

# PARTNERSHIP AND PRODUCTIVITY IN THE PUBLIC SECTOR

## A Review of the Literature

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# 1. INTRODUCTORY SUMMARY

This is the report of a literature review carried out for the New Zealand Department of Labour's Partnership Resource Centre by Brendan Martin and Conor Cradden, of Public World in London, with additional research by Public World associate, Christof Schiller.

The review's terms of reference were to analyse information from literature across the following themes:

- causal linkages between union-employer (workplace) partnership and productivity
- the rationale for how workplace partnership enhances productivity and improved service delivery in the public sector
- the extent to which workplace partnership has been successful as a driver for enhanced productivity in the public sector environment
- the necessary features of workplace partnership for contributing to productivity enhancements in the public sector
- the range of quantitative and qualitative factors that might be taken into account in the design of a framework through which public sector productivity can be measured
- lessons for practical application in the New Zealand public sector.

The research was carried out during 2006 and the literature reviewed included books, academic journals, specialist journals, official documents and publications by governments, unions and public sector organisations, in three languages, English, French and German. A full bibliography of all literature reviewed, including works not referenced in the text, is appended.

After this introductory section, we begin in Section 2 with an exploration of the meaning of productivity in the public sector and how the way in which it is constituted and measured depends, both conceptually and historically, on prevailing models of public management. The issue of the impact that measurement itself has on public management practices and productivity is also considered, and we argue that the purposes and use made of productivity measurement and productivity improvement efforts are closely related to political objectives for public sector reform.

Section 3 looks at the forms taken by workplace partnerships and we discuss how the attitudes of participants are as important a defining feature as their organisational arrangements. The influences upon them, and in particular the impact of changing public sector reform models, is critically considered, and the variety of their processes and purposes is explored. We argue that the nature of the public sector reform agenda, and its bearing on how productivity is defined and measured, is a significant variable factor affecting the behaviour of participants on both management and union sides.

In Section 4, we consider the impact of workplace partnership on productivity in two ways. First, we look at the empirical evidence linking the two, and then discuss what the literature suggests is likely to be the causal relationship between them. We do this by categorising the reasons as organisational, relational and psychological and conclude that "procedural and substantive guarantees" provided through workplace partnership can contribute to productivity improvement at both organisational and individual levels.

Section 5 goes on to consider the conditions for effective partnership, beginning with an exploration of the required nature of procedural and substantive guarantees. We go on to analyse the spectrum of partnership types, from those in which they are managerial tools without significant devolution of operational authority, to those which represent a significant transformation towards workplace

democracy. We conclude that "mutual gains" are essential, but that the degree to which such an approach leads to workplace transformation varies. This section further develops discussion in earlier sections about the relationship between public sector reform models, productivity and partnership, with particular focus on the extent to which New Public Management (NPM) presents obstacles to productivity-enhancing partnership.

In Section 6, we draw the argument together and suggest that the weaknesses of NPM, in terms of enabling genuine productivity-enhancing partnership, can be overcome, and its strengths in other respects preserved through a new public governance agenda. We link the notion of "public value" to productivity definition and measurement, and argue that participatory relationships linking public sector organisations to both citizen-users of public services and their employees can be triangulated by enabling employees to respond directly to changes in demands from citizens and users. We consider the institutional arrangements required.

Section 6 continues by considering the benchmarks through which partnership effectiveness and productivity can be evaluated and we argue that these should themselves be subject to workplace partnership arrangements. We go on to propose the organisational and attitudinal conditions for enabling mutual trust and organisational commitment to be built through workplace partnership and conclude:

*"It follows that detailed definitions of productivity criteria and measures should be based on public value creation and improvements, and not imposed from outside the organisation or from the top down. Rather, they should be developed through participatory processes involving new governance arrangements in respect of relationships between public sector organisations and citizens and service users, and workplace partnership processes in respect of internal relationships. Moreover, institutional design should seek to link these processes without undermining either the democratic precedence of citizens in the determination of public value or the prerogatives of employees and their unions in collective bargaining. It might be that such devolution of authority would also lower one of the key obstacles to the development of genuine workplace partnerships in the public sector in that the risks associated with the different timescales of organisational transformation and the national political cycle would be reduced."*



## 2. PRODUCTIVITY IN THE PUBLIC SECTOR

### 2.1 CONCEPTS OF PUBLIC SECTOR PRODUCTIVITY

The review did not begin with a precise definition of public sector productivity, but our orientation from the outset was derived from the proposition of Kalliola (2003) that

*“the legitimacy of public services is derived from the capacity to respond to the needs of citizens in an economically efficient way.”* (p.113).

That concise statement encapsulates the emerging consensus that, while public sector productivity involves efficiency and outputs, it also involves effectiveness and outcomes (Pritchard 2003; Tolentino 2004).

However, beyond that general level, there is less consensus - not least about the meaning of those terms. As Halachmi (1999, p.9) notes:

*“Even those who research performance and productivity in the public sector are not always in agreement when it comes to the exact distinction(s) or the functional relationships among concepts like: output, outcome, results, impact, objectives, accomplishments, direct/indirect (or primary/secondary) performance indicators.”*

In Kalliola’s formulation, at least two points illustrate the issues that make the whole question of public sector productivity a highly contentious one in many countries: are citizens being provided with what they need, and how could the services concerned make better use of the resources at their disposal?

In the private sector’s production of goods for the market, productivity is defined as the ratio of outputs to inputs (Samuelson & Nordhaus, 1989). That seems simple, but as the Organisation for Economic Cooperation and Development (OECD) has noted:

*“Productivity is commonly defined as a ratio of a volume measure of output to a volume measure of input use. While there is no disagreement on this general notion, a look at the productivity literature and its various applications reveals very quickly that there is neither a unique purpose for, nor a single measure of, productivity.”* (OECD 2001, p.11).

Exploring the theme further, the OECD explains:

*“There are many different productivity measures. The choice between them depends on the purpose of productivity measurement and, in many instances, on the availability of data. Broadly, productivity measures can be classified as single factor productivity measures (relating a measure of output to a single measure of input) or multifactor productivity measures (relating a measure of output to a bundle of inputs). Another distinction, of particular relevance at the industry or firm level, is between productivity measures that relate some measure of gross output to one or several inputs and those which use a value-added concept to capture movements of output.”* (OECD 2001, p.12).

So, for example, and with particular relevance for our purposes:

*“Labour productivity changes reflect the joint influence of changes in capital, intermediate inputs, as well as technical, organisational and efficiency change within and between firms, the influence of economies of scale, varying degrees of capacity utilisation and measurement errors. Labour productivity only partially reflects the productivity of labour in terms of the personal capacities of workers or the intensity of their effort. The ratio between output and labour input depends to a large degree on the presence of other inputs.”* (OECD 2001, p.12).

The productivity and labour productivity of any organisation, therefore, are affected by a range

of factors in their environment, both within and outside the organisation concerned. In the public sector environment, the matter is further complicated by at least two key characteristics of the public sector: that it produces services rather than goods (Morley 1987); and that it does so in response to governmental rather than market decisions (Rosen 1993; Kelly, R.M., 1988.). As Rosen puts it:

*“In general terms, “productivity” is an efficiency measure: it tells how well resources have been used. The more produced with a given set of resources, the higher the productivity. We say someone is a productive worker if he or she turns out a lot of good work per day, per week, or per year. A productive organisation, similarly, is one that turns out a high level of good quality product with its resources. Public sector productivity focuses on the efficiency of governmental (that is, publicly authorised and funded) administrative agencies and their subunits.*

*“Public productivity as a field is different from the private sector productivity field. Public agencies operate under significantly different conditions. They are more tightly constrained: missions are legislatively fixed; operations are open to public scrutiny and reaction; volumes of rules and detailed procedures define options; civil service and budget systems limit freedom to redeploy labor and monetary resources. The major difference is in measurement: goods and services produced in the private sector can be measured in terms of their dollar value because they are sold in the market. Public agencies produce services that are not for sale. This makes measurement quite different and more difficult (but not impossible - valid and useful information is obtainable on the productivity of public sector organizations).” (Rosen 1993, pp.4-5).*

Rosen’s use of some key terms is not shared across the literature, and it begs many further questions. In relation to terminology, for example, it blurs the distinction emphasised by some between efficiency and effectiveness. As Allen Schick has remarked:

*“In the burgeoning literature on performance, efficiency generally is associated with outputs – the goods and services produced by government – and effectiveness with outcomes – the impacts of government programmes on society. Efficiency has both quantitative and qualitative characteristics that include the volume and cost of services, response times and error rates, the accessibility of services and the courtesies with which they are provided, and citizen/customer satisfaction with services. Effectiveness means that programmes are in accord with the priorities and objectives of government, and produce the expected or desired impacts.” (Schick 2006, p.3).*

That way of defining the difference between efficiency and effectiveness has parallels with the distinction that can be made between “efficiency” and “effectiveness”, and the confusion between them overcome, by using the distinction between “allocative efficiency” and “technical efficiency” in economics theory. Allocative efficiency is concerned with whether the right *things* are being produced, and technical efficiency with whether they are produced in the right way. The term “effectiveness” can be understood, therefore, as analagous to ‘allocative efficiency’ (Kelly, R.M., 1988; Leathers 1979), while the term “efficiency”, when it is applied in the public sector, usually means “technical efficiency”. The analogy can be taken only so far, however, because of the particular role of the public sector, as Rita Kelly explains:

*“In terms of classical economic theory, the goal is to maximize satisfaction of the subjective demands of all citizens. In the public sector of a democracy, however, the rights, needs and wishes of minority groups and individuals need to be reckoned with as well as the needs and desires of the majority.”*

Therefore, it is significant that:

*“Often the public sector is engaged in creating and delivering public goods and services that are not desired, needed or preferred by the majority, but rather are necessary for some particular group - such as the poor or elderly. Hence the term ‘efficiency’ in its allocative sense is not easily applied. In such cases, we need a broader and more objective standard for evaluation than just maximizing the satisfaction of the subjective preferences of the aggregate of individuals as revealed through the market. Indeed, even if there is a strong consensus of individuals, such non-subjective standards are*

*essential for acceptable allocation of public goods, because such allocation must take account of the abstract principles of liberty, merit, equality and human rights.” (Kelly, R.M., 1988, p.8).*

It is here that the term “public value” (Moore 1995) can come usefully into the picture. The word “value” is as significant as the word “public” in the “public value”. The concept is related to that of shareholder value in that it is concerned with the comparison of the value of what is produced with the costs (including the opportunity cost – that is, the value that could otherwise be created from the same resources) of the resources deployed in its production. In other respects, however, and notably in its understanding of the value created by government through services, laws, regulation and other activities, it is necessarily a rather more complex concept than shareholder value, for reasons that are clear from Rita Kelly’s points above.

Public value has been defined in simple terms as that which is valued by the public, not only in terms of aggregated individual preferences but in terms of collective preferences expressed through social and cultural norms (Kelly, G., *et al.* 2002). Gavin Kelly *et al.* identify three interconnected components of public value: services, outcomes and trust. The public value of *services* is expressed not only in terms of user satisfaction but also in terms of the ethos and culture expressed in their delivery. *Outcomes* are produced in part directly by services but also by the effects of those services interacting with other social and cultural activities and forces. Therefore, the concept of the “co-production” of outcomes by government and citizens is significant, and this can be traced back to the way in which some services are organised in partnership with those who use them, or depend for their outcome on the varying use made of them by recipients. The third component of public value, *trust*, is yet more difficult to pin down precisely, but it is perhaps the most important of all. As Kelly *et al.* put it:

*“Trust is at the heart of the relationship between citizens and government. It is particularly important in relation to services which influence life and liberty – health and policing. But it also matters for many other services – including social services and education. In these cases, even if formal service and outcome targets are met, a failure of trust will effectively destroy public value.” (Kelly, G., *et al.* 2002, p.17).*

## 2.2 PUBLIC SECTOR PRODUCTIVITY IN HISTORICAL PERSPECTIVE

We can also approach the question of public sector productivity by tracing the historical development of the debates about what the public sector is for, how it should operate and how its value should be evaluated. Bouckaert (1990) relates the history of the public sector productivity “movements” to phases in prevailing models of public management, categorising the last century into four phases:

- “Government by the efficient”, from 1900 to 1940, when the important distinction between political and administrative roles were defined by Max Weber and Woodrow Wilson, and the approach to efficiency in public administration drew heavily upon the “scientific management” associated in the private sector with the work of Frederick Taylor, whose techniques set out to identify the single best way to carry out any particular function.
- The second phase, from 1940 to 1970, is characterised as “government by administrators” and marked a shift of focus from quality of government to control of expenditure.
- That paved the way for a third phase, “government by managers”, which can be understood as a synthesis of the first two into a focus on getting “more bang for the public buck” (Bouckaert 1990, cited in Green 2004, p.11).
- The fourth phase, from 1980, “government by the private sector”, can be seen in its turn as building on the third, not only by reinstating in modern form an idea that characterised the first (that private sector management techniques provide a model for the public sector), but also taking it a step further and actually transferring responsibility to the private sector or, failing that, restructuring the public sector in ways that stimulate public managers to operate as though they were in the private sector.

*“Two trends were dominant during this period. One continued the approach pursued in the 1970s and the other was a “new” approach. This new approach was ideologically motivated and it advocated a private sector-inspired approach to productivity in the public sector and the privatization of many government services.” (Green 2004).*

Bouckaert's schema clearly offers only a very rough approximation to actual historical development in which phases are neither as distinct from each other nor as universal as it suggests. However, it does offer a useful platform for understanding the various approaches to definition of public sector productivity and their development in the context of changing norms of public administration and management. It also points to a fifth, emerging phase of public sector productivity conceptualisation, corresponding to the “public value” approach to public governance and management.

Stoker (undated) offers, in effect, an abbreviated version of the Bouckaert phases by noting the current emergence of a public service management model that is distinct not only from “traditional public administration” (TPA) but also from the “new public management” (NPM). (NPM would correspond clearly with Bouckaert's fourth phase, overlapping also with his third, while TPA does not distinguish between the earlier phases.) It can be seen as building upon certain elements of NPM that have been effective in overcoming the weaknesses of TPA under contemporary conditions while, in turn, transcending NPM's own weaknesses. According to Stoker:

*“What marks out the approach from NPM is that an ethic of public service is seen as vital to the system. There is not a specific public sector ethic but there is a public service ethos.”*

Ethos is clearly closely related to trust, and Schick expands on the issue and its relationship with public sector productivity and how it is improved:

*“A public service ethic is the bedrock of governmental performance which depends at least as much on people as on machinery and process. This view clashes sharply with the principal-agent model popularised by new institutional economics (NIE) and imported into the public sector by New Public Management (NPM). NIE and some versions of NPM teach that public employees are self-interested, opportunistic agents, slackers who feather their own nest at the expense of the public interest. In this view, public agents can be made to perform only if they are actively monitored, given clear instructions as to what is expected of them, and strong incentives to do the job right. The notion that agents might do more than is formally expected of them because they have internalised public service values may be alien to NIE/NPM, but it is familiar to generations of students who overcame education handicaps because of teachers who stayed after class to help them, the police officer who coached the community sports team and never asked for pay, the visiting nurse who dropped by shut-ins after her daily rounds were done, and in countless other ways. Of course, this was never the whole story of public employment, or even the larger part, but it was the stuff out of which governments performed, earned the trust of their people, and communities and states were built.” (Schick 2006, p.7).*

It is striking that Schick's three examples all involve public servants doing extra work for no extra pay, implying that their ethical commitment consists in doing so. Another interpretation of that behaviour by public servants might be that they are compensating for insufficiently productive organisations whose deficiencies place them in the invidious position of having to work after hours in order to meet the standards they believe their organisations should meet. In that context, it is significant that Aldridge and Stoker (2002) include sustainable systemic characteristics, sufficient capacity and “responsible employment practices” among the five elements that, in their view, should structure the practice of public sector management, namely:

- *A performance culture:* a strong commitment to service for individuals and the community reflected in world class service delivery and reinforced by training, support and systems to ensure a sustainable service culture and continuous improvement.
- *A commitment to accountability:* an emphasis on providing open access to information to individuals

and to groups of interested citizens, as well as accountability to the electorate at large.

- *A capacity to support universal access*: recognition of a special responsibility to support the rights of all service users in an environment in which their choice of service is restricted.
- *Responsible employment practices*: the maintenance of a well-trained, well-managed and well-motivated body of staff that acts professionally and is fairly rewarded.
- *Contribution to community well-being*: a recognition of the need to work in partnership with others across the public, private and voluntary sectors in order to contribute to the promotion of community well-being and to meet the needs of individuals.

## 2.3 MEASUREMENT OF PUBLIC SECTOR PRODUCTIVITY

Both an historical and a conceptual tour of the terrain have taken us, then, from a very simple proposition about productivity as the ratio of outputs to inputs to a highly complex set of inter-connecting relationships that produce public sector productivity. A major problem associated with that spectrum is that the further along it you travel, the more complicated and difficult the task of productivity measurement becomes. As Schick notes:

*"It is widely accepted that outcomes are the more important dimension of performance, but it is also recognised that outcome data are often unavailable or costly to obtain, and that even when data are available, the causal relationship between government policy and social conditions may be problematic. In countries that take performance seriously, reforms that aim to improve outcomes tend to end up focusing on outputs instead."* (Schick 2006, p.3.).

This implies a tension between what the public sector should be doing, as understood by contemporary "public value" thinking about its role and its complex relationship with citizens, and measurement of the productivity with which it is doing it. Not only are outcomes of government action the products of factors external to a public service organisation, but so are the outputs of public sector workers and their organisations. As Schick notes,

*"Outputs and outcomes are not sufficient measures of government performance. They are snapshots of what government is doing or accomplishing at a particular point in time; they do not uncover the factors that contribute to or retard the results, nor do they indicate whether government will have the capacity to perform in the future"* (Schick 2006, p.3.).

Yet the need for governments to be accountable for what they do and for how they spend the money levied by compulsion from their citizens continually recreates the drive to measure, and to improve measurement techniques in order to bridge the information gaps between causes and effects. This issue too can be approached historically as well as conceptually. Van de Walle and van Douren point out:

*"The use of indicators in government has a long history: censuses and moral statistics in the nineteenth century, the scientific management movement in the first decades of the twentieth century, the work of the New York Bureau of Municipal Research, the social indicators movement in the 1960s and 1970s, PPBS [Planning, Programming and Budgeting System] experiments, etc. New public management was certainly not the first reform paradigm that relied extensively on performance measurement."* (Van de Walle & van Douren 2006, p.445).

Rosen (1993) notes:

*"Public sector productivity measurement systems began by measuring efficiency, the ratio between quantity of output and quantity of input. Output quality was disregarded or assumed to be constant. ... But the question of 'how good' could not be ignored for long. As early as 1971, Harry Hatry of the Urban Institute [in the USA], in collaboration with Donald Fisk of the Bureau of Labor Statistics, urged that quality be taken into account in measuring efficiency."* (Rosen 1993, p. 93, citing Hatry & Fisk 1971).

This led to the development of quality indicators - categories such as cleanliness, comfort, timeliness and accessibility - and further to the attachment of various quantified weights and measures to different qualities and their extent, and to productivity formulae based on dividing inputs into a function of outputs and quality weightings. But as Van de Walle and van Douren again note:

*“What is considered as performance at one time and place may elsewhere be seen as a despised aberration, as an administration gone astray, as an administration working towards the wrong ends using unacceptable means.”*

And further:

*“A focus on one definition or approach over another ultimately leads to disastrous results in other areas. Ignorance of multi-faceted challenges inherent in performance measurement and management may well lead to wrong decisions, financial loss, and demotivated staff.”* (Van de Walle & van Douren 2006, p.445).

Rita Kelly made similar observations nearly two decades earlier:

*“In recent years, private sector models of efficiency and productivity have been applied in the public sector by means of a number of different analyses: cost-effectiveness analysis, cost-benefit analysis, planning-programming-budgeting systems, operations research, and introduction of new incentive systems. These applications have been hailed by some as being instrumental in bringing about costs savings, more and better services and goods, and higher standards for workers and managers in the public sector. They have also been the focus of controversy and criticism, on grounds that, at best, they bypass the critical issues involved in the production and delivery of public goods and services, and, at worst, they yield a false precision that is misleading.”* (Kelly, R.M., 1988, p.6).

Rosen (1993, p.55) points out that

*“measuring productivity requires, first, specification of what the ‘products’ or services are,”*

and this in turn means weighting the difficulty of different tasks, such as the variable scale of the challenge of placing different unemployed people in jobs. Citing Hatry and Fisk (1971), Morley (1987, p.12) notes:

*“Each output measure selected should reflect a fairly uniform degree of employee effort to provide the service. In other words, outputs should be basically homogenous.”*

## 2.4 THE IMPACT OF PRODUCTIVITY MEASUREMENT ON PRODUCTIVITY ITSELF

It is here that we see the impact that measurement itself can have on service delivery and public management practice and, therefore, on productivity itself. The homogenisation of outputs for measurement can lead to homogenisation of services themselves, particularly in a management context in which personnel are judged and rewarded against their performance in meeting output targets. The problem is that this collides immediately with the modern “public value” approach to service provision as an element in the creation of public value, in which a critical aspect of service quality is the extent to which socially and culturally heterogeneous needs are met within a context of social and cultural norms mediated through democratically accountable political processes. Bentley and Wilsdon (2003, pp.15-16) emphasise this point:

*“Successful reform does not only depend on the level and scale at which decisions are taken or performance is measured; it will require greater adaptive capacity in organisations at every level of the system. Public services in diverse societies must offer far greater flexibility to meet personal needs, while keeping the ability to connect resources and activities across entire systems of governance. This is the only way to serve diverse needs equally well, and to make specialist knowledge and resources available to everybody.”*

This means, they argue, that

*“we need systems capable of continuously reconfiguring themselves to create new sources of public value.”*

If this approach to public service reform is accepted, it has profound implications, not only for the way productivity is defined and measured, but also for both the design of the processes by which it is defined and measured and the ways in which resulting data are used. Bentley and Wilsdon address that issue in the British context:

*“The current preoccupation with setting national standards as a basis for accountability obscures a tension that the process of adaptive reform must address; the specification of performance standards often narrows the scope for organisational innovation. This is partly because it encourages risk aversion, but more importantly because it establishes rigid parameters of organisation and formal responsibility. In fact, some of the most significant performance gains may arise from cross-boundary collaboration - something that is hard to design into the formal functions of bounded organisations. This does not mean that targets and standards are not essential. But they must be used judiciously, and owned by the participants, rather than used primarily as an instrument of control.”* (Bentley & Wilsdon 2003, p.23).

Those observations are well supported in the literature. Atkinson and McGrindel (1997, p.10) note that

*“government performance measurement systems do not generally provide a reliable means of assessing how well (public) services and the individuals, groups and organizations that deliver them, contribute to the broader objectives of government.”*

Rosen (1993, p.68) makes a similar point at the level of the interface between service and user:

*“Without the dollar as universal surrogate, each public sector output has to be measured directly by counting the actual amount of service delivered and gauging its quality in terms of selected criteria. Given the number of public services, this is a tremendously important fact.”*

Different systems must be developed for each service, and there is usually more than one per agency, she points out - the fire service is responsible for fire prevention and fire fighting, for example - with the result that:

*“It is a vast understatement to say that measuring public sector productivity is complex .... The best way to ensure that a measurement system will be accepted and used appropriately is to include as many viewpoints as possible in its development. Participation generates more ideas, permits more interests to be accommodated in the measurement system, and facilitates the collection of good data and their constructive use as feedback.”* (p.69).

Rosen goes on to stress the importance of the knowledge of frontline employees in particular:

*“It is often not the managers but the workers, at every level and sector of the organisation, who discover that things are not working as it was assumed they would, who first encounter the unexpected difficulties, and who are the first to hear from the clients about needs that the program is not meeting. In short, workers know the operations most intimately and are in the most immediate contact with the clientele. Workers are not only the natural source of feedback on how things are going, but also the natural source of ideas and insights into the specifics of operations.”* (p.141).

Those observations are also well supported in the literature, and yet governments evidently find it difficult to follow their logic through into the way services are organised and productivity is defined and evaluated, perhaps because the timescale of accountability within the political cycle does not fit well with the longer term and complex nature of organisational development and transformation. For example, the UK Treasury states:

*“As normally defined, productivity simply describes the amount of public service (output) we get for the money, labour and know-how we put in. But the public and the Government are more concerned about the impact of public services on society (outcomes). We have therefore interpreted our remit*

*on productivity in this wider sense, to cover economy, efficiency and effectiveness (often referred to as value-for-money).” (UK Treasury, 2000).*

It goes on to chart the productivity path through “economy” (“paying the right price for inputs”), “efficiency” (“technical efficiency”) and “effectiveness” (“providing the right outputs, [and providing them] well”). It links that path to a parallel track connecting funding to input to output to outcome.

It neglects, however, the role of employees in designing and implementing productivity measurement. Yet much of the literature, both before, during and since the NPM wave, warns against doing so. For example, Stoker (2002) argues:

*“In TPA the trade-off was that democracy provided the inputs and bureaucracy the efficient solutions. NPM came close to implying that management processes can do it all, defining preferences and the best means of meeting them. For the public value paradigm, faith is placed in the system of dialogue and exchange associated with network governance. It is through the construction, modification, correction and adaptability of that system that democracy and efficiency are reconciled. Vigilance by all the partners in the system is central to ensuring that the promise of both democracy and efficiency is delivered.” (Stoker 2002).*

Harvey (1996) emphasises the importance of measurement, but stresses the importance of adaptability to successful measurement, and the role of employees in enabling such an adaptable approach to productivity measurement:

*“As the just-in-time philosophy and the total quality movement are spreading to the public sector, public professional service organizations are increasingly aware of the necessity to empower professionals, to strive for continuous process improvement, and to focus on the client.” (pp.197-8).*

This, she goes on, requires “systematic feedback mechanisms that allow professionals to learn from the system and thus find ways to improve delivery processes”, which means “keeping it simple at first and letting the measurement system and productivity improvements grow together.”

Harvey’s work concerns public sector professionals, and, clearly, the way in which particular categories of public sector employees are involved in creating public value and can evaluate the productivity with which they and their organisations are doing so varies. Other literature suggests, however, as we shall see later in this report, that the same general point applies to public sector employees generally. For that reason, we would suggest that the exploration of the nature of public sector productivity and how to evaluate it that we have made in this section suggests a significant role for workplace partnership in productivity improvement. We will explore further evidence for that proposition later in the report. In the following section, however, we lay the second foundation stone on which the analysis can be made - defining and discussing what is meant by “public sector productivity” having been the first - by exploring what is meant by “workplace partnership”.



## 3 WORKPLACE PARTNERSHIP IN THE PUBLIC SECTOR

### 3.1 INTRODUCTION

“Partnership” is a commonplace word that has gradually acquired the meaning (or rather meanings) it has come to acquire in the fields of public management and labour relations. Consequently, even in the context of the modern vocabulary of those subjects, in which imprecise terminology and flexible usage reinforce each other, the term “partnership” is especially prone to being interpreted in a wide variety of ways. Even in the academic environment, where terminological precision is not frowned upon, there is an array of theoretical and empirical conceptualisations and definitions that vary considerably in their scope and emphasis. The potential for confusion is such that it has even been suggested that the term “partnership” is now devalued currency, being too diffuse to carry any useful meaning (Oxenbridge & Brown 2004).

Within the European Union (EU), “social partnership” is a generic term used to refer to the relationship between employers and trade unions, routinely referred to as the “social partners” by EU institutions and officials. In the 1950s, the term “industrial partnership” was used by G.D.H. Cole to refer to a radical kind of co-management (Cole 1957); even countries in which the EU approach to “social partnership” has lagged others, the general idea is quite well established. Twenty years ago, for example, the British Labour Party was talking about “partnership in industry”, arguing that this was

*“A way of harnessing the skills and enthusiasm of the workforce and helping workers and their trade unions to play a constructive role in industrial decision making” (Labour Party 1987).*

There are many in unions who have a jaundiced view of such an approach, seeing it as a trap for their members, while others, with less negative predisposition, have been disappointed by the results. On the other hand, there are also many who have found that partnership approaches have brought benefits for union members as well as employers and contributed to improving labour relations for mutual benefit, provided the aims and attitudes of participants are suited to it.

### 3.2 ORGANISATION ARRANGEMENTS AND ATTITUDES IN PARTNERSHIP

The literature reveals considerable variety in the forms and organisational arrangements for workplace partnership in the public sector and suggests that attitudes may be more important than organisational arrangements in shaping the outcome. Indeed, one of the points on which there is wide agreement in the literature is that the concept of partnership must be defined, not simply in terms of the organisational arrangements, but also in terms of the aims, values and attitudes of participants. This is true not only of normative conceptions – those which propose a theoretically coherent definition of what partnership ought to be – but of empirical conceptions, which aim to describe the characteristics of actual partnership relationships. In the former cases, a consistent element is the adoption of co-operative or non-adversarial approaches to the employment relationship, whether on the collective or individual level (IPA 1997; NESF 1997; TUC 1999; Guest & Peccei 2001; Ospina & Yaroni 2003; Neathey, Regan et al. 2005; Samuel 2005). In the latter cases, a wide range of studies suggest that the distinctiveness of the partnership relationship is frequently lost or undermined because participants either revert to, or fail to leave behind, the attitudes characteristic of more traditional forms of management and industrial relations (Roche & Geary 2002; Stuart & Lucio 2002; Ospina & Yaroni 2003; Payne 2004; Tailby, Richardson et al. 2004; Danford, Richardson et al. 2005; Geary 2006).

Farnham *et al.* (2005) distinguish between “indirect” and “direct” employee participation in public management, informing their analysis with national studies from 12 OECD countries. Indirect participation is characteristic of “first generation” collective bargaining, while direct participation is associated with a “second generation” in their analysis. Direct participation is a

*“wider-based concept than indirect participation and consists of all those management-driven initiatives directed at involving individual employees or workgroups in the workplace. They cover operational issues and are aimed at gaining the individual commitment and personal contribution of employees to organizational goals, the managing of change and high performance.” (p.xi; emphasis in original).*

In terms of Farnham *et al.*'s classification, we are defining “workplace partnership” as an expression of their “second generation” of labour relations, in which direct participation is enabled. This implies that it is intrinsic to partnership that workers are organised in independent unions in a mature collective bargaining environment, and this defining characteristic also appears to align well with empirical evidence about conditions for effective employee involvement in productivity improvement. For example, Keefe (2003, p.211), surveying the US experience, found:

*“During the past two decades, the majority of private and public sector employers in the United States have undertaken some form of workplace transformation that encourages employee involvement and participation. Among those efforts, the most effective - as measured by productivity and quality outcomes - are those undertaken in unionised workplaces.”*

Direct participation can take a variety of forms, from the most radical types of worker self-management to simple information sharing between employees and their direct supervisors. Typically, however, it involves some combination of a formal communication process with changes in work organisation to enable team-working, which is in turn intended to increase task discretion and responsibility, and is frequently combined with increased functional flexibility.

The literature suggests that the beliefs with which managers and union representatives confront each other fall into two broad categories. To use the conventional terminology, established by Fox (1966), we can call the first the *pluralist* perspective. It involves an assumption that employees’ interests will inevitably conflict with those of employers and managers, if not at every turn, then at least sufficiently frequently to make it necessary to organise industrial relations around the assumption of conflict rather than that of order.<sup>1</sup> The second can be called the *unitarist* perspective. This is the assumption that conflicts of interest are illusory, since managerial plans and strategies are exclusively directed towards maintaining and improving the performance of an enterprise - a goal which is evidently in the long-term interests of owners, managers *and* employees.

The public sector might be thought to have an intrinsic advantage over the private sector in providing an environment suited to the *unitarist* end of the spectrum, in that the role and objectives of the employing organisation are not centred on the private enrichment of the enterprise’s owners but on the achievement of public policy goals. That is to say, to link this discussion with that of the previous section, the shared goal is the production of public value in which employees have a stake as citizens as well as employees. On the other hand, private sector employees are clearly also affected by the success or failure of their employers’ enterprises in a market environment, while the interests of public sector workers clearly do not coincide entirely with those of their employers.

The literature suggests that, typically, though not invariably, partnership is conducted through

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<sup>1</sup> It is interesting to note that in France the assumption of conflict is something more than a belief, being written into employment law itself: “employment law recognises in the enterprise not a ‘community entrusted to the responsibility of its managers’ but an arena in which exist ‘two competing types of rights with equal legitimacy’ that can be reconciled on a contractual basis” (Mériaux 1999, p.146). Not surprisingly, then, the French union movement is particularly sensitive to the implications of participative forms of management for the collective identification of workers (CGT undated, pp.10-12). As we will see in section 3, however, this legally-enshrined conflict of interest does not apply in the public sector. Indeed, precisely the opposite assumption is reflected in the legal status of public employees.

dedicated institutional apparatus, which might be either ongoing or *ad hoc*. Some of the literature regards the conduct of partnership arrangements through apparatus separate from pre-existing collective bargaining institutions as a weakness, in that it leaves open the door to retreat from partnership to conventional bargaining. However, some see such parallel structures as a strength, and even as an essential component of success, on the grounds that it distinguishes between and separates partnership from conventional collective bargaining, enabling each to be more able to withstand difficulties in the other.

In any event, the two are closely related, and the Irish National Centre for Partnership and Performance, for example, argues that:

*“The desire to solve problems, not structural arrangements, is the priority ... moving IR [industrial relations] issues into partnership offers new opportunities for broader and more innovative discussions, on issues such as staff recruitment and pay structures. It may be that aspects of this issue will move back into the IR process to agree the details of any plan scoped out at the partnership forum. This ongoing adaptation or ‘zig-zag’ suggests a very powerful process whereby practitioners make maximum use of their ongoing experience to revise and upgrade their best made plans or their stated positions.”* (NCPD 2003, p.61).

In the UK, on the other hand, a report jointly commissioned by the TUC and the Government’s Office for Public Service Reform recommended that no new formal machinery was needed (OPSR 2004a). Nevertheless, according to Farnham *et al.* (2005a), there is “clear evidence that since 1997 there has been a major increase in the range of mechanisms for direct participation”, and:

*“A large part of the modernization agenda is about changing the roles and behaviours of front-line staff and the information and communications mechanisms designed to involve staff, along with training and development, are proving effective means for changing the culture, values, knowledge and competencies of civil servants.”*

In that context, “there is a general view by management” that “staff participation is essential to get the changes in behaviour required to achieve improvement in public services and that it does make a difference.” (p.126).

Another British review of the experience, in higher education, found that

*“Partnership working is often neither a permanent nor a formalised way of working, and it is often the case that while an organisation takes a partnership approach to a particular issue, it may revert to a more traditional relationship at other times.*

*For four out of five of the case study institutions partnership working was very much about a change in the nature of union management dialogue around issues which are traditionally within the remit of collective bargaining: pay and conditions, working conditions and the impact of restructuring. In most cases the change in the way of working together had not been formalised in a written agreement, or formally defined.”* (Neathey *et al.* undated, no page numbers).

Yet the unions in Britain, in several parts of the public sector, believe that they are insufficiently consulted about structural and organisational reforms, and some divergence between management and employee perceptions of partnership experiences is also evident elsewhere. In Italy, for example, where the Revenue Agency has taken steps to introduce team-based working and a communications programme to “explain” the programme to staff,

*“whether and to what extent workers see these new direct participation practices as a way to reinforce or to undermine their influence in the making of decisions relevant to their working life remains an open question.”* (Cesare 2005, p.191).

In any case, it is clear from the literature that partnership cannot be defined only in terms of its organisational arrangements, but, as defining characteristics, the subject matter of engagement and the attitudes brought into it are at least as significant. This is because making such arrangements work in practice requires that both managers and trade union participants engage with the process in a spirit suited to its objective, which requires co-operative rather than adversarial attitudes. (Farnham *et al.* 2005).

Farnham *et al.* point out that, although little attention is paid to staff participation in the public management reform literature, “a key factor in the role they play in the reform process depends on the normative stance taken towards staff and unions within the political culture”(p.47). Taking their definition of “public management reform” from Pollitt and Bouckaert (2004), who define it as “those deliberate changes to the structures and process of public service organisations that have the objective of getting them to run better”, they portray staff participation as an expression of a largely European set of influences about labour relations on management reform driven largely by American experience. However, Brock and Lipsky (2003, p.3), citing Slichter *et al.* (1960), point to long-standing “labour-management interaction” in the United States, commenting that the “basic premise of such relationships is not new” and that they require “a relationship that goes beyond contract negotiation and grievance handling and allows the parties to solve problems of mutual importance that occur between negotiating rounds.”

Among the country experiences reviewed by Farnham *et al.* is New Zealand’s, where workplace partnership may be particularly significant in the public sector context because of the country’s earlier association with the NPM approach to reform, of which it was widely seen as a particularly consistent and determined pioneer (Schick 1996). New Zealand has established a Partnership Resource Centre within the Department of Labour, which has studied the extent and nature of workplace partnership in the country.

### BOX 3.1 WORKPLACE PARTNERSHIP IN NEW ZEALAND

A 2006 report from the New Zealand Department of Labour’s Partnership Resource Centre defines workplace partnership as “an active relationship between unions and employers to deliver outcomes that benefit both institutions and the employees and members who bring them together”. Its “core ideas” include:

- a collaborative approach to bargaining;
- wide union and employee consultation practices;
- a focus on extracting “mutual gains” from negotiations;
- a preference for consensus over conflict; and
- mutual investment in protecting relationships.

Based on a literature review, case study research and “a comprehensive survey of all employers and unions parties at the time to registered Collective Employment Agreements”, it found that:

- A significant minority of New Zealand employers have had experience of “workplace partnership-type interactions with unions”;
- One third of employers, including a minority in the public sector, had current workplace partnership arrangements;
- Most union officials supported workplace partnership and believed it could benefit both parties provided that both were committed to it;
- There were few current examples of “pure” workplace partnerships, and “deeper instances” had been sporadic and had not endured, with “hangovers” resulting from failure;
- Workplace partnership takes time to develop and “appears to involve some natural ordering of circumstances” involving a mature collective bargaining relationship;
- “Reasonable relationships” between the individuals involved, with the nature of workplace relations highly dependent on their leadership roles;

- A "catalyst initiative from one side or a circumstance requiring broader cooperation or joint discussion outside of bargaining and the usual day-to-day interactions".

**Source: Partnership Resource Centre (2006).**

Most partnership models and agreements settle for vague formulations that emphasise a broad unity of purpose while recognising the legitimacy of the separate interests of employees and employers and committing each party to make all possible efforts to understand and accommodate the needs of the other (Government of Ireland 1996; IPA 1997; TUC 1999; CCSU 2000; PSA 2003).

## **BOX 3.2: SOME EXAMPLES OF PUBLIC SECTOR PARTNERSHIP STRUCTURES**

### **US Federal Department of Transportation**

The Department of Transportation has a multi-tiered structure of national, agency, regional and local partnership councils. The national-level partnership council comprises the top labour relations or human resources officer in each of the major agencies together with similarly high-ranking officers from the major unions. Other councils are typically constructed of an equal mix of union and management representatives drawn principally, although not exclusively, from elected union officers and the HR or personnel function. The principal functions of the national Partnership Council are to formulate the department's Labor Relations Strategic Plan, and to monitor and assess the lower-level partnership operations.

Depending on the council, operations are either parallel with but separate from the organisation's managerial structure and decision-making processes, or are to some extent integrated into these structures. The vast majority of councils are constituted as recommending bodies to senior management in which the agenda is jointly set by unions and management. In many cases, senior management refers issues to the councils before taking decisions.

**Source: Albright (2004).**

### **South Lanarkshire Council (UK) – Home Care Review**

- Home Care – supporting clients with a range of disability and other care needs – is the main service provided by the Social Work service of South Lanarkshire Council. In response to increasing demand on the service arising from the ageing of the population, together with the need to provide a wider range of care services, a review of Home Care was instituted in 2000. A partnership approach to involving staff and unions in the conduct and implementation of the review was adopted.
- A Best Value Review Group was established, along with sub-groups dealing with specific items, for example training and development. As well as trade union representatives, the group included the head of service, service managers, operational managers and operational staff. There were also representatives from HR and Finance, and from the health services with which the Home Care staff worked.
- A Home Care Implementation Team was also established which continues to run to ensure a project-management approach to implementation of the review. The team includes a project leader, a staff support and transitions officer, a customer care and standards Officer and trade union representatives.

- Joint management and staff-side 'road-shows' were held at the start of the process.
- 'Patch meetings' were held by home care managers and their staff to discuss the review and put across their views.
- Managers held 1:1 meetings were held with every home carer to discuss the impact of the review, changes to their conditions of service, etc.
- Home Care newsletters reporting general developments were sent to every home care worker's home address.

**Source: OPSR (2004b).**

The literature suggests also that, while the attitudes and mindsets of individual leaders at the local level are critical, sustainability requires institutionalisation of the process. When a champion leaves, "innovation often dies", report Brock and Lipsky (2003):

*"Thus, adopting labor-management cooperation is a difficult challenge, but institutionalising the process is even more so" (p.7).*

### **BOX 3.3 LOCAL VARIATION IN IMPACT OF A NATIONAL AGREEMENT IN UK'S ROYAL MAIL**

During the 1990s, the Royal Mail in the United Kingdom signed "New Framework Agreements (NFAs)" which:

- "Were reached following an extensive process of preparation and analysis;
- Are unusually far reaching in scope;
- Commit the parties to the 'needs of the business';
- Are novel in their extensive revisions to traditional custom and practice;
- Give considerable recognition and security to unions;
- Give worker representatives access to business information and strategic plans;
- Give union representatives a say in important business operational matters."

Managers pursued the approach in order to overcome opposition from the Union of Communication Workers (UCW) to plans for flexible working. However, while the national agreements were "very important and marked a step change, many key issues of detail remained unresolved, and further investigation revealed important disagreements and subsequent power struggles to establish new precedents and routines. It is these struggles, rather than the agreements themselves, that provide an insight into management values and attitudes. Here we discovered different developments in separate businesses of the same organisation."

In one area, the agreement was used to develop an automation strategy and investment patterns. According to the union, the agreement was used as a vehicle to pursue a more genuine joint problem-solving approach and involve unions in long-term business strategies. Worries among managers that "they would see their plans up on the union noticeboard" gave way to realisation that the unions needed to act responsibly in order to keep their credibility.

In another area, however, managers described their interpretation of the agreement as a "green light to exercise unilateral power". It had been used to "establish a new culture for negotiations", demonstrated during the research visit by a manager sending for a union

representative and then dismissing complaints about new shift arrangements. Even in such circumstances, however, local union officials could find the agreement a useful tool. “When managers come along with the old attitude and try to be macho, I quote from the agreement. When they develop policy in isolation and we do not like what they produce, then again I quote from the agreement.”

According to the research report authors: “Although these agreements involved integrating trade unions into joint problem-solving activities, few managers considered these new agreements as establishing a long-term basis for union influence or reversing the overall drift away from managing through unions. In certain sections of the business, pluralist management values led to effective partnership arrangements with unions, and these agreements were far from ‘hollow shells’. However, where strong union resistance met managers with unitarist values, the result was conflict rather than increased co-operation.”

**Source: Bacon & Storey (2000).**

Brock and Lipsky (2003) also found that negative national governmental attitudes tend to have negative outcomes on partnership (p.18), a commonsense finding perhaps but well-supported empirically (Shaw 2005; Thompson 2005).

### 3.3 PROCESSES AND PURPOSES OF PARTNERSHIPS

The particular combination of organisational arrangements and attitudes in any given situation produces the character of the process through which partnership is conducted. A report from Ireland’s National Economic and Social Forum (NESF)<sup>2</sup> states that partnership is based neither wholly on “functional interdependence, bargaining and deal-making” nor on “solidarity, inclusiveness and participation”. While involving both of those dimensions, in addition it depends on a transcendent third: “Deliberation, interaction, problem-solving and shared understanding.” (NESF 1997). The NESF portrays it as a creative process whose outcome – which the NESF calls a “strategic consensus” – cannot be reached any other way or predicted in advance.

This view is supported elsewhere in the literature. Brock and Lipsky (2003) conclude from several cases that:

*“The key to an effective collaborative relationship is that both parties become aware of, and assume responsibility for, issues that are traditionally the responsibility of only one of them. In these relationships public sector employers focus more on the quality of their employees’ work life and public sector unions focus more on improving quality.” (p.6).*

In addition:

*“Only when each party is willing to learn about the other’s internal culture and leadership pressures can ways be found to expand their interaction.” (p.7).*

For this reason, it is significant that the influences on workplace partnership derive not only from management and organisational theory, but also from psychology-based research into quality of working life (QWL). This can be seen as providing a dual theoretical basis for workplace partnership that corresponds to the mutual gains objectives that the literature suggests are a condition of sustainable success. In Finland, for example:

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<sup>2</sup> The NESF is an official policy advisory and evaluation body made up of representatives of business and agriculture, trade unions, and a range of other non-government organisations. It provides advice to the Irish government on policies to achieve greater equality and social inclusion by analysing, monitoring and evaluating relevant programmes and policies identified in the context of social partnership arrangements.

*“With declining job satisfaction and problems of staff recruitment, it was recognised that QWL had to be given serious attention in Finnish local government. ... The sector was sharply criticised for its high costs, rigid hierarchies, heavy bureaucracy, inefficiency and poor quality of services provided.” (Farnham et al. 2005, pp.149-150).*

This led to the Municipal Quality Project, led by the Tampere Work Research Centre (Kalliola & Nakari 1999). Its approach is premised on the ideas that “reliance on people’s problem solving potential could bring substantial cost reductions and increases in customer satisfaction”; that “strong support to the assumption that it is possible to fit together the demands of productivity and quality of working life in a sensible way”; and that “attempts to improve productivity and quality of working life are necessary conditions of each other”. (Farnham et al. 2005, pp.149-150). This is supported by Syvänen 1999. Similarly, in Germany, where social partnership is also institutionalised, the quality of working conditions from the perspective of public employees has been acknowledged as among the determining factors in service quality, on the grounds that the public production process “is an interaction and communication process between public employee and citizen” (Oppen 1995, p.125; our translation).

### **BOX 3.4 POLITICS AND PARTNERSHIP IN THE FRENCH PUBLIC SECTOR**

The French unions are divided on the issue of co-operative relationships with management. This in itself is far from unusual internationally. The difference in the French case is that this difference of opinion is coterminous with the division between the historically Christian and communist union federations, the CFDT and the CGT. These federations have broken free from their confessional roots, but have remained broadly faithful to their respective political and intellectual traditions.

In the case of the CFDT, the emphasis tends to be placed on the dignity and rights of the individual worker, on which basis has been built a case for a certain kind of co-operative co-determination. Indeed at certain points in its history, the CFDT has pressed the case for “autogestion” or “democratie industrielle” with some determination, albeit with few tangible results. For the CGT, on the other hand, the important issue is the class interest of the worker, something to which capitalism itself is thought to be opposed. While the CGT is not opposed in principle to what it calls “union intervention in management”, it would argue that it can only be successful if the collective identification of workers with their union is not compromised, and if unions’ ability to oppose remains uncompromised.

On the former point, the CGT quotes industrial sociologist M. Tixier, who wonders whether “the participative model would not have the paradoxical effect of leading to the disappearance of trade unionism” (CGT undated, p.11; our translation). On the latter, it cites Jean-Pierre Durand: “If enterprises are to become more deliberative, the paradigmatic forms of union action must be transformed. But this transformation cannot be unilateral: if a different type of unionism is to be acceptable to members, managements will have to share certain prerogatives. Knowing that they will not do so ‘naturally’, then in order to obtain this sharing of management prerogatives and the development of deliberation within enterprises it is essential to ensure that confrontation and contestation remain part of the unions’ social function.”

**(CGT undated p.17; our translation).**

Most partnership agreements and arrangements do not explicitly exclude any area from the ambit of joint consultation or decision-making. In practice, however, it is most common to find partnership being used in processes of operation or organisational change. It is much less common to find that the most upstream strategic decision-making processes involve staff and

unions. Indeed, it is rare to find cases in which there has been any significant movement away from traditional patterns of decision-making authority. This may help to explain the gaps revealed in the literature between the stated intentions and actual implementation of partnership in some cases, and the disappointments experienced in others. Keefe (2003), citing Freeman (1996), report that, while 60 percent of public sector unionised employees had participated in labour-management co-operation (LMC) programmes (as workplace partnership tends to be called in the USA), only one in six said they had been effective. Citing Levine (1997), they also report that 82 percent of union leaders involved described the results as “fair or poor”.

It is also common that whether or not a particular operational issue is dealt with via partnership is a decision taken by management. The NESF model may be of exceptional interest in that context, because it makes it explicit that the co-operative relationship between the parties ought to extend all the way from the definition of the environmental challenges facing an organisation, and the plans and strategies needed to meet them, through to the design of day-to-day working practices.

US evidence suggests that, national union leadership can positively affect the outcomes, workplace partnership is usually the product of local decisions, often to deal with a crisis or its aftermath and following leadership changes. (Brock & Lipsky 2003, pp.10-11). Ospina and Yaroni (2003a) studied three city examples, and found:

*“In all three efforts, LMC [labor-management cooperation] started with an organizational crisis imposed by an external threat. The nature of this crisis and the consequent need for survival led managers to believe that solutions required employees’ cooperation, more specifically their involvement in the decision-making process. Organizational survival also motivated union representatives and employees to cooperate with managers.” (p.142).*

### BOX 3.5 THE COVERAGE OF PARTNERSHIP DECISION-MAKING

- The entire management structure and pedagogical plan of a new high school in Arizona was designed by a group comprising teachers, support staff, administrators and parents (Forberger undated).
- A “Return to Learning” initiative was planned and negotiated by the partnership committee in an Irish city government. The committee determined the design of and “marketing” strategy for the programme, as well as agreeing rules on access for workers (NCPP 2005b).
- The transition to a new ‘framework’ pay structure in British universities was in many institutions negotiated using a partnership approach (Neathey & Regan 2005).
- A radical plan for the restructuring of management, developed by unions and staff with the help of external consultants, was agreed with management at a major city hospital in South Africa (Von Holdt & Maserumule 2005).
- The mission statement and strategic goals of the new Irish Government Department of Transport were formulated using a partnership process. (NCPP 2004).
- As part of a wider partnership process, ancillary staff in a Swedish hospital, principally cleaners and porters, were organised into self-managing, multi-functional teams with complete discretion over working methods, rostering, functional flexibility etc. (Martin 1996).



## 4 THE IMPACT OF WORKPLACE PARTNERSHIP ON PUBLIC SECTOR PRODUCTIVITY

### 4.1 EVIDENCE LINKING PRODUCTIVITY GAINS TO PARTNERSHIP

Establishing causal links between workplace partnership and productivity is not straightforward. As we saw in Section 2, measurement of public sector productivity gains is fraught with difficulty. Moreover, the links between social relationships within an organisation and their outputs in terms of products or services is so complex that it would be extremely difficult to untangle the effects of the introduction of partnership from all of the many other factors that might have an effect on productivity or quality. In addition, partnership relationships differ sufficiently from organisation to organisation that the validity of any comparison between organisations would always be highly problematic. For all of these reasons, most research on partnership takes a qualitative case-study approach.

These caveats having been registered, it can be said that, taken as whole, the wider body of research on the effects of different management practices and modes of work organisation provides every reason to believe that partnership does have strongly positive effects. This judgement is based in part on the assumption that partnership can encourage the development of work organisation and practices that have been shown to produce improvements in productivity and performance. For example:

- A report from the Irish National Centre for Partnership and Performance (NCP 2003, p.19, table 5) cites more than 20 different studies that relate participative or co-operative work practices with some kind of performance gain.
- A report from Australia's National Institute of Clinical Studies notes the principal findings of almost 200 different studies, concluding (among other findings) that the research evidence establishes a causal relationship between high-involvement human resource management practice and better performance (Leggat & Dwyer 2003).
- Bryson *et al.*, in an analysis based on data from the British government's 2004 Workforce Employment Relations Survey (WERS), concluded:

*"Overall, our results suggest that improving managerial responsiveness to employees would improve productivity, so policy interventions which change the beliefs and attitudes of managers and employees towards one another, so that managers are able to become more responsive, may be one way of improving UK productivity"* (p.455).
- Analysing the 12 country cases reported in their edited collection, Farnham *et al.* found that in two cases staff participation had a "positive" effect on public management reform, while seven had a "partially positive" effect, two were "neutral" and none were negative.

*"Public managers believe that direct staff participation delivers better results and improves the productivity and performance of their organizations. By developing and utilizing the 'human capital' of the organization and enlisting its support for reforms, they believe that the managing of change will be made more effective"* (p.296).

Similar reviews – citing much of the same research – are to be found both in the purely academic literature and among the more policy-oriented "primary" materials (for example, Guthrie 2001; Altman 2002; Hodson 2002; TUC 2003; Neathey, Regan *et al.* 2005). As Altman puts it, there is "rapidly amassing evidence that a certain set of work practices yield relatively large permanent increases in labour productivity" (p.274). These practices include employee participation, co-operative employment relationships associated with a minimally hierarchical management system,

a relationship between wages and productivity, and employment security. Other research suggests, in turn, that workplace partnership can foster an environment conducive to the introduction and development of such practices. For example, Osmina and Yaroni (2003a) found:

*“In sum, our findings suggest that LMC initiatives represent excellent developmental laboratories to help all stakeholders involved learn the appropriate combination of attitudes, knowledge and skills for effective individual and organizational performance. They also help observers study the change in roles necessary for effective service and quality-of-work-life outcomes” (p.167).*

## BOX 4.1 WORKPLACE PARTNERSHIP AND PRODUCTIVITY IN THE USA

In the United States, workplace partnership in the public sector was given a kickstart by President Bill Clinton when he created a National Partnership Council (including three union and seven management representatives) and directed in Executive Order 12871 that partnership councils be created within each federal agency. This followed the 1992 National Performance Review, which found that “no move to reorganise for quality can succeed without the full and equal participation of workers and their unions” (Gore 1993, p.87). Clinton stated that “the involvement of federal Government employees and their union representatives is essential to achieving the NPR’s government reform objectives.” One of the first acts of the George Bush administration, which succeeded Clinton’s in 2001, was to revoke the order.

One of the federal agencies that put the partnership directive into practice was the Internal Revenue Service, in which the employees are represented by the National Treasury Employees Union (NTEU), one of whose officials has been quoted as saying: “From the very beginning in the design phase there were NTEU members on these teams designing the whole concept for profiling, filing, postfiling ... In every phase we’ve had thousands of front-line employees on design teams as part of focus groups, as subteams of the design teams, being a part of the team that is making a recommendation to the commissioner as to how the new divisions will be structured, how jobs will be designed, and that’s very different” (Thompson 2005, p.252). In other agencies, unions and employees were involved only in the implementation phase, if partnership went ahead at all, which was highly contingent on the attitudes of individual bureau chiefs (Thompson, 2000).

According to Tobias (2003): “As Customs operations managers began to develop processes to improve employee productivity, they were working with employees through the NTEU. The union was viewed as an extension of the employees, rather than an institution separate from them. Agency operations managers, heretofore protective of their “management rights” and unilateral decision-making, included union leaders and employees appointed by their union as part of the operations decision-making process. Union leaders had a significant and meaningful opportunity to influence decision-makers on all operational matters before final decisions were made. Operations managers, and employees through their union, were aligned to increase individual and agency productivity and employee satisfaction” (pp.131-2).

An evaluation by the consultancy firm Booz Allen Hamilton (1998) found: “For each \$1.00 Customs invests in these activities, it receives approximately \$1.25 in benefits” and Tobias concludes: “The alignment of Customs management and NTEU, as hoped, did significantly increase the productivity of the US Customs Service” (p.133). Nevertheless, the programme was reversed following a change of IRS leadership. Tobias comments: “An agency seriously seeking to maximize the productivity of its knowledge workers in an organised workplace must create a more collaborative labor-management relationship in order to be successful.” After the election of President Bush, however: “Without strong support from the chief executive officer of the executive branch, there are very few new labor-management partnerships being created, and those without a strong performance focus are dying” (p.134).

In addition, the literature suggests that, in the context of a high-involvement approach to management, unions have at worst a neutral effect and at best a positive impact on productivity. Based on research in 627 US establishments, Black and Lynch (cited in NCPP 2003, pp.26-28) found that unionised workplaces using high-involvement work practices had a productivity premium of 20 percent over similar workplaces with low-involvement management and no union, and a premium of 8 percent over workplaces with high-involvement management but no union. Similar research is cited by Godard (2001) and Machin and Wood (2004). Masters and Albright (2003) found that, in addition to “genuine management commitment”, including that of political appointees, a strong union base was one of the “critical success factors” in high-performing partnerships and its absence a feature of low-performing ones (p.203). All of these authors argue that the positive effect of unionisation in these contexts is most likely to be related to the increased possibility of employee co-operation with management that arises when unions are present to guarantee that such cooperation will not be unfairly exploited.

## 4.2 DISCUSSION: REASONS WHY WORKPLACE PARTNERSHIP SHOULD IMPROVE PRODUCTIVITY

The literature suggests that there are three types of reason why partnership might lead, whether directly or indirectly, to improved organisational performance. These can be roughly grouped into three not-entirely-separate categories that relate to:

- the substance of the decisions about action that are made at different levels in the organisation
- the relationships, structures and processes by which these decisions are put into effect and
- the attitudes, beliefs and perceptions of individual members of the organisation.

We shall refer to these as organisational, relational and psychological categories.

### 4.2.1 Organisational Reasons: Organisational Adaptation and the Environment for Decision-Making

There is good reason to believe that workplace partnership may enhance performance simply by giving rise to more effective decision-making than that which is possible either under hierarchical-bureaucratic or market systems of governance. Workplace partnership involves a range of participative decision-making structures at various levels within the organisation, operating independently within their respective areas of competence in the context of an overarching general agreement about the aims and scope of the process. French industrial sociologist, Alain Chouraqui, has contrasted this kind of system, which he calls “regulated autonomy”, with traditional hierarchial forms of regulation. On the basis of systems of participation, it “no longer follows the system of top-down rules within which people have only to obey” but rather “gives the actors certain autonomy to produce or co-produce the substantive regulation, within a very general and limited central” (Chouraqui 2003, p.3).

Chouraqui argues that this kind of system is particularly well-suited to circumstances in which the environment of an organisation is characterised by what he calls “permanent dynamic complexity”, in which there is a continuing need to adapt structures and processes to meet changing demands. As we have seen, such a description fits not only the demands of the modern firm, but also those of the contemporary public services. Understood in this way, partnership appears not only as a means of delegating decision-making authority to the most appropriate level – and thereby ensuring that decisions take account of the most relevant information – but also of ensuring that it remains coherent with an agreed set of general organisational aims and priorities.

## BOX 4.2 EXAMPLES OF ORGANISATIONAL ADAPTATION BASED ON PARTNERSHIP

### Oticon

Oticon is a Danish hearing aid production company which, until the late 1980s, had a conventional bureaucratic structure and depended on outdated analogue technology. However, beginning in 1991, the structure of the company was radically changed. Henceforth, it would operate on a project basis, with any member of staff entitled to start or join a project (with the permission of one of five senior managers). This work reorganisation based on staff empowerment led directly to a significant increase in new products, higher levels of innovation and the halving of lead times for product development. In 1995, Oticon introduced the world's first digital hearing aid. It is now one of the top three hearing aid manufacturers in the world.

Source: NCPP (2003).

### Community Leg Ulcer Clinic, Elphin (Ireland)

In the context of a regional Health Board's quality improvement initiative, two public health nurses suggested that it would be effective to move to a clinic system for the treatment of leg ulcers rather than treating patients in their homes. This idea was pursued via a steering group involving both staff and managers and led to the establishment of a nurse-led clinic. The nurses involved now have much greater autonomy and report greater job satisfaction. The clinic operates flexibly, extending opening hours when necessary to deal with excess demand for treatment. Patient outcomes have improved because the clinic offers opportunities for more effective treatment, as well as greater clinical consistency and opportunities for staff to learn from each other.

Source: NCPP (2005a).

It is certainly arguable that a deregulated or market system of governance could provide the same kind of reactivity and efficiency without the considerable costs of organising participation. However, as Kaufman (2004) argues, the market approach – characteristic of NPM – ignores the degree to which successful economic or organisational action is dependent on social conditions such as trust, co-operation and commitment that are strongly related to context. These conditions cannot arise in the absence of the recognition that relationships within organisations have moral, ethical and political as well as contractual dimensions (Zafirovski 1999; Godard 2001; Lazonick 2003; Cradden 2005). In this respect, systems of regulated autonomy, such as workplace partnership, have an enormous advantage over market systems of governance precisely because, as Chouraqui (2003) argues, they integrate the social/political and economic/technical dimensions of action within a single decision-making process, thus ensuring that neither is neglected.

### 4.2.2 Relational Reasons: Commitment, Legitimacy and Mutual Trust

It follows from what we have just argued that there are also reasons pertaining to employment relationships why partnership might give rise to improvements in productivity and performance. These apply not at the level of organisational action, but also at the level of the social relationships within the organisation.

The argument begins from the assumption that a genuine commitment to the goals and practices of the organisation will give rise to initiative, willing co-operation and functional flexibility. Other things being equal, it would be surprising if an organisation whose members were all committed in this way did not perform better than a similar organisation in which members' attitudes to

their work and its rewards were purely self-interested. The extensive literature on employee commitment can sometimes give the impression that the pursuit of commitment is a technical managerial task that bears no relation to the strategies, plans and methods to which employees are required to be committed. However, overall the literature supports the conclusion that the objectives that an organisation sets out to achieve, how it goes about achieving them and whether or not they are actually achieved in practice has a strong bearing on the outcome. Guest and Peccei (2001), for example, argue that employee commitment is only likely to arise when the “balance of advantage” in the employment relationship is such as to make it rational for employees to become engaged with the organisation. This is to say that commitment depends on whether the process and the outcomes of organisational action are perceived by employees to be broadly in their interest, whether as individuals, as members of a collective or, ideally, as both.

So, the outcome of organisational action – organisational performance – depends on the degree of employee commitment, but the case for becoming committed depends on the outcomes of organisational action. Where organisational processes, structures and relationships have some history, their outcomes are reasonably predictable and participants can be confident that the stance they adopt in response is appropriate. In the context of change, however, when organisational processes are new, the commitment-action-performance circularity makes it difficult for participants to decide whether or not commitment is rational. In these circumstances, the only possible solution is trust.

Mutual trust is of crucial importance in partnership processes because much of the point of the exercise is to move away from the inflexibility that gets in the way of institutional adaptation and that characterises the comprehensive collective regulation traditionally favoured by unions. Collective regulation of this kind is intended precisely to remove the need for trust – and hence the possibility of betrayal – by ensuring that the tangible outcome of any change in workplace relations is clear before that change occurs. The assumption of an inevitable conflict of interest between employers and workers means that either side’s propositions for change to the status quo can only ever be treated as strategic attempts to gain some advantage to which the appropriate response is an equally strategic scepticism (Cradden 2004). By contrast, where mutual trust is sufficiently high, change can be embarked upon in the confidence that its full benefits will eventually accrue to each participant in proportion to the costs borne.

The question that arises is how to create the circumstances under which it is rational to advance trust even though there is no history of relationships based on trust – or worse, a history of broken trust – rather than comprehensive regulation. Arguably, partnership permits the resolution of this problem to the extent that it represents an institutional guarantee that reduces or, in the best of cases, removes altogether the risk that one party’s adoption of a co-operative stance will be strategically exploited by another. The requirements of such “procedural guarantees” and “substantive guarantees” are discussed in Section 5.

### **4.2.3 Psychological Reasons: Control and Empowerment**

The psychological reasons why partnership might improve performance apply at the level of the individual employee and are related principally to the opportunities that partnership provides for employee autonomy and other forms of direct participation in decision-making.

The literature on the psychological aspects of participation and employee involvement is truly vast, and is generally associated with what Farnham et al. (2003) call “soft” models of industrial democracy, that is, those that emphasise “the importance of the workgroup as a unit of social organisation [and] the need to encourage personal development and job satisfaction at work” (p.2). Research has been focused on showing that there are links between participation and employees’ psychological well-being, and between psychological well-being and individual performance, including the propensity to co-operate with managers and other employees. (Guest & Conway 2001). Lines (2004) has provided a concise and comprehensive summary of the literature in this field. Arguing

the hypothesis that participation in the workplace leads to positive outcomes is widely supported, he outlines the possible reasons:

- Participation gives employees increased control over their work, which responds to a more generalised psychological need for control in life, as well as ensuring that the relationship between effort and outcome is reliable.
- Participative practices are valued because they respond to the need of normal healthy adults to be autonomous: to be active rather than passive, independent rather than dependent, equal rather than subordinate.
- Participation is valued because it is compatible with the values of democracy.

This positive theoretical picture has to be tempered by empirical evidence that suggests that certain practices designed to increase worker autonomy and direct participation in decision-making may, in some cases, lead to negative outcomes for the individuals involved in terms of increased stress and work intensification (Everaere 2001; Mosse 2002). It has also been widely reported that direct participation, particularly team-working, tends to be accompanied by increased levels of mutual surveillance and social control within the group (Sewell & Wilkinson 1992; Du Gay, Salaman *et al.* 1996; McKinlay & Starkey 1998). However, these risks can be minimised by ensuring that direct participation is part of a coherent overall strategy that includes the partnership guarantees discussed in Section 5.

### BOX 4.3 SHIFT TIME MANAGEMENT IN HAGEN

The small German city of Hagen reorganised many of its services into one-stop shop during the early 1990s. It meant that citizens could go to the same office not only for “over-the-counter” services, such as renewing licenses and making tax payments, but also to apply for other services, such as social care assistance. Working with the staff’s union, the city set a standard that any citizen walking into a one-stop shop would be seen within 10 minutes, and the shops stayed open 45 hours a week. That meant a shift system for the staff, and that was where the Hagen reforms became more radical.

Subject to the collective agreement requiring the shop to be staffed to a certain minimum level at all times, and that each member of staff fulfilled their contractual obligations, the task of arranging shift patterns and cover was left to the workers themselves to agree between them.

Jörg Bogumil, a researcher who assisted the union in developing the project, said: “This was a completely new experience for the staff, to actually organise their own shifts, but in two years they never needed any interference from management about it - the team organised it themselves without any problem. It is a big change, but they enjoy it. People like being responsible for their own time management - it is liberating, even if it does bring new stresses as well as opportunities.”

**Source: Martin (1996).**

## 4.3 WORKPLACE RELATIONSHIPS AS THE FOUNDATION OF INDIVIDUAL AND ORGANISATIONAL PERFORMANCE

What this brief discussion suggests is that the procedural and substantive guarantees provided by partnership (explored in Section 5), while not necessarily related directed to performance, *do* contribute to the success of organisations because they underpin and enable both organisational adaptation and individual performance. (Guest & Peccei 2001).

Unilateralist, top-down management practices are consistent neither with the autonomy and control over the immediate work environment that promotes individual responsibility and performance, nor with enabling the location of decision-making power at the most appropriate points in the organisation. In a genuine partnership environment, by contrast, employees are treated as adult human beings with rights that must be respected under all circumstances. The scope of an employee's direct control over his or her work is maximised, in an accountability system that links that control to responsibility to others. At the same time, structures of representative participation articulate and transmit employees' knowledge, opinions and interests within collective decision-making processes. In this way, the interaction of the organisational, relational and psychological factors outlined above may well be mutually reinforcing through a virtuous spiral of co-operation, improved performance and individual benefit.



## 5 THE CONDITIONS FOR EFFECTIVE PARTNERSHIP

### 5.1 PROCEDURAL AND SUBSTANTIVE GUARANTEES

The argument in the previous section suggests that partnership is most likely to lead to improvements in organisational performance when it functions as an institutional guarantor for trust, commitment and legitimacy.<sup>3</sup> Two types of partnership guarantee are identified in the literature: “substantive” and “procedural”.

“Substantive guarantees”, as the term suggests, are mutual commitments to certain actions or outcomes, or to the avoidance of certain actions or outcomes. In practice, the most notable substantive guarantees are concerned with the terms and conditions of employment and with employment security. They can apply to a partnership relationship in general, or to particular change processes. “Procedural guarantees” are those that enshrine the position of employees and unions in decision-making. For example, the legitimacy of the organisation’s aims and practices will follow from the direct or indirect democratic participation of its members in their specification and design. In this sense, the extension of an unambiguous and unpressured autonomy and discretion to individual employees represents a procedural guarantee simply because (we must assume) an employee will not exploit him or herself. Management’s willing acceptance of union organisation is another procedural guarantee in the sense that it embodies the recognition of employees’ rights to define their interests independently of the organisation and to have the satisfaction of these interests taken into account in decision-making. As Godard notes:

*“A number of authors have argued that reforms [of work organization] are more likely to be successful to the extent that an employer is unionized, because the union is able to ensure that reforms will be implemented in accordance with worker interests and to assure workers of this, thereby reducing trust problems” (Godard 2001).*

The idea of the union as procedural guarantor would also account for the fact that, despite the common argument that “high performance” human resource management practices assume a unity of interest between employer and employees, and are therefore incompatible with trade unionism, these practices are at least (if not more) likely to be found in unionised work places (Machin & Wood 2004).

#### BOX 5.1 SUBSTANTIVE GUARANTEES

##### Kaiser Permanente

The employment security agreement is one of the most important components of the high-profile partnership scheme in US not-for-profit health services and insurance corporation, Kaiser Permanente. The agreement states: “It is our belief that workforce engagement is critical to the success of changing the way we do work, resulting in better quality, greater efficiencies and increased growth. It is unrealistic, however, to expect employees to participate in process improvements if as a result they redesign themselves out of a job or if the result is their co-workers lose their jobs.”

**Source:** CKPU/KP (1999).

<sup>3</sup> On the basis of empirical evidence, the same point is made by Godard (2001), Altman (2002), Martinez Lucio (2004) and Guthrie (2001).

## South Lanarkshire Home Care Service

A senior manager in the South Lanarkshire example cited in Box 3.2 argued that: “Trade unions were on-board for three fundamental reasons: no jobs under threat, no pay cuts and the service was being kept in-house”.

Source: OPSR (2004b, p.36).

That unions are thought of as essential partners in change processes for precisely these reasons is also evident in the French literature, although we need to note the overarching background assumptions that staff will not accept unilateral reforms, that representative participation will necessarily involve unions, and that union-management relationships will only ever be possible on the basis of traditional forms of bargaining. Both Rehfeldt and Vincent (2004a, 2004b) and Mossé (2002) argue that the evidence from cross-national research in the hospital sector points strongly to the need to involve unions in reorganisation and reform for two reasons.

First, reform in practice means decentralisation, which in the French case means the fragmentation of the locus of union power - up to now firmly embedded only at the national level. If structural reform is not to be interpreted as an assault on the existing means of staff representation, then the unions must be involved in the development of new representative structures at the local level. Secondly, and related to this, the decentralisation of management gives rise to the need for a whole series of new policies and practices in the employment and professional arenas. As these can neither be imposed nor produced through non-union forms of representation, new and sophisticated types of local bargaining have to be developed.

Where procedural and substantive guarantees are in place, the otherwise well-founded union arguments against direct participation and non-adversarial or interest-based bargaining (IBB) evaporate. The Canadian Union of Public Employees, for example, objects to IBB on the grounds that it assumes that the common interests of workers and employers are more significant than their conflicting interests, and ignores existing power relations (CUPE 2001). UK public sector union, UNISON, makes a similar point about power, arguing that partnership is based on a notion of equality that is in conflict with the actual distribution of power. As an example, they point to the fact that the time an employee representative is able to devote to their task is under the control of the employer (quoted in Neathey, Regan *et al.* 2005). However, partnership guarantees exist precisely to ensure that interests and power relationships are brought into the open and directly addressed, thus removing the risks of commitment, co-operation and power-sharing.

## BOX 5.2 PROCEDURAL AND SUBSTANTIVE GUARANTEES LEADING TO “MUTUAL GAINS” IN INDIANAPOLIS

When Stephen Goldsmith stood for election as mayor of Indianapolis in 1991, he pledged to outsource most of the city’s services and to run them with a team of four purchasing agents. The union representing the city’s workers, who opposed his election, strongly opposed that. For some months, the city’s industrial relations were bogged down in disputes until the mayor decided that listening to what their members had to say about improving services was worth exploring further. The union had dug in its heels because the mayor’s plans would have meant “half our members walking out of the door,” as one of their leaders put it.

The result was an agreement that there would be no compulsory job losses, except for a group of middle management “patronage appointments”. Instead, the workers were reorganised into increasingly self-managed teams which were given the opportunity to compete with private contractors and provided with training to enable them to do so. This was done on the basis of

the employer's acceptance of key union demands, namely:

- the union would have the right to participate from the very beginning and to nominate the employee team members without interference by management
- the city would arrange for and fund the provision of training for all employees involved in the process, and enable them to submit several practice proposals prior to the real thing
- the workforce would be entitled to examine not only personnel issues but all aspects of a job and to redesign it as they saw fit
- the administration would help the workforce to release themselves from bureaucratic systems inhibiting their attempts to be more competitive
- overheads would be examined and reduced or, if that was not feasible, at least attached to private and in-house bids equally
- no union-organised employee would be retrenched as a result of the partnership, but a worker whose job became redundant as a result of the reorganisations effected by the partnership would be placed in a redeployment pool with access to retraining and job placement services.

This led to negotiated criteria for costing particular functions, negotiated cost reductions and negotiated performance criteria. The workers' project teams were also trained in Activity-Based Costing, so that they could measure their inputs accurately and identify savings. Costs were reduced by 25 percent and services improved, according to both the mayor and the union, and fewer services ended up being contracted out than had previously been the case. The employees also received financial bonuses to reward the savings they made, and they reported increased job satisfaction.

External support for these claims came when the mayor and the union were jointly awarded an "Innovation in American Government" prize by the John F. Kennedy School at Harvard University. "What has been the most surprising thing for me has been the degree of commitment from the workers," according to the mayor. "They had a reservoir of good ideas and I have also found a strong pride in the city which you don't often get in private companies." The workers' union leader commented: "The gains have not come without a price. While employees work smarter, they also work differently, leading to membership criticism. The process is very time consuming and we don't win every bid, leading to scepticism. We have had to look at all aspects of the job, including long standing work rules, and controversial work systems."

**Source: Martin (2000).**

The Indianapolis example illustrates a further condition for effective partnership on which others depend - political leadership commitment to the kinds of relationship it permits and encourages within organisations. Without such leadership, the evidence suggests that managers are much less likely to take the risks associated with entering into workplace partnership arrangements. Political commitment to partnership reduces those risks considerably. By contrast, political commitment to forms of public sector reform that are not compatible with workplace partnership tend to render managers not only unwilling, but also unable to enter into workplace partnership arrangements. We explore that theme by discussing the spectrum of types of partnership, which we divide into three broad categories. We will see that as we move from one end of the spectrum to the other, high-trust, co-operative employee behaviour becomes progressively more rational as the procedural and substantive guarantees that partnership provides become more solid. However, we will also see that the principal problem with partnership is that the more solid the guarantee, the less willing managers are to agree to it without political commitment. We argue that this is not simply the result of an ingrained cultural attachment to the power to command - although that can be a factor and is another reason why political commitment is decisive - but of external constraints and pressures over which managers do not necessarily have any control. In short, establishing the most

effective forms of partnership depends on ensuring not just that managers are willing to provide appropriate guarantees, but that they are able to do so.

## 5.2 THE SPECTRUM OF PARTNERSHIP RELATIONSHIPS

We suggested in Section 3 that the organisational arrangements for partnership are less important in themselves than the principles on which they are based and the attitudes with which engagement is undertaken. These combine to shape the process and scope of partnership arrangements, but while the attitudes of individual leaders on both sides of the partnership can be critical to the establishment and early development of partnerships - which are typically born of external shocks that require change on both sides - institutionalisation of the arrangements is required to sustain them. In practice, the aims with which participants enter partnership arrangements, and the underlying attitudes they bring to them, cover a wide spectrum.

At one end are those who see partnership as a technique: one among a range of approaches to winning worker commitment from which managers can choose, and the appropriateness of which is wholly contingent on the circumstances. There is a good deal of evidence that this is the preferred model among managers, particularly in the UK. At the other end are those who see partnership as an extension of democracy, which is to say that they understand it as constituting a wholly new approach to organisational governance founded on democratic principles and applicable in virtually any situation. This is the ideal, deliberative conception of partnership proposed by Ireland's NESF which, in effect, involves the abandonment of the existing structures of authority, control and representation within the organisation in favour of radical forms of self-management. Although uncommon, not least in Ireland, there is nonetheless evidence that very successful partnerships of this kind do exist in practice, as the cases cited by Martin (1996, 2000, 2004 and 2006) attest.

Somewhere in between the extremes of managerial technique and deliberative industrial democracy we find probably the majority of existing partnership relationships, in which the aim is to promote "mutual gains" (Kochan & Osterman 1994). It is an effort to ensure that direct participation is used wherever possible, in the context of a recognition that the circumstances will not always permit this. While the emphasis is firmly on co-operation, the separateness of employees and employers as social groups is not questioned, and the inevitability of conflicts of interests is admitted. The most notable feature of this mode of partnership is that the most basic existing prerogatives of employers and unions remain unchallenged. Distributive or adversarial bargaining continues for traditional industrial relations issues such as pay and terms and conditions, and unilateral management decisions remain the norm for high-level strategic issues, such as capital investment or public sector mission development. In these circumstances, partnership is frequently conceived as a separate type of decision-making, an alternative both to traditional bargaining and management unilateralism that can be used when both sides recognise that it is appropriate. This conception of partnership, characteristic of the "dualist" systems to which reference was made earlier, is typical of Irish and US partnership arrangements.

The evidence suggests that although partnership is almost always described in "mutual gains" terms, many managers understand it as simply another technique for pursuing the aims of the organisation or as another means of exercising control rather than the sharing of decision-making power implied in the democratic model. Tailby, Richardson *et al.* (2004) report, for example, the unwillingness of public sector managers in Britain to loosen their grip on power, while Heaton, Mason *et al.* (2000), investigating partnership practices in the UK health service, found that

*"concepts such as team building, communication and empowerment were typically perceived [by employees] as empty words, and not accompanied by appropriate management practices which gave employees a clear voice at senior management level" (p.327).*

In a study of the Finnish Workplace Development Programme, Payne (2004) found that

*"even in a relatively advanced social democratic country such as Finland, there are indications*

*that management craves power unto itself and concedes control over work processes only very reluctantly and where it sees good reason for doing so” (p.517).*

The recognition of managerial reluctance to engage seriously in partnership is evident even in case studies and policy papers produced by non-academic government agencies and other organisations with a stated prior commitment to it. The Irish National Centre for Partnership and Performance, for example, admits that there is “significant managerial hostility” to partnership in Ireland (NCPD 2003). Although it is insisted that this is “not the norm”, statistics from the NCPD’s own commissioned research suggest otherwise. If it were the case that managerial hostility to partnership was not the norm, then it would be surprising to find that only 27 percent of employees – including in the public sector in which partnership arrangements are widespread – feel they have a high degree of autonomy in their work (NCPD 2005c, p.53). Although public sector managers appear to agree that employee participation is of great importance, 88.6 percent of them also believe that managerial discretion to adjust employee numbers is important or very important, and 58.1 percent agree or strongly agree that the ability to hire and fire at will would be an important contribution to meeting the challenges they face (Williams, Blackwell *et al.* 2004b, p.115).

These case studies are consistent with the more general finding that, despite the clear evidence of a positive effect on productivity and performance, high-trust, involvement-driven work systems are yet to emerge on anything like the scale that could begin to be called the norm (Altman 2002, Martinez Lucio & Stuart 2004). In this context, one is bound to conclude that the more genuine types of partnership and the co-operative relationships they imply are likely to remain exceptional as long as managers are unwilling to share their existing prerogatives to the extent required. If even those managers who work in organisations that are willing to recognise unions and that take sufficient interest in employee relations to enter into partnership arrangements remain attached to a traditional model of hierarchical control, the prospects for a spontaneous shift in existing managerial attitudes must be extremely poor.

The experience of the very different, but very successful, types of partnership in Indianapolis (Box 5.2), Kaiser Permanente (Box 5.3) and Sweden (Box 5.4) illustrates the value of clear and enforceable procedural and substantive guarantees that appear to be required.

### **BOX 5.3 THE KAISER PERMANENTE DECISION-MAKING PROCESS**

The Kaiser Permanente partnership agreement provides a guarantee of employment security which, while not absolute, is nonetheless a model of clarity (CKPU/KP 1999). Its self-standing employment security agreement specifies in entirely unambiguous terms the rights and duties of employees, unions and managers in the event that jobs become redundant. What is more, it is accompanied by a related procedural guarantee. Precisely because the commitment to employment security is not absolute, any disagreement about the terms of transfers, the way in which the organisation goes about finding work for displaced individuals, or the willingness of employees and unions to be (appropriately) flexible about what jobs they will accept is referred to agreed impasse resolution mechanisms.

The other notable aspect of the Kaiser Permanente partnership is that it directly and explicitly addresses the issue of decision-making authority, which is rare in partnership agreements, even though ambiguity in this respect is frequently cited in partnership cases studies as having been very damaging. A significant feature of the decision-making process is that it recognises that both interests and technical expertise are relevant factors.

The decision-making process may vary from issue to issue. Nonetheless, it is vitally important to determine the decision-making method with consistently applied criteria. Two such criteria are the degree to which the parties’ constituents or institutional interests are likely to be affected by the decision and the level of expertise or added value the parties can bring to bear on the decision to be made.

"If either party's vital interests are likely to be affected by the decision, consensus should be used. If constituent or institutional interests are even marginally affected, consultation should precede a final decision. If one party has little, if any, interest in the outcome, and no particular expertise on an issue to be decided, informing is adequate. We recognize that choosing the appropriate process is somewhat subjective, and that erring in favor of more rather than less participation by partners in decision-making displays commitment and respect for the Partnership. It is understood that this Partnership may not be sufficiently robust in its early stages to withstand many mistakes in the direction of unilateralism. Consequently, the parties will strive for consensus."

Source: CKPU/KP (1997).

## BOX 5.4 PROCEDURAL GUARANTEES, PARTNERSHIP AND PRODUCTIVITY IMPROVEMENTS IN SWEDISH MUNICIPAL SERVICES

During the 1990s, Stockholm Water, a municipally owned water supply and sanitation business, had to improve service quality and reduce costs simultaneously, faced with international pressures from rising environmental standards and global competition. It did so in part by developing a partnership with its workforce, represented by the public service workers' union, Kommunal. By then, the union had experience of transforming work organisation through partnership in many other municipalities, and had set up a company called Komanco, which took its title from the name the union gave to its model, Kom An!, meaning Come On! It sells its services to municipalities at commercial rates and is self-financing.

Komanco's first director was Lars-Åke Almqvist, who had previously been a trade union official of the conventional type and is now Kommunal's vice-president. Recalling the early days of his union's change of approach, Almqvist said: "Faced with demands from employers for cuts in public services or privatisation, we realised that just trying to refuse changes is not very constructive, especially as some of the accusations of inefficiency in the public services have definitely been true. In fact, we had for many years stressed that the traditional hierarchical organisation of work in local government administration must inevitably be inefficient if it does not involve the knowledge and experience of the employees. So we started to develop a model to build more efficient, non-hierarchical organisation by involving the employees, with the aim of saving money without making people redundant" (Personal interview).

The opportunity to try out that approach came first in a town called Malung after the municipality there began to draw up plans to reduce staffing and contract out some areas of service to save money. Before going ahead with their plan, the social democratic local politicians in Malung agreed to give the union the chance to show what could be achieved in partnership with the workforce and to allow them enough time to produce results. Almqvist recalled: "When we got the chance to test our ideas in practice, in Malung back in 1991, the municipality's goal was to decrease costs by at least 10% within three years. We managed to save 10.5% in the first year." The savings are made by focusing very directly on costs in a process in which quality improvements are also identified.

The first condition of Komanco's involvement in any workplace is that both management and the union say they want them there. A second is that there are no compulsory job losses as a result of reorganisation effected through the workplace partnership. And a third is that managers do not have access to the detailed cost-saving information developed by the teams, which the workers themselves implement once agreement in principle to do so has been reached. These conditions enable workers to release their knowledge for the benefit of their organisation, free

of the risk that they or colleagues will lose their jobs or otherwise suffer as a result.

Soon after a decision has been taken jointly by management and unions to set up a workplace project, all the employees are divided up into groups of up to 12 people. Each group elects a “tutor” from its membership, while a “project leader” is selected by agreement between management, unions and Komanco. The tutors lead the process of drawing out from their groups as many ideas as possible to improve services and reduce costs.

For example, in the municipality of Ostersund, after its political leaders had decided that savings of five percent had to be found over the following year if its in-house services were to remain competitive, 147 tutors were elected from among 1,800 employees for the Kom An! project in health and social services. The process produced more than 800 ideas for large and small changes, and exceeded the objectives intended by the employer. One tutor commented: “We have now nearly forgotten that this was a process started by our project - it is now so natural for employees to take responsibility. It has led to a big change in job content for employees, and a big change in attitude. People no longer reject the need for change. As an employee, you now take responsibility for your own ideas” (Personal interview).

Another said: “We feel we have a different view of our job now - more responsibility, more confidence. If you have more influence, you take more responsibility for quality. It has come as a surprise to us to learn how many savings we could make in this way - we had been suspicious about demands for savings because we had assumed it would only be about cutting staff, as before. Some workers had had incentives to keep costs hidden” (Personal interview). And a manager echoed their views: “There is no way I would have been able to solve the problems myself that this process has solved. We are increasing productivity and what has been clearly crucial has been the participation of the employees “ (Personal interview).

Almqvist insists: “Every employee needs to know how his or her costs relate to the costs of the whole organisation. It is only on this basis that you can have a dialogue between the chief executive and the auxiliary nurse. Then you can define the limits within which you must operate and go on to identify how to be successful within these boundaries. The members become researchers in their own jobs. The workplace groups break down their organisation’s budget into its smallest components, to enable everyone to understand it and see where the money goes. They measure the costs of specific tasks, so that each person knows the costs associated with their own job and develops ways of reducing them. They discuss how to improve quality, where responsibility lies and should lie.”

**Source: Martin (2006).**

### 5.3 MUTUAL GAINS: AN UNCOMFORTABLE COMPROMISE?

The mutual gains model is currently the form of partnership winning most favour with public sector employers in most of the anglophone world. Unions and government in Ireland, the UK, the USA, South Africa and New Zealand are all broadly in favour of union-management relationships in which the formal rights of each party remain as they have traditionally been, but where there are voluntary moves - some modest, some more ambitious - towards a co-operative blurring of these boundaries.

The theoretical benefits of partnership and evidence of practical results discussed earlier in this report beg the question: why is workplace partnership not more widespread in the public sector than it is? An explanation could be the continuing, though declining, dominance of approaches to public management reform that militate against partnership. If it is the case that the benefits of partnership arise from individual employee autonomy and discretion, and from representative participation that guarantees that employee interests, opinions, knowledge and experience are factored into decision-making, then it is difficult to understand why the adoption of partnership

is allowed to be a managerial choice when managers are so evidently unwilling or unable to choose it. The evidence that managerial attitudes to power-sharing are a key factor in the effectiveness of partnership is not simply negative. What repeatedly emerges from the case studies is a clear correlation between the degree to which managers are prepared to devolve decision-making authority and positive views from participants on all sides about the success of partnership (NCP 2004; OPSR 2004b; NCP 2005a; NCP 2005b).

The more radical experiments reported here also illustrate the potentially enormous changes in work organisation that can come about when managers delegate authority to allow employees to deal with challenges through self-managed team work. However, what also emerges is the fact that managerial will and attitudes are not constant. Particular managers or groups of managers retire or move on to be replaced by colleagues less sympathetic to partnership or with a more “technical” understanding of what it is about. Sustaining partnership over time by institutionalising it is often the biggest challenge; another is overcoming resistance from middle managers to the shift of decision-making power to employee representatives. Pressures from outside the organisation, including political pressures, can also lead to changes of position; governments change and impose new methods and targets on public organisations, for example.

## BOX 5.5 PARTNERSHIP FOR QUALITY IN NEW ZEALAND MEAT INSPECTION SERVICES

An example of workplace partnership developed in the context of New Zealand’s Partnership for Quality programme came in the state-owned enterprise responsible for meat inspection services, ASURE, at a time of changing regulations in the context of growing international food market competition. The partnership protocol signed in 2000 gave expression to “two important principles”:

- "the parties' relationship is underpinned by a commitment to no surprises, which is achieved through open and regular communication on matters which affect the interests of the parties;
- "the parties will use problem-solving methods to promote the speedy resolution of problems by participative methods, with the aim of avoiding industrial stoppages and minimising litigation."

In an evaluation carried out in 2005, it was found that, while the partnership operated well at senior levels, it was not embedded at all site levels, and that this was related to the arrival of a new layer of managers through a graduate programme, rather than through the traditional route of progression from the shopfloor. In addition, it was found that information about how the arrangements worked at other sites was not systematically shared. Many employees felt they were insufficiently involved in decision-making and this undermined their confidence in it to a degree.

Nevertheless, benefits of the partnership were also evident, including that there had been mutual gains in terms of service quality - to the extent that "ASURE's meat inspection practice is now recognised as the benchmark for best practice in the world" - and strengthening of the union, the Public Service Association (PSA). It was acknowledged that there were sometimes failures to agree, leading to "a healthy use of the Department of Labour's mediation services". However, this was happening less frequently and there had been no major disputes.

**Source: McIlhone (2006).**

This accumulation of evidence has led several commentators to ask whether any kind of partnership, let alone the more radical forms, is ever likely to be introduced on a large scale in the absence of some kind of more determined government action, in particular the introduction of

some kind of obligation on managers to share their existing prerogatives (Terry 2003; Geary 2006; CGT Undated). So far, however, even those governments that are most supportive of partnership and which recognise the potential benefits have felt unable to make such a move. Indeed, both the British and Irish governments have actively resisted European Union measures to oblige enterprises to engage in employee involvement practices, for example adopting a “minimalist” interpretation of the Directive on Information and Consultation (Dobbins 2005).

In this context, unions have found it difficult to accept that they should give up the older procedural guarantee of collective bargaining on the adversarial or distributive model. The maintenance of traditional bargaining at least ensures that they have some ability to resist imposed changes to work organisation and terms and conditions in case partnership breaks down. There is clearly a lack of faith in the union movement that managers can be trusted to abide by the stated intentions of partnership as long as their existing formal prerogatives remain intact. Equally, many managers may be discouraged by lack of evidence that unions and their leaders are prepared to cede power and territory to the required degree, as the remarks of the Tilburg chief executive quoted in Box 5.5 below. The combined effect produces a sort of chicken-and-egg paralysis.

### BOX 5.6 RIVAL PERCEPTIONS OF THE “TILBURG MODEL”

The “Tilburg model” was a celebrated example of municipal service modernisation in the late 1980s and early 1990s, gaining widespread notice as the Dutch city turned a large budget deficit into six successive annual surpluses. In that way, a financial platform was created for what both management and unions believed would be a new generation of service improvement reforms. By the late 1990s, however, the two sides could not agree about the way forward and agreed only that the reform agenda was running out of steam.

One shop steward said: “The model has undoubtedly increased the possibility of workers influencing and being involved in work processes. In my department that is definitely so, because at the beginning of each year we have our list of tasks and a sum of money and we are free to make our own way about how to carry out those tasks within that budget.”

However, the city manager said: “I am not optimistic about the role of the trade unions in this development. We are leading this and the unions have a tendency to stop us, because they cannot see the overall effect yet. I think the national union directs them strongly – the national union doesn’t want Tilburg to go too fast because they are afraid of losing control.”

But another union representative commented that it was management that was afraid of losing control: “Too much is top down – we need more bottom-up. Sometimes [the management team] are so ambitious they forget to talk about their ideas to outsiders – they are thinking in a little group about reorientation of a municipality and they forget that there is a whole system of workers here who also want to talk about it. To really make the model work, they must engage more.”

**Source: Martin (1996).**

However understandable this may be, it is still the case that the persistence of the existing industrial relations machinery means that there is a danger that partnership will break down more easily than would otherwise be the case. As Ospina and Yaroni (2003) argue, both management and unions have the potential to disrupt the “role transformation” that partnership requires by behaving in such a way as to reinforce older assumptions and ways of thinking. Yet other examples, such as those in Sweden and Indianapolis cited above, suggest that the continued existence alongside partnership arrangements of conventional labour relations machinery was a necessary factor in the construction of the required levels of trust in that they reassured both parties as to their ability to retreat into it if necessary.

## 5.4 NEW PUBLIC MANAGEMENT AS AN OBSTACLE TO PARTNERSHIP

A factor in managerial reluctance to more wholeheartedly embrace partnership with employees and unions may be the pressures on them of performance management methods typical of the New Public Management approach to results orientation. In many circumstances, conceptions of what constitutes organisational performance – over which managers themselves have little direct control – militate against the adoption of high-trust, co-operative work systems. Maddock (2002), writing with reference to the UK, argues:

*“Innovation in the public sector involves finding new ways of working which involve staff talking more, not less, to users and to colleagues; yet the current output-task-finish regime reinforces the opposite behaviour and results in many staff being criticised for the very behaviour required... public sector audit, performance review and service standards are all forms of control and mechanisms for maintaining the status quo, not change. Such controlling management is totally inadequate to changing societies because it misses the very dynamic of change.” (p.33).*

Tailby *et al.* (2004) draw very similar conclusions on the basis of a case study in the UK health service. Having found very high levels of work-related stress among hospital managers, Tailby and her colleagues argue that the regime of management-performance monitoring clearly contributed to this. Middle managers argued that they could not afford to not achieve targets; it was the sort of thing for which they would “be shot”. Union representatives also noted that there seemed to be a “climate of fear” among managers. In such an environment, it is understandable that the perceived obligation to concede decision-making powers to others could be interpreted by managers as both burdensome and threatening (p.414). They reproduce the comments of one health service manager who told them,

*“I think if you’re going to involve staff you have to carry through the things that are important to the staff and when you’ve already got a huge agenda for change which is government-driven, which may be at odds to what the staff think in some situations, then I think you’ve got big problems. And you know if you’re just going to drive it according to government objectives then you’re better off not involving the staff.” (p.416).*

New Zealand’s Partnership for Quality programme offers a contrasting approach of involving unions at all levels precisely in order to drive through government objectives in a way that is compatible with one of the conditions of doing so: employee support.

Less sympathetic to the public sector managerial dilemma, but nonetheless very much in the same vein as Maddock and Tailby *et al.*, are Carter and Poynter (1999). They argue that public sector decentralisation is necessarily accompanied by some means of centralised policy goal-setting and the negotiation between purchaser and provider of the framework for labour costs, work volumes, service standards and the pattern of provision. In many circumstances, they suggest, this has permitted managers to present demands for change in work organisation and employment conditions as externally imposed and by implication non-negotiable. Again, the New Zealand Partnership for Quality approach avoids that problem.

German research has pointed to similar conclusions. Having studied a wide set of what were seen as pioneer municipalities in the field of local government modernisation, the late German researcher, Frieder Naschold, identified some major conceptual and practical limitations of the results-oriented approach that constitutes the underlying principle of the NPM-paradigm (Wegener 2002), namely:

- a general lack of strategic goals
- centrifugal departmental forces, accompanied by emerging “egoisms” within the newly decentralised units leading to sub-optimal strategies
- lack of commitment and involvement of political actors within the reform process
- failure to mobilise involvement of the employees (Naschold, Oppen *et al.* 1998).

## BOX 5.7 WORKPLACE PARTNERSHIP IN THE DETMOLD MUNICIPALITY

The work of Hermann Hibbeler, the former chairman of the staff council in Detmold, Germany, illustrates how a staff council played a role as a change agent and even become a 'co-manager'. Detmold began in 1993 to introduce the concept of the "New Steering Model" (*Neues Steuerungsmodell*), i.e. the German version of the New Public Management concept as developed in Tilburg, the Netherlands. Over the following five years, a large number of restructuring efforts were developed which would not have been possible except for the active participation of employees and staff council.

From the very beginning the former chairman of the staff council decided to actively go beyond the traditional defensive role prescribed by law which was far from being uncontroversial even within the staff council (Hibbeler 1998). However, after long discussions, the other members of the staff council agreed that a co-management strategy would serve the employees' future interests. In order to win the acceptance of the employees for this new strategy, two measures were applied: intensive public relations work and direct employee participation through quality working groups. Additionally, feedback channels through employee surveys and operational agreements on the participation of employees in the creation of performance indicators were established.

The latter became necessary as the staff council noticed that financial considerations were over-represented, they believed, in the development of performance indicators. Therefore, the staff council pushed for further developing the core objectives to produce a "balanced scorecard" that included "employee orientation", as well as "efficiency and effectiveness", "users' and citizens' orientation", and "quality assurance" (Hibbeler 1998).

Another operational agreement provided for substantive and procedural guarantees, i.e. job security and income security guarantees, as well as extensive participation rights in the process were agreed upon. The great success of the quality working groups led to a further agreement on introducing a test stage on self-managing teams (Hibbeler 1998).

By 1998, when Hibbeler wrote his article, it was too early to judge whether the strategic readjustment of the staff council would sustain and lead to collaborative employment relations. However, it showed that a strategic readjustment of staff councils to a role of a co-manager is possible through a transparent information policy and direct involvement of employees in quality working groups.

An additional element of the NPM philosophy is that centralised systems of public sector management or administration, and particularly the centralised establishment of pay and terms and conditions of employment, are inimical to the achievement of the local management flexibility and discretion required for the efficient and effective operation of public services. Throughout the 1980s and into the early 1990s, the application of NPM frequently involved experimentation with what has been called a "hard market" in public sector employment (Teicher & van Gramberg 1998), notably in the UK, New Zealand and certain states in Australia. As it was combined with a severe cost-cutting agenda, this trend directly undermined a very important substantive guarantee by exposing employees to the threat of market-based determination of pay and conditions, and unions to the threat of the division in their ranks, and loss of control, that could result.

Finally, we should take note of Allen Schick's critique of New Zealand's experiment in public sector decentralisation (as reported in Martin 2004). Essentially, Schick argues that the contractualisation of the purchaser-provider relationship has had precisely the opposite effect to that intended; that is, it has *prevented* rather than *enabled* institutional adaptation: "Chief executives now have

a strong incentive to go by the book and ignore promising detours” (Schick, 1996). This actively discourages innovation, pushing public service culture back towards rule compliance and away from results achievement.

What this discussion suggests is that managers may frequently feel that they are unable to provide the procedural and substantive guarantees that successful partnership demands. Their commitment to partnership is circumscribed by the perceived necessity to maintain their freedom to insist on certain plans and strategies, even in the face of employee opposition. The problem is that the wish to retain these prerogatives signals clearly that employees’ interests and objectives are not the same as and, more importantly, do not have equal status with, the interests and objectives of managers or those of the organisation. The causes of the problem are various, but they appear to include insufficient political will to oblige managers to facilitate workplace partnership in a way that devolves authority closer to the front-line. That in turn may be related, as was suggested earlier, to the different timescales of the organisational transformation and political cycles, with the result that politicians are less able than they might otherwise be to take risks which may not produce the required results in time to benefit electorally from them.



## 6 BREAKING OUT OF THE BOX:

### LINKING PUBLIC VALUE TO PRODUCTIVITY AND PRODUCTIVITY TO WORKPLACE PARTNERSHIP

#### 6.1 PUBLIC VALUE AND THE GOVERNANCE AGENDA

The German discourse critical of NPM has given rise to a shift towards a new paradigm known as the “new public governance” (NPG), which draws some of its features from the international governance discourse and which is closely related to the concept of public value (Bovaird, Löffler *et al.* 2002; Goss 2001; Jann 2005; Kickert, Klijn *et al.* 1997; Kooiman 1993; Naschold, Oppen *et al.* 1997; Pierre & Peters 2000; Reichard 2002; Rhodes 1997; Schedler 2003). NPG has been presented as an answer to the limited scope of the NPM agenda, in which structural and organisational “breakthrough innovations” were often entirely missing (Naschold 1998).

Whereas NPM focussed principally on outputs as a means to enhance productivity in the public sector, the new public governance paradigm also emphasises processes and outcomes. It emphasises the aspect of ownership of and participation in the decision-making process by including multiple stakeholders such as citizens, the voluntary sector, unions, business and different levels of government (Bovaird, Löffler *et al.* 2002; Pierre & Peters 2000). Bovaird, Löffler *et al.* illustrate this difference using the example of clean cities:

*“Whereas NPM-oriented change agents tend to focus their efforts on improving street cleaning and refuse collection services, a local governance approach emphasises the role of citizens in respecting the communal desire that no-one should throw litter on the streets in the first place, and that materials should be recycled, not simply thrown away. This involves education..., advertisement campaigns.” (p. 13).*

Linking workplace partnerships to the governance arrangements characteristic of the public value approach may lead to a breakthrough both in defining public sector productivity and developing understanding about how to increase it through partnership. Whereas NPM stressed the need to meet defined quality of service and efficiency objectives through output-oriented performance management systems, the emphasis in the NPG approach is on improving quality of life – both in terms of quality of service outcomes for users and quality of working life for staff – through outcome-related performance management (Bovaird & Löffler 2002). A good example of this is the Improving Working Lives standard, introduced in 2005 in the UK. It sets the benchmarks by which NHS Trusts will create flexible working environments that promote staff welfare and development. A common thread is the involvement of as many strategically important stakeholders as possible, a practice known as “360 degree accountability”.

In order to translate organisational strategies into a comprehensive set of performance measures that provide the basis for a strategic management system, Kaplan and Norton developed the “balanced scorecard” (BSC). The BSC measures and balances performance across four perspectives: (1) financial, (2) customers, (3) internal business process, and (4) learning and growth. These measures are balanced between outcome measures and measures that evaluate the capacity required to drive future performance (Kaplan and Norton 1996). Although originally developed for the private sector, the BSC as a strategic management tool enjoys increasing popularity in public sector organisations worldwide. For the public sector, Kaplan and Norton propose:

*“Success for government and not-for-profit organisations should be measured by how effectively and efficiently they meet the needs of their constituencies. Tangible objectives must be defined for customers and constituencies. Financial considerations can play an enabling or constraining role, but will rarely be the primary objective.” (Kaplan & Norton 1996 p.180).*

Frieder Naschold (1998) described strategic management as the missing link in internal modernization that contributes to the redesign of the interface between administration and its political, economic and social environment (Naschold & Daley 1999). Arguably, it bridges the gap between the output-oriented NPM approach and the outcome-oriented public governance concept. Naschold, Oppen *et al.* identify four key competencies of strategic management: (1) value management, (2) management of structures, (3) management of change, and (4) strategic evaluation (Naschold, Oppen *et al.* 1998, p.39; our translation). Value management involves addressing the behaviour of employees, as well as their attitudes, values and beliefs. Therefore, Naschold argues, it is critical to link cultural change programmes within an organisation to organisational strategy rather than simply basing them upon organisational development processes. He argues that processes of cultural and organisational change have to proceed in parallel, with employees involved at every stage and in every aspect of these processes (Naschold, Oppen *et al.* 1997).

A recent empirical analysis of these processes and their effects in an international range of municipalities (Schiller 2005) identified certain factors associated with the success of change management:

1. A common understanding of strategic objectives needs to be established and institutionalised between politicians, public service managers, citizens and employees. In practice, this may be achieved through forums of politicians, public service employees and citizens.
2. A “fit” between the shared strategic objectives and the structure of the organisation, which means that, for example, working committees on the organisational level are aligned with municipal authority committees.
3. Resource allocation needs to be related to the shared objectives.
4. Evaluation of goal achievement needs to include feedback channels with users, for example via user panels.
5. Evaluation also requires feedback channels with citizens, in that capacity, in addition to their capacity as customers, which means that local institutions of direct democracy need to be in place.
6. Double-loop learning processes need to be institutionalised, for example through networks of city governments.

The missing piece of the puzzle then becomes how to institutionalise the connection between citizen involvement in the governance of public service organisations and employee involvement in internal management processes. The Norwegian case study outlined in Box 6.1 illustrates an approach to that problem.

### **BOX 6.1 LARVIK (NORWAY)**

During the development of a 12-year-plan for the municipality of Larvik, trade unions, political parties, executive employees, citizens and employers` associations actively participated in the planning process through hearings, meetings, brainstorming sessions and newspaper debates. One particular innovation in citizen involvement is the decentralised local district conferences that take place twice a year. These conferences are funded by the municipality and are jointly organised by the municipality and local civil society organisations. This provides an opportunity for Larvik`s public employees to discuss local affairs, planning and service delivery face-to-face with citizens. The municipality then collects the comments given by the citizens within a special task force, consisting of employees from different units, and reports to the corresponding units.

In 1999, the then city manager introduced a modified version of the Balanced Scorecard (BSC). Larvik`s BSC contains seven categories: (1) user resources, (2) financial resources, (3)

human resources, (4) cultural resources, (5) natural and environmental resources, (6) social resources, and (7) structural resources. From 2000 onwards, the city manager decided that all departmental managers would be obliged to include all members of staff in the identification of the department's targets and performance indicators. Larvik also conducts annual surveys on working atmosphere among its employees. These measures, along with the annual open meeting of all employees with the city manager, have contributed to highly collaborative employment relations in Larvik.

Source: Schiller (2005).

## 6.2 PRODUCTIVITY MEASUREMENT AND PARTNERSHIP EFFECTIVENESS

If workplace partnership is to contribute to productivity improvement, it follows that, among other factors, public sector organisations must have the capacity to develop and sustain it. An evaluation framework ought, therefore, to focus on progress in the development of partnership capacity as well as the two major elements of public sector productivity discussed in Section 2, service efficiency and service effectiveness. The following list of points for evaluation is proposed as a starting point:

- To what extent have substantive guarantees increased employee willingness to think and talk openly about work organisation, service quality and operational costs?
- To what extent have procedural guarantees (direct and indirect participation) provided opportunities for employees to think and talk openly about work organisation, service quality and operational costs?
- To what extent have both types of guarantee increased employee and manager willingness to work co-operatively to implement operational and organisational change?
- To what extent do employees have more control and discretion in their work, whether individually or as part of their immediate work group?
- To what extent have the exercise of greater control and work process discretion led to employees being able to detect and respond more flexibly to changing demand?
- To what extent do employees consider that their knowledge, experience, interests and opinions are being accurately represented in collective decision-making processes?
- To what extent do managers believe that employee knowledge and experience has contributed to increasing the effectiveness of decision-making?

In keeping with that approach, it follows that workplace partnership arrangements should include within their remit the development and periodic review of benchmarks for evaluating the development of partnership capacity and partnership effectiveness, and procedures for making required corrections to organisational arrangements, cultural change programmes, and the measurement benchmarks themselves.

The logic of the arguments we have made in the course of our analysis of the literature is that the more partnership is regarded and organised as an ongoing systemic process and embedded in organisational culture, transcending its use as a management technique, the more likely it is to produce sustainable improvements in performance. The argument is that the systematic endeavour to develop "learning organisations" (Senge 1990) requires organisational arrangements and attitudes that are conducive to ongoing processes that mobilise and develop knowledge and apply it in ways that improve operational practice, producing virtuous spirals of development.

What follows is not intended to be an exhaustive definition of organisational and attitudinal elements of partnership; rather, it is intended as a statement of the minimum conditions that

make mutual trust and organisational commitment rational in an organisation, and which workplace partnership should aspire to institutionalise. We would argue that it is soundly based on the evidence cited and the arguments elaborated in this paper.

- Neither the decision to adopt partnership, nor the interpretation of what it means in practice, should be left to management alone.
- Partnership requires substantive guarantees with respect to (at minimum) employment security, wages and conditions of work. (The precise content of these guarantees is considerably less important than their clarity and relevance to the organisation and its employees.)
- Partnership requires procedural guarantees that ensure that there is absolute clarity about who has the right to decide what, when and how.
- Management must have the power to provide the required guarantees and to ensure that they are respected under all circumstances.
- Partnership should be focused not on particular substantive goals, but on increasing individual employee autonomy and discretion and on constructing systems of representative participation that articulate and transmit employees' knowledge, experience, interests and opinions within collective decision-making processes.
- The scope of partnership should be defined but subject to negotiated redefinition through the partnership process itself.
- The "safety net" of collective bargaining and managerial prerogative should be avoided or (more realistically) used only after non-adversarial dispute resolution has repeatedly failed and when unions, management and employees agree that consensus is not possible.

## 6.3 TOWARDS A PARTNERSHIP MODEL OF PUBLIC SECTOR REFORM

The approach outlined above is founded upon the provision of appropriate procedural and substantive guarantees to enable workplace partnerships to improve public sector productivity. Together, these protect the collective and individual interests of employees, removing the risk of exploitation that is otherwise attached to co-operation in circumstances where it is not clear that shared interests exist. Co-operation – including honesty, openness and flexibility – thereby becomes rational. The experience of successful co-operation leads to mutual trust, legitimacy and organisational commitment which, in turn, reinforce the rationality of co-operation. The procedural guarantee of direct participation increases employees' autonomy and control over their work, permitting them to apply their knowledge and experience to the solution of operational problems, whether individually or in small groups, and increasing their capacity to respond to the needs of clients.

The organisational commitment related to mutual trust and co-operation corresponds to an approach to public sector productivity that is based on public value and ensures that an appropriate balance between organisational priorities and employee interests is maintained. The guarantee of representative participation transmits and articulates employee knowledge, experience, opinions and interests in the same way within more "upstream" decision-making processes on organisational goals and strategies. The application of employee knowledge and experience means that decision-making is more effective. The articulation of employee interests in decision-making processes means that decisions are more legitimate, even if – perhaps *especially* if – compromises have to be negotiated. Together with the flexibility that is related to mutual trust and co-operation, this legitimacy ensures that implementation of decisions proceeds more smoothly. Thus, both the organisation's capacity for change and the effectiveness of that change are improved, leading to improvements in service quality and public value.

It follows that detailed definitions of productivity criteria and measures should be based on public value creation and improvements and not imposed from outside the organisation or from the top

down. Rather, the criteria and measures should be developed through participatory processes involving new governance arrangements in respect of relationships between public sector organisations and citizens and service users, and workplace partnership processes in respect of internal relationships. Moreover, institutional design should seek to link these processes without undermining either the democratic precedence of citizens in the determination of public value or the prerogatives of employees and their unions in collective bargaining. It might be that such devolution of authority would also lower one of the key obstacles to the development of genuine workplace partnerships in the public sector in that the risks associated with the different timescales of organisational transformation and the national political cycle would be reduced.



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## APPENDIX 1: PRIMARY SOURCES CONSULTED

AFL-CIO (USA)  
American Hospitals Association  
Australian Council of Trade Unions  
Canadian Labour Congress  
Confédération Française Démocratique du Travail (France)  
Confédération Générale du Travail (France)  
Federal Mediation and Conciliation Service  
HM Treasury (UK)  
International Labour Office  
Involvement and Participation Association (UK)  
Irish Congress of Trade Unions  
National Centre for Partnership and Performance (Ireland)  
National Health Service Confederation (UK)  
National Labour and Economic Development Institute (South Africa)  
National Productivity Institute (South Africa)  
New Zealand Council of Trade Unions  
Organisation for Economic Cooperation and Development (OECD)  
Partnership Resource Centre, Department of Labour (New Zealand)  
State Services Commission (New Zealand)  
The Office of Public Service Reform (UK)  
The Work Foundation (UK)  
Trades Union Congress (UK)  
Universities and Colleges Employers' Association (UK)



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