Discussion Forum

Workplace innovation supports implementation of European Pillar of Social Rights

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Abstract

The implementation of the European Pillar of Social Rights could be enhanced by stimulating workplace innovation. There is a reciprocal relationship between job quality and innovation capacity as well as between job quality and labour productivity. Whether these relationships are positive (higher job quality, more innovation capacity, higher productivity) or not depends to a large extent on management strategies and workers’ involvement. Results of ‘participation & trust regimes’ are often better than results of ‘command & control regimes’. Fragmented changes are less beneficial for workers and organisations than joint optimisation of work organisation, technology and labour relations. This joint optimisation together with a ‘participation & trust regime’ is called ‘workplace innovation’ which was adopted in the EU2020 Strategy in October 2012. The European Commission funded the European Workplace Innovation Network (EUWIN) from 2013 to 2017. The concept of workplace innovation integrates (parts of) agendas such as innovation, digitisation, productivity, job quality, lifelong learning, wellbeing at work, skills and social dialogue. Activities of EUWIN have been successful in a number of countries and many organisations. However, continuous attention is necessary as well as extension to other countries. The market mechanism does not provide a ‘good jobs economy’ nor ‘upward convergence’ by itself. The policy action of the European Commission should be to continue support for workplace innovation (dissemination, capacity building, research). The partners of EUWIN pledge to do the same in their own countries and to continue international collaboration.

Keywords: workplace innovation, European Pillar of Social Rights.
Introduction

In 2020 the European Commission started a public consultation on the European Pillar of Social Rights that was launched in 2017. In this paper we argue that workplace innovation is a comprehensive approach to create the fair working conditions mentioned in the Pillar. Simultaneously organisational performance (productivity, innovation capability) can be enhanced by workplace innovation (Oeij, Rus, & Pot, 2017).

To achieve these goals, we discuss two challenges; 1) to connect job quality to innovation and productivity, and 2) to broaden the policy debate on skills, connecting it to work organisation and employee participation.

The EU has a long tradition of supporting new form of work organisation and recently high-level advisory groups recommended to continue support for workplace innovation. This support should include awareness raising, stimulating social partnership, research and a skills policy that includes learning on the job.

Rationale

“European companies need to adapt to rapid change. Advances in automation, digitisation and advanced manufacturing represent enormous opportunities for both employers and employees. But too few companies are actually rethinking the way people work and collaborate. Too few companies are remodelling their internal organisation to tap into the capacities of all their employees—not only in their R&D departments. To be a leader of the new industrial revolution means to look beyond technologies. It requires having workplace innovation at the very DNA of the organisation” (Peltomäki, 2017, p. vii)¹. Generally speaking, we should rethink the way we conceptualise company or corporation. This “requires a balancing of business-design principles, where both formal structuring and dialogical participation play important roles” (Johnsen, Midtbø & Ennals, 2018, p.203).

Workplace innovation: process and outcomes

The European Workplace Innovation Network (EUWIN), started in 2013, describes workplace innovation as follows: “Workplace innovations describe new and combined interventions in work organisation, human resource management, labour relations and supportive technologies. It is important to recognise both process and outcomes. The term workplace innovation describes the participatory and inclusive nature of innovations that embed workplace practices grounded in continuing reflection, learning and improvements in the way in which organisations manage their employees, organise work and deploy technologies. It champions workplace cultures and processes in which productive reflection is a part of everyday working life. It builds bridges between the strategic knowledge of the leadership, the professional and tacit knowledge of frontline employees and the organisational design knowledge of experts. It seeks to engage all stakeholders in dialogue.

¹ Antti Peltomäki was until April 2019 Deputy Director-General of the Internal Market, Industry, Entrepreneurship and SMEs Directorate-General (DG GROW), European Commission.
in which the force of the better argument prevails. It works towards ‘win-win’ outcomes in which a creative convergence (rather than a trade-off) is forged between enhanced organisational performance and enhanced quality of working life” (Dhondt, 2012, p. 2).

European Pillar of Social Rights

- Chapter 2 of the European Pillar of Social Rights (‘Fair Working Conditions’) defines several key principles, the realisation of which in practice will be substantially enhanced by workplace innovation:
  - Key Principle 5:
    o “Innovative forms of work that ensure quality working conditions shall be fostered.”
  - Key Principle 8:
    o “Social dialogue and involvement of workers”
  - Key Principle 10:
    o “Workers have the right to a high level of protection of their health and safety at work.”
    o “Workers have the right to a working environment adapted to their professional needs and which enables them to prolong their participation in the labour market.”

Happily, some working conditions are improving, but others are not. Some working conditions show upward convergence between counties, others do not show convergence or even downward convergence (Eurofound, 2019). However, globalisation, the digital revolution, the corona crisis and other broad social, political and demographic developments have the potential to generate divergence rather than convergence.

The workplace is not a black box whose workings are invisible to policymakers. Rather, the ways in which we design the organisation of work plays an indisputable role in achieving upward convergence towards better living and working conditions in Europe. Two major challenges can be considered in realising this convergence:

**Challenge 1: Job quality, innovation capacity and innovation**

“The relationship between the different types of innovation and the various components of job quality may differ. Moreover, causality can run both ways: innovation can affect job quality and job quality can affect innovation. In addition, in both cases that effect may be positive or negative: innovation might enhance or diminish job quality; job quality might enhance or diminish innovation; innovation and job quality might also be mutually reinforcing. It is argued that their interaction requires the development and deployed of employee-derived innovative capacity. This innovative capacity within firms is both a function of the innovation potential of firms and the job quality of its employees, and an outcome of firms’ ability to access and
mobilise this potential – and hence the adoption of a mode of innovation that is employee driven. This set of interactions potentially forms a virtuous circle. Within this circle, it is suggested that innovation might improve job quality, job quality then might then enhance innovative capacity, and innovative capacity might deliver more innovation. The converse can also occur, creating a vicious circle whereby innovation undermines job quality, which in turn diminishes innovative capacity, resulting in less innovation” (Warhurst, Mathieu, Keune, & Gallie, 2018, p. 5).

Job quality

Drawing upon and synthesising the existing scientific studies of job quality, the overlaps across the disciplines are identifiable and suggest six key dimensions that commonly constitute job quality.

- Terms of employment: wages, working time, job security
- Occupational safety and health
- Work organisation and tasks
- Employee participation
- Work-life balance
- Education and training

Core issues in workplace innovation are work organisation and tasks, employee participation and how these two dimensions relate to the other four dimensions.

Two side notes may be important here. The first one is the misunderstanding that a participative style of leadership is a good solution. However, decision latitude of managers and consequently employee participation is confined by organisational structures and corporate governance. It makes no sense to train managers in participative leadership and send them back to hierarchical organisations. The second side note is the common misunderstanding that the happy employee is a productive and innovative employee as well. However, ‘employee satisfaction’ measures, most of the time, the level of adjustment to existing circumstances and not the work environment itself. Being happy with your work may have to do with having nice colleagues and an average workload. Individual and group performance is not directly the result of employee satisfaction or motivation but is achieved through the involvement and commitment of workers’ representation, HRM practices and work organisation (Judge, Thoresen, Bono, & Patton, 2001; Peiro, Kozusznik, Rodriguez-Molina, & Tordera, 2019). For instance, organisational commitment can be brought about by an organisational design that provides job autonomy, teamwork, possibilities of consulting others, learning on the job etc. These are exactly the same measures that are recommended to reduce psychological stress risks as a way of ‘prevention at the source’ (Pot, 2017).

The creation of a virtuous circle of job quality and innovation depends largely on a ‘participation & trust’ management regime and employee participation. ‘organisational choice’ does exist (Bloom & Van Reenen, 2010; Corrado & Hulten, 2010; Brynjolfsson & McAfee, 2014; Osterman, 2018). “Outwith the firm, it is also acknowledged that firms’ embedding within particular national institutional configurations can more easily shape the functioning of the
virtuous circle. Four particular aspects of firms' institutional environment are considered as salient: the industrial relations system, the education and training systems, and employment protection and welfare regimes” (Warhurst et al., 2018., p. 5).

**Challenge 2: Broadening the debate on skills**

In many policy discussions on skills views are being narrowed to the need for digital skills, the modernisation of formal education and the individual's responsibility for his or her employability. That does not take us much further.

Of course, there is a skills gap regarding new technologies that should be addressed. But that's not the only mismatch. Cedefop's ‘European skills and jobs survey’ (ESJS) shows that in 2014 about 39% of EU employees had skills that were not being fully used in their jobs and so did not have potential to develop their skills further. The jobs of overskilled workers typically entailed a low level of task complexity and were lacking adequate learning opportunities (Cedefop, 2018). Recent German research shows that new technologies do not change this situation. New forms of repetitive work emerge (Ittermann & Virgillito, 2019). The European Commission concludes that overqualification is on the rise and underqualification is declining (European Commission, 2019a).

Rodrik and Sabel (2019) argued recently that the shortfall in ‘good jobs' can be viewed as a massive market failure – a kind of gross economic malfunction, and not just a source of inequality and economic exclusion. They make the case that this problem cannot be dealt with standard regulatory instruments. Binding agreements between companies, social partners and governments are necessary to start a 'good jobs' industrial policy.

The next issue is the mismatch regarding so called ‘soft skills' such as flexibility, intrapreneurship, ability to work in a team, creative thinking and problem solving. This is being emphasised in many statements, but its implications are not very well understood. The most important implication is that organisations should be structured in such a way that they enhance the development of these ‘soft skills' and are able to benefit from them. Imagine the many traditional, hierarchical organisations having jobs with little decision latitude or even repetitive tasks and a ‘command & control' management regime. In such organisations intrapreneurial workers will be disappointed soon and the organisation might harvest problems instead of solutions. ‘Soft skills' and digital skills together are sometimes called ‘21st century skills'. The conclusion of this paragraph seems to be easy: only 21st organisations with a ‘participation & trust' management regime can develop 21st century skills and benefit from them. We also know from research of Felstead, Gallie, Green and Henseke (2016) that a rise in employee involvement induces a rise in skill levels and vice versa. In the age of digitisation we need not only new skills but the utilisation of all (also underutilised) skills to recover from the corona crisis.
The policy debate on skills often focuses on formal education, in particular vocational education and training (VET). Formal education should be modernised, teaching 21st century skills and providing lifelong learning. Part of the curriculum should be work-based learning such as apprenticeships. However, this is only half the story. The most important development of skills occurs during working life by informal learning on the job. Creating the best conditions for such continuous learning presupposes a deliberate policy to design high quality jobs with task complexity, job autonomy, skill discretion and organisational participation.

Finally, making only individuals responsible for their employability is not correct from a social science point of view. Of course, individual capabilities and attitudes matter. But individual employability is also related to the work environment as well as the employment relationship. High quality jobs provide a learning environment. ‘Older’ workers can still acquire new skills if they have been working in a learning environment during their career. The same holds for the employment relationship. Sometimes workers take the wrong decisions themselves in their careers, but they are to a large extent dependent on bosses and employers for the development of skills and for the sustainability of their employability. One example is that temporary jobs quite often require fewer skills and offer fewer learning opportunities than permanent jobs.

Developing skills that bring competitive advantage requires investment in education and training, but also the design of good jobs that can enhance people’s skills and provide wellbeing at work. This is an important intangible asset and an element of what OECD calls ‘Knowledge-Based Capital’ which is considered to be increasingly the foundation of modern economies.

Briefly this means: *Every policy regarding skills should include workplace innovation.*

**A tradition of support for workplace innovation in EU policy**

A seminal moment for those advocating the recognition of workplace innovation as a key dimension in EU strategy came in 1997 with the publication of the Commission’s Green (consultation) Paper ‘Partnership for a new organisation of work’: “The Green Paper invites the social partners and public authorities to seek to build a partnership for the development of a new framework for the modernisation of work. Such a partnership could make a significant contribution to achieving the objective of a productive, learning and participative organisation of work” (pp. 5 - 6). The Green Paper combines in essence a legalistic discussion of the regulatory conditions which might help or hinder workplace flexibility visibly stitched together with an open-ended call for measures by governments and social partners to stimulate participative working practices. Nonetheless it provided a rallying point for those who had been advocating recognition of workplace innovation, and there was high expectation that specific policy interventions would follow (Ennals, 1998; Ennals, Totterdill & Ford, 2004). Based
on the responses to this consultation, a policy document ‘Modernising the organisation of work – A positive approach to change’ was published by the European Commission in 1998. A substantial volume of evidence for the positive effects of new forms of work organisation was provided by the European Work & Technology Consortium (1998) funded by DG EMPL. Meanwhile, Eurofound conducted a large-scale research project into ‘employee participation in organisational change’ which provided again evidence for the positive relation between employee participation and organisational performance (EPOC: Eurofound, 1997).

In this first period, work organisation became a clear topic with support from the European Commission, in particular its Directorate General for Employment (DG EMPL). Research commissioned by DG Research showed positive results of what was called ‘the high road of work organisation’ and represented the first substantial attempt to define the concept of ‘workplace innovation’ (Totterdill, Dhondt, & Milsome, 2002).

In 2004, facilitated by the 6th EU Framework Programme ERA-NET, the ‘Work-In-Net’ consortium (2004 - 2010) coordinated research in the field of ‘Innovation of Work Organisation’ (Alasoini, Ramstad, Hanhike, & Lahtonen, 2005; WIN, 2010). In the same period the Employee-Driven Innovation (EDI) Network was established, in particular by the Norwegian and Danish trade union federations and researchers in the field of work organisation (Høyrup, Bonnafous-Boucher, Hasse, Lotz, & Møller, 2012).

Key influences on the European Commission included a 2011 Opinion of the European Economic and Social Committee (EESC, an advisory forum representing employers’ associations, trade unions and NGOs) on ‘Innovative workplaces as a source of productivity and quality jobs’ (EESC, 2011) and the ‘Dortmund-Brussels Position Paper’ (Dortmund-Brussels Position Paper, 2012) signed by more than 30 experts and practitioners across the EU, both calling for more proactive interventions by the European Commission.

In 2012 DG ENTR adopted workplace innovation in its industrial and innovation policy and decided to support and fund a European Workplace Innovation Network (EUWIN) for four years, embracing all 27 EU Member States, EU candidate countries, Switzerland and Norway. EUWIN was designed to exchange good practices and establish ‘workplace innovation alliances’ of employers’ associations, trade unions, governments and knowledge institutes. According to DG Internal Market, Industry, Entrepreneurship and SMEs (DG GROW, the former DG ENTR) workplace innovation improves motivation and working conditions for employees, which leads to increased labour productivity, innovation capability, market resilience, and overall business competitiveness. All enterprises, no matter their size, can benefit from workplace innovation, states DG GROW. It improves performance and working lives, encourages creativity of employees through positive organisational changes, combines leadership with hands-on, practical knowledge of frontline employees, and engages all stakeholders in the process of change. This policy is also part of the ‘Advanced Manufacturing Programme’ (ADMA): “Workplace innovation has to provide advanced solutions for manufacturing industry, based on the newest technologies” (European Commission, 2014, pp. 27 – 28).
In the words of DG EMPL: “With the Europe 2020 Strategy it also became a priority to support workplace innovation aimed at improving staff motivation and working conditions with a view to enhancing the EU’s innovation capability, labour productivity and organisational performance” (European Commission, 2015, pp. 169 – 70). One of the paragraph titles is ‘Complementing technological innovation with workplace innovation’ (p. 164).

**Workplace innovation still supported at EU-level**

The importance of job quality has recently been underlined in the conclusions of the evaluation of the Europe2020 Strategy: The employment policy was rather successful but “cannot encompass all the aspects of the changing workplace, in which the quality of jobs matters as much as their availability. In the future, greater attention should be given to the aspect of the quality of work” (European Commission, 2019b, p. 7).

In another publication, DG EMPL concluded: “Robust economic expansion in the EU cannot be sustained without higher total factor productivity growth, which relies more on the efficient use of productive factors, rather than just expanding their use. Total factor productivity thrives in Member States and regions with strong labour market institutions and in firms that invest in workers’ training and innovative capital and processes. Policies that help to develop human capital and facilitate workplace innovation are most effective in increasing productivity in the long term, provided labour markets do not discriminate and firms can access the necessary capital” (European Commission, 2019c, p. 28).

In December 2017 the European Commission established the ‘Industry 2030 high-level industrial roundtable’ with 8 independent experts and 12 representatives of employers’ associations and trade unions. Among the opportunities for Europe are mentioned:

- “Europe has more experience in social dialogue than other regions in the world and can use that to shape industrial transformation to achieve co-ownership. It can build on this expertise to co-create future industrial policy and adapt it to the needs of a changing world and society.
- The human-centred design of technology, while breaking down the silos between technology and society and democratizing technology development with more bottom-up initiatives, could stimulate responsible disruptive innovation, e.g. the European way of creating intelligent machines based on collective human-machine dynamism provides an opportunity to enhance human labour with new robot and AI tools instead of substituting human labour with robots” (Industry 2030 high-level industrial roundtable, 2019, p. 11).

Finally, one of the recommendations for building an enabling environment for more sustainable business activities is: “Promote the development of workplace innovation and
other modern practices, which influence both wellbeing and economic performance of companies” (p. 35).

Recently the *European Economic and Social Committee (EESC)* published a new ‘own-initiative opinion’ on ‘Social dialogue for innovation in digital economy’. One of the recommendations is to continue promoting workplace innovation. “At national level initiatives by social partners to enhance the productivity and well-being of workers at workplace level are a promising method, that should be promoted in a wider European context. In this regard the EESC welcomes the initiatives and research of Eurofound and the European Workplace Innovation Network and proposes that the EU take action to develop the dialogue between social partners and other stakeholders in the context of participative approaches to promote workplace innovation” (...) “The EESC endorses the view that the probability of innovation is boosted when strong work organisation structures are combined with various forms of increased employee participation within a solid legal and contractual framework. With this aim collective representation needs to be increasingly accompanied by a more inclusive, reflective and democratic dialogue in work structures and methods. The importance of training in social dialogue for management in order to adapt management methods in the new context should equally be taken into account” (EESC, 2019, p. 4).

The *European Agency for Safety & Health at Work (EU-OSHA)* published a study, *Foresight on new and emerging occupational safety and health risks associated with digitalisation by 2025* (EU-OSHA, 2018) in which workplace innovation is used as an option to construct scenarios. In a recent Discussion Paper EU-OSHA uses the concept of ‘social innovation in the workplace’, meaning non-technical innovations that emphasise good quality jobs and employee participation. The argument is that the fourth industrial revolution should go together with social innovation in the workplace (EU-OSHA, 2019).

These high-level recommendations seem to reflect high levels of agreement about the positive impact of workplace innovation. However, the transposition of these recommendations to EU and national policies is not that self-evident. In particular the employers’ representatives emphasise that work organisation and technology is their responsibility. They decide when and how workers will be involved. Arrangements with trade unions and/or governments do exist but are exceptional. Where joint programmes of social partners are not achievable (at the moment), the need for government initiatives seems obvious. Good examples are ongoing programmes in Finland, Germany, Basque Country (Pomares, 2019) and Scotland (Totterdill, & Exton, 2018).

**Policy actions needed from the EU**

*The implementation of the European Pillar of Social Rights could be enhanced by stimulating workplace innovation.*
There is a need to increase awareness of the benefits of workplace innovation among the management of organisations. Accumulating research links workplace innovation to critical issues for organisations, such as productivity, innovation, competence development, job quality and wellbeing at work, employee recruitment and retention. Workplace innovation connects these agendas. However, too few organisations are having workplace innovation at the very DNA of the organisation. The European Commission should continue to support

- The specific and combined roles of social partners, professional organisations and researchers in scaling up evidence-based practice;
- The operation of learning networks as a means of disseminating and resourcing workplace innovation

Social partnership can help to support upward convergence in working conditions by improving the implementation and operation of policy at EU, Member State, sector and organisational levels.

A study by Eurofound (2019) found upward convergence in six dimensions of working conditions, in terms of poorer-performing Member States catching up with better-performing Member States. The seventh dimension (prospects: job security and career advancement) showed downward convergence. The policy analysis uncovered a strong preference for social partnership among stakeholders. Given that it is supported and seemingly effective, the European Commission should enlist social partnership in its endeavours to promote upward convergence (Eurofound, 2019). The same holds for workplace innovation which is strongly related to working conditions. Upward convergence in workplace innovation is still very limited. Compared to working conditions an important reason is probably that the type of influence that was chosen could be called ‘soft regulation’ (invitation, stimulation, research etc.), to be distinguished from ‘hard regulation’ (legislation, directives etc.) for most working conditions.

In its skill policy the European Commission could emphasise that only 21st century organisations that apply workplace innovation can fully benefit from 21st century skills. Formal recognition of the skills acquired by workers would improve their job prospects. Skills learnt on the job, in particular, tend to go uncertified, especially when workers have multiple, and often temporary, employers. The experts interviewed for this study emphasised the need for proper accreditation of skills acquired in the workplace. One option suggested was the introduction of a skills passport held by all workers (Eurofound, 2019).

The European Commission should continue supporting research into

- The relation between job quality, productivity and innovation
- Barriers and promoting factors for workplace innovation
- Evaluating and benchmarking national and regional policy interventions designed to promote workplace innovation
- Monitoring workplace innovation. ‘Organisational innovation’ in the Community Innovation Survey (CIS) is not an alternative as this measurement is not specific (Kesselring, Blasy, & Scoppetta, 2014). Organisational innovation has the potential to
enhance or diminish job quality (Boxall & Winterton, 2018, Warhurst et al., 2018). For research we need to know what kind of organisational innovation is at stake.

**Conclusion**

Organisations, either public or private, have to change. The conceptualisation of organisation or corporation needs rethinking. Not only because of globalisation and digitisation but also because of energy transition, the corona crisis and demographic developments. It’s clear that this cannot be left to management and/or market forces alone. All talents available must be unlocked. Public authorities on different levels should develop programmes to stimulate and facilitate the changes (soft regulation). The European Pillar of Social Rights provides the values and objectives for such programmes. Workplace innovation can play a key role in the implementation of such programmes, achieving better jobs and performance.

**References**


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