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# *Inaugural Address*

## *Human Resource Management and the Search for the Happy Workplace*

Prof. dr. Riccardo Peccei

Erasmus University Rotterdam  
Rotterdam School of Management  
Rotterdam School of Economics



ERASMUS UNIVERSITEIT ROTTERDAM

**HUMAN RESOURCE MANAGEMENT AND THE SEARCH FOR  
THE HAPPY WORKPLACE**

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# **HUMAN RESOURCE MANAGEMENT AND THE SEARCH FOR THE HAPPY WORKPLACE**

## *Inaugural Address*

Address given in shortened form at the occasion of accepting the appointment as Professor on the Rotating Chair for Research in Organisation and Management in the Faculty of Economics, on behalf of the “Vereniging Trustfonds Erasmus Universiteit Rotterdam” with the teaching and research commitment ‘Organizing and Human Resource Management’ on Thursday, January 15, 2004

by

Prof. Dr. Riccardo Peccei

## **Abstract**

The analysis of the impact of human resource (HR) practices on employee well-being at work is an important yet relatively neglected area of inquiry within the field of human resource management (HRM). In this inaugural address, the main findings from ongoing research based on data from the 1998 British Workplace Employee Relations Survey (WERS98) are presented. These suggest that the HR practices that are adopted by organisations have a significant impact on the well-being of their workforces and that this impact tends, on the whole, to be more positive than negative. The effects, however, are more complex than is normally assumed in the literature. In particular, preliminary results indicate that the constellation of HR practices that help to maximise employee well-being (i.e. that make for happy workplaces), are not necessarily the same as those that make up the type of 'High Performance Work Systems' commonly identified in the literature. This has important theoretical, policy and ethical implications for the field of HRM. These are discussed along with important directions for future research.

*Mijnheer de Rector Magnificus,  
Geacht College van Decanen,  
Distinguished Colleagues,  
Ladies and Gentlemen,*

It is with honour and pleasure that I accept the appointment as Professor on the Rotating Chair for Research in Organisation and Management in the Faculty of Economics of Erasmus University Rotterdam by giving this inaugural address entitled “Human Resource Management and the Search for the Happy Workplace”.

### **Introduction**

All fields of scientific inquiry have their search for their own Holy Grail, for the answer to that key question that for a time serves to define the very forefront of the discipline. In the biochemistry of the late 1940s and early 1950s, for example, this arguably was the search for the structure of DNA, while in the industrial and organisational psychology of the 1970s and 1980s it was the study of the relationship between job satisfaction and job performance, the exploration of the so called ‘happy-productive worker’ hypothesis (Landy, 1989; Weiss & Cropanzano, 1996). In my own field of inquiry, which is the study of human resource management (HRM), the Holy Grail, undoubtedly, is the link between HRM and organisational performance (Purcell, 2003).

As an area of inquiry in its own right HRM is relatively young, no more than about 20 to 25 years old. Over this period the primary focus of much of the literature in the area has been on the relationship between HRM and organisational performance, on the impact that individual human resource (HR) practices and systems of HR practices have on various aspects of firm performance (Becker & Gerhart, 1996; Becker & Huselid, 1998; Wright & Boswell, 2002). More recently, researchers, spurred in part by critical writers in the area (e.g. Keenoy, 1990; Legge, 1995, 2000), have begun to focus more directly on worker outcomes and to look explicitly at the impact that HR practices have on employee attitudes and behaviour at work (Applebaum et al., 2000; Guest, 1999, 2002; Ramsay et al., 2000). But as I will explain more fully later, research in this area is still limited and existing findings are often inconsistent and/or inconclusive. The dominant concern has been, and still is, to try to understand how organisations can manage their human resources more effectively and the impact, therefore, that different types of HR policies and practices are likely to have on key performance outcomes.

Now issues about organisational performance and about the link between HRM and performance are clearly important. Arguably, though, this is a rather one-sided

approach to the analysis of HRM, one that tends to ignore the human factor, the very people that HRM presumably is all about. In particular, it ignores the impact that HR practices, or more generally, HR systems actually have on employees' quality of working life, on their experienced sense of satisfaction and well-being at work. In other words, the real challenge in the field of HRM is not just to understand how HR policies and practices in the areas, for example, of employee selection, training, job design and rewards can help to maximise the productivity and financial performance of the organisation. But rather, it is also to understand how different policies and practices in these key areas actually affect the people most directly involved, namely, workers on the shopfloor, the so called 'human resources' of Human Resource Management.

What I want to do today is focus on the latter relatively neglected area of inquiry within the field of HRM – on the impact of HRM on employee well-being at work. More specifically, I want to do three things:

- 1) First, is to explain a bit more fully why it is important to look at worker outcomes and, in particular, at the effect that HR practices have on employee well-being at work.
- 2) Second, is to summarise existing theoretical and empirical work in the area and review what we know about the impact of HRM on worker well-being.
- 3) And third, I want to report some preliminary results from work that I am currently doing in the area.

I will then conclude by suggesting some directions for future research.

Before proceeding, however, there are two general points that should be noted. The first concerns the notion of HRM itself. As a number of writers have pointed out, there is no agreed definition of HRM in the literature (Becker & Gerhart, 1996; Wright & Boswell, 2002). In particular, there is no real consensus as to "the exact HR practices that make up a coherent HRM system" (Delery, 1998, p. 296). For the purpose of today's discussion, I adopt a broad approach to the notion of HRM. Specifically, I treat HRM systems as comprising a wide range of practices covering all main aspects of the management of people in organisations including, for example, policies and practices in the areas of recruitment and selection, training and development, job design, pay and rewards, numerical flexibility, communications and employee welfare.

The second general point concerns the notion of well-being. It is important to emphasise from the very beginning that my concern today is not with people's overall sense of well-being or happiness (Diener et al., 1999; Veenhoven, 1991). Rather, my interest is in the narrower and more specific phenomenon of well-being at work. This type of well-being is an aspect of, and can certainly contribute to people's overall sense of happiness, but it is analytically distinct from general

well-being (Argyle & Martin, 1991). It is also worth noting that there are a number of dimensions of well-being at work that have been distinguished in the literature including, for example, both positive and negative work-related affect, job stress and various aspects of job satisfaction (Furnham, 1991). While acknowledging these different dimensions, today, when looking at employee well-being, I will, for the most part, be focusing on job satisfaction and job stress.

### **Why Look at the Impact of HRM on Employee Well-Being?**

There are a number of reasons why it is important to look more systematically at the impact of HR practices on employee well-being. At its simplest, the key reason is that employee well-being is an important outcome in its own right. This, to some extent, has been obscured by the heavy emphasis that has traditionally been placed within the HRM literature on more managerially oriented performance outcomes. It is worth remembering, however, that questions about worker satisfaction, fulfilment and well-being, and about the quality of work life more generally, have long been of central concern to many researchers in organisational behaviour (OB), industrial and organisational psychology (IOP), industrial relations and the sociology of work. Think, for example, of the classic work of Blauner (1964) on freedom and alienation at work, of Goldthorpe and his colleagues (1968) on the affluent worker, of Hodson (2001) on dignity at work, of Likert (1961) on participative systems of management, of Hackman and Oldham (1980) on work redesign, or of Fox (1974) on so-called 'man mismanagement' in industry. To consider more explicitly the effects that HR policies and practices have on employees themselves would help to realign HRM research with an important tradition of thinking in the social sciences. In the process, it would help to refocus HRM inquiry in a less overtly managerial direction.

This would by no means imply ignoring questions about effectiveness and productivity. A second reason for focusing more explicitly on worker outcomes, in fact, is that employee satisfaction and well-being play a central role in explanatory models of the link between HR practices and organisational performance. A number of explanations of this link have been proposed in the literature. Particularly important in this respect are behavioural theories that suggest that the impact of HR practices on performance is mediated by employee attitudes and behaviour, including, for example, overall levels of worker satisfaction, commitment and well-being (Appelbaum et al., 2000; Becker & Huselid, 1997; Guest, 1997; Paauwe & Richardson, 1997). Central to these models is the idea that the adoption by organisations of progressive HR policies and practices in the areas, for example, of selection, training, rewards, job design and so on, helps to maximise employee positive affective reactions at work. This, in turn makes employees more willing to work hard and put in extra effort on behalf of the



organisation, thus actively contributing to the overall productivity and effectiveness of the system.

I will return to some of these arguments later. The key point to note here, though, is that trying to gain a better understanding of the HRM-well-being relationship is important not only in its own right, but also as a means of contributing to wider debates in the field of HRM about the impact of HR practices on organisational performance.

## **The Impact of HRM on Employee Well-Being: Theoretical and Empirical Issues**

### Theoretical Perspectives

Having considered the case for looking at the effects of HR practices on employee well-being, I now want to review some key theoretical and empirical issues in the area. I start by looking at different perspectives on the impact of HRM. Generally speaking, three main views can be identified in the literature. For ease of presentation I refer to these as the optimistic, the pessimistic and the sceptical perspectives respectively.

*Optimistic Perspective.* Central to this view, which is commonly associated with mainstream scholars, is the idea that HRM is beneficial for workers, that it has a generally positive impact on their well-being. The argument here is similar to the one I reviewed above in connection with behavioural theories of HRM. This is the idea that the adoption of progressive HR policies and practices by management in the areas of job design, training and development, employee involvement, information-sharing, pay and rewards and so on, leads to higher levels of job discretion and empowerment for employees. It also leads to the establishment of a generally more interesting, rewarding and supportive work environment. All this, in turn, results in a better quality of work life for employees and, therefore, to a generally more satisfied and integrated workforce. In return, workers are hypothesised to repay the organisation by working harder, putting in more effort and engaging in various forms of citizenship behaviour which, over a period of time, help to enhance organisational productivity and performance. In brief, the optimistic view, in line with behavioural theories, sees both employers and employees as directly benefiting from HRM.

*Pessimistic Perspective.* In contrast, the pessimistic perspective, normally associated with critical scholars and neo-Marxist writers including, in particular, labour process theorist, views HRM as essentially harmful to workers, as having a generally negative impact on their interests and well-being. Central to this

argument is the idea that the adoption of more advanced high performance practices by organisations normally leads to an intensification of work and to a generally more systematic exploitation of employees on the shopfloor (Delbridge & Turnbull, 1992; Fucini & Fucini, 1990; Landsbergis et al., 1999). This is often accompanied by increased surveillance and monitoring of worker effort by both management and fellow workers (Barker, 1993; Sewell & Wilkinson, 1992). The net result is that far from being better off, employees under HRM have less control, have to work harder and are under greater pressure at work. All this, according to some critics, is made worse by the fact that workers are often unaware of the exploitative nature of HRM (Legge, 1995; Guest, 2002). The discourse of HRM, in fact, is said to act as an ideological smokescreen. It is a discourse that, under the guise of greater employee involvement and empowerment, helps to obscure the true nature of HRM regimes, making the increased exploitation that inevitably accompanies the adoption of more advanced HR practices less visible and, therefore, more palatable to workers (Keenoy, 1997; Willmott, 1993). In brief, therefore, according to the pessimistic view, it is above all employers and not workers who benefit from HRM, although workers, in many circumstances, may well be duped by the rhetoric of HRM into thinking that they too are better off.

*Sceptical Perspective.* Finally, according to the sceptical view, HRM does not necessarily have a significant impact, either positive or negative, on employee well-being. This is the least well developed of the perspectives. There are, however, a number of quite interesting arguments underpinning the sceptical view. Here I will just outline a few of the more interesting ones by way of illustration.

One possible reason why HRM has a limited impact on employee well-being is that the rate of adoption of more advanced or progressive HR practices by organisations is, in reality, quite low. And often, in any case, the practices that are adopted are not implemented very effectively, as evidenced, for example, by the way in which new performance related pay schemes have been introduced in many organisations in recent years (Marsden & Richardson, 1994). In other words, the reason for the limited impact of HRM is that, in practice, there is not much of it about. And what there is of it, is often poorly implemented. Its impact, therefore, like the impact of either weak medicine or poison - depending on one's point of view - tends necessarily to be quite limited.

Another possible reason why HRM may not have a significant impact on employee well-being is that the impact itself may be contingent on other factors. The effects of HR practices on workers, in other words, may be moderated by other variables. The effects may vary, for example, depending on the age, skill and educational composition of the workforce, or on employees' individual dispositions and orientations to work, or on existing institutional arrangements,

such as the presence of a union and its orientation towards key aspects of HRM (Peccei & Rosenthal, 2001; Rosenthal et al., 1997).

A third alternative is that HR practices may have multiple effects on various aspects of employee satisfaction and well-being. Often, as suggested by Applebaum (2000), these effects may be mutually contradictory so that, in practice, they may end up cancelling each other out. Greater delegation of responsibility to workers on the shopfloor may, for instance, help to increase intrinsic job satisfaction. It may, however, also lead to an increase in job pressure, thereby cancelling out the positive psychological effects deriving from increased job autonomy. In other words, the effects of HR practices on employee well-being may be quite complex. The causal chains involved may be quite long and the network of effects rather diffuse and varied, thereby making any overall impact difficult to either predict or trace in a straightforward way.

### Existing Research Evidence

Against this background, what I would like to do now is turn briefly to the empirical evidence in the area. Specifically, what does existing research tell us about the impact of HRM on employee well-being?

In this context it is important to note that there is a vast literature dealing with the antecedents of various aspects of employee satisfaction and well-being at work. Within both OB and IOP, for example, there are extensive bodies of research dealing explicitly with the antecedents of various aspects of intrinsic and extrinsic job satisfaction and of job stress. These include important streams of work focusing, for instance, on the impact of job and role characteristics, or of different types of procedural and distributive justice on employee affective reactions at work (de Jong et al., 2001; Folger & Cropanzano, 1998; Parker & Wall, 1998).

From the present point of view this research, although clearly very important, suffers from a number of limitations. I will not go into these limitations in any detail here. Suffice it to say that much of this research tends to focus on the impact of employees' subjective perceptions of HR practices on their affective reactions at work, rather than on the impact of the actual practices themselves (Meyer & Allen, 1997). Moreover, to the extent that traditional OB and IOP studies have examined the effects of actual HR practices, they have tended to focus on the effects of individual rather than of multiple practices (Meyer & Allen, 1997; Guest, 2002).

In practice, therefore, despite the vast literature dealing with the antecedents of well-being at work, there are very few studies that look explicitly at the impact of multiple HR practices on employee affective reactions at work. Over the past decade, for example, there have been no more than a handful of broadly-based

quantitative studies that have explicitly examined the impact of multiple HR practices on various aspects of employee satisfaction and stress at work. These include, for instance, the research carried out by Guest (2002) in the UK using a nationally representative sample of employees working in both manufacturing and service organisations, as well as the national telephone survey carried out by Goddard (2001) in Canada, and the highly influential manufacturing industry study carried out by Applebaum and her colleagues (2000) in the States. Unfortunately, though, because of differences in ways of conceptualising and measuring HR practices and systems of practices, as well as differences in the methods of analysis used, the results of existing studies are difficult to compare in a systematic fashion.

To the extent that the available results can be compared, however, they tend to be rather mixed and contradictory. To take just one example, Guest (2002), in his UK study found a positive relationship between the adoption by organisations of various aspects of job enrichment and employee job satisfaction. In a similar vein, Applebaum and her colleagues (2000) found the use of participative work practices by manufacturing firms in the States to have a positive impact on employee satisfaction. Goddard (2001), on the other hand, found that amongst his sample of Canadian workers job satisfaction not only was not associated with the use of either job rotation or multiskilling, but was actually negatively related to team autonomy.

Despite the mixed nature of some of the results, however, there is not much evidence to suggest that, as argued by the pessimists, HRM has a systematic negative impact on employee well-being. Based on her major review of research in the area, in fact, Applebaum (2002), recently concluded that existing evidence suggests that the adoption of progressive HR practices by organisations, on balance, has a positive pay-off for workers. This is much the same conclusion that a number of other writers, such as Guest (2002) and Goddard (2001), come to in their own work. What remains unclear, though, is the specific impact that different HR practices actually have on employee well-being. And this is where some of the work that I have been doing on the effects of HRM fits in and is of direct interest. It is to this work, therefore, that I now want to turn, focusing specifically on some of the preliminary findings that are emerging from this ongoing research.

## **The Impact of HRM on Employee Well-Being Revisited: Some Preliminary Findings from the WERS98 Study**

### Sample and Measures

It is not possible to go into the details of the study here. In order to understand the findings, though, it is necessary to know a bit about the sample and the measures

used, and about the theoretical framework that informs the analysis. I will start, therefore, by providing some basic background on the research itself.

The study is based on an analysis of data from the 1998 British Workplace Employee Relations Survey (WERS98). WERS98 is a large-scale national representative survey covering approximately 28000 workers employed in over 1700 establishments operating across all main sectors of the British economy. WERS98 includes detailed management-derived data on the use of a wide range of HR practices within each of the 1700 establishments covered in the survey. It also includes individual level data on job satisfaction, stress and a range of other work experiences collected directly from a representative sample of employees within each workplace (Cully et al. 1999). The sample I have been using in my analysis includes about 23000 employees from 1249 workplaces and, as such, provides a unique opportunity to explore in greater detail the link between HR practices and employee well-being at work. For ease of presentation, I will refer to the study as the WERS98 research.

As part of the analysis I looked at a comprehensive range of 33 HR practices, based on data provided by management respondents in each of the establishments covered in the WERS98 survey. The practices involved cover all major areas of HR policy and include all main practices commonly associated with so called 'High Performance', 'High Commitment' and 'High Involvement' models of HRM (see Table 1).

Table 1 – HR Practices Covered in the WERS98 Study

*Employee Governance/Voice*

1. Have union recognition
2. Have consultative committee/works council

*Numerical Flexibility/Employment Stability*

3. Range of non-standard contracts/peripheral workers used
4. Percent permanent workers employed at workplace
5. Percent full-time workers employed at workplace
6. Average number of weekly hours worked by employees
7. Percent of employees at workplace that work overtime
8. Range of employment security arrangements in place
9. Extent of use of internal promotions/ILMs

*Work and Job Design*

10. Extent of job specialisation (number of job categories)
11. Percent of workforce that is multiskilled
12. Extent of job discretion/autonomy (delegated job control)
13. Extent of use of self-managed teams (SAWGs)

*Employee Knowledge, Skills and Competences*

14. Extent of emphasis on ‘soft’ skills in selection and training
15. Extent of emphasis on ‘hard’ skills in selection and training
16. Range of induction procedures used
17. Range of mechanisms used to transmit job duties/responsibilities
18. Volume of training provided to employees per year

*Foundation Practices*

19. Range of downward communications mechanisms used
20. Extent of information-sharing/disclosure to employees
21. Extent of off-line/consultative participation
22. Extent of use of formal performance appraisal/management
23. Range of quality management practices and procedures used

*Pay Structure, Benefits and Rewards*

24. Percent of workforce earning above £16,000 p.a.
25. Extent of wage dispersion at workplace
26. Percent pay increase at establishment in last year
27. Extent of use of individual performance related pay
28. Extent of use of organisational/establishment based contingent pay
29. Range of non-pay benefits provided to non-managerial employees

*Status Equalisation, Treatment and Welfare*

30. Extent of harmonisation of non-pay benefits
31. Range of family-friendly policies and practices in place
32. Range of equal opportunities policies and practices in place
33. Range of grievance and disputes procedures in place

I measured employee well-being in terms of both overall job satisfaction and job stress. Job satisfaction was measured with a four-item scale tapping respondents' satisfaction with key intrinsic and extrinsic aspects of their job, including their satisfaction with their amount of influence and sense of achievement in the job, their level of pay and the respect they received from management ( $\alpha = .85$ ). Job stress, on the other hand, was measured with a single item from the WERS98 survey that asked respondents how much they worried about their work outside of working hours. As part of the analysis I also constructed a simple overall measure of subjective well-being by combining the scores on the job satisfaction and job stress measures.

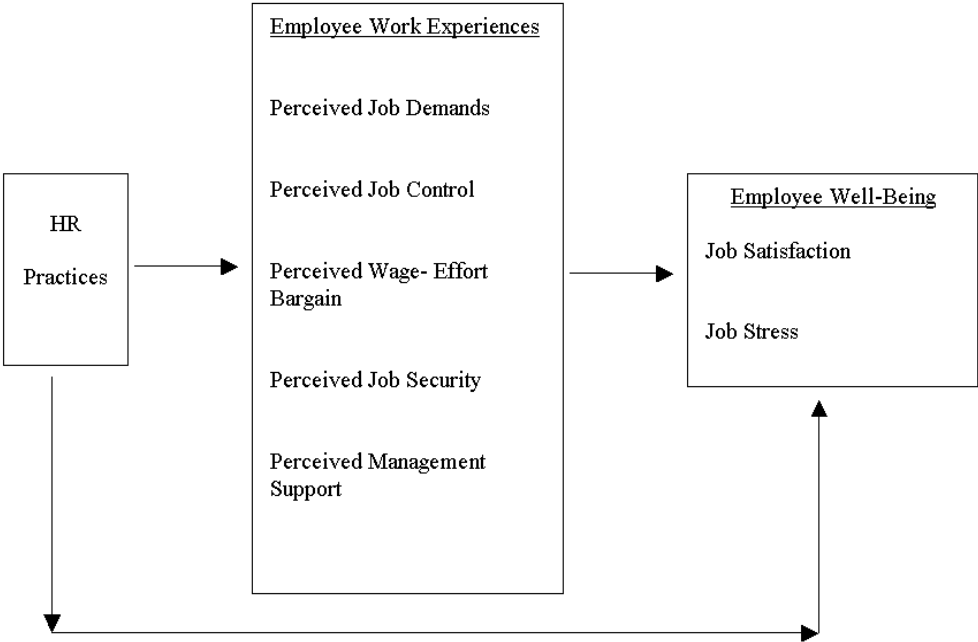
These three main individual level measures of employee well-being were then aggregated to the level of the establishment so that for each of the 1249 workplaces included in the analysis I had three main aggregate indicators of the well-being of the workforce as a whole. These were the proportion of the workforce in each establishment that was satisfied with their job, the proportion that reported a low level of job stress, and the proportion that reported a high level of overall well-being (i.e. that reported both high job satisfaction and low work stress). It was these three aggregate indicators of the well-being of the workforce in each of the 1249 workplaces included in the analysis that I then related to the extent of use of the 33 HR practices in each establishment. In other words, the focus of the study is at the aggregate organisational rather than individual level of analysis (Chan, 1998). The aim is to explore the extent to which the adoption by organisations of a range of HR practices significantly affects the overall well-being of their workforces.

In this context it is worth noting that there is considerable variation across British establishments in the use of the 33 HR practices. On average, however, establishments appear to have made high use of only about half of the 33 practices examined. Similarly, there is also considerable variation across establishment in levels of workforce satisfaction, stress and well-being. In general, though, overall levels of job satisfaction in British workplaces appear to be quite low. Only 32 percent of workers in each establishment, on average, reported that they were satisfied with their job. Levels of job stress, however, were also low with no more than a quarter of workers in each establishment, on average, reporting high levels of stress. The overall impression, therefore, is of workplaces that, on average, do not appear to be all that happy. They are workplaces where employees do not, by and large, feel under too much pressure at work, but where, at the same time, they are not particularly satisfied with their job, especially their pay.

Theoretical Framework

The general theoretical framework underpinning the analysis is shown in Figure 1. Central to this framework is the idea that employee job satisfaction and stress are a function of individuals’ experiences at work which, in turn, are affected by the HR practices that are in place in the organisation. Specifically, the focus is on five key job characteristics and work experience variables that existing theory and research suggest are likely to have a significant effect on employee satisfaction and stress at work (de Jong et al. 2001; Spector, 1997). These include employees’ perceived level of job demands and control, their perceived wage effort bargain, their sense of job security and their perceived level of support received from management at the workplace.

Figure 1 – Explanatory Model of the Impact of HR Practices on Employee Well-being



In addition, though, it is also recognised that HR practices may well affect employee well-being through a range of other mechanisms and/or work experiences that are not necessarily included in the present model. To the extent



that they do, they can also be expected to have a direct effect on well-being, one that is not mediated by the set of work experience variables identified in the model. This possibility is formally captured by the direct path that links the HR practices and the employee well-being variables in the diagram in Figure 1.

### Some Key Preliminary Findings

So what are the key results to emerge from the analysis of the WERS98 data so far? Basically, there are three main findings. These are outlined below.

The first is that the set of 33 HR practices do indeed have a significant and quite substantial impact on the various dimensions of well-being examined. Even after controlling for a range of other potential influences, the 33 practices taken together accounted for between seven and eight percent of the overall variance in levels of job satisfaction and job stress across establishments in Britain. In other words, the HR practices that organisations adopt actually appear to make a noticeable difference to the well-being of their employees.

Second, the impact of the different HR practices on well-being tends, on the whole, to be more positive than negative. Of the 33 practices examined, only 11, for example, had a negative impact on the composite measure of overall well-being used in the analysis, while 18 had a positive impact and four had no effect at all, either positive or negative. On balance, therefore, the results, provide stronger support for optimistic than for either neutral or pessimistic interpretations of the impact of HRM on employee well-being.

Having said this, though, the impact of the HR practices is considerably more complex than is normally assumed in the literature. The impact was found to vary depending not only on the particular practices involved, but also on the specific dimension of well-being examined. In this context it is worth noting that the effects of some of the practices were not always in the expected direction. Contrary to expectations, high levels of wage dispersion, for example, were found to be positively rather than negatively related to job satisfaction, while an emphasis on skill acquisition and on equal opportunities policies was found to be negatively rather than positively related to well-being.

The third major finding to emerge from the WERS98 study has to do with the specific drivers of employee well-being. That is to say, with the constellation of HR practices that the analysis suggests are most likely to maximise employee satisfaction and well-being at work. Essentially, what one is doing here is identifying the key features of what might usefully be thought of as employee-centred organisations, or well-being maximising HR systems. The key features, in other words, of happy workplaces.

So, in general terms, what are the characteristics of happy workplaces - of workplaces where it is more likely that employees will experience high levels of job satisfaction combined with low levels of work stress? Based on a preliminary analysis of the WERS98 data it would appear that happy workplaces are ones where, in terms of the set of work experiences identified in the theoretical framework discussed above, employees feel that they:

- 1) Have reasonable workloads and do not feel they have to work too hard;
- 2) Have reasonable levels of control and variety at work, but where jobs are not felt to be too demanding;
- 3) Have a good wage-effort bargain and feel that, on balance, they are well paid for what they do;
- 4) Have reasonable job security;
- 5) Are treated with consideration and respect by management and generally feel that management cares for their well-being and values their contribution at work.

The key question then is what are the main HR practices that help to sustain and underpin happy workplaces? Simplifying a bit, the results of the analysis suggest that there are a handful of practices in the areas of numerical flexibility, job design, pay and rewards, communications and employee welfare that are particularly important in this respect. Generally speaking, happy workplaces are more likely to be ones

- 1) First, where the workforce is employed on a more stable full-time basis, but where people do not necessarily have to work long hours or overtime. In other words, they are workplaces that make minimal use of peripheral workers on temporary and/or part-time contracts, but where hours of work are kept within reasonable bounds.
- 2) Second, where considerable emphasis is put on multi-skilling and where jobs, although individually paced, tend to be more loosely structured and defined. More generally, they are workplaces where management puts a reasonable emphasis on goal-setting and feedback, but where jobs are not particularly pressurised and where, on the whole, there is not a very strong emphasis on teamwork, on the systematic upgrading of skills and on the acquisition of new competences.
- 3) Third, where the workforce enjoys comparatively high rates of pay but where, at the same time, there is also a fair degree of internal dispersion in earnings and where, importantly, employees are provided with generous non-pay benefits, such as company health and pension plans and extra holiday and maternity leave entitlements.
- 4) Fourth, where management communicates extensively with employees through a variety of channels, and where there is systematic sharing and

disclosure of both financial and non-financial information to the workforce.

- 5) And fifth, where there are a range of family-friendly and work-life balance policies in place, but where less emphasis is placed on various types of equal opportunities measures, possibly because the level of diversity of the workforce is limited in the first place.

The central issue that these results raise, clearly, is whether happy workplaces of the kind identified above are also likely to be economically viable. In other words, are happy workplaces also likely to be productive, efficient and competitive?

The answer to this question may be far from straightforward. At one level it could be argued that happy workplaces, because they satisfy important individual work needs and expectations, may well be able to elicit high levels of extra effort and of citizenship behaviour from workers and, therefore, be reasonably productive in the short to medium term. On the other hand, the type of happy workplaces described above do not look much like the typical so called 'High Performance Work Systems' identified in the HRM literature (Applebaum et al. 2000). Rather, they more closely resemble modern versions of the type of paternalistic, relatively laissez-faire workplaces identified by Taylor (1911) nearly a century ago. These organisations may well be able to survive in semi-protected, fairly static environments but, on the whole, they are unlikely to be able to hold their own in more highly pressurised and competitive technological and market contexts.

These are clearly important issues since they direct attention to the fundamental question of whether it is in fact possible for contemporary organisations to be both happy and productive. Are happy workplaces actually viable in advanced industrial societies? Or is there necessarily a cost to happiness at work? In other words, are there fundamental trade-offs between efficiency and well-being in organisations and, if so, what are the precise nature of the trade-offs involved?

The WERS98 study does not directly address these issues. By focusing explicitly on the link between HRM and employee well-being, though, the study arguably is of direct relevance to the wider debate about HRM, happiness and performance. In particular, the results of the present research raise important questions about a core assumption that underpins much of the current thinking and theorising in the field of HRM. This is the idea, as we have seen, that systems of high performance HR practices that boost organisational effectiveness do so primarily because they have a positive pay-off for workers who, in return, are then assumed to repay the organisation by working harder and by exerting extra effort on the job. The assumption, in other words, is that employee well-being and organisational performance, far from being incompatible, go hand in hand and are inextricably positively linked. Clearly this is a comforting assumption. It is the academic

equivalent of having your cake and eating it too. It basically allows academics to side step or ignore difficult ethical issues in their research and in their policy advice since, after all, what is good for management is also assumed to be good for workers, and vice-versa.

The results I have reviewed today suggest that this may not necessarily be the case. The set of HR practices that help to maximise employee well-being are not necessarily those that make up supposedly more highly effective High Performance Work Systems. In turn, this suggests that there may well be important tensions between maximising well-being and maximising performance within organisations. The policy and ethical issues facing us as HRM academics, therefore, may well be considerably more difficult and complex than many of us have commonly assumed, or have liked to assume.

### **Conclusions**

I would like to conclude with two overall points. First, is to highlight some of the problems that we, as researchers, face in tackling the kind of questions I have been talking about today. And second, is to identify some important directions for future research.

First then, let me emphasise once more the preliminary nature of much of the material I have reviewed today. There is little doubt in my mind that a great deal more work needs to be done before we can really begin to understand the impact that different types of HR policies and practices have on various aspects of employee well-being, let alone the further links that may exist with a range of different dimensions of organisational performance.

Finding clear answers in this area is difficult indeed. The phenomena involved are multi-faceted and complex and, therefore, difficult to both conceptualise and measure precisely. The relationships between key constructs are also potentially highly complex. They are often deeply embedded in wider systems of variables, are non-recursive in nature and operate at different levels of analysis. As a result, these relationships are often difficult to model theoretically. They are also difficult to capture and study using the standard forms of analysis traditionally employed in our area of inquiry. The whole enterprise is made more difficult by the fact that the data at our disposal are, for the most part, quite crude, full of noise and predominantly cross-sectional in nature. Not surprisingly, therefore, it is often difficult to compare results across studies making cumulative progress in the area particularly slow. More fundamentally, relationships between key variables are difficult to pin down with any precision. Results are not always robust and often shift substantially not only from one study to the next, but also within the same study depending, for example, on the specific HR measures employed, the statistical techniques used, or the range of controls included in the analysis.

All this, clearly, is rather sobering. It leads one to question whether it really is possible to capture and understand the full complexity of the systems one is trying to study - the complex reality, in other words, of what goes on in organisations. Maybe the search for answers to such complex issues is ultimately futile. Some would say that it is folly even to try. But if it is folly to seek to understand what makes for happiness at work and how this may or may not be related to the effectiveness of organisations, then by all means I am all in favour of such folly - in Erasmian moderation, of course. My main caveat is that this folly would be most productive if properly directed at key outstanding issues in the area.

More specifically, I think that the greatest advances could be made by focusing not only on key issues of conceptualisation and measurement, but also on multilevel theory building and analysis (Kozlowski & Klein, 2000). In particular, there is an urgent need to develop a clearer definition and conceptualisation of the notion of HR practices and of systems of practices. This should go hand in hand with attempts to develop more robust, reliable and theoretically informed measures of HRM. Future research should also seek to cover a wider range of dimensions of employee well-being and explore how these are affected not only by HR practices, but also by workers' individual dispositions and orientations. In other words, future research should attempt to focus more explicitly on the interaction between HR practices and individual difference variables and see how these two combine to affect levels of subjective well-being, and how these, in turn, affect different dimensions of organisational performance. All this requires the systematic development of multilevel analytical models which, ideally, should be tested using longitudinal data at the level of both individuals and organisations (Ostroff & Bowen, 2000). The ultimate aim, in other words, is to understand how the changing nature of contemporary systems of employment and HRM affect employees' experiences, attitudes and behaviour on the shopfloor and how these, in turn, combine to affect the performance of organisations over time.

This, no doubt, is quite a tall order. But it is a quest that, I think, is well worth pursuing.

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Riccardo Peccei (1945, Torino, Italy, D.Phil Sociology, Oxford University 1984) is Reader in Organisational Behaviour (OB) and Human Resource Management (HRM) in the Department of Management at King's College London. His research interests include the study of the impact of HRM on organisational performance and employee well-being, the transformation of work and employment relations in the service sector, and the nature and consequences of employee empowerment, partnership and participation in contemporary organisations. He is particularly interested in multilevel analysis and in the study of macro-micro-macro relationships in OB and HRM. Within this perspective, together with colleagues from King's, Birkbeck College and the London School of Economics he has recently completed a series of studies on the impact of gender similarity/diversity on employee satisfaction and commitment at work, on the antecedents and consequences of information disclosure in Britain, and on the evaluation of the impact of the role of nurse consultants in the UK National Health Service. He publishes widely in internationally oriented journals such as the *Journal of Management Studies*, the *British Journal of Industrial Relations*, *Work, Employment and Society*, and *The International Journal of Human Resource Management*.



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