any workplace innovations? By workplace innovation we mean new ideas, processes or behaviours designed to promote improvements in the way the work is carried out, rather than improvements to the product or service provided?

New ideas, processes or behaviours designed to promote improvements
 in the way work is carried out Yes No

Q.29 How important is workplace innovation to the future viability and success of your firm?

- | | |
|---|---|
| <input type="checkbox"/> Not at all important | <input type="checkbox"/> Not very important |
| <input type="checkbox"/> Fairly important | <input type="checkbox"/> Very important |

Q.26 During the LAST TWO YEARS, did your firm introduce... ?

	Less than €0.5 million	€0.5-to under €1 million	€1 to under €2 million	€2 to under €5 million	€5 to under €10 million	€10 to under €25 million	€25 to under €34 million	Over €34 million Please specify amount to nearest €5 million
Total Turnover in last financial year	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	€ <input type="text"/>

Questionnaire: Public Sector Employers

SECTION A. QUESTIONS ABOUT YOUR ORGANISATION

Q.1 Which of the following best describes the nature of the organisation?

- Public Service
 Non-Commercial Semi-State Sector
 Commercial Semi-State

Q.2 Is this...

- The Civil Service
 Local Government
 The Health Sector
 A State Agency
 Gardaí/Defence Forces

Other (Specify)

Q.3 What is your own position within the organisation?

Q.4 Please describe as fully as possible the nature of your organisation, what it does etc.

Q.5 How many people currently work in your organisation in all its branches throughout the State? (Please give the total of full-time and part-time workers (or persons engaged) including and also including transient staff. If a Civil Service department please record figures in respect of your department only.)

*(Note: By part-time we mean usually working less than 30 hours per week.
If no-one is engaged on a part-time basis please write NONE.)*

- Full Time
 Part Time
 Total

Q.6 Of the current employees, how many are agency workers?

Q.7 Of the current employees, and apart from any agency workers, how many others are contract or temporary workers?

Q.8 What is the current level of total employment in your organisation as agreed with the Department of Finance?

(If not applicable please tick box 1 – otherwise, please record the agreed employment levels)

Not applicable Agreed levels (*enter number of persons*)

Q.9 Approximately how many vacancies did your organisation have in 2008?

Q.10 Did your organisation have any vacancies that were difficult or impossible to fill due to a lack of adequately qualified candidates in 2007 or in 2008?

Yes (> Go to Q.211) No (> Go to Q.13)

	2007	2008
Q.11 Please provide an estimate of the number of vacancies that were <i>difficult to fill</i> due to a lack of adequately qualified candidates in 2007 and 2008. <i>(If none, please enter 'o')</i>	<input type="text"/>	<input type="text"/>
Q.12 Of these, how many <i>remained unfilled</i> due to a lack of adequately qualified candidates? <i>(If none, please enter 'o')</i>	<input type="text"/>	<input type="text"/>

SECTION B. PRESSURES FOR CHANGE

Q.13 We would like you to think about factors outside your organisation which are generating **PRESSURE FOR CHANGE** in your organisation. Please tick one box on each line to indicate how much pressure for change each of the items below currently causes for your organisation

	<i>Level of CURRENT pressure for change in organisation</i>		
	Intense Pressure	Some Pressure	No Pressure
National regulations, legislation or policy in your area of work	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
European or International regulations, legislation or policy in your area of work	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Public Service Reform Agenda (for example Transforming Public Services)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Demand for an increase in the standard or quality of service delivered	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Requirement for efficiency and productivity in the delivery of services such as cost saving and efficiency drives and value for money reviews	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Need to change opening/closing times to suit your clients or users	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Providing new services for users	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Co-ordination with the services provided by other departments or other divisions in the public service (sometimes referred to as 'networking')	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Coping with the economic downturn	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Scrutiny by the media	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Freedom of Information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Legislation on equality or diversity in the workplace	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Budget Constraints	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Availability of appropriately qualified staff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Decentralisation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Adhering to Social Partnership agreements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Increases in the size of your target group or client base (e.g. number of users of your service)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Increased accountability to the Oireachtas	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rationalisation / restructuring of State Agencies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The demand to make services available online (e.g. eGovernment)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (please specify) <input type="text"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Q.14 Many public sector organisations experience a range of **INTERNAL** pressures which result in changes in their workplace. Please tick one box on each line to indicate how much pressure for change each of the items below currently causes for your organisation?

	<i>Level of CURRENT INTERNAL Pressure for change in organisation</i>		
	Intense Pressure	Some Pressure	No Pressure
Employee needs for greater flexibility in the workplace	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Demands by staff for greater say and involvement in work	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Need to work with other Departments and Agencies on cross-cutting issues	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Employee needs for recognition and reward	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Introduction of new technology.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Equality and diversity in the workplace.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
In house initiatives to support / deliver public service reform	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (specify) <input type="text"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SECTION C. BARRIERS TO CHANGE

Q.15 Listed below is a set of issues each of which could potentially be seen as a barrier to addressing the pressures faced by your organisation. For each one, please tick one box on each line to indicate how much you feel the issue actually represents a barrier to you in addressing the pressures currently experienced by your organisation

	Major Barrier	Barrier	Not a Barrier	Not Applicable
Management structures within your organisation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ability and experience of management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Recruitment constraints	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Willingness of management within the organisation to change	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Willingness of staff within the organisation to change	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Willingness of unions within the organisation to engage constructively with change	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hierarchical nature of the organisation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
High levels of bureaucracy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The promotions process	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The level of responsibility devolved to individuals or work teams	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The extent to which one can deal with under-achievement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The extent to which one can reward high performance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Budget constraints	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Centralisation of Public Sector resource allocation and finance decisions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Centralisation of Public Sector human resource systems	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lack of local flexibility in industrial relations negotiations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lack of integration or co-ordination with other relevant Departments and Agencies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lack of Leadership Capability	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Limitations on career progression	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Uncertainty about the future	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lack of clarity about future institutional support for the organisation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SECTION E. EMPLOYMENT PRACTICES

Q.17 We would like you to think about employment practices which are currently being implemented in your organisation. Please tick one box on each line to indicate:

(c) whether or not it is being implemented in your organisation and

(d) if the practice is *not* being implemented at present, do you plan to implement it in the *next two years*

Employment Practice	(A) Implemented in your company?		(B) If 'No' in column (A) Do you plan to implement in next 2 years	
	Yes	No	Yes	No
Arrangements for direct involvement of employees in decision making & problem solving	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Employee discretion in the way their work is organised or carried out	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Formal partnership agreement involving unions and employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Informal partnership style arrangements between management & employee representatives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Explicit policy on equality/diversity in the workplace	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Use of part-time staff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Use of agency workers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Use of other temporary labour/contract staff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Arrangements for work-life balance for employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information to and consultation with staff on change within the organisation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information to, and consultation with, employees on the broader context in which the organisation operates	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Formally agreed in-house dispute resolution procedures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Temporary layoffs or involuntary reduction in working time	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Flexible working times	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Staff training and development for managers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Staff training and development for employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Formal staff performance review	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
New work practices such as team working/multi-tasking/quality circles	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Arrangements for employees to work across divisions or sections within the organisation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Arrangements for staff to work on projects with employees of other agencies or organisations (networking)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Arrangements for employees to experiment with new ways of carrying out work	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Making the organisation less hierarchical	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Increasing managerial/supervisory control of employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Allowing individuals discretion in managing budgets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Introduction of performance related pay where part or all of an increment is related to annual review of performance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Conducting staff surveys	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (specify) <input type="text"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SECTION F. INNOVATION

Q.18 During the *last two years*, did your organisation introduce... ?

New or significantly improved products Yes No

New or significantly improved services Yes No

Q.19 Please estimate the proportion of your working time in the last budget year associated with such new or significantly improved goods or services

% of working time. If none, please enter '0'.

Q.20 During the *last two years*, did your organisation introduce any workplace innovations?

By workplace innovation we mean new ideas, processes or behaviours designed to promote improvements in the way the work is carried out, rather than improvements to the product or service provided.

New ideas, processes or behaviours designed to promote improvements in the way work is carried out Yes No

Q.21 How important is workplace innovation to the future viability and success of your organisation?

Not at all important Not very important

Fairly important Very important

Appendix C

Factor Analysis of Employment Practices

Factor analysis is an effective way of reducing a large number of variables to a smaller set of components or factors. We are asking whether firms that adopt a particular practice also tend to adopt other practices and we make the assumption that the items on the questionnaire are measuring a particular underlying set of practices that tend to be adopted together.

The results of the factor analysis, which was conducted on the unweighted data,¹⁸ are shown in Table C1. Three factors were derived, covering fifteen employment practice variables. The three factors account for 52 per cent of the variation in the fifteen items. Some of the employment practices examined in the previous table did not fit the factor structure, so these were excluded from the analysis here.¹⁹

The first set of employment practices, **Human Capital Development**, involves an emphasis on training combined with performance-monitoring and modern human resources practices such as having formally agreed in-house dispute resolution procedures and an explicit policy on equality and diversity in the workplace.

Table C1	Groups of employment practices in the public and private sector in Ireland (factor loadings)		
	Human Capital Development	Employee Involvement	Co-working
Staff training and development for managers	0.80	0.25	0.36
Staff training and development for employees	0.75	0.28	0.34
Formal staff performance review	0.71	0.24	0.40
Formally agreed in-house dispute resolution procedures	0.63	0.30	0.28
Explicit policy on equality/diversity	0.61	0.40	0.29
Information/consultation on change in company	0.47	0.73	0.23
Direct Employee Involvement in decision-making and problem-solving	0.25	0.71	0.42
Arrangements for work–life balance	0.41	0.58	0.38
Information/consultation on business context	0.46	0.71	0.26
Employee discretion in carrying out work	0.00	0.65	0.34
Employees experiment with new ways of carrying out work	0.22	0.40	0.78
Staff work on projects with other organisations (networking)	0.25	0.22	0.70
New work practices e.g. team-working/multi-tasking/quality circles	0.50	0.30	0.68
Making organisation less hierarchical	0.31	0.38	0.67
Employees work across divisions within organisation	0.44	0.29	0.67
Reliability of scale (Cronbach's alpha)	0.77	0.72	0.75

18. Using the unweighted data means we give equal weight to each responding firm rather than a higher weight to larger employers. The latter would have obscured important differences in the practices of firms as actors.

19. These practices were use of temporary staff, use of part-time staff, use of agency workers, involuntary lay-offs or reductions in working time, increasing managerial control and formal and informal partnership-style arrangements. We also excluded items that were measured for the public sector only (conducting staff surveys) or for the private sector only (profit-sharing/share options/gain-sharing).

The second set of practices, **Employee Involvement**, encompasses consultation with employees, direct Employee Involvement in decision-making and problem-solving, employee discretion and arrangements for work–life balance.

The third groups of practices, which we term '**Co-working**', emphasises a re-examination of how people work together and involves working across divisions in the organisation, working with employees in other organisations, working in teams, making the organisation less hierarchical and experimenting with new ways of carrying out work.

The last row in Table C1 shows the reliability of the simple additive scale resulting from these items. The reliability (Cronbach's alpha) is satisfactory for all three scales, ranging from .72 to .77.

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