



In-work Progression Toolkit: High Involvement Management Practices

What are they and what do they aim to do?

High Involvement Management Practices (HIMPs) are policies and procedures that seek to increase employee involvement in management decision making, and to equip employees with the skills and autonomy to identify improvements in firm processes.¹

The aim of encouraging such involvement is to increase employee job satisfaction and effort, encourage employee investment in their own productivity and improve commitment. If successful, HIMPs could increase productivity and wages, and reduce turnover, building further firm specific human capital. This increased job stability may allow employees to build further firm specific knowledge and make employers more willing to invest in training and internal promotion, thus increasing progression.

HIMPs also typically involve providing employees with management information and implementing procedures to improve information flows from workers to management. It is hoped that this will increase innovation within the firm, encourage job autonomy and increase the likelihood of workers being 'noticed' for potential career progression.

This toolkit focuses specifically on the effect of HIMPs on in work progression. We found nine OECD studies that looked at their effectiveness, two of which are from the UK.

¹ HIMP encompasses other concepts such as Employee Involvement (EI), High Performance Work Systems (HPWS), High Involvement Work System (HIWS).

Things to consider

Can policy encourage the adoption of HIMPs?

The evidence we found looks at the impact of HIMPs, not of policy to encourage firms to adopt HIMPs. Such policies are likely to be challenging to devise and implement as they involve influencing the way firms are run. Possible options include information provision (e.g. marketing campaigns, best practice policies), training for managers, public procurement requirements (e.g. making HIMP a mandatory or scored requirement) and accreditation. Encouragement of HIMPs could also be integrated with other business support or through inclusion in employment charters.² Any approach should be piloted and tested, to understand both the impact on firm take-up and whether policy-induced introduction of HIMP had the same effect on in-work progression.

Which type of HIMP practices should be encouraged?

Given the challenges of encouraging firms to implement HIMPs, it would be helpful if we knew which particular types of HIMP practices should be encouraged. Unfortunately, we still know relatively little about different practices, and some studies even suggest that a combination of practices might be needed for HIMP to be effective.

What other organisations might have an interest in aiding the encouragement of HIMPs?

Encouraging firms to implement HIMPs may be aided by other organisations that have an interest in this area. For example, Trade Unions may be able to assist with information provision and firm level engagement. Management training providers may also help by marketing HIMPs and by co-ordinating their provision with the objectives of policy.

What types of firms are most likely to benefit from HIMPs?

The available evidence suggests that not all firms are likely to benefit from implementing, so the targeting of any policy on HIMPs should be an important part of piloting and testing innovative approaches.

How effective are they?

HIMPs are likely to have a positive effect on wages and other job-related outcomes

Five out of six studies that look at the impact on wages find a positive effect, while one finds no effect (although only one of the positive studies properly accounts for the fact that firms that practice HIMPs are also more likely to attract more productive workers).

A smaller number of studies consider other outcomes. One of the wage studies also finds positive effects on job satisfaction and security. Another study finds HIMPs reduce employee turnover in jobs with very adverse working conditions. Finally, one study suggests a positive effect on worker productivity.

The impact on wages may be greater when firms implement a set of HIMP practices, although one study suggests effects may differ for small firms.

Four studies break HIMPs down into individual practices or groups of practices. Two of these find positive and significant effects on wages for individual practices and that the effect is increasing in the

2 Hurrell et al (2017) Local Employment Charters: Case studies from the UK <http://hummedia.manchester.ac.uk/institutes/mui/igau/briefings/IGAU-Employment-Case-studies.pdf>

number of practices. A third study only finds wage effects in firms that combine practices from three different groups. A fourth study finds the opposite – the most ‘intensive’ combinations have a negative effect, at least for small firms.

Are they cost effective?

None of the studies reviewed consider the direct costs to firms of implementing HIMPs. These firm-specific costs may be small if they only involve changing work practices, but larger if increased wages come at the expense of reduced profits (rather than from productivity gains). Potential policy options to encourage the use of HIMPs would have a range of costs, but it is not possible to present credible estimates of what they might be.

Annex: Evidence on HIMPs

We found nine studies from OECD countries that looked at the effectiveness of HIMPs. We did not find any studies that considered the effectiveness of policy designed to encourage the use of HIMPs.

HIMPs are likely to have a positive effect on wages and other job-related outcomes [1,2,3,4,5,6,7,8]

Five out of six studies [1, 2, 3, 5, 6] that look at the impact on wages find a positive effect, with only one finding no effect [4]; Only one of the studies [1] that finds a positive effect accounts for the fact that firms that practice HIMPs are also more likely to attract more productive workers.

Study 1 (SMS 4 - workers) considers the impact of HIMP on wages using nationally representative survey data for Finnish employees linked to data on their wages and work histories. HIMPs considered include teams, problem solving groups, sharing information, incentive pay, and supportive practices such as employer-provided training and associated recruitment methods. The study takes account of worker sorting by including wage and work histories in the analysis. It finds that workers with better work histories are more likely to be found in HIMP jobs. Results are robust to estimation using an IV framework that attempts to remove all unobserved differences that may induce worker sorting, using lagged measures of industry level HIMP practices as instruments. Before accounting for sorting effects, the study finds a positive wage premium of around 20% from HIMP. This falls by around one fifth but is still present when workers’ previous wages and work experience are accounted for.

Study 2 (SMS 3 - workers) considers the impact of High Performance Work Organisation (HPWO) systems on wages in US manufacturing industries, using data from the US National Establishment Survey 1997. HPWO is a summary term that stands for the introduction of a range of practices, including self-managed teams, quality programs, and job rotation. Using an OLS regression³ the study finds that HPWO systems were associated with higher wages for core blue-collar manufacturing

³ To address concerns about the potential endogeneity in the relationship between worker productivity and adoption of HPWO, the study uses an IV framework, with four instruments derived from prior research into organisational characteristics that predict HPWO practices: whether the establishment has a human resources department; whether the establishment is part of a branch firm; the age of the organisation; and whether the organization competes in a competitive product market. None of these instruments would seem to satisfy the necessary exclusion restrictions, so we have scored this evaluation as SMS3.

employees. The higher wages are partly, but not completely, explained by higher skill levels and use of computer-based technologies in some firms also using HPWO. The impact does not depend on unionisation.

Study 3 (SMS 2 - workers) considers the impact of HIMP on wages in the UK using data from the British Workplace Employee Relations Survey of 1998. The study includes three groups of practice in their concept of HIMP: “Task practices”, i.e. how work is organised; “individual supports”, i.e. providing extensive information to employees on the firm’s performance and decision-making; “organizational supports”, i.e. HR policies that provide enhanced employment conditions, such as job security guarantees, employee ownership and clear internal career paths. Using an OLS regression framework that controls for a wide range of employee and firm characteristics, the study finds that employees in firms with HIMP are paid a wage premium of 8% compared with similar employees in firms that use a more traditional approach to management. Further analysis showed that each group of HIMP on their own do not increase wages; rather it is the combination of them that appears to have the wage effect.

Study 4 (SMS 2 - workers) considers ‘High Performance Work Practices’ (HPWP) and their impact on wages in the US, using data from a US Survey of Employer-Provided Training for 1995. High performance (HP) refers to a new ‘high wage’ model of employment for low skilled workers. In contrast to a ‘low road’ employment strategy based on low skills and low wages, this ‘high road’ strategy involves more skilled and interesting jobs, and greater employee involvement in decision-making. The three key elements of HPWPs are: i) job tasks are more varied involving e.g. job rotation and delegation of more skilled tasks to unskilled workers (record keeping, human resources); ii) employees take part in organisational decision making and problem solving; thus requiring more investment in firm based training; iii) these practices are supported by non traditional compensation schemes such as pay for skills mastered on the job, performance bonuses, productivity gain sharing and profit sharing. Using an OLS regression framework controlling for firm and employee level characteristics, the study finds that HPWPs are not associated with higher wages, neither at the establishment nor employee level.

Study 5 (SMS 2 - workers) analyses data collected by the researchers from a survey of major automotive companies in North America. It considers the impact of Employee Involvement (EI) practices on wages for blue collar workers, as well as possible detrimental effects on plant survival. EI practices considered here include giving blue collar workers opportunities to use abstract reasoning skills in addition to their manual tasks. They may use these skills for example by meeting with a group to problem solve. The study uses regression and cluster analysis techniques, both of which support the view that EI practices are associated with higher wages (by 3-5%). In addition, the study provides some support for the theory that efficiency wages are the causal mechanism that generates higher wages (because less supervisor monitoring is associated with higher wages). They find no evidence that EI affects plant survival or employment growth.

Study 6 (SMS 2 - workers) considers the impact of ‘innovative work practices’ using data from an employee survey from Finland. Innovative working practices include self-managed teams, information sharing, incentive pay, and training, on various employee outcomes (job intensity, job influence, job security, wage, stress and job satisfaction). The study uses OLS regression and finds that ‘workplace innovations’ have a positive relationship with various employee outcomes, and that different practices have different implications for workers.

One of the wage studies [6] also finds positive impacts on job satisfaction and job security.

Study 6 (SMS 2 - workers), discussed above, considers the impact of innovative work practices on a number of employee outcomes, including job satisfaction and job security. Job satisfaction is measured based on a direct survey question, while the job security measure is based on perceptions of the threat of temporary dismissal, dismissal, or unemployment. With the exception of incentive pay, all workplace innovations are related to higher job satisfaction (the study provides no possible explanation for the exception). Information sharing and training are both positively related to job security, with other practices having no effect. Study 3 (SMS 2 - workers) finds that Job security is a necessary but not sufficient condition for HIMPs to generate positive wage outcome; other HIMP practices generate benefits when combined with job security.

Another study [7] finds HIMPs reduce employee turnover in jobs with very adverse working conditions.

Study 7 (SMS 2 - workers) considers whether workers who are exposed to workplace hazards are more or less likely to remain in their jobs, when their employer practices High Involvement Work Systems (HIWS). The study uses data from Denmark's Integrated Labour Market Database (IDA) and The Danish Work Environment Cohort Study (DWECS). In a HIWS setting, front-line workers are given opportunities to exert discretionary effort, acquire useful local knowledge, and share it with their co-workers and higher-level managers. The study uses OLS to control for personal and firm characteristics. It finds that HIWS play a significant role in reducing employee turnover caused by adverse working conditions – such as physical hazards, having a bad boss and working night shifts. The effects are mainly due to information sharing.

Finally, one study [8] suggests a positive effect on the productivity of workers.

Study 8 (SMS 4 – firms) considers the impact of greater Employee Involvement (EI) and financial incentives on productivity of the firm using data from the IAB establishment panel of all German industries. The common principle behind measures to increase staff involvement is to get 'lower-level' staff more involved in the decision making and work processes, and to grant these employees greater autonomy and control over job tasks and methods of work. To address the worry that unobserved characteristics of firms drive the relationship between EI and productivity, the study instruments adoption of EI practices with measures of perceived difficulties in perceived recruitment and applies firm fixed effects. Productivity is measured using 'economic value added' (turnover minus input, conditional on capital) per employee. It finds that organisational change that increases EI have significant and positive impact on productivity. However, organisation-level incentive schemes, which are treated separately from EI, do not increase productivity.

The impact on wages may be greater when firms implement a set of HIMP practices, although one study suggests effects may differ for small firms

Two of these [1, 6] find positive and significant effects on wages for individual practices and that the effect is increasing in the number of practices.

Study 1 (SMS 4), discussed above, shows that all HIMP appear to offer a wage premium, but the effect varies across type of practices and increases with the number being implemented. Specifically, the premium is largest for training and smallest for autonomy.

Study 6 (SMS 2), discussed above, considers the effect of individual practices. Information sharing has consistently positive implications for employees. Self-managed teams and training have mostly positive effects – including increased job influence, higher wages, increased job satisfaction and increased job security (training only). Incentive pay is significantly associated with higher wages and higher job influence. Training reduces job intensity (the need to hurry in work and inability to plan ahead). In contrast to study 1, which directly considers the number of practices, this study reaches its conclusion on the importance of a set of practices based on these differing impacts across types of practices (so introducing them all will affect more worker outcomes).

A third study [3] only finds wage effects in firms that combine practices from three different groups.

Study 3 (SMS 2), discussed above, shows that each group of HIMP on their own do not increase wages, but that the combination does have a positive effect. Job security is a necessary but not sufficient condition for HIMPs to generate positive wage outcome; other HIMP practices generate benefits when combined with job security.

A fourth study [9] finds the opposite – the most ‘intensive’ combinations have a negative effect, at least for small firms.

Study 9 (SMS 2 - firms) considers the variation in impact of Employee Involvement (EI) on the financial performance of small and large firms using the 1990 Workplace Industrial Relations Survey (WIRS). Performance is measured on the basis of managers' evaluation of the firm's financial performance. It finds that different EI practices and combinations work differently for small and large firms. In terms of a baseline model, small firms benefit from systematic use of the management chain and regular use of communication methods, such as team briefings. The authors assert that these are the least bureaucratic and least costly methods of EI. Financial participation appears to be more effective in large firms. 'Upward problem solving', that is encouraging employees to get together to devise solutions to organisational problems has a strong negative impact on small firm performance. In addition an interaction model shows that the impact that an EI practice has on a small firm's performance differs depending on whether it exists in isolation or not. For larger firms, isolated EI practices seem to improve performance but EI combinations are not associated with better large firm performance. The most intensive combination of EI practices (direct communication, regular meetings between managers/workers, use of management chain to communicate with employees, upward problem solving) has a negative impact on small firm performance.

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