



## Does high involvement management improve worker wellbeing?<sup>☆</sup>

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### ABSTRACT

Employees exposed to high involvement management (HIM) practices have higher subjective wellbeing, fewer accidents but more short absence spells than “like” employees not exposed to HIM. These results are robust to extensive work, wage and sickness absence history controls. We highlight the possibility of higher short-term absence in the presence of HIM because it is more demanding than standard production and because multi-skilled HIM workers cover for one another’s short absences thus reducing the cost of replacement labour faced by the employer. We find direct empirical support for this. In accordance with the theoretical framework we find also that long-term absences are independent of exposure to HIM, which is consistent with long-term absences entailing replacement labour costs and with short absences having a negative effect on longer absences.

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### 1. Introduction

What people do affects how they feel at the time and how they subsequently evaluate themselves and their life more generally (Kahneman and Krueger, 2006). What happens at work matters partly because working individuals spend so much of their time at work, but also because it is salient in the way they think about themselves and the value they attach to their lives. This is borne out in empirical research. For instance, studies focusing on reflexive wellbeing indicate that job satisfaction is strongly positively associated with life satisfaction, even after controlling for satisfaction with other aspects of one’s life (Rice et al., 1980). Job satisfaction is also strongly associated with better mental health measured in a variety of ways (Warr, 2007; Llana-Nozal, 2009). However, recent research paints a more nuanced picture. Day reconstruction

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method (DRM) studies show that time spent with one's supervisor is often among the most stressful and least enjoyable parts of the day (Kahneman et al., 2004). So paid employment can be both good and bad for wellbeing. The type of work one undertakes also appears to be important. Thus, although moving into employment from non-employment is usually associated with improvements in mental health, the gains to entering non-standard employment contracts are often much lower (Llena-Nozal, 2009).

Standard models assume that employers make adjustments to the production process to maximise profits, rather than employee wellbeing. Consistent with this, there is empirical evidence that management practices will be adopted if their productivity benefits exceed the costs of introducing and maintaining them (Bloom and Van Reenen, 2007) and that firms will switch management practices – even if they are productivity enhancing – if the costs outweigh the benefits (Freeman and Kleiner, 2005). However, the way jobs are designed can also have a profound impact on workers' mental and physical wellbeing (Wood, 2008; Pouliakas and Theodoropoulos, in press). There is also evidence that happier workers are more productive at work (Oswald et al., 2009; Böckerman and Ilmakunnas, 2012). It does not follow, however, that employers will invest to maximise the wellbeing of their workers since such investments are themselves costly.

In recent decades many employers have introduced practices designed to maximise employees' sense of involvement with their work, and their commitment to the wider organisation, in the expectation that this will improve their organisation's performance. Although there is a good deal of debate as to the precise set of practices that are deemed "high involvement practices", core components include teams, problem-solving groups, information sharing, incentive pay, and supportive practices such as training and associated recruitment methods (Wood and Bryson, 2009). Collectively they constitute "high involvement management" (HIM). Rarely do analysts believe single practices constitute the presence of HIM. Rather, it is "bundles" of practices – often incorporating greater autonomy or control and greater performance-based pay – which analysts believe can help transform the working environment (Ichniowski et al., 1997; Ichniowski and Shaw, 2009; Shaw, 2009). A sizeable literature explores the links between these practices and firm performance (for a review see Bloom and Van Reenen, 2011), but far less is known about the effects of HIM on employees' health and other measures of wellbeing. The investigation of links between HIM and worker wellbeing is timely because HIM has become increasingly common in developed industrialised economies (Wood and Bryson, 2009) while, at the same time and perhaps coincidentally, there are indications of a decline in worker wellbeing (Oswald, 2010; Green, 2006, 2009). *A priori*, it is uncertain what impact HIM is likely to have on employee wellbeing. On the one hand, if HIM enriches employees' working lives by offering them greater job autonomy, more mental stimulation, team-based social interaction, and a heightened sense of achievement, this may improve worker wellbeing. On the other hand, if HIM is simply a means of intensifying worker effort, this may lead to a higher incidence of illness, injury, absence and stress.

In this paper, we explore the impact of HIM practices on worker wellbeing using an innovative combination of survey and register data. The use of linked data is a methodological advance over the existing studies. The key problem in previous research is that workers are not randomly assigned into HIM. This may bias the estimates of HIM on employee wellbeing considerably. If workers with 'good' work histories are more likely to be found in HIM jobs, the estimates of HIM on employee wellbeing are upwardly biased.<sup>1</sup> The size of this bias is not known. We tackle the problem caused by sorting of employees into HIM status by controlling for a particularly rich set of employees' work and sickness absence histories. This provides us with a better identification strategy than the ones that have been used previously.

Using linked data we contribute to the literature in five ways. Firstly, we establish whether healthier workers sort into jobs that involve using high involvement practices, as one might expect if HIM jobs demand more of workers than non-HIM jobs. We do so by linking register data on Finnish workers' absence histories to a nationally representative survey in which employees identify which, if any, high involvement practices they are exposed to in their jobs. Secondly, we estimate the impact of HIM practices on employee wellbeing having controlled for worker sorting into HIM jobs by conditioning on sickness absence histories and work and wage histories. Data limitations mean this has not been possible in the literature until now. Thirdly, we present theoretical arguments on why higher short-term absences in the presence of HIM are consistent with no association between HIM and long-term absences. Fourthly, unlike most of the literature that tends to focus on specific aspects of worker wellbeing we explore HIM effects across a broad range of wellbeing measures. Specifically, we estimate the effects of HIM on three types of wellbeing measure, namely sickness absences, both short-term and long-term; subjective wellbeing (job satisfaction, work capacity, the state of one's health, and feelings of tiredness); and physical discomfort at work, as measured by the experience of pain in four different parts of the body (lumbar, legs, arms and neck). Finally, we estimate the empirical models for a complete set of different "bundles" of HIM practices.

The remainder of the paper is structured as follows. Section 2 reviews the theoretical and empirical literatures linking HIM to employees' wellbeing. Section 3 introduces the data. Section 4 reports our results and Section 5 concludes.

## 2. Theoretical and empirical literatures

Since the early 1980s management theorists and practitioners have advocated innovations in job design expressly intended to elicit greater labour productivity via greater employee involvement (Beer et al., 1984, 1985; Walton, 1985).

<sup>1</sup> We use the adjective "good" to refer to work histories exhibiting high and/or rising wages and stable employment with few unemployment and sickness absence spells.

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