



Productivity in Britain: The Workers' Perspective

First Findings from the Skills and Employment Survey 2017

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HEADLINES

Almost a decade after the financial crisis began, productivity growth has failed to recover to its pre-recession level. This report examines productivity growth from the workers' perspective.

- Almost a fifth (18%) of employees identified changes which, if implemented, would make them a great deal more productive and one in eight (13%) made suggestions which contributed a great deal to making work more efficient. Even more (71%) claimed to have taken the initiative to make such improvements on more than one occasion.
- Channels to greater productivity are at their most effective when employees have: more autonomy to decide how to do their jobs; more supportive line management; more meaningful appraisals; and their views and those of their colleagues are heard.
- However, since 2006 these productivity drivers have become less prevalent, precisely at a time when productivity growth has been sluggish and the economy would have benefited from them most.

The Skills and Employment Survey 2017 is funded jointly by the Economic and Social Research Council, Cardiff University and the Department for Education with funding from the Welsh Government to boost the sample in Wales (ES/P005292/1). The project is hosted by Cardiff University and is directed by Alan Felstead (Cardiff University and Visiting Professor at the UCL Institute of Education) in collaboration with Duncan Gallie at the University of Oxford, Francis Green at the ESRC Centre for Learning and Life Chances in Knowledge Economies and Societies (LLAKES), UCL Institute of Education and Golo Henseke (also at LLAKES).

1. The Importance of Productivity

As the Nobel prize-winning economist Paul Krugman famously observed ‘productivity isn’t everything, but in the long run it is almost everything’. Productivity matters since a country’s ability to improve its standard of living over time is almost entirely dependent on it. For example, had the amount of output produced from a given level of inputs and the efficiency of their use failed to increase since 1850, UK living standards today would have only reached late Victorian levels.

However, while labour productivity – defined as the value added produced per hour worked – can be tracked and reported by the Office for National Statistics (ONS), our understanding of the determinants of its growth is far from complete. It is an historical fact, for example, that labour productivity has grown by around 2% per year since the 1970s, but since the 2008-2009 recession it has stagnated and has failed to bounce back to its pre-recession growth rate. This unprecedented and unexplained slump has become known as the ‘productivity puzzle’.

As productivity growth has stalled, so too have wages, and public finances have also been hit as lower tax revenues push up public borrowing. Kick-starting productivity growth would benefit many – employers because it makes businesses more competitive, workers because it may provide the foundation for wage rises, and government because it increases tax revenues and eases pressure on public finances.

2. Previous Evidence

The UK has a longstanding labour productivity gap with its international competitors. Following the 2008-2009 recession the situation worsened, with workers in France, Germany and the US producing on average as much in four days as UK workers do in five.

Previous results from the Skills and Employment Survey series show that this is *not* because workers in Britain are lazy. On the contrary, Britain is towards the top of the European league table according to a number of work intensity measures. Recent results show that British workers are working harder, faster and to tighter deadlines than they did in the past. If effort were all that mattered, one might expect productivity to be booming, not stagnating.

There are other more plausible culprits for the slowdown. Some come from macro-level pressures, some from changes within workplaces. The decision by policy-makers, for example, to keep interest rates exceptionally low for so long has led to the suggestion that the cleansing effect of recession may have been muted, thereby keeping many otherwise unproductive or ‘zombie’ employers in business. On the other hand, decisions taken at the level of the workplace have also been offered as an explanation.

Employers, for example, have been more reticent to shed labour and have hoarded labour for longer, even though output fell sharply as a result of the 2008-2009 recession. The capital-labour ratio has therefore fallen – a process known as capital shallowing – leaving workers with poorer tools and equipment, hence pushing downward on productivity. However, given the unexplained heterogeneity of productivity performance across similar firms, it is surprising that the role played by employees in enhancing productivity has received so little attention since a decline in their role might explain some of the slowdown.

Instead, most existing productivity studies are based on evidence which does not give the workers’ perspective – compilations of different macro-level time series data, matching official productivity data with plant-level management surveys and polls of employer behaviour. Our approach is to survey workers in Britain in order to get a bottom-up, and complementary, perspective on what drives productivity and what could be done to spark its revival.

3. The Skills and Employment Survey 2017: A New Source of Evidence

The Skills and Employment Survey 2017 (SES2017) allows us to examine productivity from the workers’ perspective. It collected data from working adults aged 20-65 years old in England, Wales and Scotland who were interviewed in their own homes in 2017. The sample was drawn using random probability principles subject to stratification based on a number of socio-economic indicators. Only one eligible respondent per address was randomly selected for interview, and 50% of those selected completed the survey. Data collection was directed by ourselves and conducted by GfK.

SES2017 is the seventh in a series of nationally representative sample surveys of individuals in employment aged 20-60 years old (although the 2006, 2012 and 2017 surveys additionally sampled those aged 61-65). The numbers of respondents were: 4,047 in the 1986 survey; 3,855 in 1992; 2,467 in 1997; 4,470 in 2001; 7,787 in 2006; 3,200 in 2012; and 3,306 in 2017. For each survey, weights were computed to take into account the differential probabilities of sample selection, the over-sampling of certain areas and some small response rate variations between groups (defined by sex, age and occupation). All of the analyses that follow use these weights. For more information on the series see Felstead, A, Gallie, D and Green, F (2015) (eds) *Unequal Britain at Work*, Oxford: Oxford University Press.

4. Indicators of Sources Productivity Growth and Potential Gains

SES2017 provides new, and previously uncollected, data on five sources of productivity growth as reported by employee respondents (the self-

employed are excluded from the analysis). First, employees who had been in the same job with the same employer for at least one year were asked whether they had ever – individually or as part of a work group – ‘taken the initiative in making improvements to work processes, products or services’. If they had, they were asked if they had done so once or more often. Those answering more than once are referred to as occupying *initiative taking jobs*.

Second, data were collected on the extent to which innovation is built into jobs. To capture this, all respondents were asked how important three aspects of work were to their jobs: ‘keeping up-to-date and applying new knowledge’; ‘developing new or improved work processes, products or services’; and ‘developing plans to put new ideas into practice’. We define *innovation-rich jobs* as those where employees said that these three aspects of work were, on average, ‘essential’ to their jobs.

To capture employees’ ideas, employers sometimes set up formal mechanisms to collect their views about how to improve work processes, products or services. Therefore, those taking part in problem-solving groups and management consultation meetings were asked what contribution employees’ views had. Responses were collected on a 4-point scale. We define high impact as those who said that these views contributed ‘a great deal’ to improvements. These two questions were restricted to employees who had been in the same job with the same employer for at least one year, thereby giving respondents a reasonable time period over which to make such judgements. They are the third and fourth source of productivity growth, referred to here as *high impact groups* and *high impact consultations* respectively.

Fifthly, employees may individually make suggestions. The survey, therefore, asked if respondents had ‘made suggestions to the people you work with, or to your managers, about ways of improving the efficiency with which work is carried out’ over the last year. If so, they were asked to estimate the scale of the impact. Here, we report the proportion of employees who said that these suggestions made a ‘great deal’ of difference, labelled here as *high impact suggestions*.

To summarise these five sources of productivity growth, we create an index which counts the number of affirmative responses. The resulting index ranges from 0 to 5 and we take scores of 3 or more as an indicator of *high productivity enhancing jobs*, scores of 1 or 2 to indicate medium capacity to enhance productivity and scores of 0 as low capacity. Given that one of the component indicators is based on a question which asks respondents to recall activity over the last year and three are based on questions asked of employees who have been in the same job with the same employer for at least one year, the productivity enhancing index and three binary job

indicators are based on a sub-sample of employees who have been in the same post for one year or more.

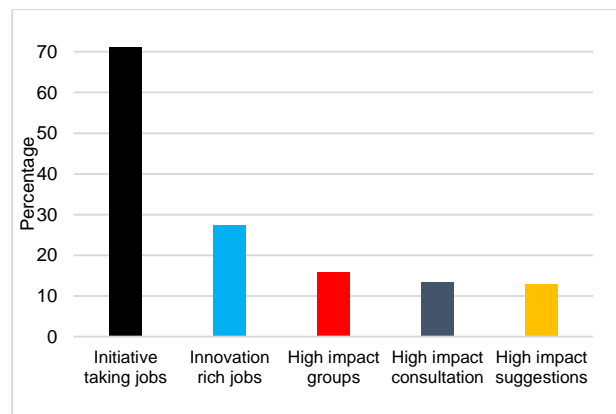
Finally, employees were asked ‘what changes, if any, would make you personally more productive in your current job’ and what impact these changes would have. They were offered a 4-point response scale with the top category ‘a great deal more productive’. This response is taken to indicate that *high impact productivity potential*. We split the remainder in two. Those who reported changes that would make them ‘quite a lot’ or ‘somewhat more productive’ are defined as in jobs which offered *medium impact productivity potential*. However, employees who failed to identify any changes or else ones which would only make them ‘a little more productive’ were in jobs with *low impact productivity potential*.

All of these indicators are based on employees’ assessments and may therefore be subject to social desirability bias. They do, nevertheless, give a unique perspective on the productivity debate. Furthermore, all of these indicators – averaged at the 2-digit industry level – correlate positively and significantly with logged industry variations in ONS productivity data for 2017 ($p < 0.01$).

5. Findings

Sources of Productivity Growth and Potential Gains

Figure 1: Sources of Productivity Growth, 2017



Initiative taking jobs are a potent source of productivity growth. Four out of five employees reported taking the initiative by making improvements to work processes, products or services, on at least one occasion; seven out of ten (71%) claimed to have done so more than once.

Innovation rich jobs are also not uncommon. According to our survey, innovation is a daily aspect of over a quarter of jobs in Britain (27%) with keeping up-to-date, making improvements and developing plans to put new ideas into practice an essential or very important aspect of many jobs.

There are also ways in which employees’ ideas are harnessed by employers. Employee contributions to management instigated forums, such as employee

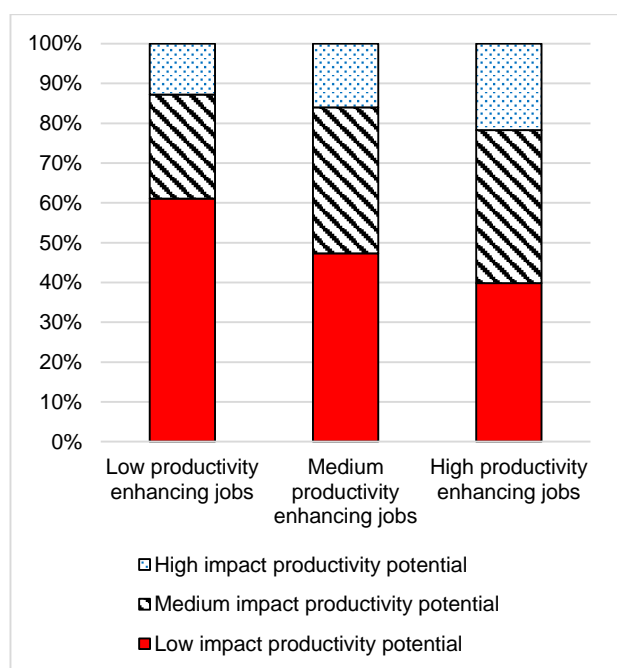
groups and consultation meetings, can improve work processes, products or services ‘a great deal’ – 16% employees took part in *high impact groups* and 13% were involved in *high impact consultations*.

Furthermore, one in eight (13%) employees made *high impact suggestions* in the past year to management and/or their colleagues about how to improve efficiency (Figure 1).

While only a handful of employees reported involvement in all five sources of productivity growth, a sixth (17%) reported contributing to three or more – what we refer to as *high productivity enhancing jobs*. On the other hand, around a fifth (22%) were in jobs with none of these routes to productivity enhancement. The remainder (61%) were in medium impact enhancing jobs.

Looking beyond current arrangements, around a fifth (18%) of employees identified changes with *high impact productivity potential*. However, almost half (46%) were only able to identify potential changes that would, if implemented, increase their productivity a little – 42% were not able to identify any changes at all. The remaining third (37%) identified potential productivity gains of medium impact.

Figure 2: Productivity Enhancing Jobs and Potential Productivity Gains, 2017

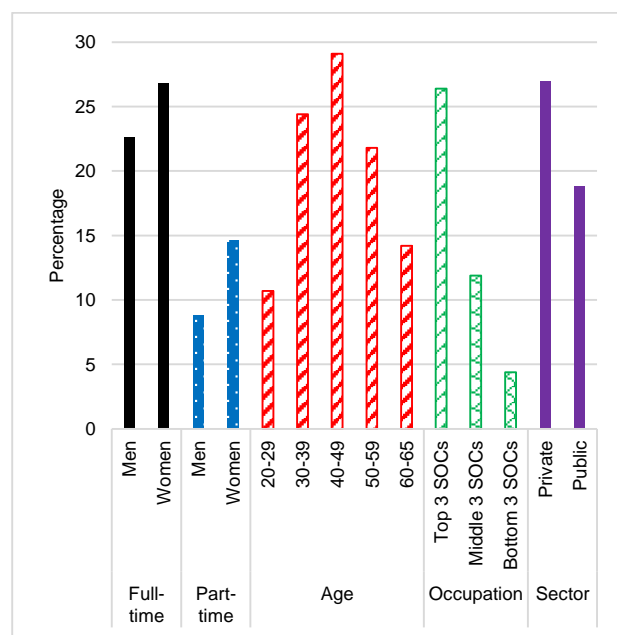


Interestingly, jobs with higher productivity enhancing characteristics were positively and significantly related to jobs where suggested future changes were estimated to have greatest effect ($p < 0.01$). So, for example, over a fifth (22%) of those in *high productivity enhancing jobs* were able to identify further changes that, if implemented, would have a

high impact on employee productivity compared to an eighth (13%) of those in *low productivity enhancing jobs* (Figure 2). This finding sheds new light on what may be behind the co-existence of high productivity and low productivity firms. It suggests that the former benefit from giving their employees productivity enhancing opportunities as well as encouraging them to think of further efficiency boosting changes. The suspicion is that those which make up the UK’s long tail of low productivity firms do neither and therefore suffer a double blow.

Variation by Demographic and Other Characteristics

Figure 3: High Productivity Enhancing Jobs by Demographic and Other Characteristics, 2017



Given the importance of these high productivity enhancing jobs to the economic health of the nation, identifying the associated characteristics and drivers of these jobs is of particular policy interest. Notably, the distribution of these jobs varies little by gender (Figure 3). However, such jobs are significantly more prevalent among 30-59 year olds than either younger or older workers. Prevalence is also significantly higher among those in the top occupational groups as well as those working in the private sector ($p < 0.1$ or better). In addition, high productivity enhancing jobs are more prevalent in industries such as information and communication, professional services and education, and more abundant in Wales and the North West, while less prevalent in London and Scotland.

Correlates of Productivity Growth

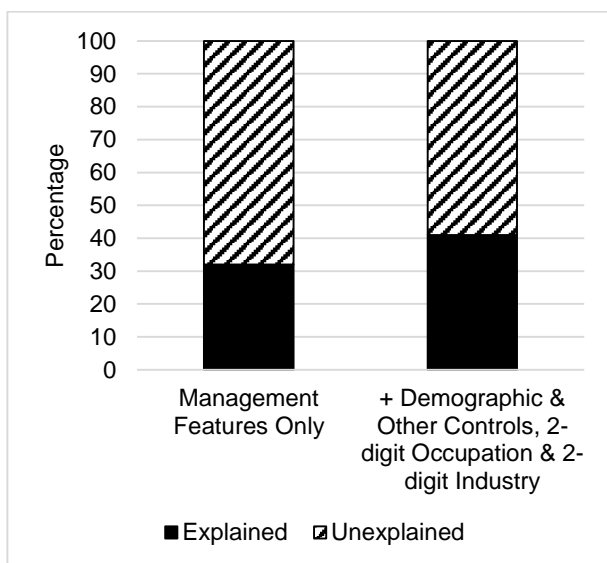
What, then, are the correlates of the sources of productivity growth? Every row in Table 1 demonstrates that where employees have a greater

Table 1: Innovation Rich, High Impact Suggestions, Initiative Taking and High Productivity Enhancing Jobs by Management Features, 2017

Management Features	Present or Not	Initiative Taking Jobs	Innovation Rich Jobs	High Impact Suggestions	High Productivity Enhancing Jobs
A great deal of influence on how to do job tasks	Yes	82.1	38.4	21.1	24.5
	No	64.3	20.8	8.2	12.1
Member of employee problem-solving group	Yes	84.7	39.4	18.9	35.1
	No	62.3	20.2	9.6	5.3
Meetings where employees can express views	Yes	81.5	34.0	16.3	25.0
	No	54.0	15.8	7.5	3.3
An active appraisal system influencing training and/or pay	Yes	84.5	39.8	17.0	28.0
	No	63.8	20.8	10.9	10.2
A great deal of help from line manager in improving work	Yes	90.9	34.8	20.3	28.2
	No	78.4	24.6	10.4	13.3

influence over how to do the job, can exercise greater voice in what goes on at work or receive greater help from management on a day-to-day basis or through formal appraisal, the greater the prevalence of initiative taking, innovation, high impact suggestion making and high productivity enhancing jobs. What is more, these results remain robust in multivariate analyses which take into account factors such as occupation, education and industry.

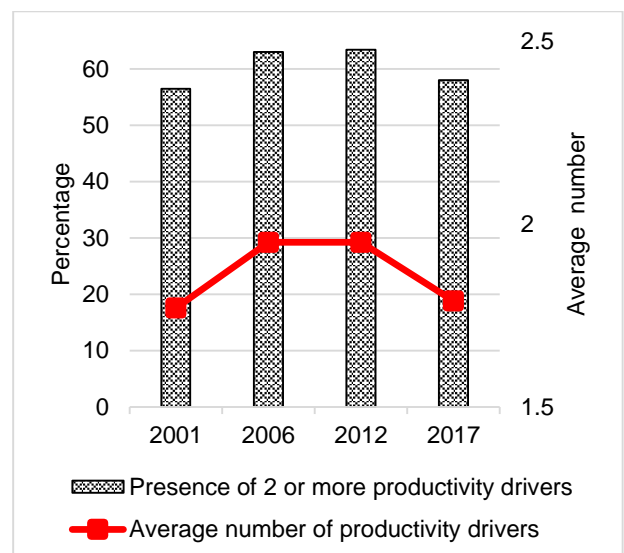
Figure 4: Explaining the Variation in the Productivity Enhancing Index, 2017



Previous studies have highlighted the importance of good management to productivity growth. Our results offer further support for this suggestion with the way labour is managed explaining almost a third (32%) of the variation in the productivity enhancing index (Figure 4). In other words, labour management has around three times the same explanatory power as demographic and other controls, occupational and industrial correlates taken together. However, around three-fifths (59%) of the variation remains unexplained by the variables observed.

Trends in Drivers of Productivity Growth

Figure 5: Recent Trends in Drivers of Productivity Growth, 2001-2017



Data on four of these drivers have been collected since 2001. Figure 5 shows that the average number of drivers (and the percentage with two or more) rose from 2001, then plateaued between 2006 and 2012, before falling in 2017. This pattern of rise and fall is statistically significant ($p < 0.01$) and comes at a time when productivity growth has been sluggish and the economy needs these drivers most.

6. Policy Implications

Much of the recent policy discussion of productivity growth has centred on large infrastructure projects, key economic sectors and regional disparities. However, the findings of this report suggest that more needs to be done – and can be done – to raise productivity across the whole economy. Greater involvement of workers is the key, but this is where management practices have taken a backward step in recent times with sluggish productivity one of its unwelcome consequences.

Further Reading

Bryson, A and Forth, J (2015) '[The UK's productivity puzzle](#)', *NIESR Discussion Paper No. 448*, London: National Institute of Economic and Social Research.

Felstead, A and Green, F (2017) '[Working longer and harder? A critical assessment of work effort in Britain in comparison to Europe](#)', in Grimshaw, D, Fagan, C, Hebson, G and Tavora, I (eds) *Making Work More Equal: A New Labour Market Segmentation Approach*, Manchester: Manchester University Press.

Haldane, A G (2017) '[Productivity puzzles](#)', speech given by Andrew G Haldane, LSE, 20 March 2017.

Robinson, H (2017) '[Management practices and productivity among manufacturing businesses in Great Britain: Experimental Estimates for 2015](#)', Newport: Office for National Statistics.

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All titles, along with technical reports, are downloadable free from the survey website at www.cardiff.ac.uk/ses2017 (1-3 after 18/7/18; 4-6 after 2/10/18).

Also you may like to take the Job Quality Quiz which is an additional output emanating from the project, www.howgoodismyjob.com

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This report may be cited as: Felstead, A, Gallie, D, Green, F and Henseke, G (2018) *Productivity in Britain: The Workers' Perspective – First Findings from the Skills and Employment Survey 2017*, London: Centre for Learning and Life Chances in Knowledge Economies and Societies, UCL Institute of Education.

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