



# Links between quality of work and performance

## Executive summary

### Introduction

Eurofound has during the past years focused on the links between social dialogue, working conditions, quality of work and their impact on employee and company performance. A package of research projects was launched in order to deepen the knowledge of these links through an extensive literature review, analysis of the European Company Survey data and in-depth case studies. This report is based on 21 case studies in four sectors (electromechanical engineering, food manufacturing, financial services and insurance activities, and wholesale and retail) in six countries: Austria, the Czech Republic, Germany, France, Spain and Sweden. The aim of this study and of the whole research package is to investigate whether and how improvement of the quality of work can boost employee and establishment's performance.

### Policy context

Creating better jobs and quality of work are key elements of the European social model. This includes areas such as the organisation of work and work activities; training, skills and employability; health, safety and well-being; as well as working time and work–life balance. However, improving the quality of employment and working conditions is a new dimension within the European Employment Strategy, which previously concentrated mainly on quantitative measures such as increasing employment and reducing unemployment. The Lisbon agenda implies that improving the quality and productivity of work could lead to more as well as better jobs. In the recent Europe 2020 strategy for smart, sustainable and inclusive growth, the focus after the financial crisis is on

more jobs (increasing employment), but a more innovative climate should, according to the strategy, also contribute to 'quality jobs'. Skill raising and vocational training is the preferred method to reach the targets in the strategy, and social partners are seen as key actors to contribute to this end through the use of social dialogue.

### Key findings

The report shows that most companies apply a bundle of measures to improve different dimensions of quality of work. Therefore it is difficult to single out how one specific measure affects performance. The report further shows that in some companies the chain of links from improvement of quality of work to increased performance is not fully recognised by themselves. Also, in a number of cases the positive relationship between quality of work and performance is anticipated, but not in any sense verified.

Nevertheless, the case studies indicate that the clearest link between quality of work and performance relates to training, skills and employability. Training contributes to improved performance mostly through increased ability to use technology and to meet customer demands. Training is also used because the potential alternative, recruitment, is a less optimal investment. It is difficult and often expensive for the companies to recruit potential employees, and internal career development through training tends to be a more beneficial solution, both for the company and the employees who benefit from increased employability.

Career advancement plans and employment security contribute to improved performance by ensuring that there is a mutual understanding that medium to long-term career advancement is possible in the company. Thus, employees develop increased involvement, loyalty and ownership towards their work. This has many potential benefits: employees recommend the workplace to others seeking work, they act as ambassadors for the company, and they treat the success of the company as a personal success. The case studies are only indicative in this context, but the researched companies perform well in combination with well-developed career possibilities and employment security, proving that the two elements can be combined.

Health, safety and well-being, according to the findings, contribute to improved performance through decreasing sick absences and insurance payments. Additionally, they also increase employee satisfaction and decrease voluntary staff turnover. In some cases, in companies that have measured the impact on performance, the link is quite evident, where improved health, security and well-being have resulted in an up to 20% increase in labor productivity, in addition to a positive impact on sick absences.

The case studies also confirm that well-developed company work-life balance policies can have a positive impact on performance. Not only is it easier to recruit, but the employees also have an increased tendency to devote high work effort to the company when it is most needed in return for the flexibility shown with regards to their needs. Moreover, employee satisfaction is also seen to increase. Thus, the flexibility benefits both parties.

## Policy pointers

This project has shown examples confirming that improving quality of work and achieving better financial performance are two sides of the same coin and not conflicting goals. Outlining specific links between quality of work and performance and drawing firm recommendations for policy makers and other key stakeholders are, however, challenging for a number of reasons. Firstly, companies are often either not aware of these links or do not verify them in any way. Secondly, most companies bundle a number of quality of work initiatives and achieve a series of performance benefits without being able to single out the specific interrelationship between them. Lastly, both methodological approaches of cross-sectional survey data analysis and of ex-post impact analysis in case-studies do not constitute a sufficiently strong base of evidence for answering the fundamental question about the causality in the investigated relationships. Only a longitudinal study over number of years of a panel of companies implementing job quality practices can provide the decisive evidence.

Nevertheless, some policy pointers and recommendations can be identified. The research shows that there is an obvious need to disseminate broadly information on the links between quality of work and performance and thus to raise awareness of the broader labour market and business community audiences of these existing sources of sustainable performance and growth. Furthermore, the researched links between quality of work and employee and company performance provide the basis for moving social dialogue in the EU forward. Moving social dialogue to the next level where quality of work is the common goal and is as important as employment will certainly be a substantial contribution to the Europe 2020 strategy and goals. All this should be done in parallel with further investment into base-line studies and longitudinal research on the links between quality of work and performance in order to deepen the knowledge and to further analyse the lessons from best practice examples.

### Further information

The report, *Links between quality of work and performance* is available at <http://www.eurofound.europa.eu/publications/htmlfiles/ef1120.htm>

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