



good work, wellbeing and
changes in performance
outcomes



Illustrating the effects of good people management practices with an analysis of the National Health Service

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About the What Works Centre for Wellbeing

We are an independent organisation set up to produce robust, relevant and accessible evidence on wellbeing. We work with individuals, communities, businesses and government, to enable them to use this evidence make decisions and take action to improve wellbeing.

The Centre is supported by the ESRC and partners to produce evidence on wellbeing in four areas: work and learning; culture and sport; community; and cross-cutting capabilities in definitions, evaluation, determinants and effects.

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To obtain the technical report that outlines the measures and analyses used to produce this report, please contact Professor Kevin Daniels (kevin.daniels@uea.ac.uk).

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BACKGROUND AND KEY MESSAGES

We already know that the extensive use of good people-management practices can have benefits for organisational performance *and* employee wellbeing¹.

Good people-management practices are those which, for example:

- provide opportunities for workers to **influence** their work directly and allow staff to have input into decisions about their wider working environment;
- have **clear** roles and responsibilities for staff;
- encourage staff to communicate respectfully with each other, to collaborate, to be supportive of each other and to work effectively in their **teams**.
- enhance workers' **skills** and support workers with access to **learning and development** opportunities;
- improve their **motivation** to perform well, provide **feedback** on their work through fair, accurate, supportive and effective performance management processes;
- encourage managers to **support** their people, through, for example, encouraging staff, giving advice and providing help with work problems.

These 'good' features are closely linked together and tend to occur together. For many jobs, the features of high quality job design seem to occur alongside the practices that support workers to do their jobs [*skills survey*]

We know that job security is important, but this was not measured in this survey since it is not the most salient people management issue in the NHS, where workers tend to have secure jobs compared to other parts of the economy.

We illustrate the benefits of good people management for performance and wellbeing with an analysis of National Health Service Trusts in England.

Key findings

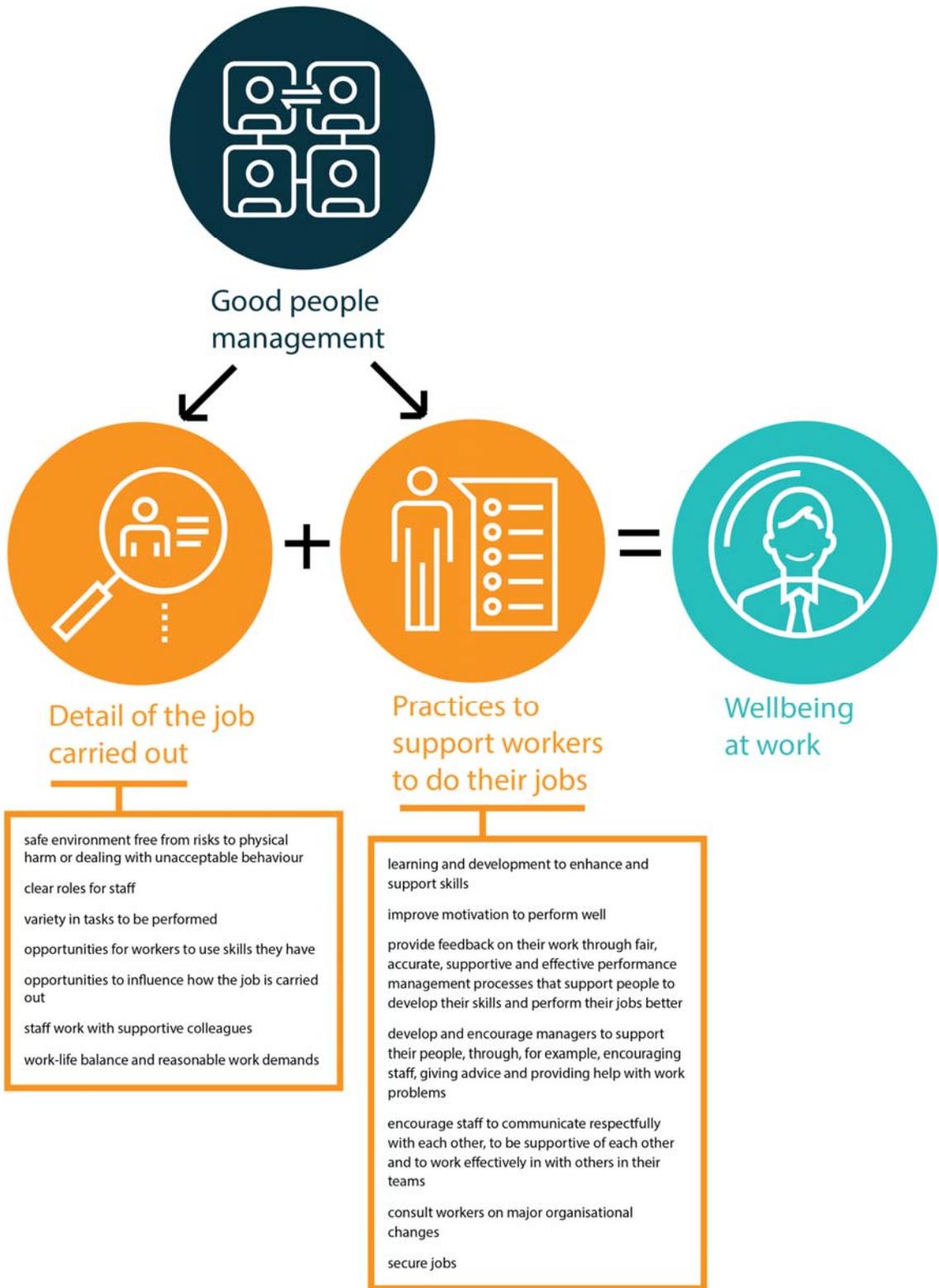
We found that NHS Trusts that made the most extensive use of good people-management practices were:

- *Over twice as likely to have staff with the highest levels of job satisfaction compared to NHS Trusts that made least use of these practices.*
- *Over three times more likely to have staff with the highest levels of engagement.*
- *Over four times more likely to have the most satisfied patients.*
- *Over three times more likely to have the lowest levels of sickness absence.*

¹ Most of the research shows that more practices are associated with better outcomes. However, recent evidence seems to suggest that there is a threshold: A recent study found in two large cross-sectional samples that only those organisations with the highest levels of practices had workers with better wellbeing. (Ogbonnaya, C., Daniels, K., Connolly, S, van Veldhoven, M. (2017). Integrated and isolated impact of high performance work practices on employee health and wellbeing: A comparative study. *Journal of Occupational Health Psychology*, 22, 98-114.)

There is a clear role for managers, professional bodies and policy makers in implementing and maintaining good people management practice; improving awareness of the benefits for performance and wellbeing; and incentivising good people management.

How does good people management relate to job design and job quality?



Introduction

Wellbeing is increasingly seen as a complementary indicator to economic indicators (e.g. gross national product) of how well a society is performing. Although wellbeing has many facets, the core of wellbeing relates to “how we are doing” and how we assess this ourselves². In the workplace, personal wellbeing can include a person’s assessments of satisfaction with their work or job, positive feelings about work (e.g. motivation) and the relative absence of unpleasant feelings about work (e.g., anxiety or worry about work).

There is considerable and robust evidence that personal wellbeing matters for productivity and company value.³ The UK Health Safety Executive report that 9.9 million working days were lost to absence caused by stress, anxiety and depression in 2014/15 in the UK, and that stress, anxiety and depression accounted for 43% of all working days lost due to ill health.⁴

The Work and Learning Programme of the What Works Centre for Wellbeing has interviewed a wide range of stakeholders; business leaders, line managers, trades union officials, employment relations and occupational health practitioners, individual employees and others. A consistent message emerged that high quality work is one of the most important factors for personal wellbeing in the workplace.

It is recognised that high quality work is characterised by job security and well-designed jobs⁵ characterised by factors such as:

- having input into decisions that affect how, when and what work is accomplished;
- reasonable work demands and working hours;
- clear role descriptions;
- use of skills;
- variety in tasks;
- support from co-workers.

However, we have also found that changes to job design along these principles are more likely to enhance worker wellbeing if introduced alongside other employment practices, including training

How do people management practices relate to Human Resource Management (HRM)?

We are using the term people management, because we are concerned with workers’ experience of people management practices – often as implemented by their line manager. In contrast, HRM can be associated with a specific and distant department that develops policies on people management. The good people-management practices we refer to are sometimes labelled high performance HRM or high performance work practices by experts in HRM practice and research.

² <https://www.whatworkswellbeing.org/about/what-is-wellbeing/>

³ Bryson, A., Forth, J., & Stokes, L. (2014). *Does Worker Well-being Affect Workplace Performance?* Department of Business Innovation and Skills.

Edmans, A. 2012. The link between job satisfaction and firm value, with implications for corporate social responsibility. *Academy of Management Perspectives* 26, 1-19.

Oswald, A.J., Proto, E. & Sgroi, D. (2015). Happiness and productivity. *Journal of Labor Economics*, 33, 789-822.

Whitman, D.S., Van Rooy, D.L., & Viswesvaran, C. (2010). Satisfaction, citizenship behaviors, and performance in work units: A meta-analysis of collective construct relations. *Personnel Psychology*, 63, 41-81. (based on a meta-analytic review of 60 studies, 5849 organisations and over 230000 workers)

⁴ <http://www.hse.gov.uk/statistics/causdis/stress/index.htm>

⁵ See for example *Good Work: The Taylor Review of Modern Working Practices*

(https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/627671/good-work-taylor-review-modern-working-practices-rg.pdf) and <http://www.hse.gov.uk/stress/standards/>.

and development opportunities and changes to performance management and rewards processes.⁶ Together, we propose that well designed, secure jobs and associated employment practices constitute the good people management practices that underpin high quality work.

In this report, we describe research that examines whether organisations with good people-management practices are also organisations that are characterised by high levels of wellbeing and better performance. How people are managed is clearly important for organisational performance⁷, and there is established evidence from a range of sectors to support this.⁸ There is also emerging evidence from a variety of sectors that workers report better wellbeing in organisations characterised by good people-management practices.⁹

In this research, we aimed to find out whether we could *predict* improvements in job satisfaction, worker engagement, patient satisfaction, sickness absence and patient mortality from the use of good people-management practices in NHS Trusts in England. Specifically, we examined the extent to which NHS Trusts made more or less extensive use of training, performance appraisal, team working, had clear roles for staff, allowed staff to take decisions about how to do their job, encouraged supportive management and involved staff in decisions about their departments and the Trust. Prediction is important, because it enables us to be more confident that changes in people-management practices can lead to subsequent improvements in wellbeing and performance.

We conducted an analysis of data collected on English NHS Trusts in 2012, 2013 and 2014.¹⁰ After accounting for missing data, our analysis involved between 135 and 243 out of a total of 259 NHS Trusts in England. We used data on people-management practices collected in 2013, using measures from the NHS Staff Survey. This enabled us to differentiate between Trusts that made more or less use of good people-management practices based on the experiences of staff rather than whether they had policies or not. Staff experience is the key indicator of how people-management policies are implemented in practice.

We assessed wellbeing by the average level of job satisfaction for workers in each Trust. We assessed performance outcomes by staff absence rates, average levels of staff engagement, patient satisfaction levels and patient mortality for each Trust. We used data on wellbeing and performance outcomes gathered in 2012 and 2014. In our analyses, we examined whether changes in wellbeing

⁶ Daniels, K., Gedikli, C., Watson, D. Semkina, A, Vaughn, O. (2017). *Job quality and wellbeing*. What Works for Wellbeing Centre. The full technical report is available from: Daniels, K., Gedikli, C., Watson, D., Semkina, A., & Vaughn, O. (2017). Job design, employment practices and well-being: a systematic review of intervention studies. *Ergonomics*, 60, 1177-1196.

For a case example see: Tregaskis, O., Daniels, K., Glover, L., Butler, P., & Meyer, M. (2013). High performance work practices and firm performance: A longitudinal case study. *British Journal of Management*, 24, 225-244. A summary of this case is given in Daniels, K., Gedikli, C., Watson, D. Semkina, A, Vaughn, O. (2017). *Job quality and wellbeing*. What Works for Wellbeing Centre - <https://www.whatworkswellbeing.org/product/job-quality-and-wellbeing/>.

⁷ Bloom, N., Brynjolfsson, E., Foster, L., Jarmin, R. S., Patnaik, M., Saporta-Eksten, I., & Van Reenen, J. (2017). *What drives differences in management?* (No. w23300). National Bureau of Economic Research.

⁸ Combs, J., Liu, Y., Hall, A., & Ketchen, D. (2006). How much do high-performance work practices matter? A meta-analysis of their effects on organizational performance. *Personeel Psychology*, 59, 501-528.

Saridakis, G., Lai, Y., & Cooper, C. L. (2017). Exploring the relationship between HRM and firm performance: A meta-analysis of longitudinal studies. *Human Resource Management Review*, 27, 87-96.

⁹ Ogbonnaya, C., Daniels, K., Connolly, S., & van Veldhoven, M. (2017). Integrated and Isolated Impact of High-Performance Work Practices on Employee Health and Well-Being: A Comparative Study. *Journal of Occupational Health Psychology*, 22, 98-114.

¹⁰ British NHS Staff Survey (*for HRM practices and employee well-being measures*), the British NHS Adult Inpatients Survey (*for patient satisfaction measures*), the British NHS Electronic Staff Record (ESR) data on sickness absence rates and the British NHS data on patient mortality

and performance outcomes from 2012 to 2014 were related to people management practices in 2013. By analysing changes in this way, we were able to show that good people-management practices in 2013 came before outcomes in 2014. That allows us to say, with greater confidence than has previously been possible, that good people-management practices lead to improvements in wellbeing and performance outcomes.

Findings

We found that:

NHS Trusts that made the most extensive use of good people-management practices were:

- i) Over twice as likely to have staff with the highest levels of job satisfaction compared to NHS Trusts that made least use of these practices.*
- ii) Over three times more likely to have staff with the highest levels of engagement.*
- iii) Over four times more likely to have the most satisfied patients.*
- iv) Over three times more likely to have the lowest levels of sickness absence.¹¹*

For example, we found the Trusts that made the most extensive use of good people-management practices had absence rates of around 3.7%, whereas the Trusts that made least use of good people-management practices had absence rates around 4.4%. We estimate that if all Trusts reduced their absence rates to 3.7%, then this could lead to an annual saving of over £200 million for the NHS. This is purely the cost of sick pay and neglects associated costs such as the engagement of agency and bank staff to cover rotas.¹²

We found no statistically robust evidence that that good people-management practices had a significant and reliable direct relationship with patient mortality.

Our new findings here reinforce the conclusions from one of our previous evidence reviews from other sectors.¹³ Our previous review showed improvements in wellbeing and performance following enhancements to work and involvement of workers in decisions, as well as better training, management development and performance management.

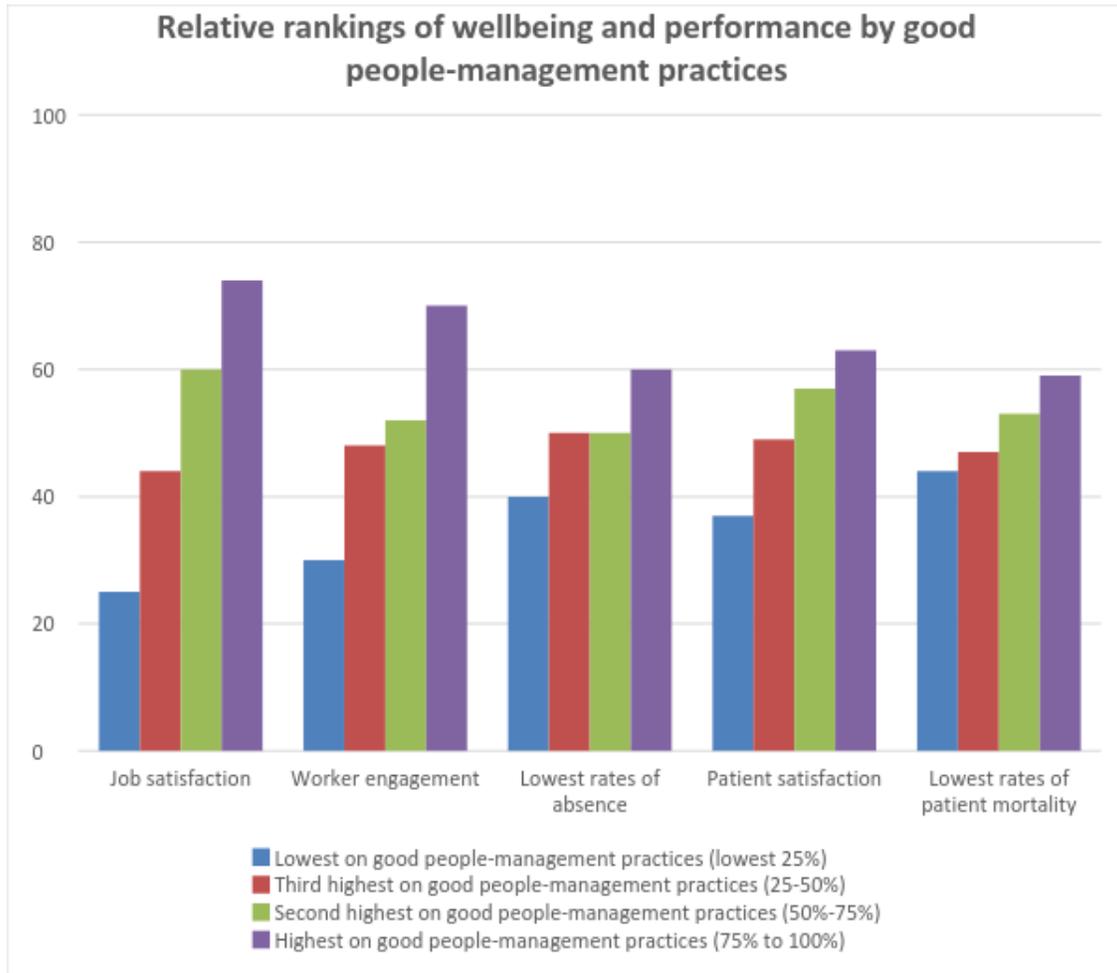
The figure below summarises the results. The different coloured columns represent different levels to which Trusts used good people-management practices, from the bottom quarter who made least use to the top quarter who made most use. The figure shows each outcome converted to a 100 point scale, with the height of the column representing the average ranking for Trusts in each

¹¹ These statistics are based on comparing the bottom 75% of Trusts on people management practices with the top 25%, where the best performing Trusts were classified as being in the top 25% for job satisfaction, worker engagement, patient satisfaction or the lowest 25% for absence rates as appropriate to the analyses. All the results are statistically reliable and therefore we are confident the results are not due to random error. A variety of other analyses and robustness checks reinforce our conclusions.

¹² In 2015, Public Health England estimated staff sickness absence cost the NHS around 2.4 billion per annum. These figures exclude the cost of hiring temporary staff to cover absence. In 2014-15, the average absence rate in English Trusts was 4.06%. Our estimates are based on extrapolating from these figures. 2.4 divided by 4.06 gives around £0.59 billion as the cost of each percentage point of absence in 2015-15. Therefore, an absence rate of 3.7 translates to a cost of £2.18 billion across the NHS. An absence rate of 4.4% translates to a cost of just under 2.60 billion.

¹³ Daniels, K., Gedikli, C., Watson, D., Semkina, A., Vaughn, O. (2017). *Job quality and wellbeing*. What Works for Wellbeing Centre. The full technical report is available from: Daniels, K., Gedikli, C., Watson, D., Semkina, A., & Vaughn, O. (2017). Job design, employment practices and well-being: a systematic review of intervention studies. *Ergonomics*, 60, 1177-1196..

quarter. Higher columns indicate better outcomes for wellbeing and performance, with Trusts ranked better on average than Trusts in other categories.¹⁴



There is a more marked difference between Trusts in job satisfaction and engagement.

The relationship with absence and patient satisfaction is significant but not as marked. We think this is because job satisfaction and engagement are direct markers of workers’ experiences of their jobs and workplaces, whereas absence and patient satisfaction are indirectly tied to people-management practices through workers’ wellbeing, health and behaviours.

There also appears to be a trend for mortality rates to improve in Trusts that make more use of good people-management practices but this is not statistically significant (i.e. the results could be explained by chance fluctuations).

¹⁴ The height of the column represents the percentile for the average level of the outcome variable in each Trust category. For example, the highest scoring Trusts on human resource management practices have a score of around 75 on job satisfaction, meaning the average score for these Trusts is around the 75th percentile on job satisfaction.

Implications for management in the NHS and elsewhere:

Our findings show that actions to improve workers' wellbeing and performance are mutually compatible – i.e. there are mutual gains for businesses **and** staff. The common perception that there has to be a trade-off between wellbeing and performance is not supported by the evidence.

Therefore, we recommend that organisational leaders seek:

To implement and maintain good people-management practices, through:

High quality jobs that have clear roles for staff, allow staff to have input into decisions about their job and their wider working environment, and allow staff to work in teams

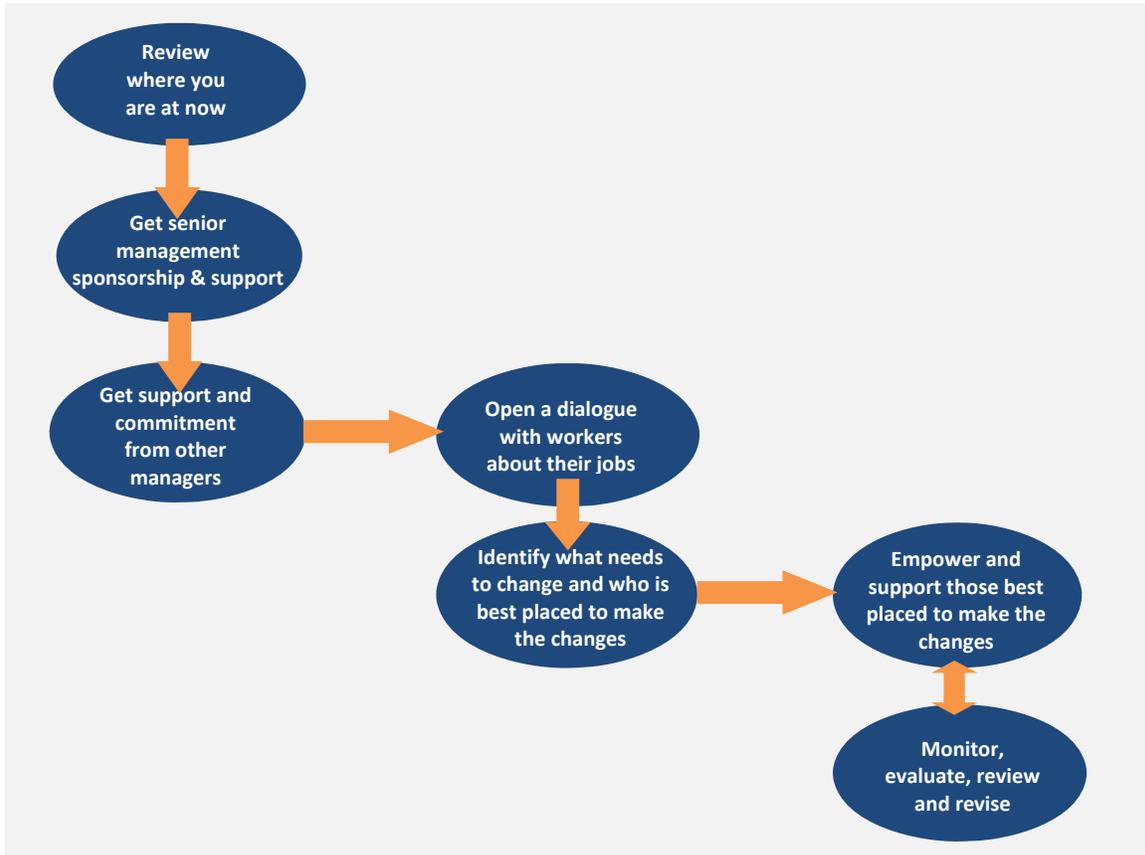
Supporting workers with access to learning and development opportunities, feedback on their work through effective performance management processes

Encouraging managers to support those they manage.

We have estimated that organisations can obtain significant returns on investment due to overall performance improvements, within six to twelve months¹⁵ - in part recouped through reduced absence and increased levels of staff engagement, with associated performance benefits.

¹⁵ <https://www.whatworkswellbeing.org/product/job-quality-and-wellbeing/>

THINGS TO CONSIDER IN ORDER TO INTRODUCE GOOD PEOPLE MANAGEMENT PRACTICES¹⁶



Review where you are at now. Is there a problem with wellbeing, absence, staff turnover or engagement? Are jobs as secure and remuneration and other benefits as good as other similar employers? Are workers and their managers being developed to acquire new skills? Is performance management and rewards distribution done in a fair way and seen to be done in a fair way? Is there evidence that jobs could be designed in better ways? Are there opportunities to improve jobs even further to get more and sustainable wellbeing and performance benefits.

Get senior management sponsorship and support for changes to people management practices. Make sure senior management buy into the idea of improvements for the sake of *sustainable* performance and staff wellbeing and are prepared to make the necessary commitments to make improvements in jobs. Senior managers may publically sign pledges, but also involve senior managers in project management and make regular reports to the senior management team.

Get support and commitment from line managers, HR and relevant management teams. Management commitment to the changes is important at all levels. Involve senior managers

¹⁶ This approach has been adapted from www.hse.gov.uk/stress/standards and evidence presented in <https://www.whatworkswellbeing.org/product/job-quality-and-wellbeing/>

in getting commitment from other management groups. It might be useful to hold workshops with managers to discuss why changes are necessary, how the changes might affect them and how they will benefit. Line and other managers own roles and responsibilities may change, so it is important for the organisation to make a commitment to support their managers through the changes, for example through training and development. Review performance management and other people management practices to ensure managers are also supported appropriately.

Open a dialogue with workers about their jobs to find out what they see as important in the way they do their jobs, how they feel they are managed and how they are supported. Show workers that the changes are intended to have business and personal benefits, and that one of core values underpinning the changes is improved wellbeing. Be specific in identifying what can be changed and how to make jobs more interesting and satisfying, and look for changes that will improve wellbeing and performance. Also, gather information on who is best placed to make the changes. For example, workers themselves are often best placed to know what needs to change but they may not know how to make the changes themselves without appropriate support and training. Workshops and focus groups can be helpful to gather information, and larger organisations may find staff surveys useful. The background information collected here can be really useful to establish a baseline to assess improvements, but also informs the next stage.

Identify what needs to change and who is best placed to make the changes. Use the information from the dialogue with workers to identify what can be improved. This is also the stage to make cost-effectiveness or return-on-investment projections to help choose between different courses of action. Improvements need to be feasible and acceptable to the different parties, so it is worth checking and refining plans at this stage. Check that workers have the right skills for any new roles or responsibilities and that their performance requirements are compatible with the changes. Introduce additional training and development and change other people management practices to ensure compatibility. At this stage, also decide on who is best placed to make each of the changes. This might entail a combination of groups, with staff and line managers making changes to how work is done and HR managers making changes to training, development and performance measurement/appraisal practices. Be mindful that you may need to **make changes to other practices**. Be sure that the changes will not work against other businesses processes and practices. *For example, this could be the case if an organisation allows people the chance to use more intellectual skills and to take decisions that affect their work, yet management information systems restrict access to relevant information.* A well conducted analysis of jobs and consultation should prevent this happening in the first place.

Once you have identified what needs to be done, the changes need to be made. To do so, **empower and support those best placed to make the changes**. Make sure there is a level of accountability for making the changes. This means that there should be regular, timely and appropriate feedback on how the changes are progressing given to all concerned including senior managers. Ensure there is empowerment to make adjustments if necessary.

Therefore, at the same time, **monitor, evaluate, review and revise** the changes if necessary – are they delivering wellbeing and other business benefits? Are the changes sticking? What could be done to improve implementation? Through reviewing, revising and monitoring, it is possible to build a continuous improvement cycle so that initial improvements to jobs, performance and wellbeing can lead to cumulative improvements in jobs, performance and wellbeing over time as workers and managers gain more knowledge, capabilities and confidence in making incremental improvements in their work areas. In some organisations it may be possible to introduce changes in one area to see if

changes are working, and then take lessons learnt to introduce changes in another area a few months after the initial changes have had chance to bed down.

Where this fits with other research

Analyses of the combined impact of work and employment practices on wellbeing and performance over time are rare.

These findings are more powerful than existing research because they show how high quality people management practices can *lead to* subsequent improvements in wellbeing and performance, and that these improvements can occur together. Our results offer a significant advance over much previous research, because we were able to use data on people management practices gathered in 2013 to predict changes in wellbeing and performance in 2014 from 2012. We also performed various robustness checks on the data that reinforce our confidence in the results. Although such data and checks strengthen claims that improvements in people management practices lead to improvements in employee wellbeing and organisational performance, this single study does not and cannot provide definitive evidence of causality. Moreover, the data are based solely on English NHS Trusts.

However, our analyses add to a range of evidence from a variety of sectors that indicate the benefits of high quality work and employment practices, reinforcing our conclusions:

- a) One of our evidence reviews¹⁷ highlights two cases of manufacturing organisations and one case of a healthcare organisation where intentional improvements in the quality of work and other people management practices led to subsequent improvements in wellbeing and performance outcomes in each case.
- b) A review of 92 separate studies in different countries and different sectors shows that high quality people management practices are associated with better performance outcomes at the organisational level.¹⁸
- c) A study similar to ours, using NHS data from 2004-2009 before austerity measures were implemented, investigated the effects of good people management practices on job satisfaction and customer satisfaction, and found similar results.¹⁹
- d) A recent study looked at individuals' wellbeing using NHS data and data from across the UK economy – both the NHS data and the data from across the UK economy showed that workers report better wellbeing in organisations characterised by high quality people management practices.²⁰

¹⁷ Daniels, K., Gedikli, C., Watson, D., Semkina, A., Vaughn, O. (2017). *Job quality and wellbeing*. What Works for Wellbeing Centre. The full technical report is available from: Daniels, K., Gedikli, C., Watson, D., Semkina, A., & Vaughn, O. (in press). Job design, employment practices and well-being: a systematic review of intervention studies. *Ergonomics*, 60, 1177-1196.

¹⁸ Combs, J., Liu, Y., Hall, A., & Ketchen, D. (2006). How much do high-performance work practices matter? A meta-analysis of their effects on organizational performance. *Personnel Psychology*, 59, 501-528

¹⁹ Piening, E. P., Baluch, A. M., & Salge, T. O. (2013). The relationship between employees' perceptions of human resource systems and organizational performance: Examining mediating mechanisms and temporal dynamics. *Journal of Applied Psychology*, 98, 926.

²⁰ Ogbonnaya, C., Daniels, K., Connolly, S., & van Veldhoven, M. (2017). Integrated and Isolated Impact of High-Performance Work Practices on Employee Health and Well-Being: A Comparative Study. *Journal of Occupational Health Psychology*, 22, 98-114.

Implications for Trades Unions, professional bodies, industry groups:

Groups outside an organisation can have a significant influence on management practices. We therefore recommend that Trades Unions, professional bodies, industry groups and similar stakeholders:

Make managers aware that, by implementing and maintaining good people-management practices, there is a good chance of improving business unit performance and staff wellbeing

We also commend our other evidence reviews and documents²¹ to these bodies as a resource for when they are giving guidance on wellbeing and performance.

Implications for policy:

Employment levels and the nature of employment impact not only on health and productivity but also on tax and benefits. The healthcare system is under particular pressure as a result of an ageing population, rising public expectations and the cost of new medical treatments.

To improve the creation and development of good people-management practices, we recommend that all policy makers:

- *put in place initiatives to educate managers at all levels on the benefits of high quality people-management practices for wellbeing, worker engagement and performance.*
- *make it clear that high quality people management entails creating good quality work, developing supportive managers, investing in training and effective performance management.*
- *incentivise good people-management practices, either through targeting employers known for good people-management practice or providing incentives for employers to implement and maintain good people-management practices.*
- *prioritise the purchase of goods and services from suppliers that can demonstrate a commitment to implementing and maintaining good practice in people management.*

We further specifically recommend that policy makers in the NHS and the wider public sector:

- *act as exemplars of good people-management practice*
- *design jobs that meet the criteria for high quality work*
- *evaluate the wellbeing impact of major change programmes*
- *monitor compliance with good practice and publish the results*

We also commend to policy makers our report on the nature of high quality jobs and their distribution within the UK.²²

²¹ <https://www.whatworkswellbeing.org/product-category/work/>

²² <https://www.whatworkswellbeing.org/product/what-is-a-good-job/>

Future research needs

The existing research provides powerful evidence for an **association** between people management practices and wellbeing and performance but it does not prove **causation**. Examining changes over several years would allow deeper investigation of the dynamics of change in people-management practices.

The evidence base is also lacking in detailed and extensive studies that have tracked organisations that have deliberately enhanced the quality of jobs through the redesign of work and other people management practices. Existing studies provide some useful guidance on how to implement changes to practice but this is an area of weakness that would benefit from further research. There is also a need for evidence on the impact of policy initiatives to improve the quality of work at regional and national level; current policy recommendations are based on extrapolations from survey evidence rather than specific studies of changes in policy.