



EU - WORKCLIMATE

*WORKCLIMATE AND EMPLOYMENT RELATIONS IN THE E.U., WITHIN
THE CONTEXT OF QUALITY OF WORK
(LESSONS, BENCHMARKS AND CHALLENGES AHEAD)*

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CONTENT

1. INTRODUCTION
2. SAMPLE PROFILE
 - 2.1. Description of companies and participants in the sample profile by year.
 - 2.2. Demographic profile of the employees.
 - 2.3. Profile of the participating companies by Industrial Sector.
3. DATA REDUCTION AND IDENTIFICATION OF A NEW SUB-SETS OF FACETS: WORKCLIMATE REVISITED
4. PRINCIPAL RESULTS AND FINDING
 - 4.1. Work climate in the EU: country differences analyses from a cross sectional and longitudinal perspective.
 - 4.2. Workclimate: analysis via cluster of countries.
 - 4.3. Differences and communalities based on industrial sector.
 - 4.4. The universal vs. the differential effects of work climate on firm competitiveness in the UE.
5. CONCLUSIONS AND AGENDA FOR DEBATE
 - 5.1. Work climate and Competitiveness: Analysis by Proxy.
 - 5.2. Do happy employees equal Happy Shareholders?
 - 5.3. Do happy and healthy employee contribute to company competitiveness?

1. INTRODUCTION



Is there a link between the quality of the workplace culture and productivity? Do improvements in work climate and working conditions increase the quality and efficiency of investment in human capital and does it translate into productivity gains?. European firms are now involved in a dual race to increase the quality of life of its respective employees and at the same time to remain competitive in the ever increasing complex global world. Since the conclusion of the Lisbon European Council at the year 2000, one of the challenges for the European Union has been “to become the most competitive and dynamic knowledge-based economy in the world, capable of sustaining economic growth, with more and better jobs, and greater social cohesion”. Therefore, it is necessary to seek a convergence between competitiveness and the quality of working life for employees as the basis for promoting employee commitment, unleashing of organizational initiatives and the development of personal potential. The social dialogue is the driving force behind successful economic and social reforms.

The fundamental aim of the EU Workclimate project has been to conduct a comparative analysis amongst 14 member countries based on standardized information extrapolated from the “Great Place to Work® Europe” data bank. The Great Place to Work® Institute, Inc. has developed over the years a methodology (standardized instruments and data collection procedures) enabling the choice of “best companies to work for” in each country. The data bank includes information provided by employees and managers in hundreds of companies in each EU member state, compiled during the period of 2003-2005. The Institute of Labor Studies (IEL) at ESADE along with its other EU partners, has developed a strategy to apply secondary data analyses in view of further exploring the data and attempting to identify trends and benchmark cases at the country and industrial sector levels.

The EU Workclimate project is based on standardized data supplied by Great Place to Work® Europe. It has been collected in 14 European countries, during the period 2003-2005 (i.e. three consecutive years). These data comes from two sources: 1) The Trust Index© employee survey tool and, 2) The Culture Audit©.

The **Trust Index**© is a measurement tool created to consider the quality of relationships an employee experiences in the workplace. The Great Place to Work® Model© is based on the experiences of people in the best companies or “Great Workplaces” and the survey instrument was designed to reflect the attitudes and behaviours that employees experience in a great workplace. The dimensions were applied as an organizing principle – to support the broader discussion of the concepts and enable people to see the theoretical link between the notion of trust and trustworthiness, the overarching characteristics embedded in the perception of trust (credibility, respect and fairness), and the sub dimensions of the model that identify the behaviours and attitudes in framing clusters that make sense to employees, managers and leaders in workplaces. This questionnaire has been completed by employees (in all job categories) who work in the firms that participated in the Great Place to Work® as part of the annual competition/rankings. In graphic form, the basic GPTW Model© is displayed in Figure 1.

Figure 1. Basic GPTW Model©

Dimension	How it plays out in the	
Credibility	Two-way Communication Competence Integrity	
Respect	Professional Support Collaboration Caring	
Fairness	Equity Impartiality Justice	
Pride	Job Team Organisation	
Camaraderie	Individuality Welcoming Atmosphere “Family” Feeling	

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The second source for the data was obtained from the GPTW **Culture Audit**©. The Culture Audit© asks for both qualitative and quantitative information about the company, and it was completed by a senior manager of the firm. In the vast majority of the cases, the respondent was the senior Human Resource Manager. The report is very exhaustive and covers policies related to Human Resources and also seeks information on the philosophy of the founders/leaders of the organization, and the ways in which they try to achieve the mission and values of the organization. Given the wealth of the data and its volume, only portions of the Culture Audit© that was supplied, are described in the following section:

Figure 2. Company Questionnaire: Culture Audit©

<ul style="list-style-type: none"> • General Information Type of organization, Major changes • Demographic Information Full-time, Part-time, Temporary/contract employees (men/women); Job levels; Age; Length of Service; Disability; Ethnicity; Departures • Pay and other forms of Income • Training/lifelong Learning • Work/life Balance Job-protected maternity/paternity leave over and above the statutory minimum, time off for the care of dependants, child care benefits • HR Practices Job-sharing, Flexitime, Compressed hours working, Working from home/telecommuting, Unpaid career break, Sabbaticals • Diversity • Workplace Governance

More information about the measures:

The Great Place to Work® Trust Index© contains 56 questions which are measured on a scale of 1-5: (Almost always untrue, Often untrue, Sometimes untrue / Sometimes true, Often true, Almost always true). By and large, the statements on the questionnaire are a reflection of 5 dimensions that constitute the basic GPTW Model© (see fig. 1).

The Culture Audit© is provided to all companies that choose to participate in a Best Companies or Best Workplaces selection process. The ESADE research team was provided with a subset of the data from the Culture Audits©. Thus, the relevant portion of the Culture Audit that had been used in this study contains a subset of elements described in Fig 2.

2. SAMPLE PROFILE

2.1. Description of Companies and Participants in the sample profile by year

While the study was intended to cover 15 countries, only 14 European Countries were used as Luxemburg's data was not made available. The sample is made up of 2,578 companies where the Trust Index© of employees was obtained during the three year period, with a total participation of 354,476 employees. Due to the objectives and the methodology employed by GPTW, some countries have greater number of firms participating in the survey than others. For example, the larger contingency of participating employees (of the total population) are Germany (16.8%), Italy (12.2%) and the UK (10.6%); whereas the lower participating employees are the Netherlands (2.7%), Portugal (3.5%) and France (3.8%). Table 1 summarizes the distribution of the sample by year and country while also indicating the participation of companies and employees (participants).

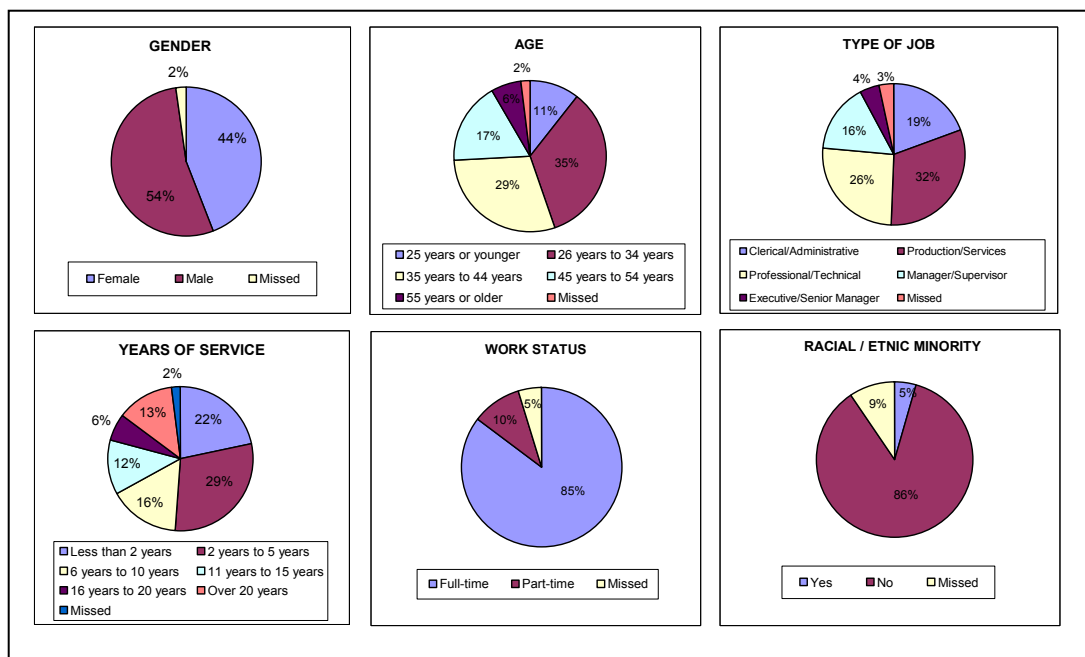
Table 1: Sample description by Year and Country

	2003		2004		2005		TOTAL	
	Companies	Participants	Companies	Participants	Companies	Participants	Companies	Participants
Austria	56	7.100	57	7.280	49	7.176	162	21.556
Belgium	50	6.148	61	7.327	43	5.462	154	18.937
Denmark	88	11.681	70	10.428	67	9.188	225	31.297
Finland	55	6.745	53	7.973	35	4.646	143	19.364
France	49	5.938	23	3.026	27	4.577	99	13.541
Germany	125	17.356	175	18.014	108	24.006	408	59.376
Greece	50	5.408	50	5.651	39	4.200	139	15.259
Ireland	101	10.422	83	9.781	75	9.060	259	29.263
Italy	71	13.384	60	14.663	62	15.134	193	43.181
Portugal	39	3.395	33	4.550	33	4.388	105	12.333
Spain	109	11.819	38	6.242	49	7.722	196	25.783
Sweden	66	8.909	30	4.074	29	4.676	125	17.659
The Netherlands	17	1.656	23	2.498	27	5.356	67	9.510
United Kingdom	101	12.289	98	11.859	104	13.269	303	37.417
Total	977	122.250	854	113.366	747	118.860	2.578	354.476

2.2. Demographic profile of the employees

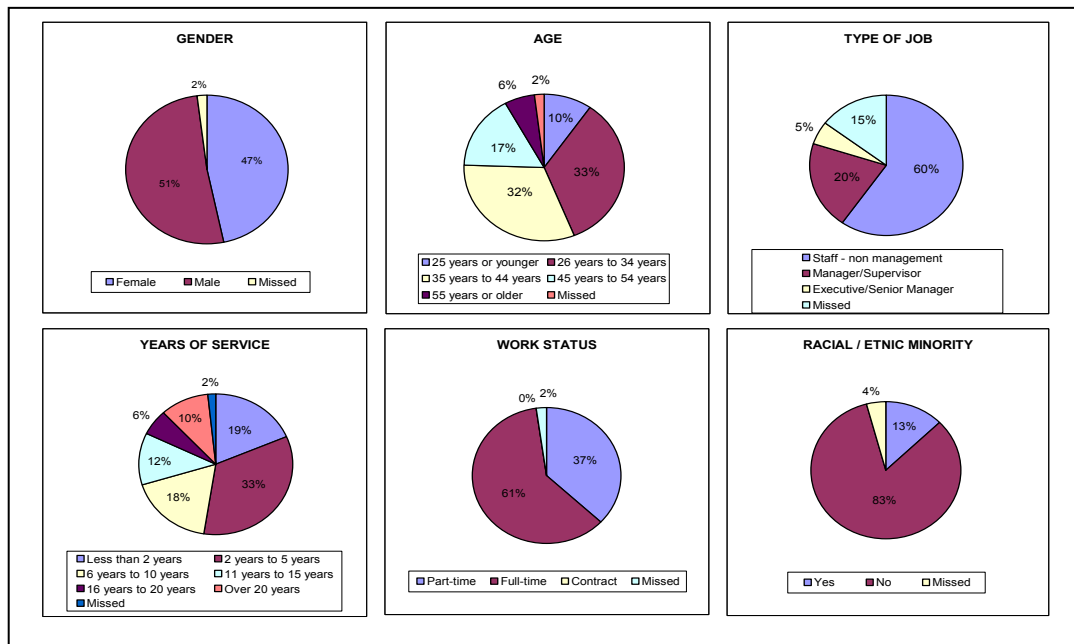
Figures 3a, 3b, and 3c, provides a synoptic description of the sample demographic characteristics of the employees by gender, age, type of job, years of service and work status. The principal observations that can be extracted from the above figures are summarized in the paragraphs that follow.

Figure 3a. Demographic Distribution for 2003



Gender: Although the percentage of women in employment remains lower than that of men, we can see that the gender composition shows a slight increase of feminization in employment. In 2004, the difference between male and female employees was just of 4% compared to a 10% difference in 2003. In 2005 the difference did not show a significant change when compared to the previous year.

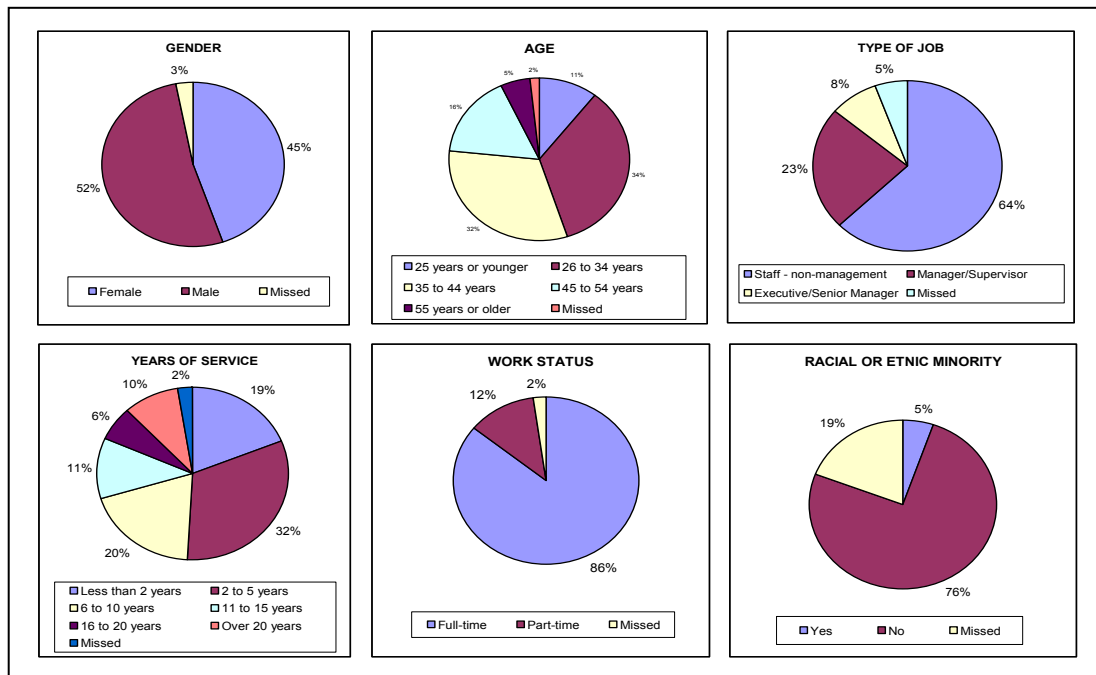
Age: No considerable variation in the age composition along the three year period was noticed. The concentration of the employees is between 26 and 44 years--- representing the 64%, 65% and 66% of the employees in years 2003, 2004 and 2005 respectively. The younger and older employees represent the minority across all three year, not more than 11% and 6% in each case, respectively.

Figure 3b. Demographic Distribution for 2004

Type of Job: From 2003 to 2005, the non management category of jobs (i.e. Administrative, Production and Professionals) was heavily represented, totaling 77%, 60% and 64% , in 2003, 2004 and 2005 respectively.

Years of Service (seniority in the company): The average of Years of service, has not shown an important difference in 2003-2005. The employees had between 2 and 5 years of service in the companies.

Work Status: We can see a wide difference in terms of overall Work Status of the sample across the three years. In 2003 and 2005 the sample had a similar distribution: In 2003, 85% of all participating employees work on Full-Time basis and 10% work on a Part Time basis , and in 2005, 86% full time and 12% part time. In 2004, however, one can observe that 1 employee out of three was employed on a part time basis. More specifically, the relative proportion of the part time employees was significantly higher (representing 37% compared to 61% full time employees).

Figure 3c. Demographic Distribution for 2005

2.3. Profile of the Participating Companies by industrial sector

Sector Description

In an attempt to identify some benchmarks sectors across the EU, the companies profiled in the data set were re-grouped into the following categories: Automotive, Financial services, Consumer Goods / Food & Beverage Industry, Construction, Consulting & Auditing, Healthcare, Hotels, Restaurants, catering and tourism, Information technology & Telecommunications, Public service / Non Profit, manufacturing & Production Industry, Media, retail and distribution, Transport, textile/Clothing/Leather and services.²

² The classification was adopted from the Cranfield Network on Comparative Human Resource Management (CRANET) project. The Network itself is a collaboration between 39 universities and business schools, of which ESADE is part of. The Network: (a) carries out a regular international comparative survey of organisational policies and practices in comparative Human Resource Management (HRM) across Europe (b) provides benchmarks for comparing Europe with developments elsewhere in the world. This allows a systematic comparative analysis of trends in Human Resource Management policies and practices within employing organisations. For more information see: <http://www.cranet.org/about/about.htm>

Figure 4: Distribution of the total sample (2003-2005) by professional Industrial Sectors

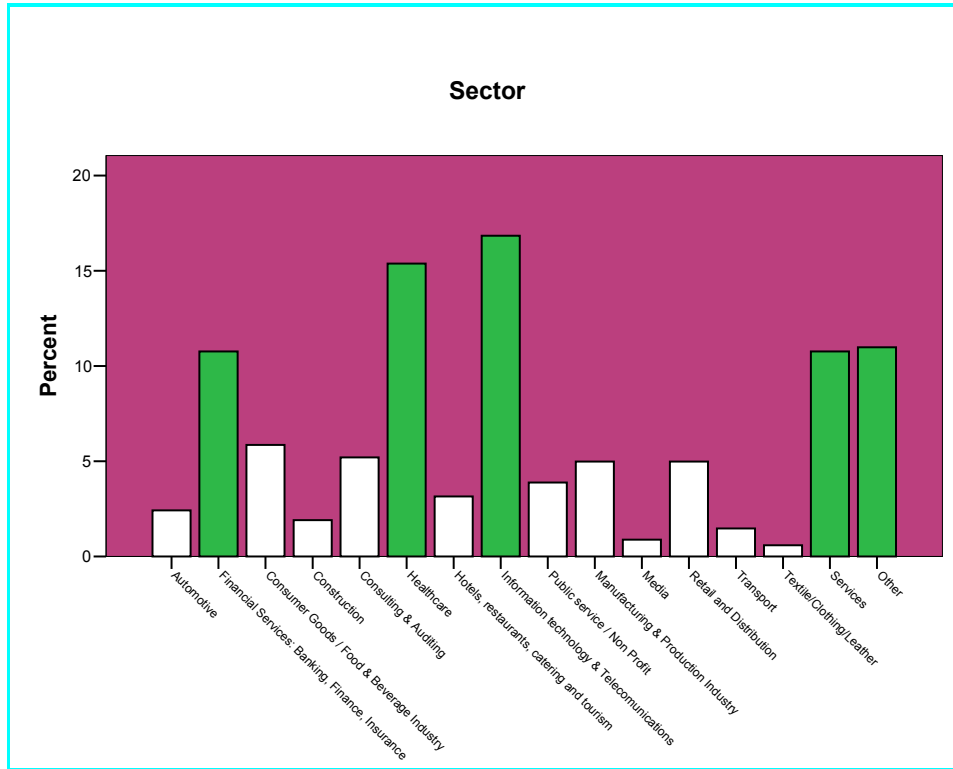


Figure 4 shows that companies in the IT, Telecommunications, Health, Financial Services, and Services sectors had the greatest number of participants.

3. DATA REDUCTION AND IDENTIFICATION OF NEW SUB-SETS OF FACETS: WORK CLIMATE REVISITED

The gathering of primary data was based on the original model proposed by Great Place to Work®. Subsequently, the robustness and stability of the conceptual model were studied in order to compare the results obtained for European countries and to provide a reference point when drawing upon secondary sources.

Analyses revealed the initial model to be stable over the 3 years studied (2003, 2004 and 2005) and for each of the participating countries. This gives us reasonable confidence that the data structure remains fairly consistent over time.

The original GPTW Model© tested via Factor Analysis and LISREL, shows one unique factor and does not clearly support the orthogonality of the dimensions. The same picture arises when tested for each country and year. Thus, an attempt was made to develop a simple and more parsimonious approach using only subsets of the data. For strategic as well as for psychometric reasons, it was decided that new subsets of data be used for the remainder of the analyses. **Using only 34 relevant statements (see Table 2) provided sufficient psychometric properties (as to reliability and validity) to justify the subsequent analyses.**

Lastly, the selected statements have been rearranged in five new “facets”. Only “camaraderie” is repeated in the new analysis format. This was the result of the content validation process (through direct debate and semi-Delphi methods amongst the partners and consultants participating in this study). All of the study partners have taken part in this process, contributing their own theoretical perspectives. The methodology employed is often referred to in the academic literature as an “expert panels”.

Table 2: Description of the facets resulting from the factor analysis with its corresponding items and coefficients of homogeneity (Alphas) as well as goodness of fit (Comparative Fit Index, CFI)

Note: The survey tool Trust Index© and each individual statement is copyrighted and protected intellectual Property of the Great Place to Work© Institute, Inc.

LEVEL OF ANALYSIS	DIMENSION/ FACTOR	ÍTEMS
Relations amongst employees	CAMARADERIE Alpha = 0.856 CFI =0.998	<ul style="list-style-type: none"> ▪ You can count on people to co-operate ▪ When people change jobs or work units, they are made to feel right at home ▪ People care about each other here ▪ There is a "family" or "team" feeling here ▪ We are all in this together
Relations between employees and the firm in general	EQUAL OPPORTUNITIES Alpha = 0.831 CFI = Model perfectly identified (no test available)	<ul style="list-style-type: none"> ▪ People here are treated fairly, regardless of age ▪ People here are treated fairly, regardless of race ▪ People here are treated fairly, regardless of sex
	PRIDE IN JOB & COMPANY Alpha = 0.851 CFI = 0.999	<ul style="list-style-type: none"> ▪ My work has special meaning, this is not "just a job" ▪ When I look at what we accomplish, I feel a sense of pride ▪ I feel good about the ways we contribute to the community ▪ I am proud to tell others I work here ▪ I feel I make a difference here

	<p>FAIR & SOUND HR PRACTICES</p> <p>Alpha = 0.828 CFI = 0.998</p>	<ul style="list-style-type: none"> ▪ People here are paid fairly for the work they do ▪ People are encouraged to balance their work life and personal life ▪ If I am unfairly treated, I believe I will be given a fair shake if I appeal ▪ We have special and unique benefits here ▪ People celebrate special events around here ▪ Our facilities contribute to a good working environment
<p>Relations between Employees and Management</p>	<p>MANAGEMENT COMPETENCY & CREDIBILITY</p> <p>Alpha = 0.954 CFI = 0.980</p>	<ul style="list-style-type: none"> ▪ Everyone has an opportunity to get special recognition ▪ Management makes its expectations clear ▪ I can ask management any reasonable question and get a straight answer ▪ Management shows appreciation for good work and extra effort ▪ Management is approachable, easy to talk with ▪ Management genuinely seeks and responds to suggestions and ideas ▪ Management keeps me informed about important issues and changes ▪ Management has a clear view of where the organization is going and how to get there ▪ Management involves people in decisions that affect their jobs or work environment ▪ Management does a good job of assigning and co-ordinating people ▪ Promotions go to those who best deserve them ▪ Management delivers on its promises ▪ Managements actions match its words ▪ Management is competent at running the business ▪ Management is honest and ethical in its business practices

Figure 5 shows the original GPTW Facets (left column - A) and the modified facets/factors (right column). Note that the modified factors do not include the same statements as the original model, but have been reorganised. These modified factors (described in column B) will be used throughout the remainder of this study.

Figure 5. Original GPTW© facets and the modified facets

COLUMN A GPTW Original Model	COLUMN B NEW DERIVATE WORKCLIMATE FACETS
CAMARADERIE	Camaraderie
CREDIBILITY	Management Competency & Credibility
FAIRNESS	Equal Opportunities
PRIDE	Pride in Job & the Company
RESPECT	Fair & Sound HR practices

The proposed form and facets along with the empirical data can be interpreted as follows (with regard to what constitutes an excellent work climate):

- Where **Management seems to be competent and credible**,
- Where **HR Practices** are perceived to be **fair & sound**
- Where **Equal opportunities** in its various facets are felt throughout the organization,
- Where employees feel **pride in their job & the company** they work for, and,
- Where **Camaraderie** is highly valued and evident.

However, the question is whether all these conditions are a "sin qua none" for all organizations in the EU, if they apply to all industrial sectors, and whether these conditions are stable over time. The analysis reported herein attempts to partially answer these questions and will constitute a significant part of the debate to be held during the Barcelona conference (10-11th November 2005).

4. PRINCIPAL RESULTS AND FINDINGS

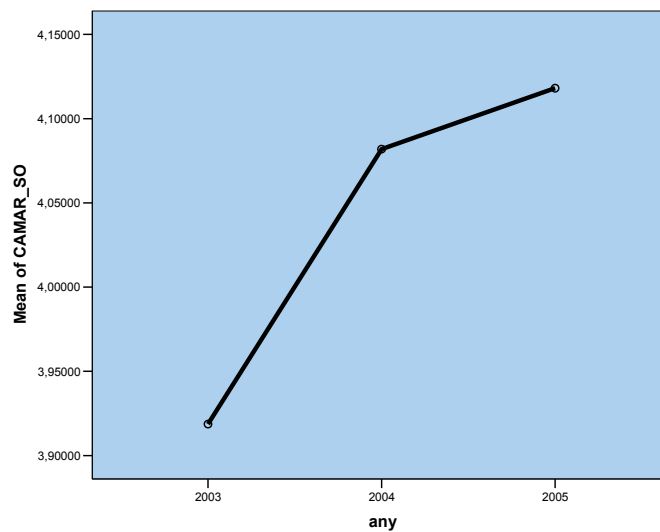
4.1 Work Climate in the EU: analyses of Country Differences from a cross-sectional and longitudinal perspective

The primary data cover 3 years (2003, 2004 and 2005). This is not a representative sample given that although the same company may appear from one year to the next, the samples themselves are different. One should also note that the variation explained by the various factors is relatively low given that the universe of companies studied belongs to those at the top of the business rankings.

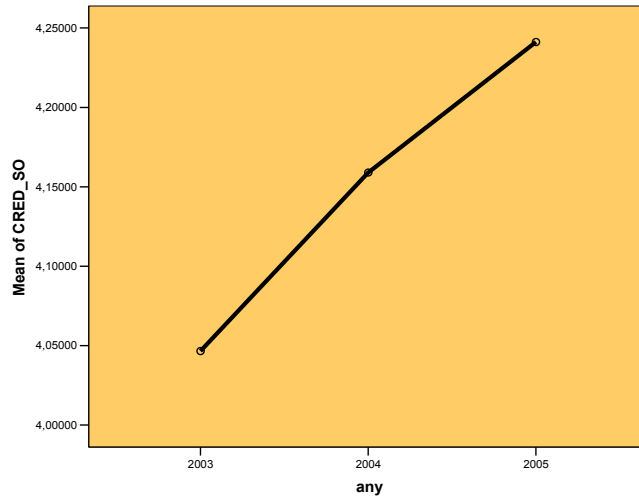
An initial analysis was conducted to ascertain whether the data from one year to the next showed significant variations. The ANOVA studies ($p=.0000$) revealed that there were certain differences between the 3 years, for which reason we have chosen to present the partial results for each of the years in the study. The following figure (figure 6) shows the differences observed over the 3 years with respect to the 5 dimensions/facets of work climate analysed.

Figure 6: Results by the 5 dimensions of Work Climate in 2003-05

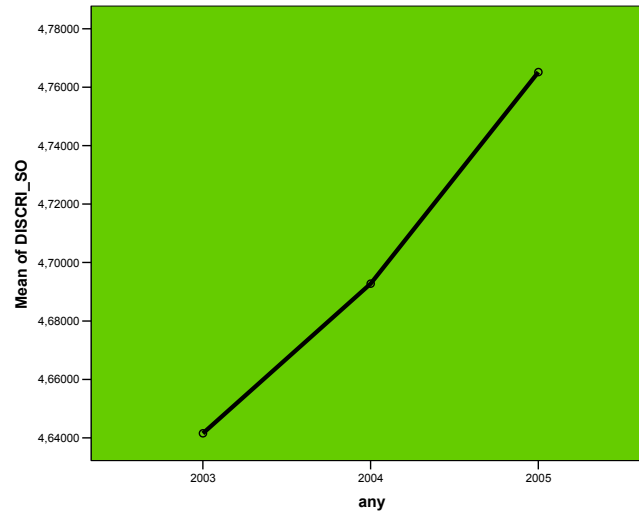
CAMARADERIE



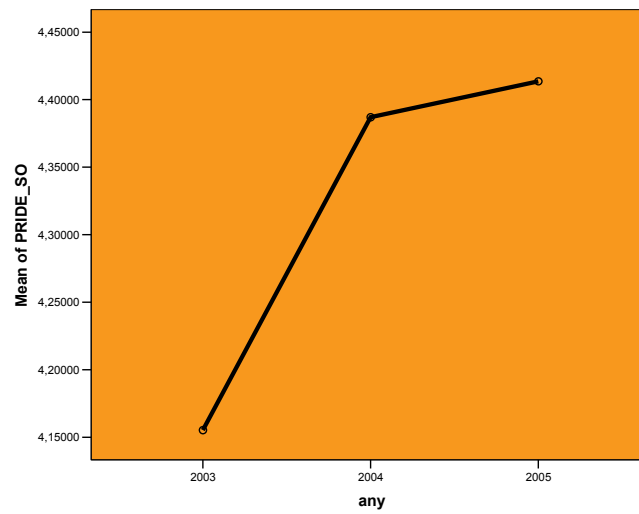
MANAGEMENT COMPETENCY & CREDIBILITY



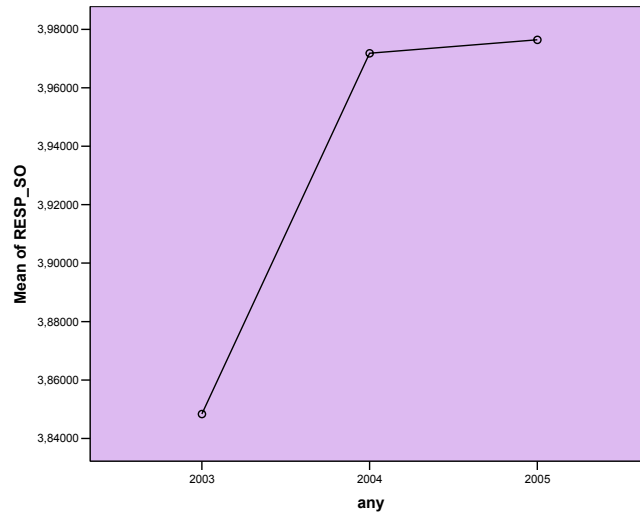
EQUAL OPPORTUNITIES



PRIDE IN JOB & COMPANY



FAIR & SOUND PRACTICES



Examination of Figure 6 reveals that the differences between the 3 years all follow the same trend. However, the slope is a bit steeper for 2004 and less steep for 2005.

Camaraderie

Figures 7 a, b and c shows the relative position of the 14 EU countries on the Camaraderie scale for the three-year study. Although all the countries are characterized by relatively higher score (i.e. high means on the scale), differences between some countries on Camaraderie are statistically significant ($p=0.000$).

Figure 7a: Camaraderie by country for the year 2003

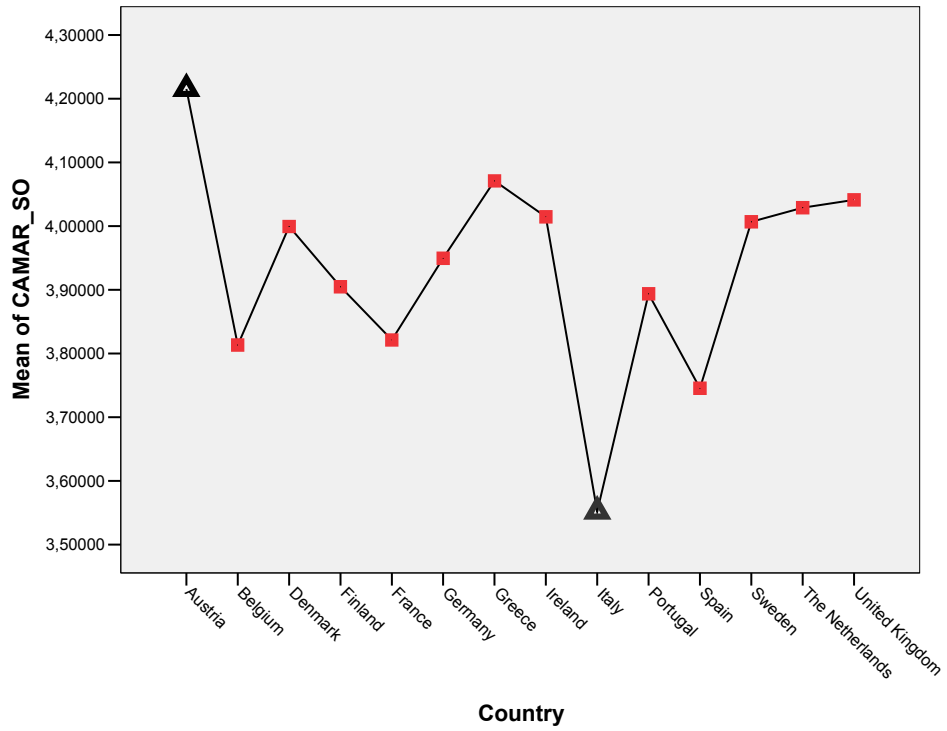


Figure 7b: Camaraderie by country for the year 2004

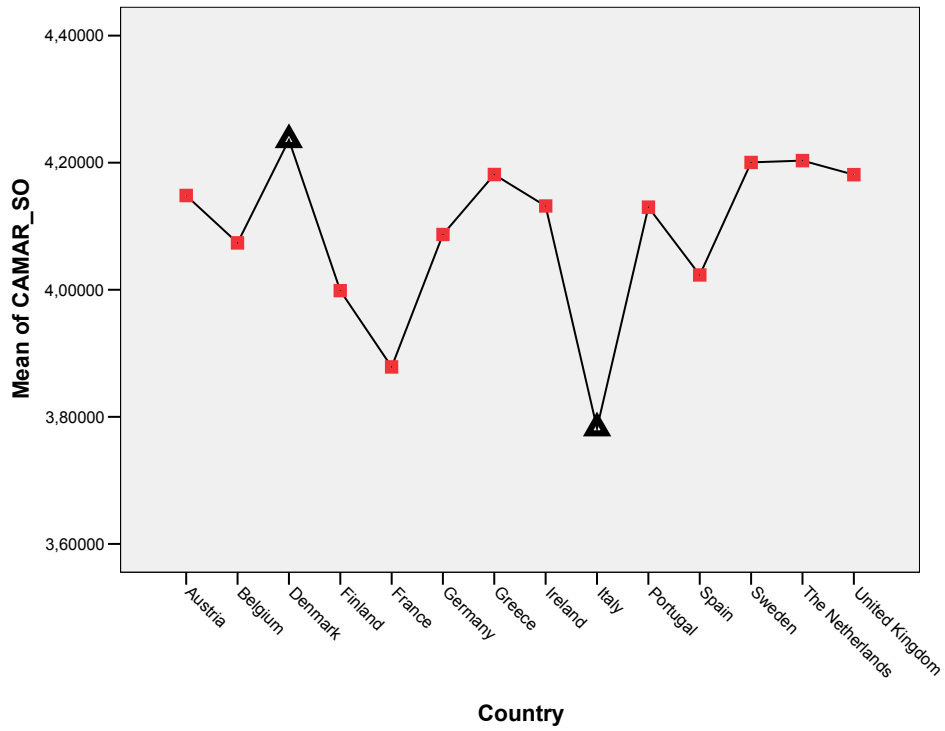
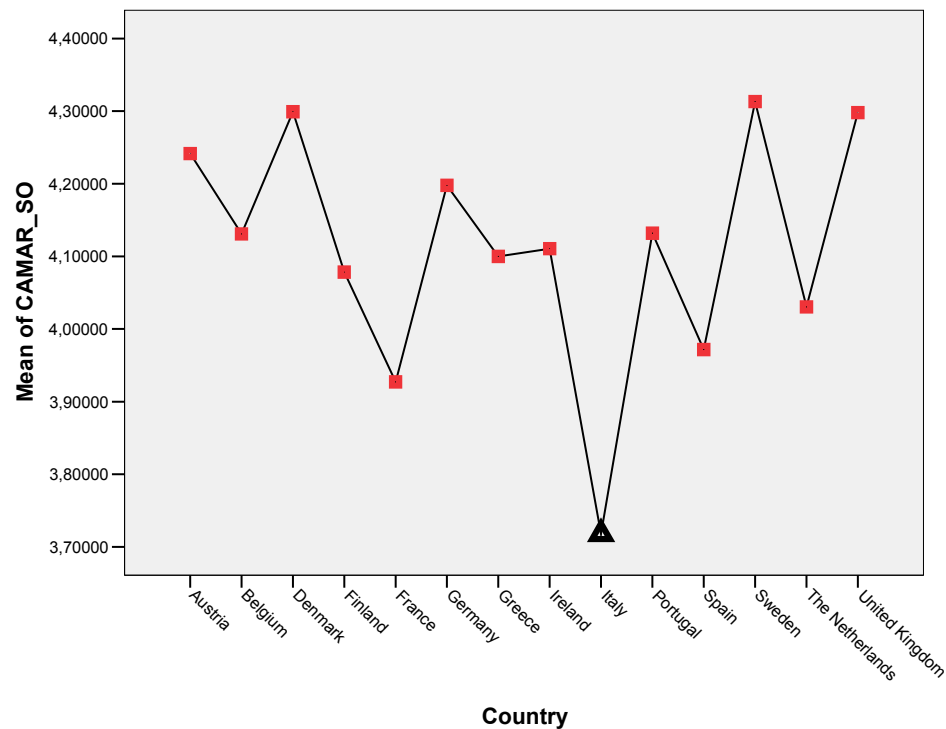


Figure 7c: Camaraderie by country for the year 2005

Conclusion: As far as Camaraderie is concerned, the interpretation of the relatively lower scores is more evident: Italian firms have systematically lower scores than the rest of the countries in Europe. In 2004, France joined Italy to manifest relatively lower scores in this respect. The picture with regard to those countries scoring highest on Camaraderie is not as clear-cut. There is a large block of countries where the differences is minimal. Yet, Austrian firms show a higher score for all the three years, followed by Scandinavian countries in the other years, and the UK.

Management Competency and Credibility

Figures 8a, b and c show the relative position of the 14 EU countries on the Management competency and credibility scale for the three year study. Although all the countries are characterized by relatively high score (i.e. high means on the scale), differences between some countries on this criteria are statistically significant ($p=0000$).

Figure 8a: Management competency and credibility by country in 2003

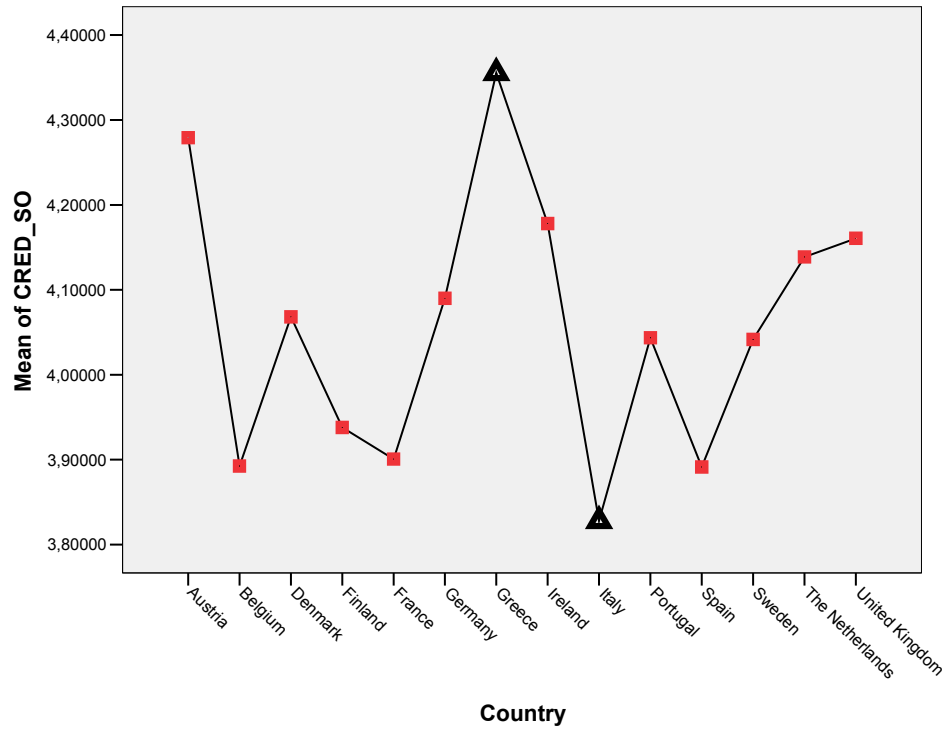


Figure 8b: Management Competency & Credibility by country in 2004

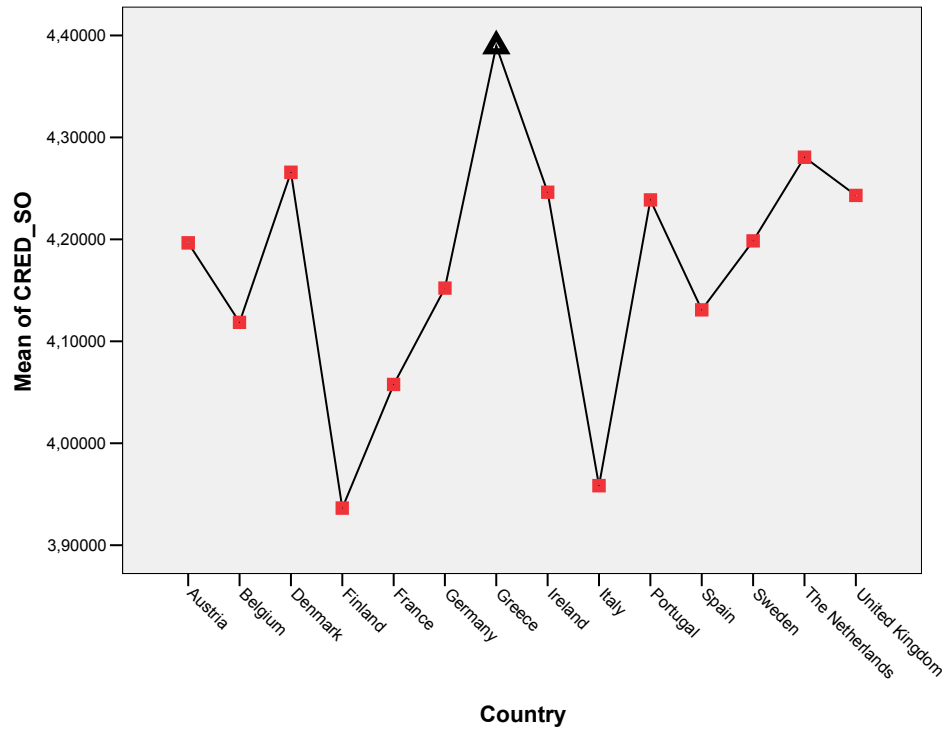
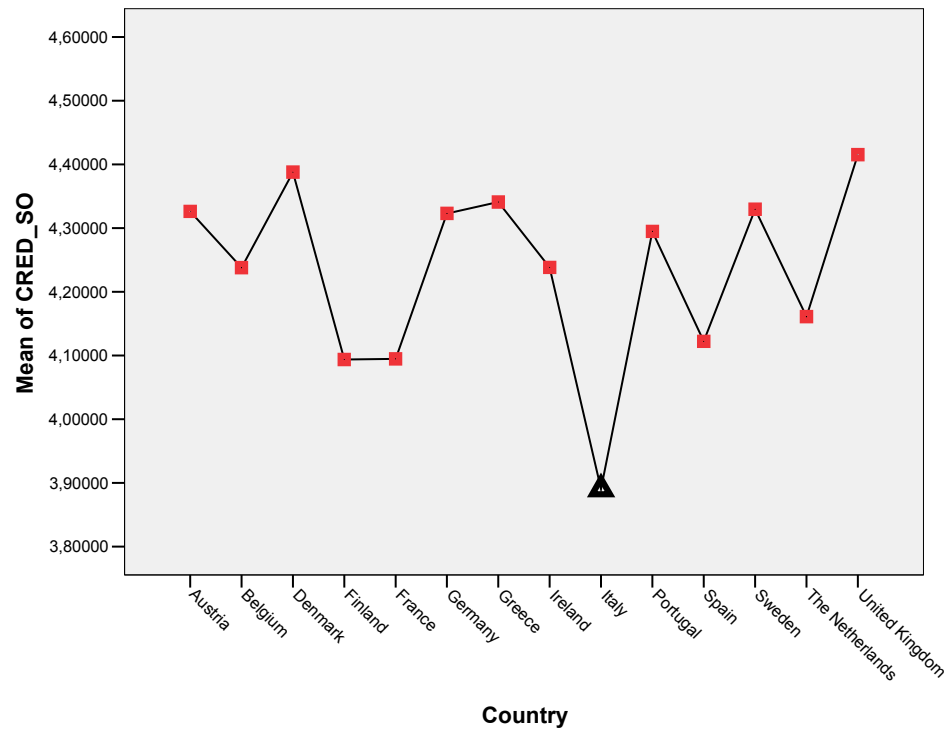


Figure 8c: Management Competency and Credibility by country in 2005

Conclusion: Italy seemed to score lowest over the 3 years, and was joined in 2004 by Finland. Greece was one of the countries with the highest average, particularly in 2003 and 2004.

Equal opportunities

Figure 9a: Equal Opportunities by country in 2003

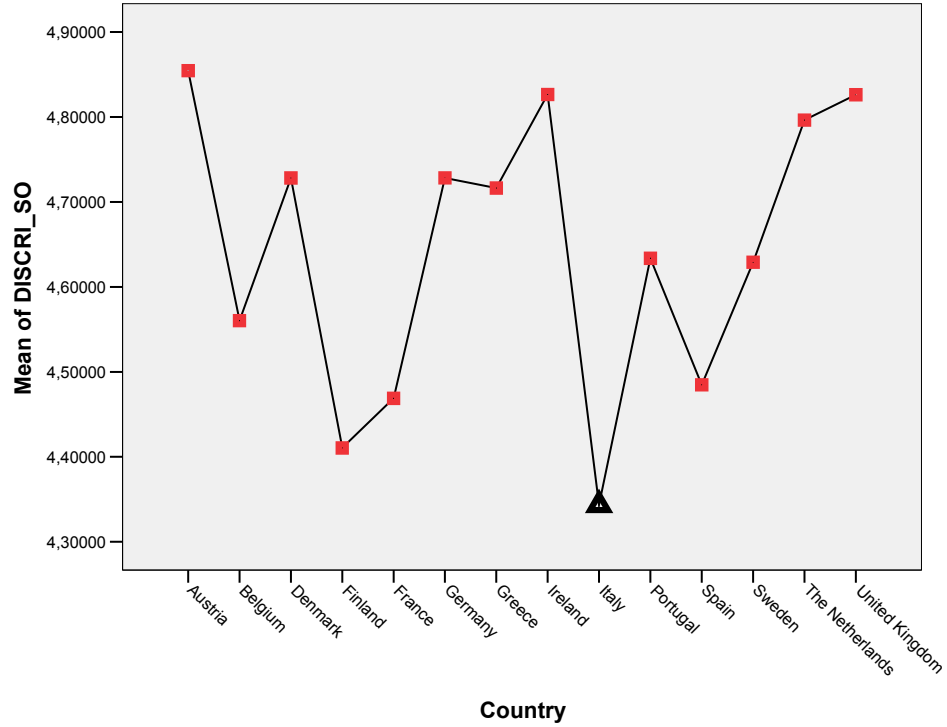


Figure 9b: Equal Opportunities by country in 2004

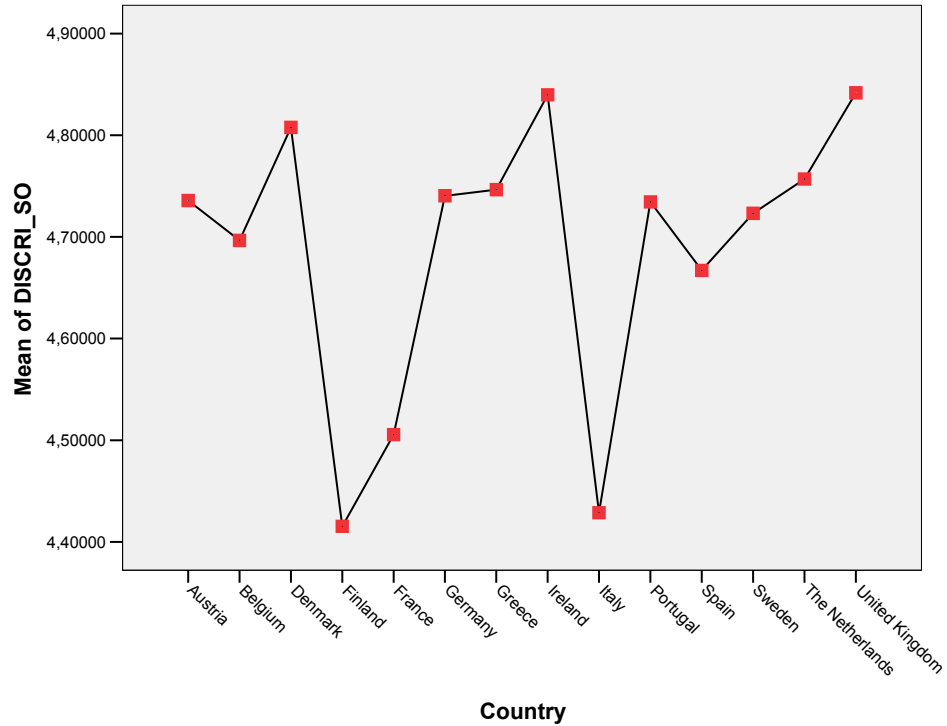
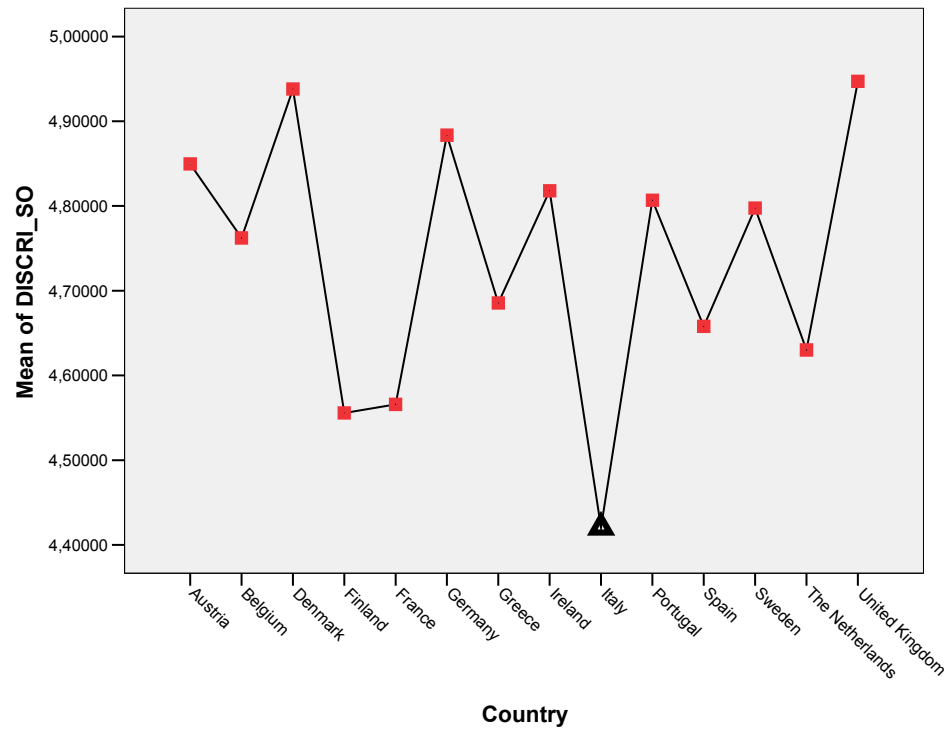


Figure 9c: Equal Opportunities by country in 2005

Conclusion: One of the results that stand out in comparison with the other dimensions presented so far is the high dispersion of marks according to country. Nonetheless, Italy maintains its lowest score on this dimension.

Pride in job and company

Figure 10a: Pride in job and company by country in 2003

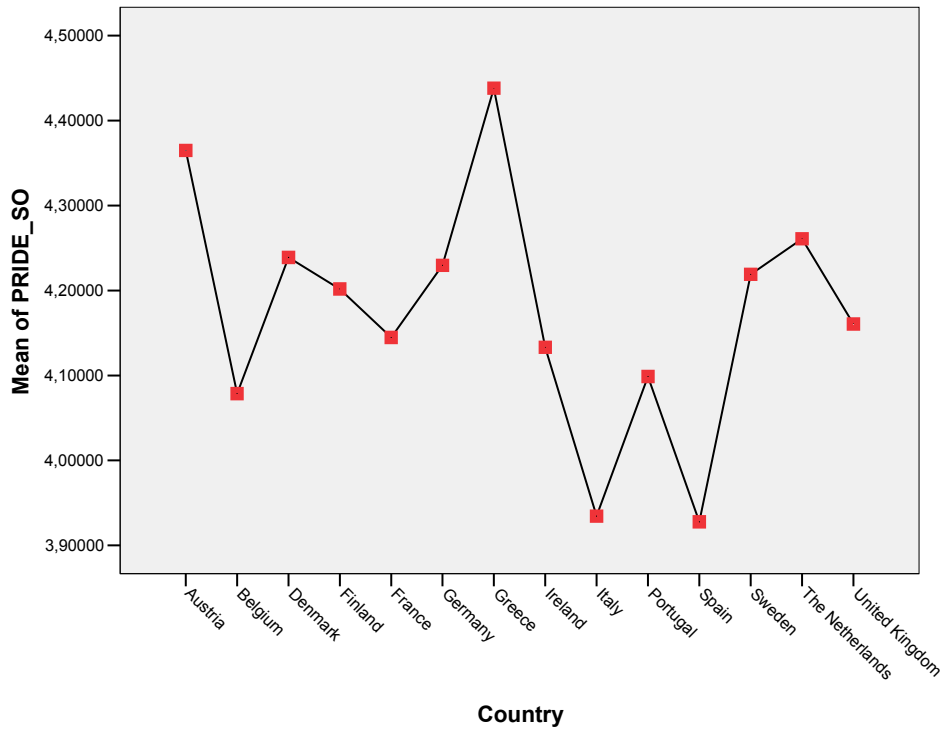


Figure 10b: Pride in job and company by country in 2004

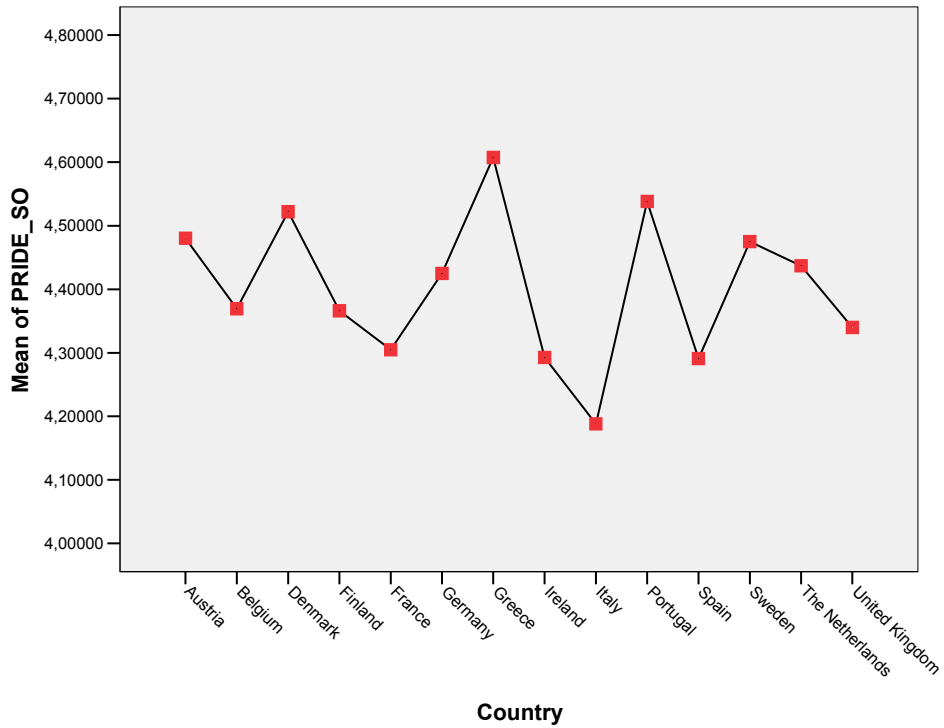
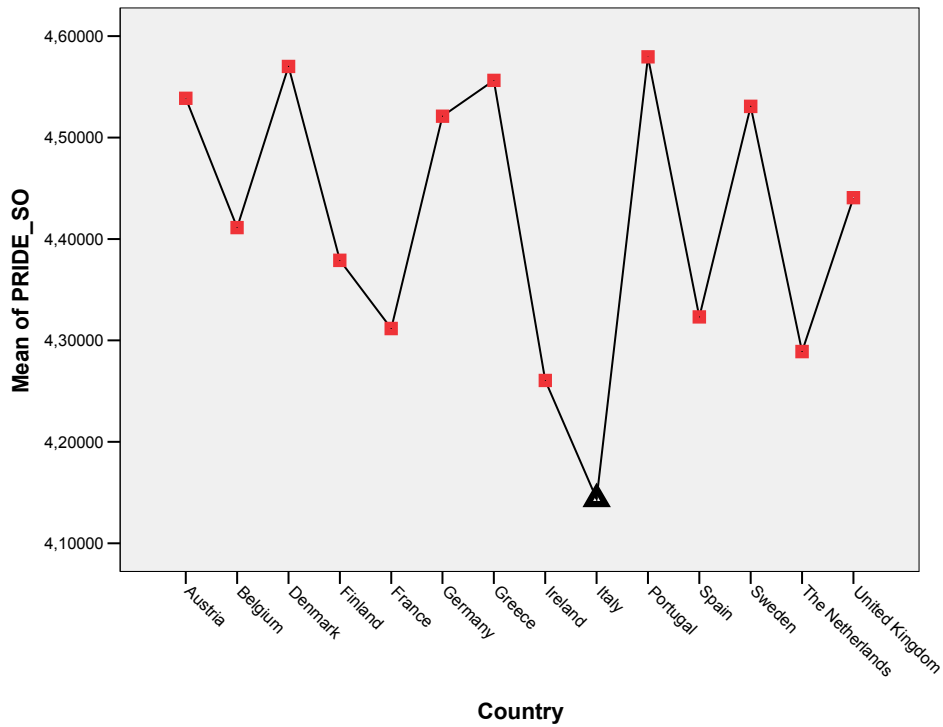


Figure 10c: Pride in job and company by country in 2005

Conclusion: The charts for each period reveal the absence of any response pattern over the period. However, some countries, such as Italy, have the relatively lowest score in each year. One should also note that Spain (along with Italy) also appeared in the lower score for 2003.

Fair & Sound HR practices

Figure 11a: Fair & Sound HR practices by country in 2003

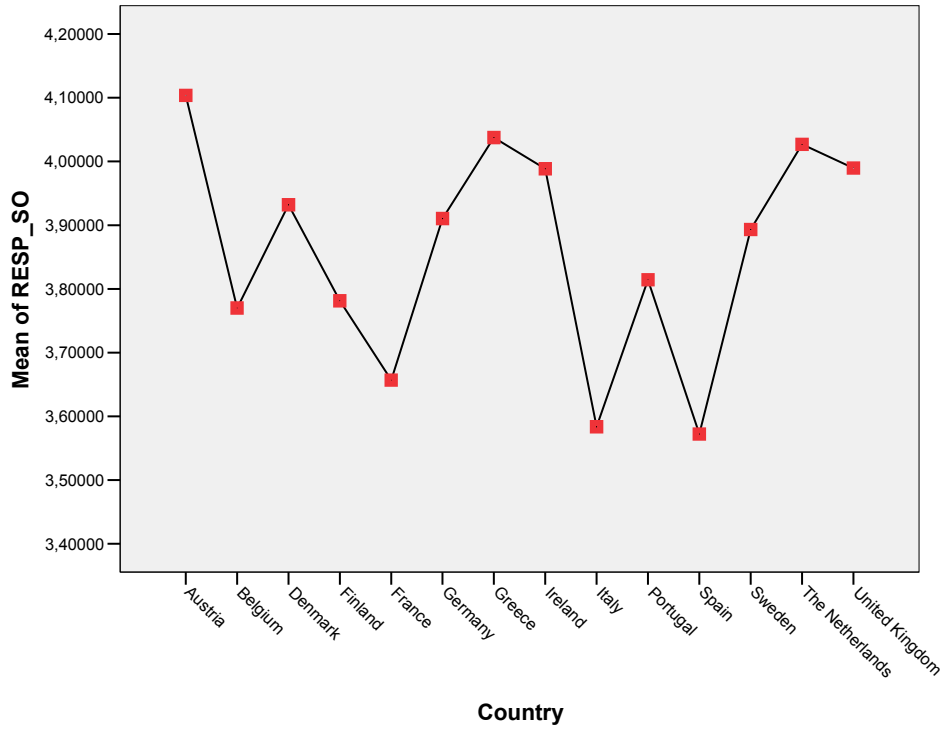


Figure 11b: Fair & Sound HR practices by country in 2004

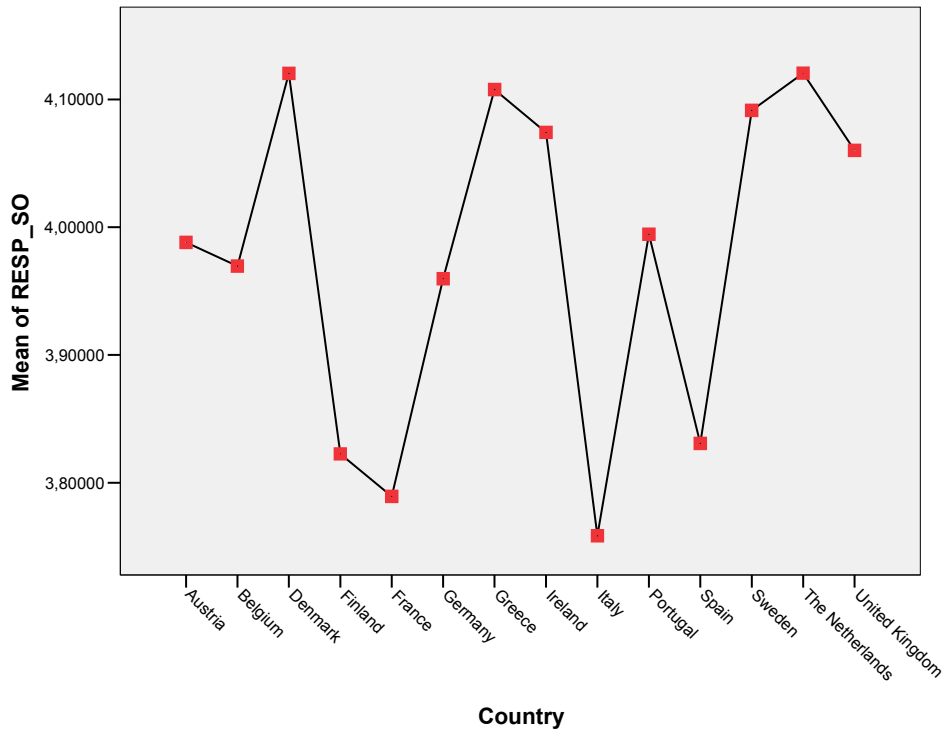
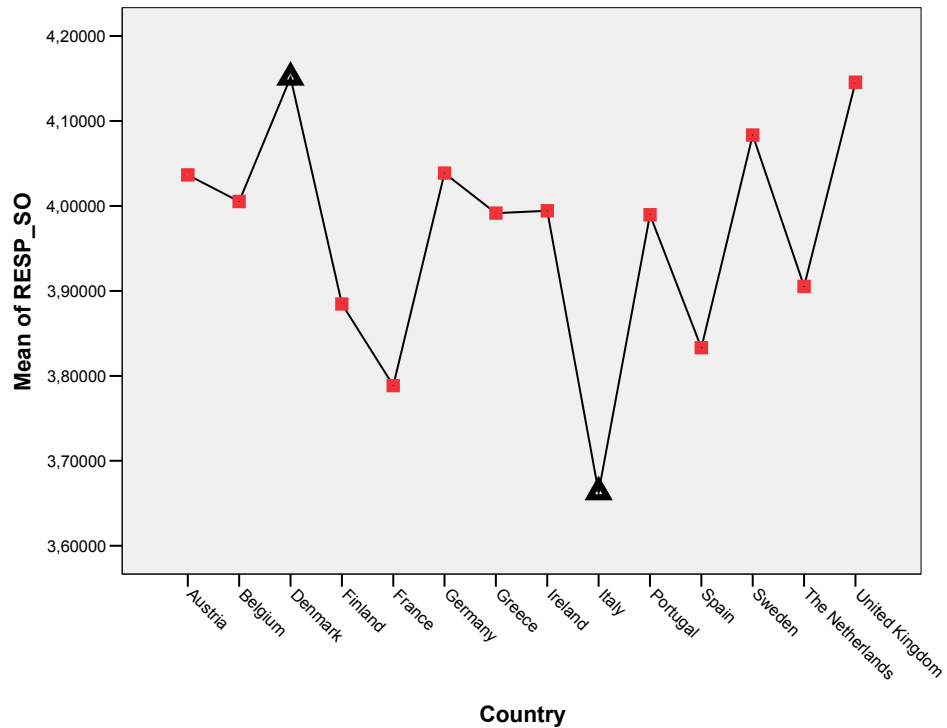


Figure 11c: Fair & Sound HR practices by country in 2005

Conclusion: The 3 graphs in Figure 11a, b and c shows again that Italy, France and Spain were consistently at the bottom end of the scale over the 3-year period.

4.2. Work Climate: Analysis via Cluster of Countries

4.2.1. Identification of country clusters

In a series of subsequent analyses, using cluster analysis based on the 5 factors and Ward algorithm, 3 clusters of countries were identified as having commonalities: The results are summarized in Figure 12 and 13 respectively.

Figure 12: Classification of European participant countries (14) by clusters

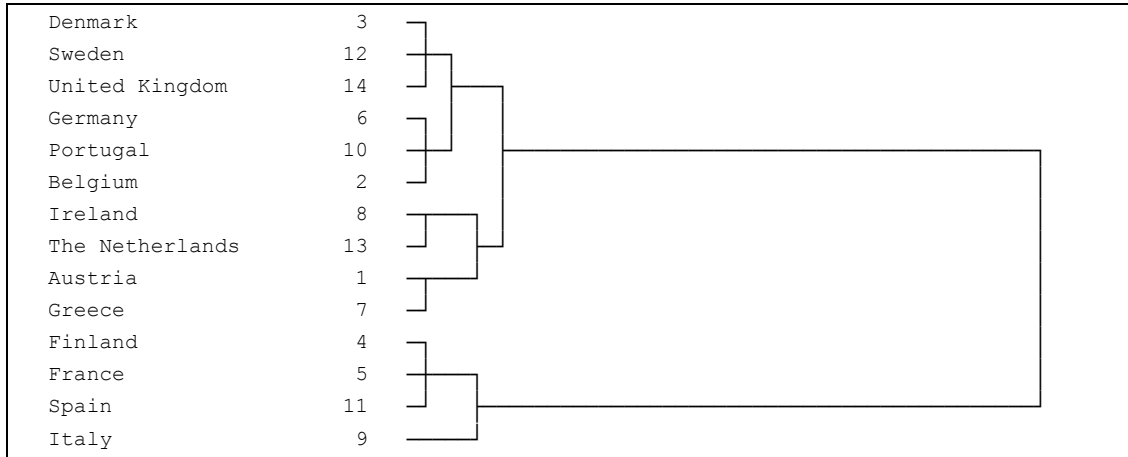


Figure 13: Sample distribution by cluster of countries

- Cluster1:** Countries with relative high score on the criterion (each of the 5 facets of Workclimate)
- Cluster 2:** Countries with relative medium score on the criterion (each of the 5 facets of Workclimate)
- Cluster 3:** Countries with relative low score on the criterion (each of the 5 facets of Workclimate)

Figure 13a: CLUSTER 1

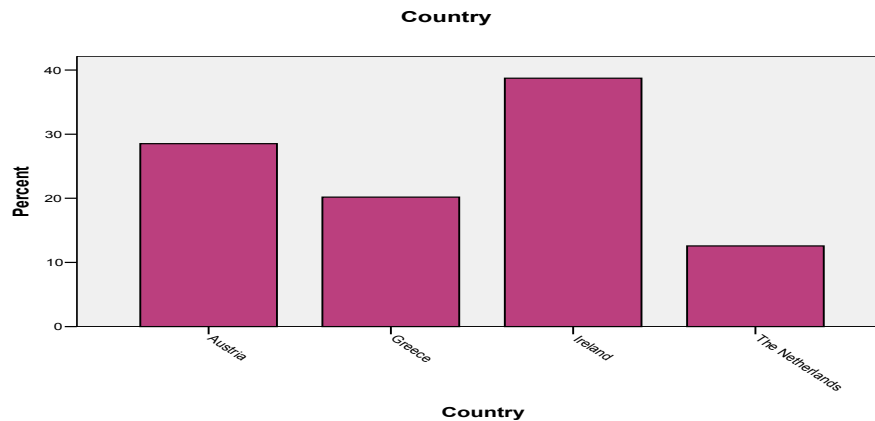
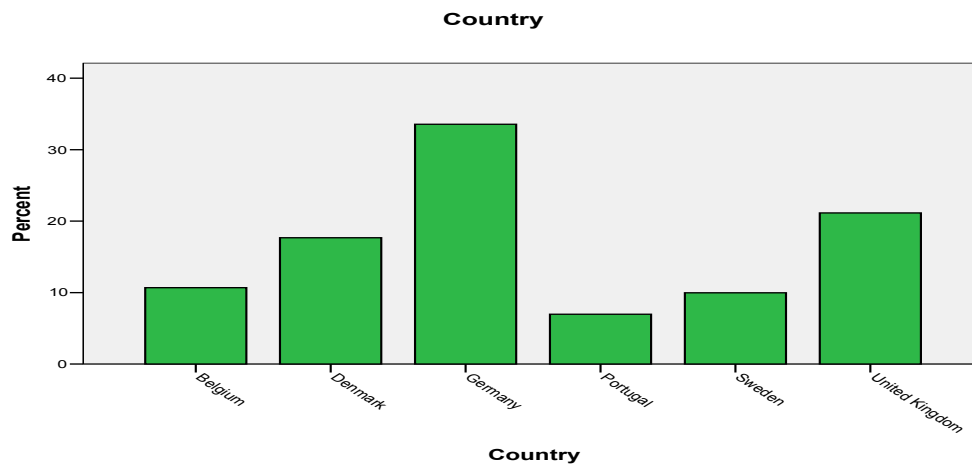
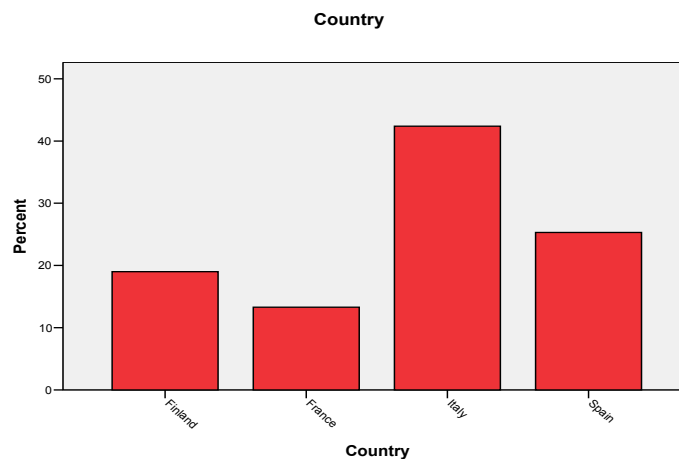


Figure 13b: CLUSTER 2**Figure 13c: CLUSTER 3**

The Figure 13a shows the percentage of participants belonging to **Cluster 1**, comprising of **Austria, The Netherlands, Eire (Republic of Ireland), and Greece**. The total number of workers in this group numbered 75,588. The most heavily represented sectors are: Services (16,4%), IT (15.8%), and financial brokerage (14%). Regarding the kind of jobs involved, 36,9% cover manufacture and services. The balance between men and women was fairly even (47.9% women, 52.1 men). Staff tend to be under 45 (82.3% of cases). Lastly, around 57.5% have been less than 5 years in their respective jobs.

The Figure 13b covers the countries in **Cluster 2**, comprising a large number of countries which include: **Belgium, Denmark, Germany, Portugal, Sweden, and**

the UK. 15.2% of participants work in the health sector, 14.7% work in IT, and 35.2% work in manufacturing/services sectors. The balance between men and women is fairly even (54.3% and 45.7%, respectively). The average age of participants is a little higher than in the previous group (52.1% have worked less than 5 years in their respective firms).

Lastly, figure 13c, Cluster **3**, depicts comprising **Finland, France, Italy, and Spain**. The total number of workers in this group totals 101,872. The largest segment of these (25%) work in the health industry, followed by IT (15,9%). The major portion of these workers do professional and technical jobs (28.9%). 77.2% are under 45 and 49.8% have worked 5 years or less in their firms. One should also note that this group of workers has the largest number of people with long-term employment contracts (78.5%).

We have seen that there are certain constant patterns in the survey responses which lead to the same countries being placed in one part or other of the scale. Various CHAID analyses were performed to test that the country differences were not contaminated by the demographic composition of the samples.³ We have analyzed the relationship between each of the dimensions and a variety of demographic characteristics. Albeit the fact that some significant differences appears in some cases (e.g. type of job, years of service, sector), the results were negligible and none significant for the majority of the cases, except for Country. For this reason, the variable “country” was the one that had been retained for comparing the dimensions in the remainder of this analysis.

4.2. 2. Relationship between country clusters and work climate dimensions

The following figures (Fig. 14 and Fig. 15) show some of the trends between the various country clusters for some of the dimensions studied, the most relevant of which are presented below.

³ Note: *CHAID* (Chi-Square Automatic Interaction Detection) is a classification trees program developed by Kass (1980) that performs multi-level splits when computing classification trees. Classification trees are used to predict membership of cases or objects in the classes of a categorical dependent variable from their measurements on one or more predictor variable

Figure 14: Cameraderie between 2003-2005

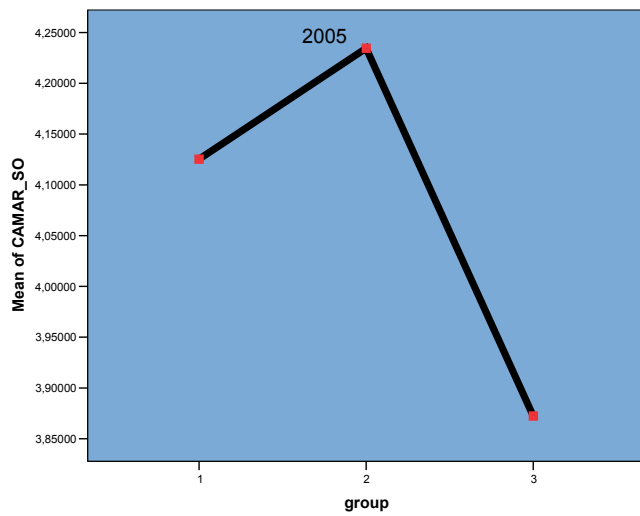
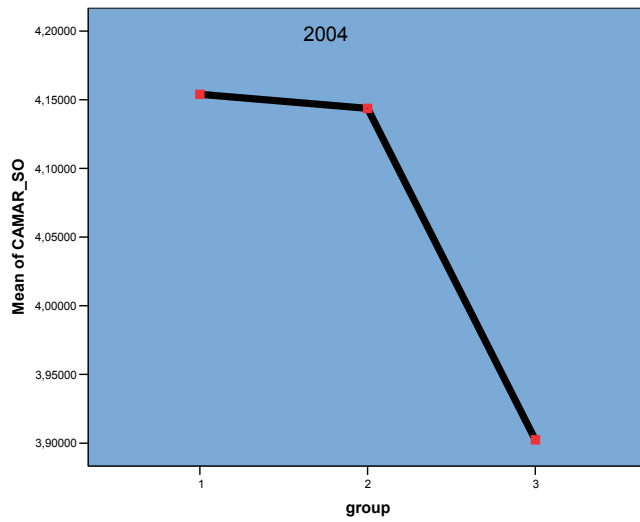
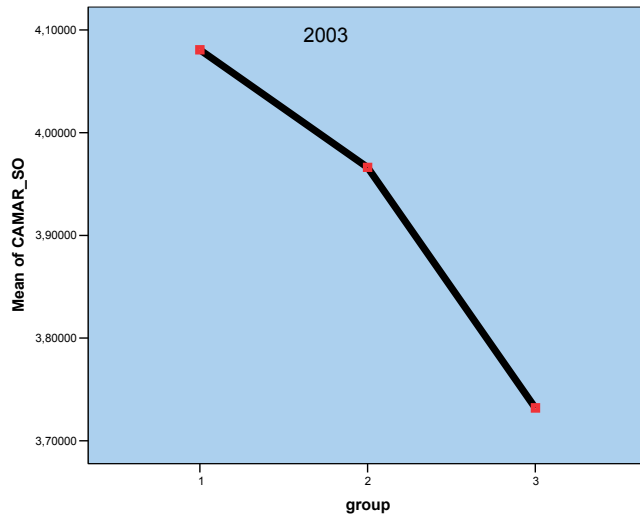
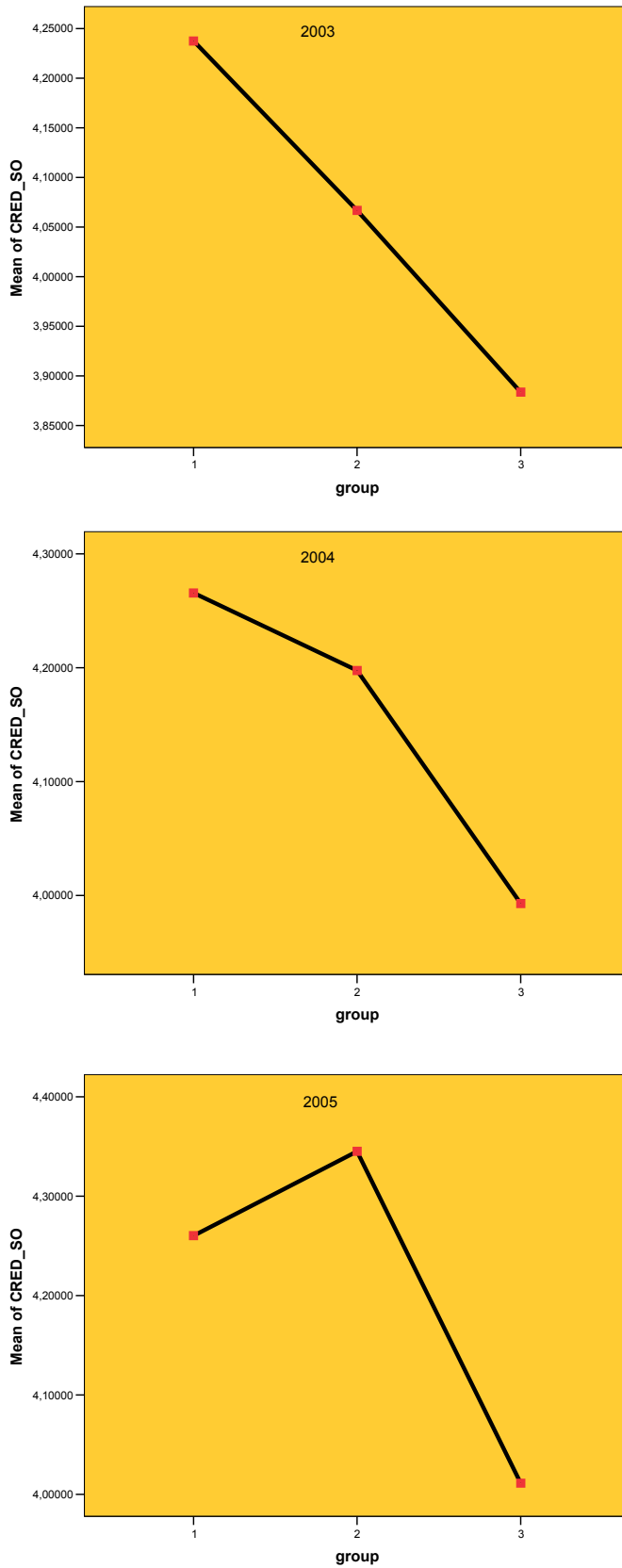


Figure. 15. Management Competency and Credibility between 2003-2005



Based on the foregoing figures, one can say that the analyses support the country results. In general, 2005 has revealed changes in perceptions of work climate.

Tree-Analysis was used to determine the contribution to the scores obtained on scales measuring the impact of socio-economic factors (which include country cluster, kind of profession/job, number of years in the organisation, professional status). The following 3 figures summarise the main results (figure 16a, 16b and 16c)

Figure 16a. Comparison of mean by country cluster in each work climate dimension

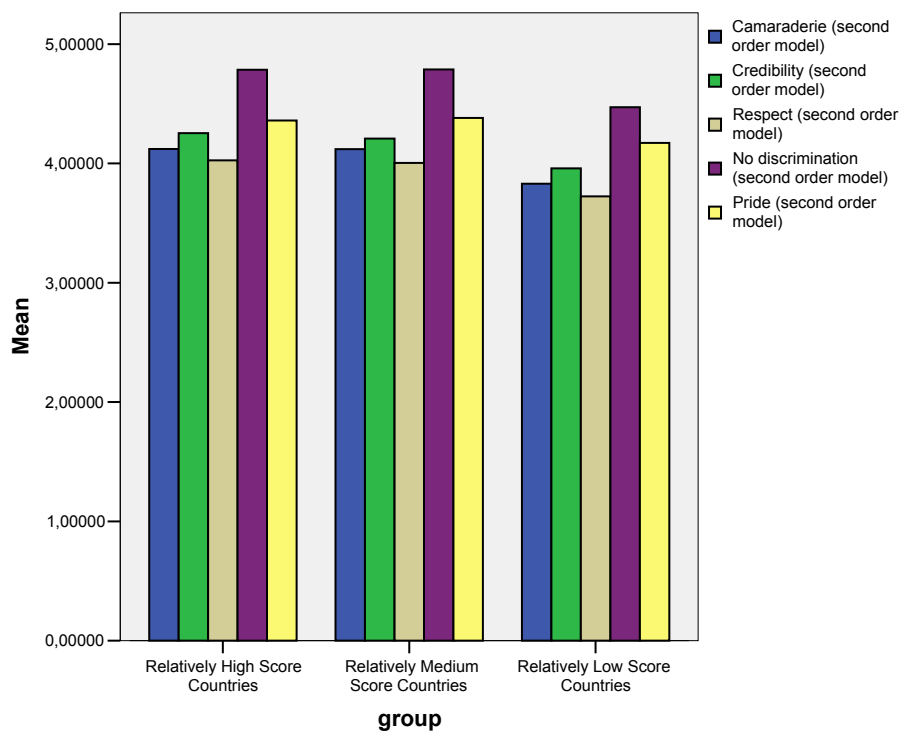


Figure 16b. Comparison of the mean by type of job in each work climate dimensions

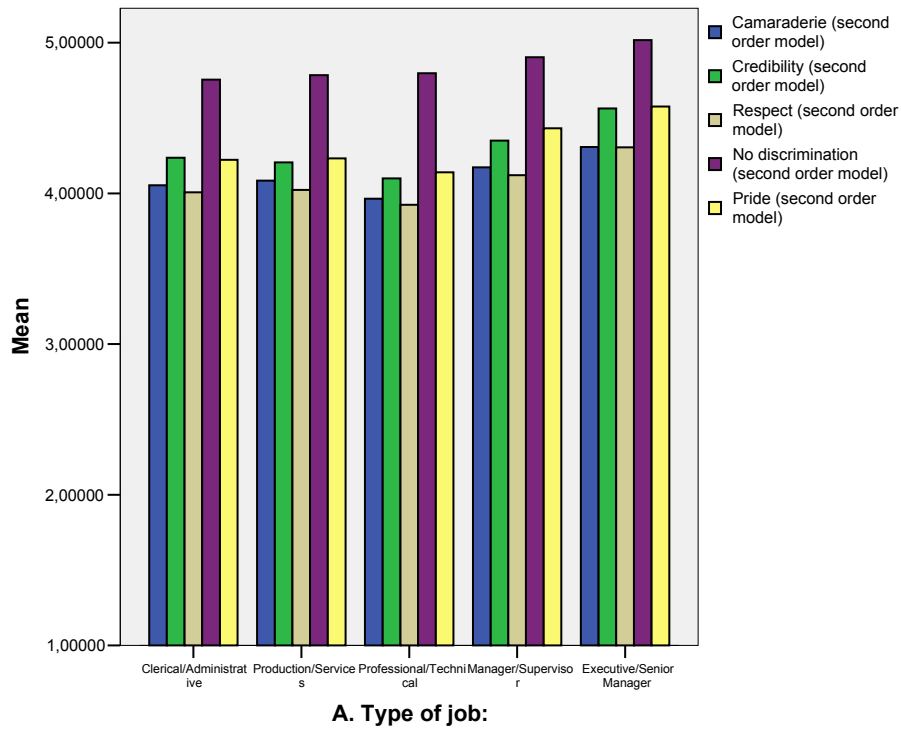
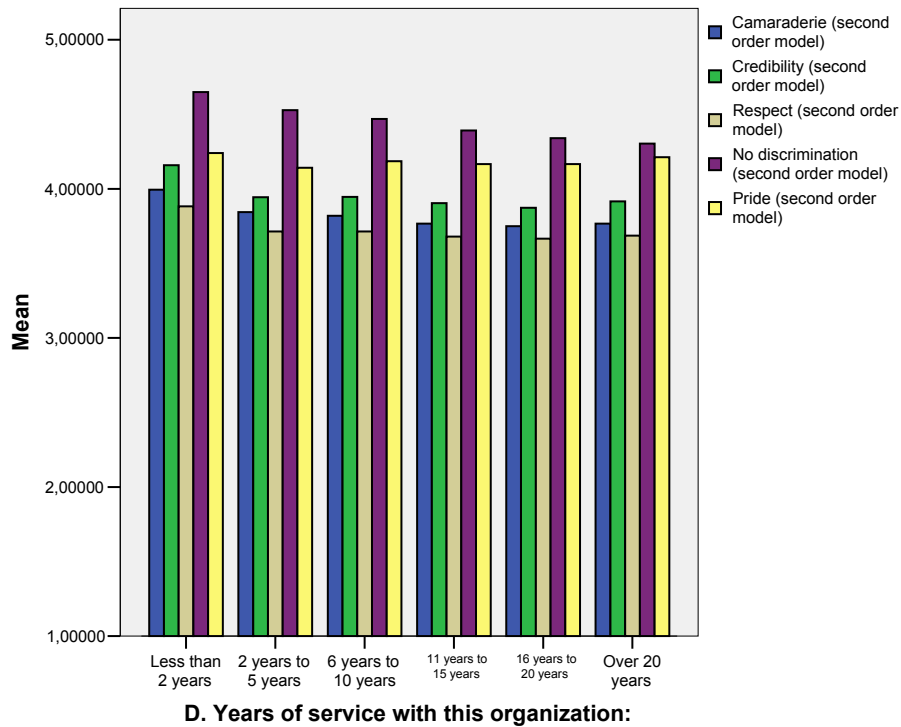


Figure 16c. Comparison of mean by years in the organization in each work climate dimension



As demonstrated in figure 16 (a, b & c), the variable most strongly determining the differences between countries with regard to the 5 dimensions of work climate is that of belonging to a given country cluster (we establish 3 types, which are based on our findings). Countries in the “Relatively high” and “Medium high” groups were those obtaining the highest scores. By the same token, “Relatively low score countries” were those that fared worst and comprises Spain, France, Finland and Italy.

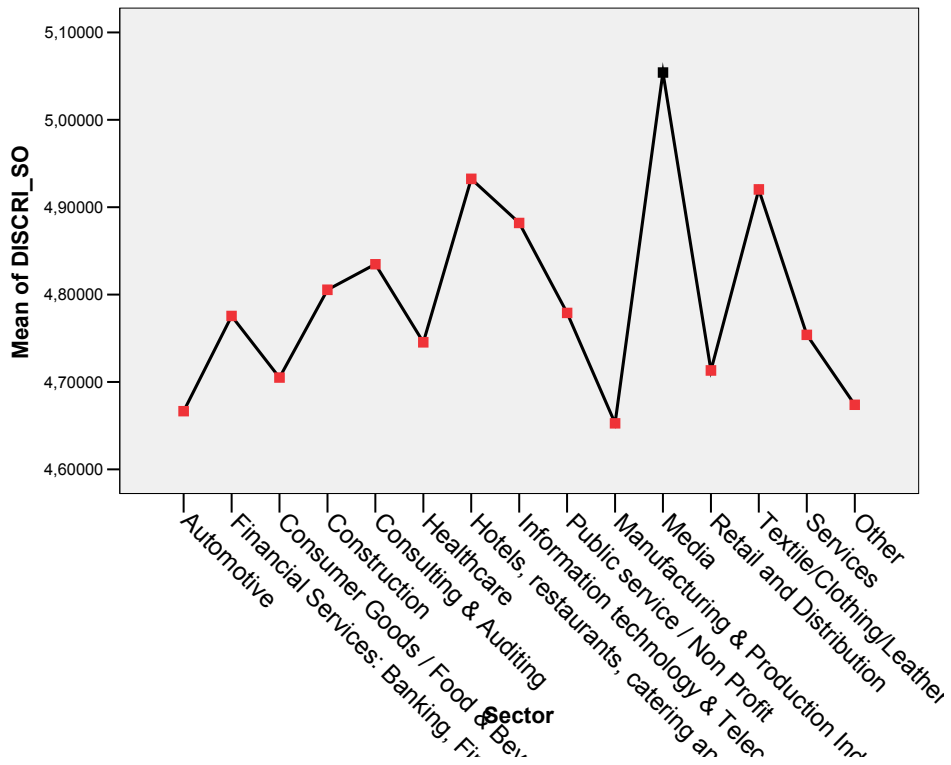
After the country variable, “Type of job” is the variable that most affects employees’ scores. In this respect, a rising trend in management (as opposed to executive) work is shown. However, there appears to be something of a levelling off in the “Professional/technical” category, where scores appear to be slightly lower than for other kinds of work.

Lastly, the “Years in the organization” variable appears to be the third most important variable explaining the differences between employees. As seen in these figures, it appears that staff has a less positive perception of their working conditions as time goes by, with the lowest scores being given for all 5 dimensions of work climate.

4.3 Differences and commonalities based on the Industrial Sector

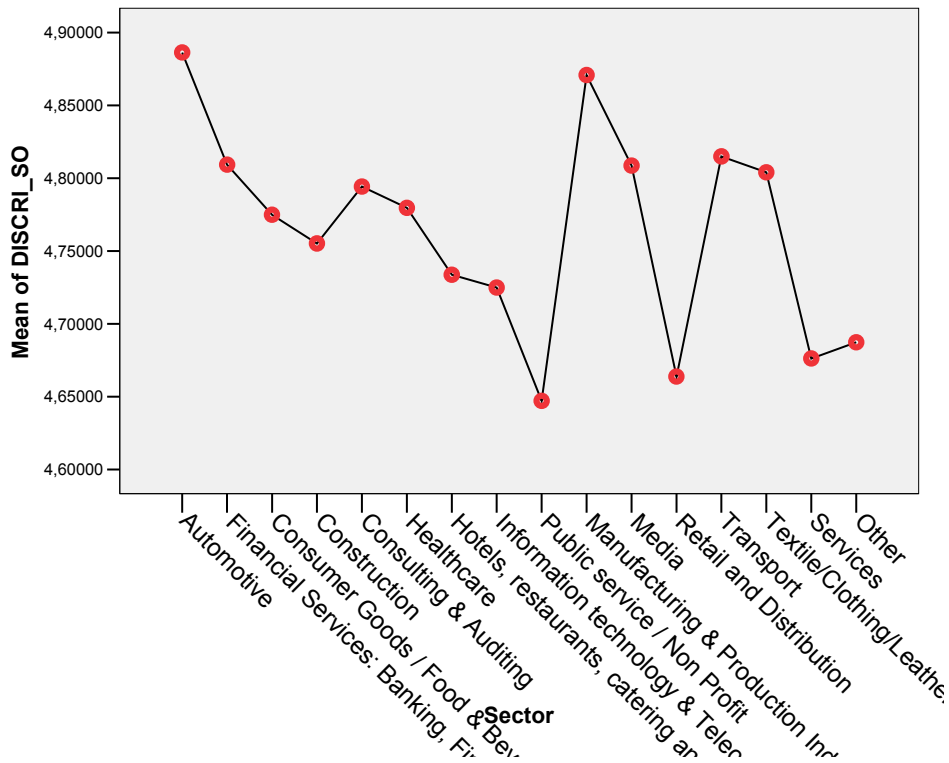
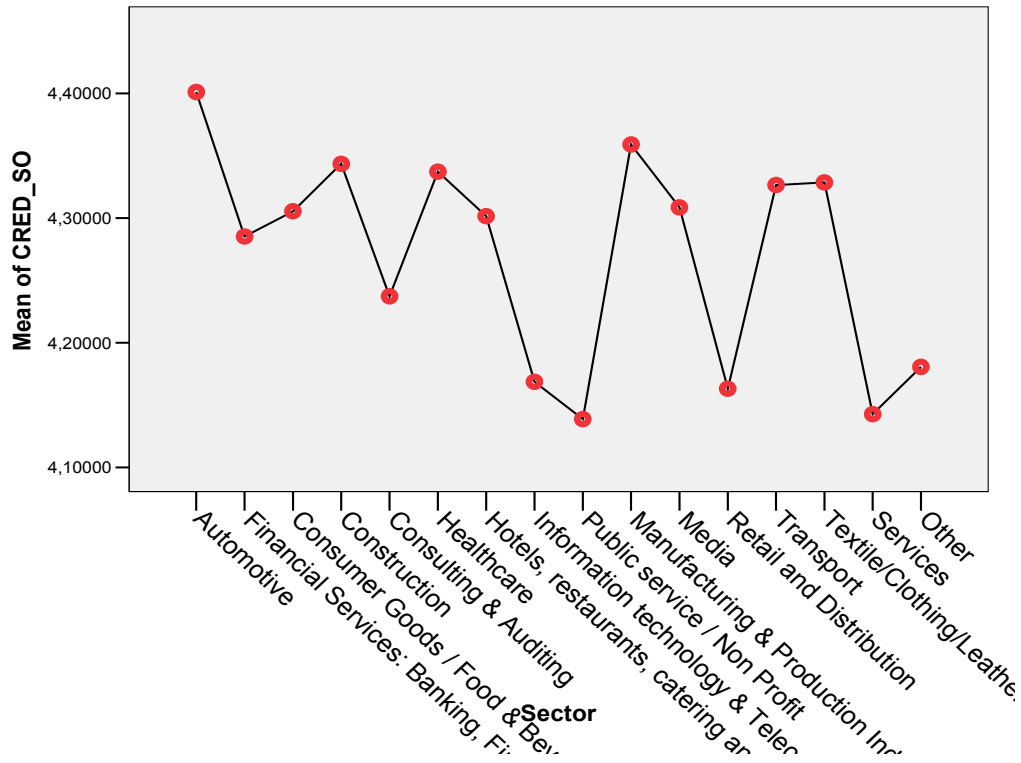
The data has been studied at the industry level to see whether there are significant differences between sectors. This section only shows the most relevant results (i.e. those with $< p. 0.000$).

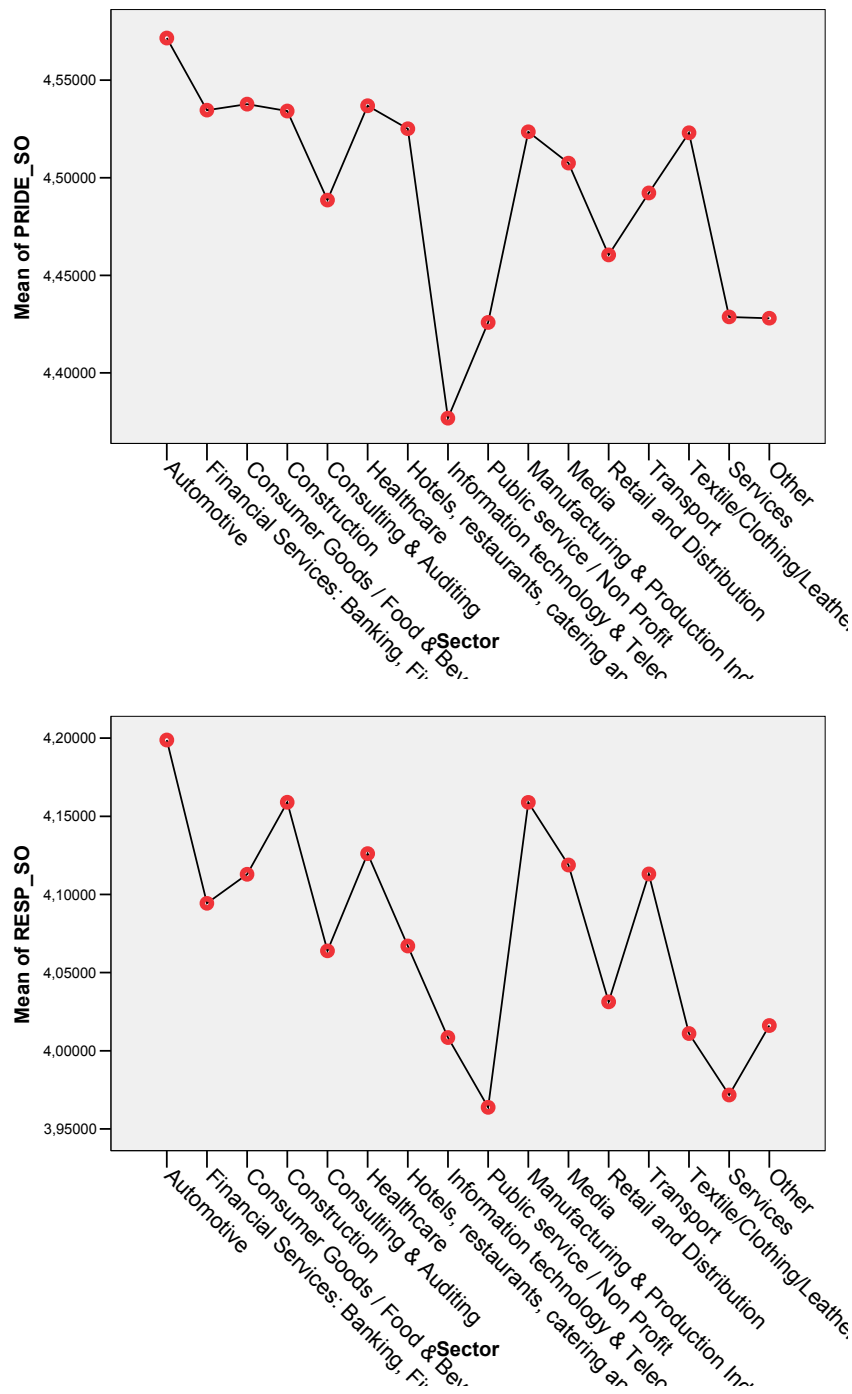
**Figure 17a : Relevant differences by sector for the Year 2003
(Equal Opportunities)**



There is significant heterogeneity between sectors regarding high and low scores. Thus with regard to the Equal Opportunities dimension, automobile and public service-related sectors all have low scores. By contrast, the media score highly.

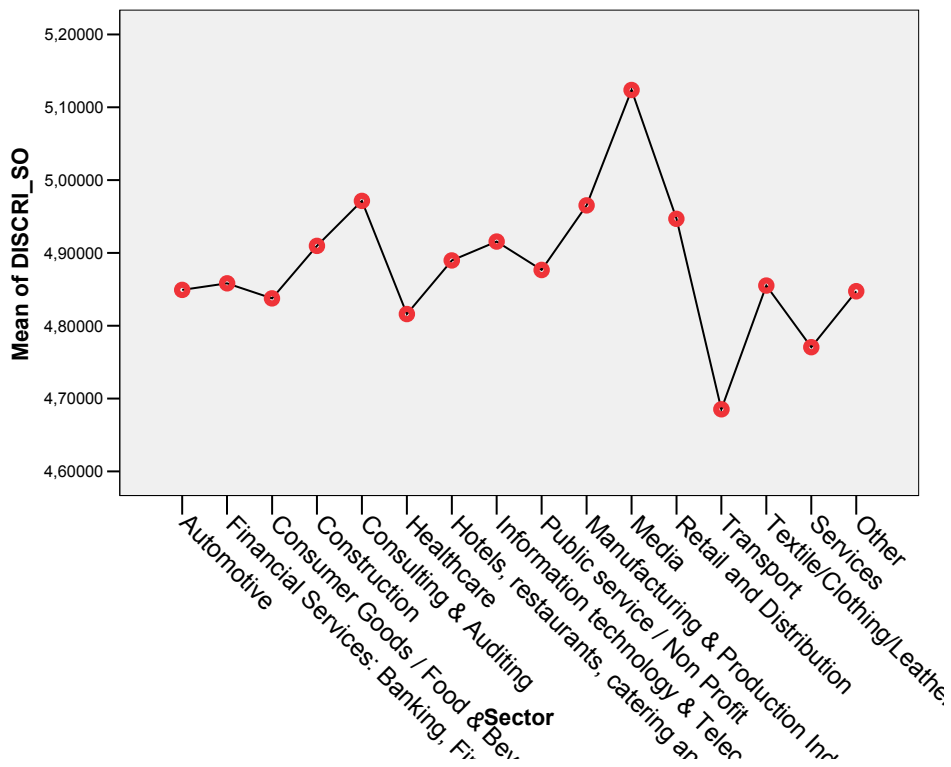
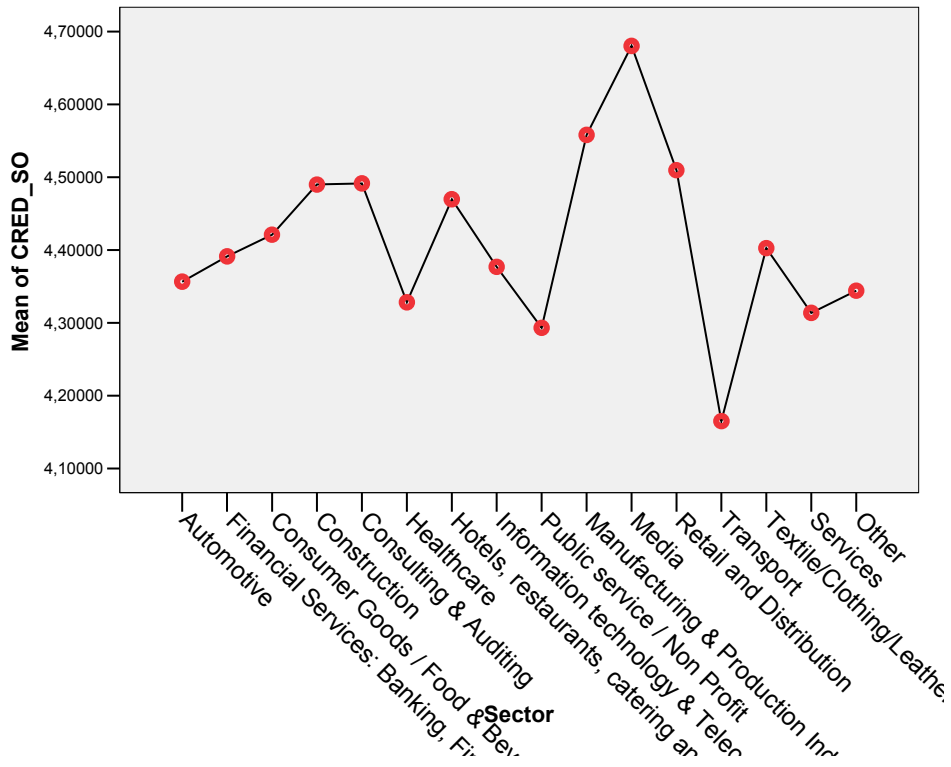
Figure 17b : Relevant differences by sector for the Year 2004 (Management Competency and Credibility, Fair & Sound HR practices, Equal opportunities, and Pride in Job & the company).

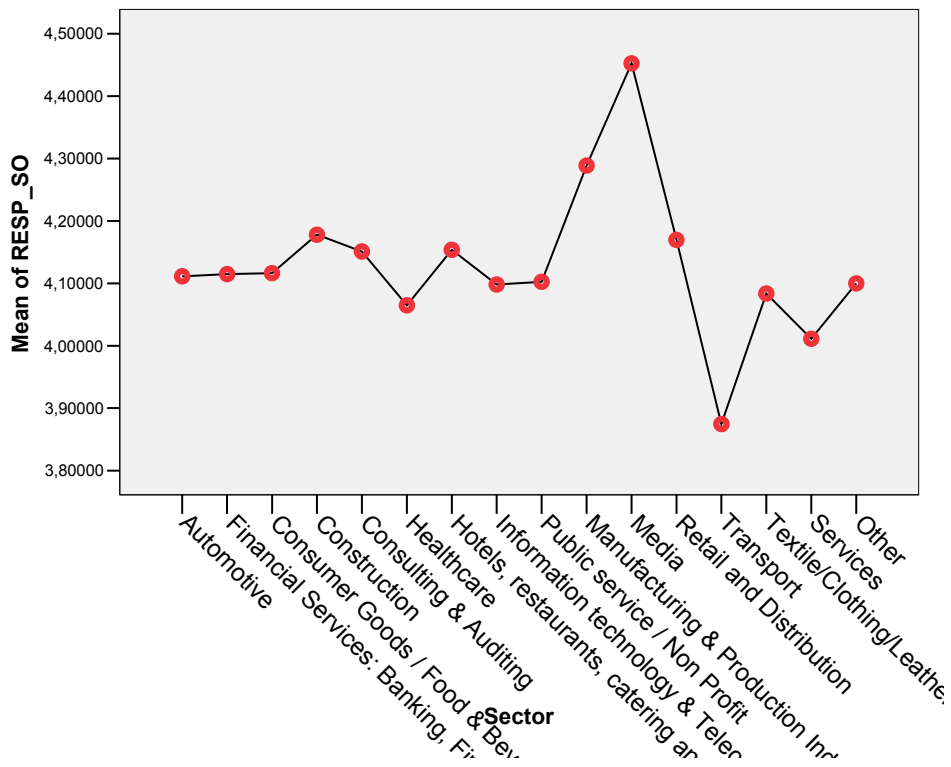
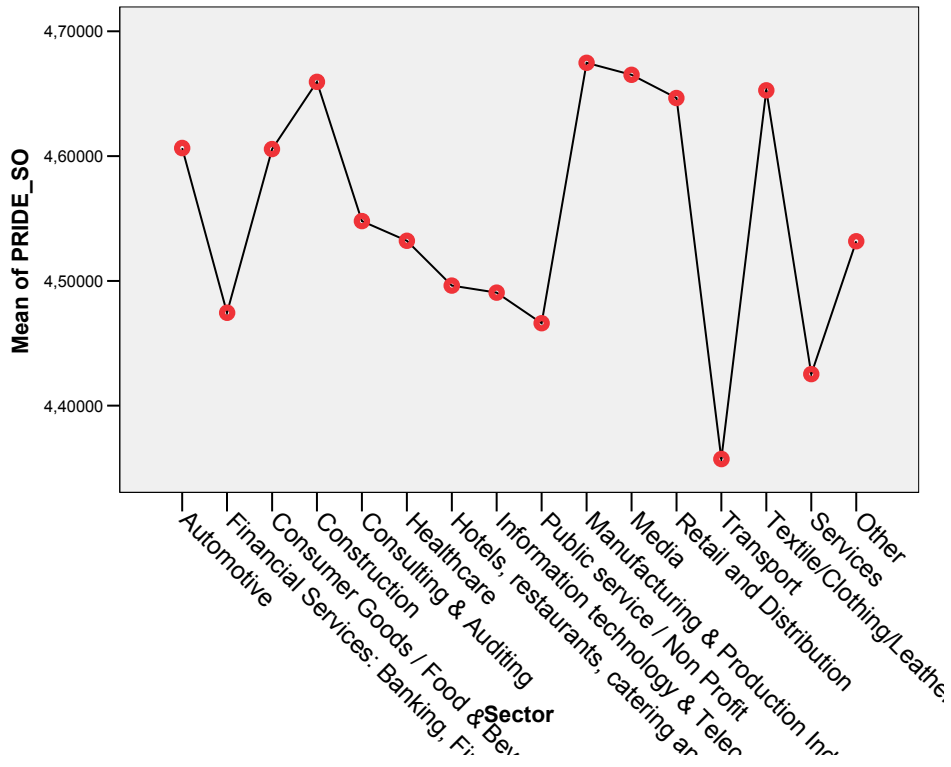




The figure 17b reflect the average scores obtained by companies by business sector in each of the 4 dimensions of work climate, and in which significant differences are revealed, depending on the sector the firms belong to. The results appear to suggest that companies' behaviour patterns vary according to the kind of dimension analysed (Management competency and credibility, Fair & Sound HR practices, Equal opportunities, and Pride in Job & the company).

Figure 17c : Relevant differences by sector for the Year 2005 (Management competency and credibility, Fair & Sound HR practices, Equal opportunities, and Pride in Job & the company).





The results obtained for year 2005, give different trends according to the Industrial Sector. Some sectors show results that separate from the general trend, having a greater or less punctuation. The following table (Table 3) covers additional information for the 3-year period (2003-2005). Note that the highest scores in each dimension are found in the media sector.

Table 3. Distribution of 5-dimensional means by sector

Report					
Mean					
Sector	CAMAR_ SO_mean	CRED_ SO_mean	RESP_ SO_mean	DISCRI_ SO_mean	PRIDE_ SO_ mean
Automotive	4,2482	4,3754	4,1660	4,8498	4,5461
Financial Services: Banking, Finance, Insurance	4,2029	4,3332	4,0967	4,8298	4,4407
Consumer Goods / Food & Beverage Industry	4,1655	4,3227	4,1013	4,7771	4,4952
Construction	4,2342	4,3983	4,1584	4,8125	4,5285
Consulting & Auditing	4,2380	4,3678	4,0993	4,8985	4,4591
Healthcare	4,1856	4,3361	4,1073	4,8147	4,5040
Hotels, restaurants, catering and tourism	4,2504	4,4079	4,1370	4,8501	4,4854
Information technology & Telecommunications	4,1674	4,2746	4,0685	4,8572	4,3900
Public service / Non Profit	4,1465	4,2372	4,0578	4,7961	4,4212
Manufacturing & Production Industry	4,2014	4,3440	4,1237	4,8280	4,4925
Media	4,3412	4,4529	4,2333	4,9302	4,5409
Retail and Distribution	4,2136	4,3529	4,1042	4,7953	4,4480
Transport	4,1072	4,2430	3,9941	4,7476	4,4293
Textile/Clothing/Leather	4,1887	4,3273	4,0581	4,7910	4,4851
Services	4,1552	4,2699	4,0247	4,7769	4,4009
Other	4,1551	4,2629	4,0617	4,7682	4,4578
Total	4,1847	4,3125	4,0861	4,8173	4,4524

Conclusion: Participants' scores in each of the work climate dimensions and for each sector show considerable dispersion. However, we found that automobile, transport and public service sectors consistently scored towards the bottom of the scale. By contrast, employees working in the media scored towards the top of the scale.

5. CONCLUSIONS AND AGENDA FOR DEBATE

The preliminary results obtained to date need to be compared with other sources of information in order to reach worthwhile conclusions on the differences between European countries regarding quality of work climate and conditions. These results can be summarized as following:

- Country differences go beyond demographic variables.
- Similar behavior between same groups of countries (clusters),
Clear country types
- Big differences between countries on some items/dimensions
- Different perception of the evaluations between countries.

Obviously, in the EU, there is a gradual trend towards convergence and harmonization of labor policies. In this respect, one should note that all EU countries (and sectors) will eventually operate within the same legal framework. However, given the mosaic of cultures, values, historical institutions and other environmental factors characterizing each state, one can reasonably ask whether extending the logic of harmonization will necessarily lead to sustained competitiveness. The above findings reveal that differences in work climate among the various countries, industries and cluster of countries. This means that the road to company excellence is somehow different in the various countries, given that their definition of what constitutes a good work climate varies. The data, nonetheless, does not permit us to draw a direct conclusion about the relationships between work climate and the firm's economic success. More specifically, in this study we did not have information regarding the economic success or otherwise of firms, and thus linking work climate to competitiveness can only be done via proxy and the results of other studies.

Accordingly, the next section highlights some findings published by other researchers about the possible link between work climate and a firm's business success.

5.1. WORK CLIMATE AND COMPETITIVENESS: ANALYSIS BY PROXY

The idea that employees are critical element to a firm's success has become common wisdom. Indeed, a growing number of experts now state that the key to a firm's economic success can be attributed to the effective management of its work climate and the corresponding human resources policies. However, the links between HR effectiveness and organizational effectiveness have been explored from many conceptual angles.

In a recent paper, researchers from IEL (ESADE Institute of Labor Study), analyzing the Spanish CRANET data, report a positive link between certain HR policies and productivity. Dolan et al (2005) conclude that certain HR configurations and investment in human capital, leads to substantial productivity gains and sustainable competitiveness, and vice versa, the lack of certain HR policies and practices is linked to lower productivity for the firm. (Dolan, Mach & Sierra, 2005)⁴.

In the same vein, a recent ILO report states that productive efficiency and equity in society are key elements of a vicious circle. During the past century, improvements in working conditions have played a crucial role in business development and stability. In turn, this has generated a more equitable share of wealth, both through the economic boost given by greater worker purchasing power and the redistribution of incomes arising from the taxation of company profits and employees' earnings. At the heart of this process is the ability of workers and employers to interact on an equal footing so as to solve problems arising in the world of work. This has generally been a function of their capacity to get organized and act collectively.⁵

⁴ Dolan S.L., Mach M., Sierra V., "HR contribution to a firm's success examined from a configurational perspective: An Exploratory Study Based on The Spanish CRANET Data" *Management Review (The international Review of Management Studies)*, 2005(2): 272-290.

⁵ Source:

http://www.ilo.org/dyn/empent/empent.portal?p_docid=SRAGLOBAL&p_prog=S&p_subprog=RA

Nonetheless, the prospects for this efficiency-equity relationship face several limitations in today's globalized economy, where governments and labour market institutions exercise ever less control over processes that are decided upon at the global level. At the same time, the experience of several countries confirms that growth does not translate automatically into substantial trickle-down and that the resulting rise in inequality is bad not only for social justice, but also for productivity. Inequality often leads to political instability, which in turn discourages investments and growth. Inequality also undermines the development of institutions that increase productivity and remedy market failures. At the micro-level more co-operative forms of work organization in which workers participate in finding low-cost solutions or in improving production methods remain relevant to fostering a climate of trust and solidarity, promoting an entrepreneurial culture and reducing labour turnover, ultimately helping employers and organizations to be more efficient. In this context, organization remains an important conduit to both efficiency and equity.⁶

A 2003 study reported by Watson Wyatt Management Consulting came to the conclusion that companies with better human capital practices get more than double the shareholder value of companies with average human capital practices. Their findings were based on data from Europe, Asia-Pacific and North America. The findings, according to Watson Wyatt, provide evidence of a strong link between human capital practices and shareholder value creation and that is applicable in several continents.⁷

The HCI studies of companies in Europe, Asia-Pacific and North America report the impact of human capital practices on business performance. Their combined database includes more than 2,000 major companies globally and tracks shareholder performance from 1994 to 2002. "While each regional study carries some cultural differences, the results demonstrate that great HR practices can be a true competitive advantage.⁸ In fact the report suggests that superior human capital practices prevail, regardless of economic conditions or geographic location. The studies report that companies have better total returns to shareholders (TRS) or

⁶ Ibid

⁷ <http://www.watsonwyatt.com/canada-english/news/press.asp?id=10935>

⁸ Quote by , " J.P. Orbeta, global director of Watson Wyatt's Human Capital practice.

growth in shareholder value if they have the following superior human capital practices:

- **Clear Rewards and Accountability** – a 16.5 to 21.5 percent increase is associated with practices such as broad-based stock ownership, paying above the market rate and effective performance management.
- **Excellence in Recruitment and Retention** – a 5.4 to 14.6 percent increase is associated with practices such as an effective recruiting process, a positive employer brand and focus on key skills retention.
- **A Collegial, Flexible Workplace** – a 9.0 to 21.5 percent increase is associated with practices such as employee input into how the work gets done, higher trust in senior management and a lack of workplace hierarchy.
- **Communications Integrity** – a 2.6 to 7.1 percent increase is associated with practices such as effective use of employee surveys, sharing of strategy and financial data with employees and employee input into decision-making.
- **Focused HR Technology** – a 4.2 to 6.5 percent increase is associated with practices such as using technology to improve service and accuracy, or to cut costs. We found this consistently in North America and Europe, and among larger organizations in the Asia-Pacific study.
- **Prudent Use of Resources** – some practices, however, had a negative effect as a 14.5 to 33.9 percent decrease is associated with practices such as development training for career advancement, 360-degree feedback programs and using HR technology for softer goals such as improved culture and/or communication.

5.2. DO HAPPY EMPLOYEES EQUAL HAPPY SHAREHOLDERS?

There are endless examples and anecdotes linking employee's happiness to shareholders values, and sceptics have always fallen back on the old defence that there is no hard-and-fast independent data to prove it. To some extent, they are right - the lack of data has been a real handicap. On the other hand, a body of

evidence—past, present and forthcoming— amassed by the Forum for People Performance Management and Measurement, founded by the Department of Integrated Marketing Communications at Northwestern University (a non-profit research and education resource center), points out that employee satisfaction and engagement drive an organization’s bottom-line success. The highlights leading to their conclusion is based on the following evidence:⁹

- the Russell Investment Group and the Great Place To Work Institute released a joint study that tracked stocks of publicly traded companies on Fortune’s “100 Best Companies to Work for”® from early 1998 through 2004. The study determined that companies on the list of best places, compiled for Fortune by the GPTW Institute, produced returns three times greater than the broad market. study came one from The Jackson Organization, a performance improvement research and consulting group based in Columbia, Md., which partnered with recognition firm OC Tanner of Salt Lake City. They asked 26,000 workers at all levels of 31 organizations, most of them hospitals of varying sizes and profitability, how much they agreed with the statement “My organization recognizes excellence.”
- Further evidence comes from the study by The Jackson Organization, a performance improvement research and consulting group based in Columbia, Md., which partnered with recognition firm OC Tanner of Salt Lake City. They asked 26,000 workers at all levels of 31 organizations, most of them hospitals of varying sizes and profitability, how much they agreed with the statement “My organization recognizes excellence.” The study showed that the top 25 percent of companies—those whose employees agreed most strongly with the statement—performed the best in three measures of financial success examined: return on equity, return on assets and operating margin, which is a company’s gross profit.

⁹ Source: B. Coffey, in:

http://www.motivationstrategies.com/Ask_the_Experts_Do_Happy_Employees_Equal_Happy_Sh.582.0.html

5.3. DO HAPPY AND HEALTHY EMPLOYEE CONTRIBUTE TO COMPANY COMPETITIVENESS?

Research over the past 25 years, has identified job factors and work climate aspects that are associated with employee stress and ill-health and has resulted in lengthy lists of both job stressors and stress-related health outcomes. The consequences are bad for both employees and the organization. Ever since the 1980's, the proposed conceptual framework has been broadened to focus not only on the job stressor-health relationships, but to overall organizational health¹⁰. Organizational health is a more inclusive concept and refers to enhanced organizational performance (productivity and effectiveness) plus worker good health. A healthy work organization is one whose culture/climate, values and practices promote employee health and company effectiveness. This definition accommodates hitherto opposing goals: (1) organizational goals of profitability and competitiveness, and (2) worker goals of health and well-being.

In 1991, the National Institute for Occupational Health and Safety (hereafter NIOSH) initiated a program of research to study healthy work organizations. The research emphasized the interrelationship of individual worker well-being and organization effectiveness, and focused on macro-organization characteristics, in addition to job-level characteristics, as risk factors for ill health and performance impairment. NIOSH analyzed organizational climate survey data obtained from one corporate partner during the years 1993-1995. Over 10,000 workers filled out the anonymous questionnaire, which contained measures of stress and coping, management practices, individual and team performance, organizational culture, values, and performance. Statistical analyses of these cross-sectional data identified key organizational variables associated with low employee stress and high organizational effectiveness¹¹.

¹⁰ Dolan S.L. Arsenault A., Stress, **Santé et Travail** (stress, Health and Work). Université de Montréal, Monographie 5, 1980

¹¹ <http://www.cdc.gov/niosh/frn98024.html>

Based on these analyses, NIOSH developed a provisional model of a healthy work organization which contains three broad, interrelated categories: organizational values, culture/climate, and management practices.

Healthy work organizations demonstrate commitment to company values which emphasize employee growth and development, integrity and honesty in communication, workforce diversity, and view the individual worker as a valuable human resource. These organizations have a culture/climate in which workers (a) are personally valued, (b) have authority to take actions to solve problems, (c) are encouraged by management to express opinions and become involved in decision-making, and (d) resolve group conflicts effectively. Management practices in an healthy work organization include (1) management actively engaged in leadership and strategic planning, (2) management making the necessary changes to follow through on long term business strategies, (3) workers recognized for problem-solving and rewarded for doing quality work, and (4) first line supervisors provide assistance and resources in helping workers plan for their future. In the same period. Researchers from IEL (Institute of Labour Studies, at the ESADE business school) have developed a similar concept and corresponding measures labelled: Management by Values¹². According to them, a culture that shares values in terms of Economic objectives, Ethical-Social Objectives and Passion-Compassion objectives, leads to employee's well-being and to corporate sustained competitiveness¹³. The model is presented in Figures 18 and 19.

¹² Garcia-Sanchez S., Dolan S.L. *LA DIRECCION POR VALORES (DPV): gobierno de cambio en la empresa de s. XXI*. McGraw- Hill Professional Management Series. Madrid. McGraw Hill Inter-America. 1997

¹³ Dolan S.L. Garcia S., Diez-Pinol M. *Autoestima estrés ,y trabajo*. (McGraw Hill - Colección Negocios) Madrid. 2005; Dolan S.L.,Garcia S.,Richley B.,, *MANAGING BY VALUES: A corporate guide to living, being alive and making a living in the 21st century* , 2006. London.

Figure 18. Management by values

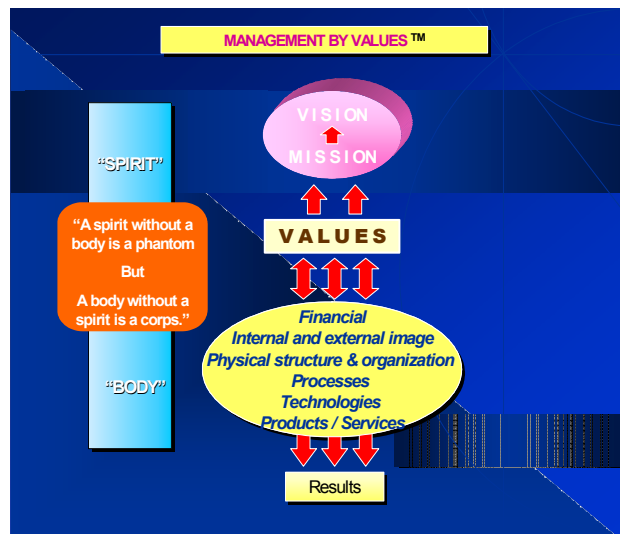
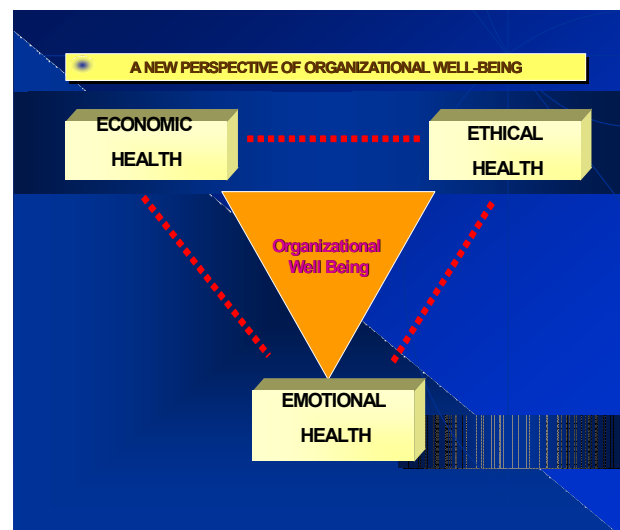


Figure 19. A new perspective of organizational well-being



Beyond these determined characteristics, two additional factors need to be incorporated into the model: external economic/market conditions and physical work conditions. External market conditions exert a strong influence on company profitability and competitiveness independent of the culture/climate, values, and management practices. Similarly, a healthy work organization should meet certain minimum standards for physical working conditions in order to protect the health and safety of employees.

In summary, organizational characteristics listed above form a provisional profile of a healthy work organization, and can be used to design interventions for improving organizational health. The model is provisional because it has not been validated in various cultures, countries and has not been tested across all industry groups. Furthermore, it is not known whether all of the characteristics listed above are necessary and sufficient measures of a healthy work organization, or whether certain combinations of characteristics are more important than others.

Based on the aforementioned evidence, the agenda for debate in the Barcelona conference will include the following issues:

- Is there a link between Quality of Work and Productivity across Europe and across industries?
- Does improvement in certain work climate dimensions increase in the quality and efficiency of investment in human capital and does it translates it into productivity gains?
- Can an organization afford to manage their Human resource policies with emphasis on “Trust, Equity and Respect”?
- Is it possible that Camaraderie and team spirit coexist with competitiveness”?
- What is the importance of internal coherence (“what you say is what you do”) and how leaders can create excellent climate?
- Can the definition of sustained competitiveness and work climate be replaces by the concept of organizational well being?