

Sizing the productivity problem: Evidence submission

Skilled Managers – Productive Workplaces (SMPW) is an ESRC-funded study, awarded under the *Transforming Productivity, Management Practices and Employee Engagement* call. SMPW focuses on the evaluation of impacts from an online training intervention that provides managers with the skills they need to handle complex and difficult workplace issues; exploring how the training intervention changes managers’ practice, the quality of their relationships with staff, and evaluating whether this translates into improved performance.

This project is led by the University of Westminster and University of Sheffield, in partnership with the Advisory, Conciliation and Arbitration Service (Acas). Please contact Prof. Peter Urwin for further details urwinp@westminster.ac.uk.

The project engages with a variety of UK-based organisations expressing interest in the research, to implement a group-randomised trial (GRT) that randomly allocates managers in some workplace units to receive an online training ‘treatment’ and other units to a ‘business as usual’ control. We are currently moving from the development stage, where a new online training intervention has been widely trialled with managers, to the evaluation stage.

The project will contribute important causal evidence on the role that management practice and capability play in the productivity challenge, but even at this earlier stage in the project we have some useful insights. These arise from the process of engaging with organisations, trialling interventions, responding to feedback and then carrying out further trials; and are relevant to questions on the likely sectoral nature of the productivity challenge and why these may persist in some organisations.

Monahan and Balawejder (2020a)¹ identify the crucial importance of, ‘sectors, such as retail, hospitality and administrative services...in raising the aggregate productivity of the UK’, suggesting that they, ‘could benefit from a targeted intervention’. Our experience to date is that these sectors are particularly needful of training interventions that are not currently well provided by the market. This is very much emerging evidence, but here there is a potential for an issue flagged in Sadun, Bloom and Van Reenan (2017)² to be particularly acute. In these sectors, temporary and zero hours contracts are common and turnover is high; we see many younger workers who have recently entered the labour market; and they often have lower skill levels. These sectors are particularly in need of management training interventions that focus on the basics – Sadun et. al (2017) argue that organisations need a greater focus on components of ‘operational’ management, rather than the current focus on ‘strategic’ management.

In these sectors, operational management interventions need to be ‘light touch’ so staff can access them flexibly around often long and irregular hours. They also need to be so, because the economics of the sector do not support training interventions that are costly in terms of time commitment and

¹ Monahan, E. and Balawejder, F. (2020a), *The Sectoral Landscape: An Evidence Review*, Industrial Strategy Council Research Paper.

² Sadun, R., Bloom, N. and Van Reenen, J. (2017), “Why Do We Undervalue Competent Management?”, *Harvard Business Review*

finance. During the development stage of the SMPW project we have therefore created an online offer that has been very well received in these sectors and tackles this gap in the market.

The potential for such an intervention to impact productivity in these sectors is now even more apparent, as a combination of factors are adding to severe post-pandemic staffing challenges. This leads to working conditions that negatively impact well-being and worsens absence, presenteeism and turnover rates. This challenge requires managers who can master at least the basic skills of People Management, including communication, providing effective feedback, having difficult conversations, and dealing with conflict. However, managers in these sectors have little time to engage with traditional management development processes, which themselves are arguably flawed.

Work by Forth and Rincon Aznar (2018)³, Thomson et. al (2016)⁴ and Saundry and Urwin (2021)⁵ suggests there is potential for significant gains in sectors such as retail, hospitality and [another focus of the SMPW study] social care, if we are able to raise performance to the levels of some of our main international competitors. Such gains also have the potential to improve the wellbeing and life experiences of the UK's 'most vulnerable groups or locations'⁶.

Our suggestion that these sectors are not well served by the market, for the required management skills and form of delivery, implies some element of market failure. Thomson et. al (2016) detail potential demand-side failures, with organisations put off investing in training because of high staff turnover rates and the loss of investment this implies. This is likely to be true of these sectors, but there is also a potential for this to have been historically compounded: the previous focus on face-to-face training provision is less flexible, has a higher cost per unit and is less easily scaled. In sectors with high staff turnover, lower value added per worker [ibid.] and highly variable working patterns, face-to-face training offers are less likely to be economically or practically viable. The move online for many activities following the pandemic now presents an opportunity to change this.

³ Forth, J. and Rincon Aznar, A. (2018), *Productivity in the UK's low-wage industries*, Joseph Rowntree Foundation.

⁴ Thomson S., Colebrook, C., Hatfield, I. and Doyle, P. (2016), *Boosting Britain's low-wage sectors: a strategy for productivity, innovation and growth*, Institute for Public Policy Research (IPPR)

⁵ Saundry, R. and Urwin, P. (2021), [Estimating the costs of workplace conflict](#), Acas

⁶ Monahan, E. and Balawejder, F. (2020b), *Effective Policy Approaches to Sectoral Issues*, Industrial Strategy Council Research Paper.