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The *Employment Studies* newsletter reports on IES research on labour market and employment policy and practice in the UK and abroad. It is aimed at those interested in research to inform the development and implementation of public policy. Two other publications, *Research Digest* and *HR Insight*, provide briefings on IES employer-related work.

Leadership and worker involvement on the Olympic Park

Daniel Lucy, IES Research Fellow

Two key strands of the Health and Safety Executive's (HSE) strategy¹ for improving the health and safety performance of Great Britain are leadership and involving the workforce. The UK construction industry is a high-risk sector and is considered to have an unacceptably high level of fatalities. Improvements in safety management have been made since the 1990s, but an independent review into health and safety in the sector² identified that eliminating fatalities would only be possible through the development of strong leadership and the promotion of a positive safety culture, including the engagement of the workforce.

On behalf of the HSE, IES has recently undertaken work exploring the role of leadership and approaches to worker involvement on the Olympic Park³ construction site in London, where positive health and safety outcomes have been achieved.

Background on the Olympic Park

The Olympic Delivery Authority (ODA) was responsible for developing and building the new venues and infrastructure for the London 2012 Olympic and Paralympic Games and their use after 2012. The ODA was a 'thin' construction client (i.e. it did not manage work directly) and therefore appointed a separate organisation, CLM, to manage the construction programme. The work was organised via primary contractors, referred to as Tier 1 contractors, who took responsibility for their individual projects (e.g. the building of the stadium). Tier 1 contractors tended to employ sub-contractors (referred to as Tier 2 contractors) to carry out elements of the work, and Tier 2 contractors also sub-contracted elements of the work (to Tier 3 contractors).

Leadership

Our work found that one of the strongest elements in creating a strong safety culture on the Park was the role played by senior figures from ODA and CLM in articulating a clear vision and strategy for not just health and safety, but also for welfare and well-being. Provision of high-quality welfare facilities on site and a commitment to decent terms and conditions of employment stemmed from a belief that a cared-for workforce would be an engaged workforce.

Each Tier 1 contractor signed up to the ODA's Health, Safety and Environment (HS & E) standard. The standard outlined a number of requirements relevant to leadership and worker involvement, and performance against key performance indicators (KPIs) were monitored for each of the Tier 1 contractors. Efforts were made by senior ODA/CLM leaders to work collaboratively with Tier 1 contractors, but there were also examples of senior leaders from ODA/CLM stopping work where standards were not met.

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Improving employment opportunities for carers: identifying and sharing good practice.

This study for the National Institute for Health Research will collect, assess and synthesise evidence of what works in supporting carer employment. Working in partnership with CIRCLE at Leeds University, the study will include expert interviews, case study work, a survey of recent participants and secondary analysis of local labour market conditions for carers.

Rachel Marangozov

Work Organisation and Innovation

This project, for Eurofound, Dublin, will identify how innovations in High Performance Work Practices can improve employee outcomes and organisational performance in a range of sectors and countries. The project will examine how such innovations may support organisations to contribute to the European Commission's Economic Strategy for 2020 of achieving smart, sustainable, inclusive growth and outline why it is in organisations' interests to adopt these innovations. It involves a series of case studies undertaken by IES and a network of European partners. The case studies will then be analysed using a conceptual framework and synthesis of existing literature from which learning points for implementation and proactive roles for employees in putting High Performance Working into practice will be specified.

Annette Cox

Research to Support the Evaluation of Investors in People

The UK Commission for Employment and Skills has commissioned research to help evaluate the impact of the Investors in People (IIP) standard and provide feedback to improve service delivery. The project will involve a series of organisational case studies, interviews with IIP advisors and assessors and learning workshops. The project is being conducted in partnership with IFF who are conducting a survey of IIP accredited organisations in parallel with the case studies. The project will produce a research report and individual case studies.

Annette Cox

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Senior leaders from the ODA and CLM spoke of wanting to establish a collaborative, mutually responsible, challenging and learning culture where each contractor assumed responsibility not only for their own area but across the site. Contractors on site talked about a more supportive culture than they had experienced on other sites (where the prime contractor typically saw health and safety as the problem of the contractor) and of being asked their opinions and engaged in discussions about how to improve. Our work found that the engagement of contractors in health and safety issues was supported by a health and safety leadership structure which effectively mainstreamed health and safety, and through a variety of meetings and fora that provided opportunities for contractors to learn from each other. The leadership structure, combined with high levels of communication on site, also ensured that all layers of the management and leadership structure understood the importance of health and safety on site.

Improvements in performance were supported by the collection of extensive monitoring data, not just on accidents and incidents, but the reporting of near misses and the extent to which key activities in support of a safety culture (such as daily pre-work briefings and behavioural safety courses) were carried out. Safety climate surveys were also carried out regularly to monitor workforce perceptions of the organisational commitment to safety, engagement in health and safety and other aspects of the health and safety culture on site. The data collected were used to identify trends and spot problems, and to facilitate collaborative discussions with contractors on how to improve.

Worker Involvement

Worker involvement in health and safety was supported by a range of activities. All workers received inductions both to the site as a whole and to their particular projects. Inductions emphasised key messages around safety and the importance of challenging other workers' unsafe practices. All workers also received a behavioural safety orientation, which focused on engaging workers in an informal dialogue about safety and encouraging workers to think about the consequences of unsafe practice.

Our research found high levels of communication on site, not solely about health and safety but also on the progress of work to date, and planned work ahead. Daily activity briefings (DABs) were conducted each day before the start of work to provide



an opportunity to discuss the day's work and for workers to report any hazards or issues. To support effective communication by supervisors and their ability to elicit feedback from the workforce, all supervisors on the site were required to undertake a behavioural safety course. This course aimed to develop soft skills amongst supervisors and enhance their ability to engage in a two-way dialogue with the workforce.

Workers were also encouraged to take part actively in safety, through safety circles or meetings. These were typically attended by senior management on the project and workers from each of the contractors on the particular project concerned. Where they were present on a project, a representative from a trade union was also present at these meetings. The opportunity for workers to engage with health and safety issues was enhanced on some projects through the provision of additional training on hazard identification and the practice of groups of workers inspecting the work areas of their colleagues, and feeding back on areas for improvement.

Conclusions

The ODA's commitment to health and safety has been recognised by a number of awards and is impressive for a relatively poor performing sector in terms of health and safety. Nevertheless, good safety management systems are only part of the answer, and the efforts made to establish a positive safety culture, leadership from the top of the organisation and a variety of activities to engage the workforce appear to have provided positive results.

- 1 'The Health and Safety of Great Britain: Be part of the solution', HSE
- 2 Donaghy R (2009) 'One Death is too Many – Inquiry into the Underlying Causes of Construction Fatal Accidents' Rita Donaghy's report to the Secretary of State for Work and Pensions (July 2009)
- 3 Lucy D, Tamkin P, Tyers C, Hicks B (2011) 'Leadership and worker involvement on the Olympic Park', HSE Research Report No 896

Getting people fit for work

Jim Hillage, IES Director of Research

In the Spring of 2010, eleven Fit for Work Service (FFWS) pilots were launched throughout Great Britain. They were set up following Dame Carol Black's 2008 review¹ of the health of Britain's working age population, to offer support for people in the early stages of sickness absence, particularly for employees working in small and medium-sized enterprises (SMEs). From April 2011, seven of the pilots were funded for up to a further two years.



IES, in partnership with the Fit for Work Research Group at Liverpool University, the Social Policy Research Unit (SPRU) at the University of York, the National Institute of Economic and Social Research (NIESR), and GfK NOP, were commissioned by the Department for Work and Pensions (DWP) to evaluate the pilots.

The report on the first year of the evaluation has just been published and is based on management information, interviews with stakeholders, providers of the programme's services, clients and GPs and a client survey. Further evaluation reports will be published, including the results of an impact study, using anonymised data from fit notes and other methods, in 2013.

Pilot take-up

By the end of March 2011, 6,726 people had taken up the service offered by the pilots,

which was about 40 per cent of the number that the pilots expected when they formed their original plans. The original expectations may therefore have been over-optimistic and pilots found it difficult to engage with GPs and employers on a large scale.

Nearly all FFWS clients were employed and two-thirds were 'presentees' (individuals with ill-health who continue to work but who are at risk of sickness absence and loss of employment) rather than absentees, who were the original policy focus. Most clients had either a mental health condition or a musculoskeletal disorder and many had both: for example many of those with a musculoskeletal disorder, such as a bad back, also had a common mental health condition such as stress, depression or anxiety. In addition, ill-health conditions could be made more complex by non-health issues which deterred employees from staying in or returning to work. Over half of FFWS clients had work-related concerns, such as lack of support at work, harassment and bullying, and a fear that they could not cope with work demands. Clients also reported non-work problems such as poor housing, difficult domestic relationships or financial difficulties, which affected their ability to do their job.

The combination of all these factors tended to determine the level of complexity of an individual case and affect the speed at which sickness absentees returned to work.

Engagement and referrals

In the first year of the programme, the most common way of accessing the FFWS was by self-referral or GP referral. Most pilots spent considerable efforts trying to secure referrals from GPs but found it much more difficult than expected to gain access to and then secure interest from GPs. Over the first year, pilots became more effective at engaging with GPs, by adopting a systematic approach, by being persistent and establishing their credibility by showing the value of the service they offered.

Some pilots specifically aimed to engage with employers, particularly at the outset, using

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Evaluation of Help-desk Pilot Project

The College of Social Work, in partnership with the Social Care Institute for Excellence conducted a pilot of their flagship online help-desk and information service between 1st August 2011 and 10th October 2011. IES has been selected to undertake an evaluation of that pilot. The evaluation will review effectiveness of the service, identify lessons learned and inform future feasibility planning.

Linda Miller

Student Income and Expenditure Survey 2011/12

In partnership with the National Centre for Social Research, IES has been commissioned by the Department for Business, Innovation and Skills to conduct the next Student Income and Expenditure Survey. The survey is the most authoritative source of data on student finances and will provide a baseline against which the impact of the new arrangements for student fees can be assessed.

Emma Pollard

Evaluation of the Outcomes for Employers Participating in the Corporate Health Standard and Small Workplace Health Awards

The Health Improvement Division of the Welsh Government has commissioned IES to conduct an impact evaluation of both the Corporate Health Standard and Small Workplace Health Awards. These awards are granted to organisations that demonstrate that they meet national standards in how they deal with staff health and well-being issues, and different levels of awards are available.

The evaluation will use a pre- and post-design methodology to examine outcomes such as reduced sickness absence, improved employee retention, improved engagement and motivation of employees, and improved company profile. New applicants will be asked to participate in interviews, case study research and an online employee survey, whilst organisations holding the award for some time will be asked to take part in telephone interviews.

Alice Sinclair

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a range of awareness-raising and marketing activities. As with GPs, direct approaches, including telemarketing and targeting specific employers, appeared to work best, but most had difficulties in securing interest from smaller employers. In addition, almost one in three FFWS clients had contacted the service directly. However, this appears to be largely as a result of marketing to or through employers and health professionals rather than general public marketing approaches which did little to generate referrals.

The client journey

The client's journey through the Fit for Work Service is depicted in Figure 1.

An individual's first contact with the service generally involved a telephone **screening** process to determine their eligibility and a brief discussion of their circumstances and what was limiting their fitness for, or well-being at, work.

If eligible, clients were then assigned a case manager who conducted a wide-ranging biopsychosocial **assessment** of the client's health and non-health-related conditions and circumstances. In four, generally larger, pilots this was carried out on the telephone and in the others it was carried out face-to-face. The outcome of the initial assessment was generally a '**return-to-work plan**', identifying the issues facing the client, setting goals and identifying the support that the service would

provide or access. As with the assessment, clients expressed a high level of satisfaction with their action plan.

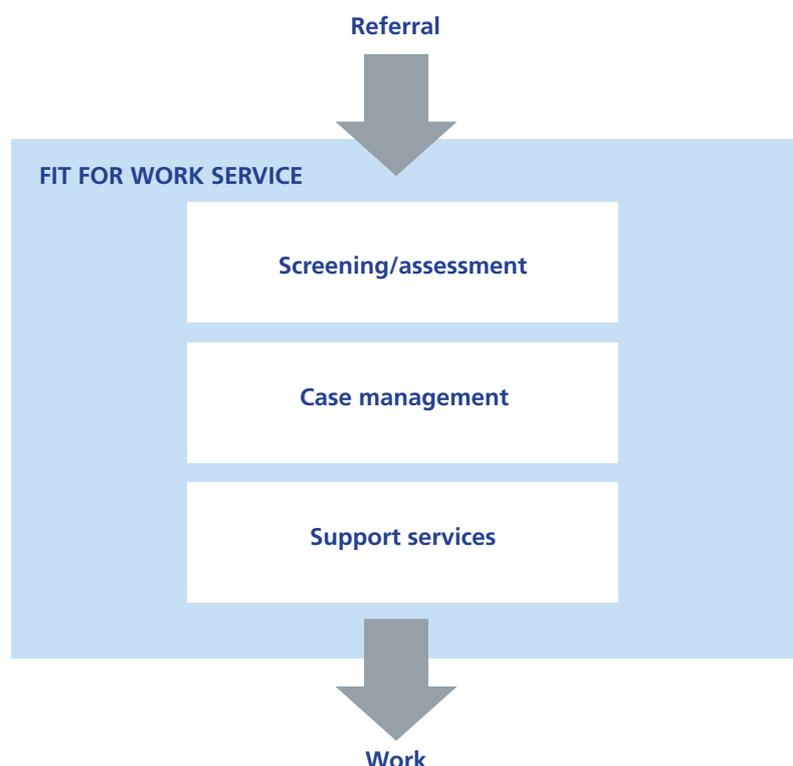
Case management was a key element of the FFWS. In addition to assessment and goal setting, case managers supported their clients to meet their goals by:

- helping them to monitor their progress;
- providing ongoing support and encouragement;
- providing direct forms of support where appropriate; and
- liaising with all others involved in implementing their client's back-to-work plan.

As part of the role, case managers worked with clients to boost their motivation and confidence and provide general advice and guidance about how to meet their goals. In nearly all pilots they offered support with the client's employment situation, helping them to resolve workplace problems or negotiate a return to work. A critical difference between the pilots appeared to be between those that could offer some form of direct clinical support through case managers and those where support was offered from the wider pilot partnership or beyond.

Where case managers could not support clients themselves, their role involved helping their clients to access **additional**

Figure 1: Simple model of a Fit for Work Service



National Employer Satisfaction & Experience Survey (2011)

Jobcentre Plus is changing its services to employers in response to opportunities arising from digitalisation, decentralisation and local accountability. The aim of this research, undertaken in partnership with Ipsos MORI, is to measure satisfaction and experience with a range of Jobcentre Plus services, as well as seeking feedback on operational changes such as increased digitalisation. This will bring valuable insight back into Jobcentre Plus to help with continuous improvement of services. The research involves a national survey of 3,000 employers, who are all recent users of Jobcentre Plus.

Sara Dewson

Chief Editor for the 2012 Industrial Relations in Europe report

The European Commission has commissioned IES to oversee its Industrial Relations in Europe 2012 report. This role will include being responsible for the drafting and writing of two chapters, identifying international expert authors for additional chapters and editing the overall report, including chapters written by Commission officials, into a coherent whole. The project will end with a high-profile dissemination conference in Brussels in March 2013.

Andrea Broughton

EU-OSHA web content review

IES has been asked by the European Agency for Safety and Health at Work (EU-OSHA) to undertake a review of its current website, examining its information offer and architecture. Drawing on key findings from the mid-term strategy evaluation (completed by IES), the aim of the review will be to identify how well the website currently meets the needs of its target audiences and to provide recommendations and practical proposals for a new website information strategy.

Sally Wilson

support. All pilots offered access to clinical services if required and in addition had made connections with a range of other non-clinical service providers, from anger management classes to advice about welfare benefits, that could offer support to their clients if they needed it.

The evaluation found three broad models in operation in the first year of the pilots, based on the form and nature of the initial assessment, the support provided by case managers, and the extent and speed at which clients were referred to additional services:

- **Guidance and Gateway** – the ‘standard’ form of the service. Case managers assessed their clients and provided them with a range of generally non-clinical support. Access was offered to additional services but clients may have had to refer themselves and had no faster access than if they were not with the service.
- **Guidance Plus and Gateway Plus** – an enhanced model. Case managers offered a wider range of support to their clients, including light-touch clinical support, or a fast-track referral to some clinical services, such as physiotherapy.
- **Guidance Plus and Fast Access** – under this model clients generally received an enhanced support from their case manager and fast-track referrals to either physical or psychological support plus a range of other services.

Finally, discharge arrangements generally involved clients leaving the service either by mutual agreement when they had met their initial goals or when there was nothing more that the service could do for them.

Outcomes

Respondents to the FFWS client survey were generally positive about their overall experience of the service. The vast majority of respondents agreed that the service had been responsive to their needs, well co-ordinated with other health and employment services, personalised and provided relevant referrals or signposting.

Some 62 per cent of the clients who were supported by the pilots in the first year had been discharged by the end of March 2011 and the remainder were either still with the service or were not yet recorded as having left. Ten per cent of clients who were initially assessed subsequently failed to engage.

Most respondents to the client survey said that they would not have received the support they had, without the FFWS. Qualitative evidence from the clients indicates that the FFWS provided significant support to return to work. In some cases the return would not have happened at all, in others it was made quicker, easier or more sustained by the intervention of the FFWS. In addition, GPs who used the FFWS reported several benefits, including the saving of resources. The ongoing impact study will provide more conclusive evidence on the outcomes of the pilots.

- 1 Black, C. (2008), *Working for a healthier tomorrow: Dame Carol Black's review of the health of Britain's working age population*, London: TSO.
- 2 Institute for Employment Studies, University of Liverpool, Social Policy Research Unit, National Institute of Economic and Social Research, GfK NOP (2012), *Evaluation of the Fit for Work Service Pilots: First Year Report*, DWP Research Report

Government Review of Sickness Absence

Dame Carol Black and David Frost of the British Chamber of Commerce recently conducted a review of sickness absence and reported their findings to the DWP in November 2011. They identified a number of weaknesses in the current system and have recommended the introduction of an Independent Assessment Service to review absentees' capability of working after a period of four weeks' sickness absence and provide support to help them return to work. The review also made a number of other recommendations about employers' sickness absence procedures. The DWP is due to respond to the report in the summer.

Health at Work – an independent review of sickness absence, DWP November 2011

Impact of EU-OSHA's Sponsorship of Healthy Workplaces Film Award

This project will evaluate the impact of the European Agency for Health and Safety at Work's sponsorship of 'Healthy Workplaces Award' for films/documentaries about occupational safety and health. The sponsorship of the film award is in its third year, and decisions are required soon as to whether the Agency should sign up to sponsor awards for 2012-2015. The evaluation will use primarily qualitative methods, such as face-to-face and telephone interviews, with the key players to understand the success of the sponsorship.

Alice Sinclair

Employment, Partnership and Skills Qualitative Evaluation

The Departments for Work and Pensions (DWP) and Business, Innovation and Skills (BIS) have commissioned IES to undertake an evaluation of how well the employment and skills systems work together. This qualitative study is intended to assess the processes adopted by all key stakeholders in the employment and skills system and also to look at the outcomes and impact of recent policy changes on these stakeholders and importantly, on customers.

Sara Dewson

Evaluation of Unionlearn and Union Learning Fund

This project is being undertaken in partnership with the Centre for Employment Relations Innovation and Change (CERIC) at the University of Leeds. The project will evaluate the impact of UnionLearn and the Union Learning Fund on individuals and companies through a mixture of data analysis, case studies and focus groups. A key aspect of the work is to assess the potential for the UnionLearn approach to be used in non-unionised workplaces.

Linda Miller

Tackling child poverty through increasing employability for parents

Helen Stevens, IES Research Officer

The coalition government's Programme for Government has made clear its commitment to ending child poverty by 2020. A New Approach to Tackling Child Poverty, the government's first national child poverty strategy has at its foundation the belief that 'work, not welfare, is the best route out of poverty'¹. However, at a time of cuts in public spending and high unemployment, there remain pressing questions on how to go about achieving this and at what cost. A recent IES study of the School Gates Employment and Support Initiative, a child poverty pilot, reveals some important lessons in how to tackle child poverty through improving parents' employability².

Outreach is key

Back in 2008, the previous Labour government launched a suite of pilots to test local approaches to tackling the issue of child poverty. The School Gates Employment Support Initiative, or 'School Gates' was one such pilot, which aimed to tackle child poverty by supporting parents into work. The pilot provided employment and enterprise support to parents of primary school children either at or within the school gates to help prepare them for going back to work. This initiative brought together local authorities, primary schools, Jobcentre Plus advisers, Regional Development Agencies, and the devolved administrations in Scotland and Wales to ensure that more joined-up services were able to reach the most deprived families.

The experience of the pilot shows that providing employment support within schools can be a great way to reach and support parents on low incomes and those out of work – a target group which Jobcentre Plus and local authority employment advisers have often struggled to engage. The study shows that the value of this kind of outreach lies in its ability to offer parents personalised, tailored and flexible support in a familiar, comfortable and trusted environment. This outreach also provides an opportunity to improve parents' perceptions of Jobcentre Plus: parents who initially held quite negative opinions of the organisation changed their minds after the positive experiences of the support they received from their adviser.

Joined-up services and effective partnership working

The initiative resulted in significant improvements in partnership working in most areas, with many local partners effectively linking the pilot into existing provision and forming new partnerships to ensure that they could provide flexible parent-focused employability support.

The best outcomes were achieved when Jobcentre Plus and local authority employment advisers succeeded in co-ordinating a multi-agency response. By doing so they were able to link in with services to meet the needs of a family as a whole, whether this was helping parents to find affordable childcare, manage debt problems, find work experience placements or part-time work opportunities to fit in with school hours, or access short courses to build skills and confidence.

Changing attitudes to work

Perhaps most importantly however, the research suggests that School Gates provides an opportunity to encourage positive attitudes to work, with work being considered the 'norm'. This is consistent with the government message that parents who have children in full-time education and who are able to work, should be in work or actively seeking work. This is particularly relevant now since changes to the benefit system require more lone parents claiming income support to seek work sooner rather than later. Such attitudinal

Further Education Outcomes – Further Analysis of matched administrative data

This project, for the Department for Business, Innovation and Skills, will create an integrated evaluation data base on labour market outcomes for learners aged 19 or over, using available data from the public administration, and thereby reducing the reliance on survey data. RM Data Solutions will supply programming solutions, which will be underpinned by research on the underlying administrative data (HM Revenue and Customs employment and earnings data and Department for Work and Pensions benefits data). IES will contribute an exploratory study on imputation of wage information.

Stefan Speckesser

Work Programme Evaluation

The UK government has recently launched the Work Programme, a major new active labour market initiative, replacing a multitude of previous welfare-to-work initiatives. It goes further than any previous such programmes in contracting out the delivery of support for workless jobseekers to a variety of private and not-for-profit providers, through an innovative payment-by-results funding regime, which adopts a 'black box' approach under which the government no longer prescribes the nature of the support to be provided.

IES is undertaking a multi-stranded evaluation of the Work Programme, including an evaluation of the approach to commissioning the Programme (through prime providers and sub-contractors) and an evaluation of the programme itself, through quantitative and qualitative research methods. The research will last for 3 years, and is conducted by a consortium led by IES (including: the National Institute of Economic and Social Research, Inclusion, the Social Policy Research Unit at the University of York and GFK-NOP).

Sara Dewson

Labour Market Analysis

IES, in partnership with the Institute for Employment Research, has been commissioned by the UK Commission for Equality and Skills to help the Commission produce a range of labour market assessments of key industrial sectors.

Annette Cox



changes, which are notoriously hard to achieve, will be crucial if the government is to break intergenerational cycles of poverty and worklessness

Weighing up the costs

Beyond this, however, possibly the most encouraging finding of the research is that the positive outcomes of the initiative were not necessarily directly related to high levels of investment. Some areas had managed to achieve results on very limited resources. In these instances, what mattered more than costs was good working relationships between the partner organisations. Where pilots were able to link in with a wider network of local support, they could address the needs of the family as a whole. This offered value for money by avoiding duplication of provision and by ensuring that barriers were not addressed in isolation by different agencies. The best partnerships required sustained and committed engagement from all involved and a willingness to show flexibility with respect to traditional working practices and organisational culture.

Also, fundamental to the success of the initiative was the level of commitment from the school, and particularly the head teacher.

The best results were achieved where schools were fully on board with the aims of the pilot and recognised the potential benefit to parents and children. It was also important for schools to have the capacity to provide trusted 'frontline' staff to help engage parents and support advisers.

Of course, even the most successful local interventions to tackle child poverty by moving parents closer to work will face broader challenges such as the current levels of high unemployment, the difficulty of finding part-time employment that fits around school hours, and childcare costs which are now the highest in Europe. However, this only strengthens the case for more joined-up local services in order to meet the often complex and multiple barriers that parents face in finding work.

- 1 **A New Approach to Tackling Child Poverty: Tackling the Causes of Disadvantage and Transforming Families' Lives (2011)**, Department for Work and Pensions and Department for Education
- 2 **Marangozov, R and Dewson, S (2011) Study of School Gates Employment Support Initiative**, Department for Work and Pensions, Research Report 747

The development of wages and productivity and the impact on national competitiveness in the EU

Stefan Speckesser, IES Principal Economist

Standard microeconomic theory sets out a very clear link between wages and productivity. In economic policy, this theoretical link is extensively used as a criterion to assess the implications of wage settlements for employment outcomes at national level. If the growth of wages (or more accurately, of total labour compensation) in a country exceeds the growth of productivity, firms will reduce output levels and employment in order to survive. As a result, keeping wage growth at or below the rate of productivity growth is seen as important in order to maintain or increase output and employment levels.

Labour market institutions help to restore competitiveness after 2008

As shown in Figure 2, labour compensation growth was generally much slower in the recession of 2008-10 as unemployment increased. Indeed labour compensation fell in real terms in Estonia, Greece, Hungary and Sweden, and grew more slowly than productivity in most EU member states for which data are available. However, there are significant differences between countries:

- On the one hand, countries using short-time working policies intensively in the recession tend to re-emerge with relatively lower unemployment and consequentially lower productivity increases (Italy) or even decreases (Germany, Finland, Slovenia), while labour compensation outgrew productivity growth.
- On the other hand, productivity growth is much higher than labour compensation

These theoretical arguments are commonly used to justify policy reform following the recent sharp increases in unemployment across Europe. In particular, it is often argued that:

- international competition – especially under a single currency – results in reduced competitiveness for firms, sectors or entire EU Member States if labour compensation grows faster than productivity; and
- conversely, the combination of productivity growth and moderate wage increases can stimulate output growth, higher employment levels and/or a closing of the competitiveness gap between the best and worst performing EU economies.

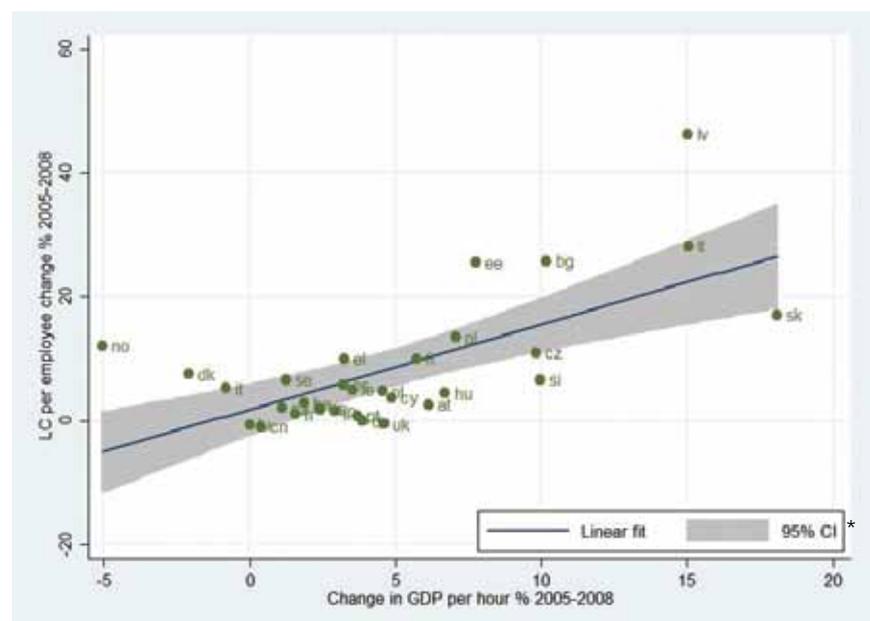
Proponents of this view go on to push for public policy at national and at EU level to help achieve such ‘wage moderation’, through institutional reforms affecting the national wage bargaining systems.

The loss of competitiveness before the recession

Below, we compare recent trends in labour compensation per employee (including non-wage labour costs) and productivity (gross value added per hour)¹ for the EU-27 Member States and other developed economies. Figure 1 shows that, on these measures, the competitive position deteriorated in many EU Member States in the run-up to the recession. This was true, in particular, for Greece (10% growth in labour compensation compared to 3% productivity growth). Also,

however, productivity grew substantially more slowly than did labour compensation in Italy, Denmark, Sweden and Spain (and slightly more slowly in Ireland, Finland and the Netherlands). The actual impact of excessive wage growth on competitiveness will vary according to the degree of international competition in individual sectors, and in the case of non-eurozone countries (e.g. Sweden and Denmark) may be mitigated by exchange rate movements.

Figure 1 Growth of labour compensation (LC) and productivity, 2005-2008



N.B. Labour compensation not available for MT, RO, CH, TR and IC;

Source: Conference Board Total Economy Database, OECD Stat. Extracts, own calculations

*CI: Confidence Intervals

growth in all other countries (7.2 percentage points above labour compensation growth in Ireland and 9.8% in Estonia). The divergence was also substantial in Slovakia, the Netherlands, Spain, Hungary and Greece.

We interpret these changes as early signs that competitiveness is being restored and the economic and employment situation in some EU member states being improved, particularly in economies of the eurozone which enjoy 'flexible' bargaining mechanisms (Ireland and Estonia). This should improve or restore international competitiveness and result in more output and employment in these countries relative to others.

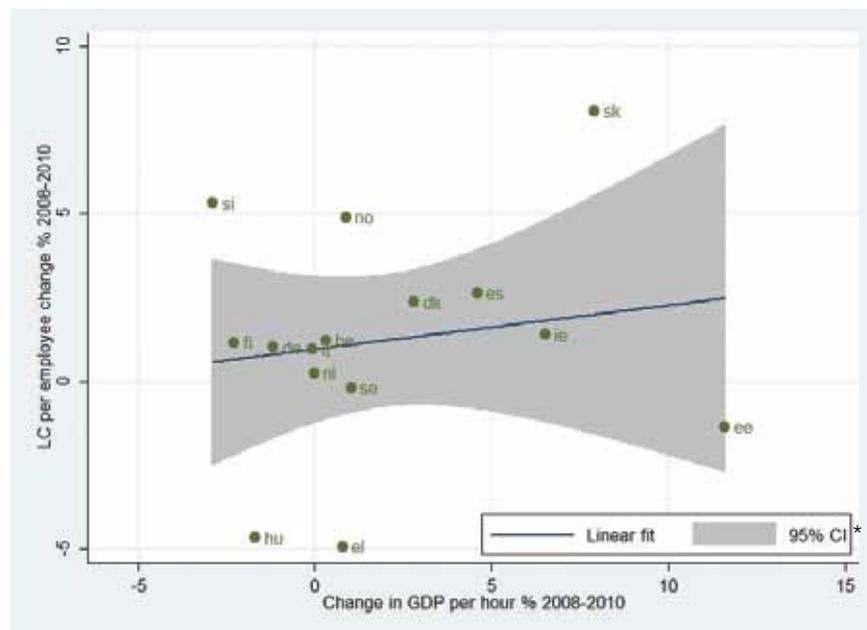
Does wage moderation lead to higher employment levels in the longer term?

While the recent data presented above provide some support for the arguments for wage restraint as one of the policy levers contributing to recovery and growth after the crisis, the picture which emerges from the longer-term evidence is much less clear. Thus, for example, taking a broader sample of OECD countries, the long-term data (1995-2009, Figure 3) shows labour compensation per employee growing more slowly than productivity in Japan, New Zealand, Australia, and particularly Germany. In contrast, in the US, the growth rate of labour compensation per employee was much closer to the productivity growth rate than in these countries (i.e. there was less wage moderation in the US). Nonetheless, productivity and employment grew faster in the US than in countries with higher levels of wage moderation.

A fuller empirical analysis, and more detailed arguments are presented in the longer paper on which this article is based². Overall, these confirm that wage moderation may well increase employment in the medium and long run, although any relationship appears to be fairly weak, and there are numerous exceptions at country level, and over different time periods.

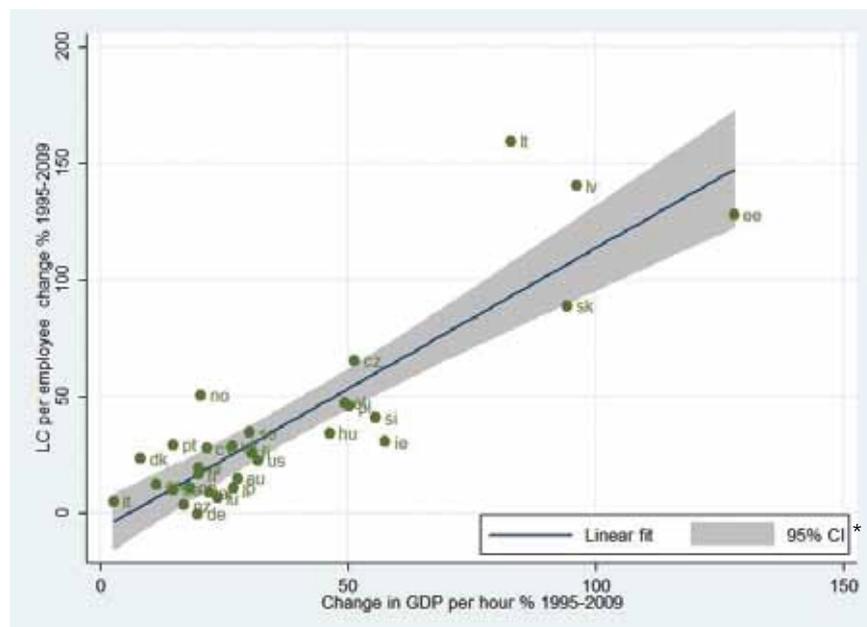
It is however, important not to attribute too much weight to the rather unusual experience of the short-term economic crisis of the last few years. Indeed, the broader evidence sows the seeds of doubt about the extent to which sustained wage moderation (as observed in Germany) is really a successful mechanism for increasing output and employment in the long run. Again, empirical data show that wages were more clearly aligned to productivity in countries such as the US or the UK (i.e. there was less wage moderation through holding

Figure 2 Labour compensation (LC) per employee and productivity, 2008-2010



N.B. Countries without OECD data for 2010 have been excluded from the analysis
Source: Conference Board Total Economy Database, OECD Stat. Extracts, own calculations
*CI: Confidence Intervals

Figure 3 Long-term change of labour compensation (LC) and productivity, 1995-2009



N.B. Slightly different time series (ends 2008) for CY, LV, LT, CN, AU, NZ and JP. Not available for BG, MT, RO, CH and TR; Source: Conference Board Total Economy Database, OECD Stat. Extracts, own calculations. *CI: Confidence Intervals

wage growth below productivity growth). Yet, over the longer term, in recent decades these countries report much better employment performance and higher productivity growth than Germany, where wage growth was held below productivity growth for a substantial period. It needs also to be remembered that, even in economic theory (albeit more sophisticated theory than the simple models cited by many policy commentators),

innovation itself is endogenous, and a 'low wage route' may reduce innovation activity, resulting in lower productivity growth in the long run.

- 1 Both measures at constant prices and adjusted for purchasing power parity.
- 2 Meager N and Speckesser S (2011), *Wages, productivity and employment: A review of theory and international data*: <http://www.eu-employment-observatory.net/resources/reports/WagesProductivityandEmployment.pdf>

Skills for Self-Employment

Meager N, Martin R, Carta E, Evidence Report 31, UK Commission for Employment and Skills (UKCES), August 2011



This report draws together a wide range of evidence on the importance of skills for the self-employed. This is one of the most comprehensive reviews and syntheses

undertaken in the UK of the evidence on the relationships between skills and self-employment. As such, the study provides an invaluable resource to inform policy in this area covering business start-up, support for unemployed to become self-employed, enterprise education, and business growth.

Compared with employees, the self-employed need the ability to combine and deploy a wider range of competences at once. The research also suggests that self-employment can enhance skill utilisation, with some self-employed individuals able to have more control over and make better use of their human capital, outside the constraints of an organisation.

What do researchers do?: Career paths of doctoral graduates 2011

Pollard E, Metcalfe J, Hodges V; The Careers Research and Advisory Centre (CRAC) Limited; September 2011

Research Councils UK (RCUK) is committed to attracting and training excellent researchers who can make an impact through world-class research and bring major benefits to the economic and social wellbeing of the UK. As part of the RCUK 'Doctoral Careers Pathway Study', in 2010, the report 'What do researchers do? Doctoral graduate destinations and impact three years on' provided, for the first time, comprehensive evidence of the value of doctoral study to researchers, their employers and society at large. To further explore how highly-skilled doctoral graduates contribute to UK society, culture and economy, this new report 'What do researchers do? Career paths of doctoral graduates' highlights the employment pathways of researchers within and between six distinct occupational clusters; describing

the stability, mobility and progression of researcher careers. This study illustrates that doctoral research training is a good foundation for a wide variety of occupations and demonstrates the flexibility of researchers who take advantage of a diversity of employment opportunities.

Workplaces and Social Networking: The Implications for Employment Relations

Broughton A, Higgins T, Hicks B, Cox A, Research Paper 11/11, Advisory, Conciliation and Arbitration Service (Acas), September 2011



This report sets out the results of a small-scale research project commissioned by Acas examining the implications of social networking and mobile information and

communications technologies (ICT) for employment relations. The research found that there are a range of issues that employers need to think about, in terms of the effects of social networking on productivity, how to manage the blurring of private and working life that social networking sites can entail, and how to give guidance to employees on what and what is not acceptable in terms of online behaviour that may have repercussions for the organisation or colleagues.

Management practices and sustainable organisational performance: an analysis of the European Company Survey 2009

Cox A, Higgins T and Speckesser S, European Foundation for the Improvement of Living and Working Conditions, October 2011

This report is based on secondary data analysis of Eurofound's recent European Company Survey (ECS) 2009. It explores the links between a broad range of workplace practices and sustainable organisational performance, building on the survey report. The report develops a theoretical and analytical framework against which questions from the ECS are mapped and then subjected to a range of multivariate analyses. The framework used to explain the link between high-performance work practice (HPWP) and organisational

performance is based on the ability, motivation and opportunity (AMO) model. It proposes that HPWPs achieve their results by increasing employees' discretionary effort.

Urban and Rural Issues for the Health Sector in Scotland

Miller L, Robinson D, Butler M, Chubb C, Oakley J; Skills for Health; November 2011



Scotland's health sector is dealing with the challenges of serving an ageing, rural and remote population. Some communities in Scotland are experiencing a more acute 'demographic

time bomb' than is seen elsewhere in the UK. The challenge of meeting the health needs of these communities is further compounded by the smaller number of people of working age in these areas, as well as a range of ICT and travel infrastructure issues.

Skills for Health therefore commissioned this research to examine the ways in which the Scottish Territorial Health Boards have addressed these challenges and to use these lessons to inform health delivery policy and skills development in Scotland and across the UK more widely.

The research found that despite many seemingly intractable issues, employers in Scotland's more sparsely populated areas have sought to undertake a series of innovations to maintain and/or improve service delivery. Nonetheless, it is recognised that there remains a range of entrenched and intractable issues around cost containment in the face of increasing demand for services, often associated with the long-term chronic health conditions of an ageing population, demand for unscheduled care, retaining appropriate numbers of staff to ensure the maintenance of expertise and managing continuity and succession issues, in addition to day to day service delivery. ICT might be able to assist with diagnosis and decision making, minimise patient and staff travel and improve training. However, technology infrastructure at present limits the potential solutions available, with some parts of the more remote areas being effectively still without broadband coverage.



Lies, damned lies and migration statistics



As regular readers of this publication will know, as a major supplier of evidence to public policy-makers, IES is a firm advocate of evidence-based policy-making. For this reason I feel no need to apologise for revisiting the question of labour migration. It is precisely because it is such a politically-charged topic that we need to return frequently to test policies and the claims underlying them against the evidence.

Two recent highly-publicised debates in the UK have highlighted the cavalier use of evidence in discussions of migration. In the first, the government's 'Migration Advisory Committee' (MAC), a group of eminent economists set up to advise the government, published a study¹ suggesting that certain types of immigration may, in certain circumstances, have a depressing effect on domestic employment. Despite the clear caveats in the report² itself, this did not prevent government ministers such as Damian Green³ and anti-migration lobby groups⁴ claiming strongly that this kind of evidence supported the highly restrictive current approach to labour immigration from outside the EU into the UK.

At the same time, the independent National Institute for Economic and Social Research published a study⁵, using different data (but broadly similar methods) with conclusions apparently diametrically opposed to (media interpretations of) the MAC study, and showing no relationship between immigration and registered unemployment.

The public and media could be forgiven for being confused by this controversy. As several expert commentators⁶ have noted, however, the differences between the two sets of findings can be adequately explained

by methodological and data differences. In particular, the comments by ministers and others notwithstanding, the latest MAC study with its cautious and limited findings, certainly does not contradict the vast bulk of research evidence (of which more below). Rather as Preston⁷ points out: "*Viewing the totality of new evidence, it is difficult to see a persuasively robust empirical case for long run harmful effects of immigration on employment of the UK-born*".

This public debate was immediately followed by an article in a national newspaper by two government ministers⁸, criticising the previous Labour government's 'lax' approach to immigration. They suggested, on the basis of in-house research from the Department for Work and Pensions⁹, that foreign-born UK residents are more likely to claim social security benefits, and implying that this might often be without entitlement to claim.

Unsurprisingly the popular press jumped on these 'findings' with alacrity, but as expert commentators¹⁰ immediately pointed out, what the evidence actually shows is that immigrants make a positive and substantial net contribution to the public finances, are much *less* likely to claim benefits than their native counterparts, and pay far more in tax

than they claim in benefits. It is interesting to note that the relevant minister's knuckles were firmly rapped by the chair of the independent UK Statistics Authority¹¹ (UKSA) for allowing it to be thought that the data on which the assertions about benefit claims were based were in any sense approved 'national statistics' (they are not).

What can we conclude from all this? In practice it seems that this is an area in which the reverse of evidence-based policy-making is taking place, with selective evidence being trotted out to support existing policy positions. To some extent, the UK government is caught between a rock and a hard place on this topic. Having committed itself to a target of *net* migration may well turn out to be one of its biggest policy mistakes (arising, like many such mistakes, from knee-jerk populism rather than economic logic). Net migration flows are largely outside the government's control, being driven by internal EU movements, as well as, increasingly, by British workers returning or leaving the UK in smaller numbers. It is likely, therefore, that to meet its target for net migration, the government will need to be increasingly restrictive about the numbers of non-EU migrants. This will affect a wide range of potential immigrants, many with high-level skills, from research scientists in universities to specialists in key industries such as engineering and financial services. Many industry organisations and senior business people, including the Confederation of British Industry, have expressed serious concerns about the potential economic impact of this approach. Given this background, it is perhaps no surprise that politicians and other interest groups are sometimes so selective in the way they use evidence.

Looking at the issue more widely, however, it is indeed ironic that governments, in many countries and of many political persuasions, that are otherwise keen exponents of the benefits of free markets in most areas of economic life, appear so resistant to the overwhelming evidence of the economic benefits – or at worst, lack of economic

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IES is an independent centre specialising in research, evaluation and consultancy on employment policy and practice. The Institute is a not-for-profit organisation with a mission to help bring about sustainable improvements in employment policy and human resource management by increasing the understanding and improving the practice of key decision-makers in policy bodies and employing organisations.

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harm – associated with the free movement of labour. Of course there are no simple answers to the question “*is immigration a good or a bad thing?*” It depends partly on the type of immigration and partly on whether its effects are measured through economic impact (e.g. on a country’s GDP), through labour market impact (e.g. on the wages or unemployment levels of ‘native’ workers), or through broader impact on factors such as social cohesion. Our main interest is in labour market impact, although it’s worth noting in passing that most studies show positive economic impacts as well – immigration generally leads to higher levels of GDP, although effects on GDP per capita tend to be smaller or neutral.

As far as labour market effects are concerned, popular perception, fuelled by media hype and reinforced by campaign groups such as Migration Watch, overwhelmingly still relies on the ‘lump of labour fallacy’ of undergraduate economics texts. This assumes there is a fixed quantity of labour demand (or ‘jobs’) and that enhanced labour supply, through immigration, will inevitably drive down wages and/or generate increased unemployment. It cannot be stressed too often that the bulk of robust empirical evidence, for most countries, does not support such arguments. A good recent example is an authoritative econometric study¹², covering the 1990s, using a comprehensive migrant database across all OECD countries, which concludes in simple terms that immigration is good for domestic wages and unemployment, or at worst not bad for them, while emigration has the opposite effects:

“In all cases we find that immigration had a *positive* effect on the wages of less educated natives. It also increased or left the average native wages unchanged and had a positive or no effect on native employment. To the contrary, emigration had a negative effect on the wages of less educated native workers, and it contributed to increase within-country inequality in all OECD countries. These results still hold true when we correct for the estimates of undocumented migrants, for the skill-downgrading of immigrants, when we focus on immigration from non-OECD countries, and when we consider preliminary measures of more recent immigration flows for the period 2000-2007)”

It is disappointing, if not surprising, that politicians and policy-makers so often seem impervious to this kind of evidence. There are few certainties in economic and social sciences, but the consensus among serious analysts is sufficiently strong on this matter

to be persuasive to the point of conclusive. It seems, however, that as with some topics in the natural sciences (climate change and evolution come to mind), a consensus of hard evidence is insufficient to overwhelm a ‘denial’ tendency, particularly when the latter has political traction in some societies.

- 1 Analysis of the Impacts of Migration, Migration Advisory Committee (2012): <http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/27-analysis-migration/01-analysis-report/analysis-of-the-impacts?view=Binary>
- 2 The report stressed that its results were ‘associations’ rather than showing causality, and emphasised that some results were not statistically significant, while others were not robust to a number of statistical tests.
- 4 Whitehead T (2012), ‘Immigration does keep Britons out of jobs, government committee admits’, The Telegraph, 10 January: <http://www.telegraph.co.uk/news/uknews/immigration/9004733/Immigration-does-keep-Britons-out-of-jobs-government-committee-admits.html>
- 4 In particular, and at about the same time, the campaign group Migration Watch published a document claiming to show a ‘correlation’ between immigration and youth unemployment: Youth Unemployment and Immigration from the A8 Countries, Migration Watch UK (2012): <http://www.migrationwatchuk.org/briefingPaper/document/247>
- 5 Lucchino P, Rosazza-Bondibene C and Portes J, ‘Examining the relationship between immigration and unemployment using national insurance number registration data’, National Institute of Economic and Social Research, January 2012: http://www.niesr.ac.uk/pdf/090112_163827.pdf
- 6 See, for example, Jonathan Portes (2012): <http://notthetresuryview.blogspot.com/2012/01/british-jobs-and-foreign-workers-todays.html>, January; Matt Cavanagh, Institute for Public Policy Research (2012): <http://www.ippr.org/articles/56/8491/does-immigration-cause-unemployment>, January; and Ian Preston, Centre for Research and Analysis of Migration (2012): <http://www.cream-migration.org/comments.php>, January
- 7 op. cit.
- 8 Grayling C and Green D (2012), ‘Labour didn’t care who landed in Britain’, The Telegraph, 19 January: <http://www.telegraph.co.uk/news/uknews/immigration/9025260/Labour-didnt-care-who-landed-in-Britain.html>
- 9 ‘Government publishes overseas benefit claimant research’, press release, Department for Work and Pensions, 20 January 2012: <http://www.dwp.gov.uk/newsroom/press-releases/2012/jan-2012/dwp005-12.shtml>
- 10 See, for example, Dustmann C, Frattini T (2012), ‘Migrant Benefit Study’, blog post, Centre for Research and Analysis of Migration: <http://www.cream-migration.org/comments.php>, 22 January
- 11 The correspondence between the minister and the UKSA can be seen here: UKSA (2012): <http://www.statisticsauthority.gov.uk/reports-correspondence/correspondence/index.html>, January
- 12 Docquier F et al. (2011), ‘The Labor Market Effects of Immigration and Emigration in OECD Countries’, Discussion Paper no. 6258, Bonn: Institute for the Study of Labor: <http://ftp.iza.org/dp6258.pdf>