

# Good work, wellbeing, and productivity: what is the role of management?

10 months ago



The latest [IFOW Good Work Monitor](#) highlights the link between good work and productivity – a critical economic challenge for the UK. IFOW’s analysis also confirms the strong link between good work and people’s wellbeing. Yet, when it comes to both productivity and wellbeing, and indeed the distribution of good work, the UK suffers from persistent regional and local inequalities.

Tera Allas CBE, senior advisor to McKinsey & Company, tells us more in this insightful article. Having led McKinsey & Company’s UK economic research for 10 years, Tera chairs [PBE](#), [The Productivity Institute’s](#) Advisory Committee, and The Health Foundation’s [NHS Productivity Commission](#).

What enables some places to have an abundance of good work when others don’t? After all, many key drivers of good work – favourable macroeconomic conditions, competition and innovation policies that encourage high-value-added activity, effective policies around education and skills, and high-quality employment regulation – are national, rather than regional in nature. At the regional level, what tends to matter are historical patterns of employment, the mix and type of employer organisations, and agglomeration effects – which include transport links and access to housing. Local institutions – including the education sector – also play an important role.

But even within regions, such broad factors leave significant discretion to organisational leaders and managers, resulting in substantial within-region variation. In this context, for both productivity and good work, management matters.

The role of management practices in driving productivity is well-established. Even within the same size category, industry sector, and region, there are vast productivity differences between individual firms.

Different management practices have been shown to be a key explanatory factor. Figure 1 illustrates how this applies at the sector-region level: better management practice scores (relative to each sector’s UK average) are significantly associated with higher productivity (relative to each sector’s UK average) ( $R^2 = 0.13$ ,  $p = 0.001$ ), even though other factors clearly play a role, too.

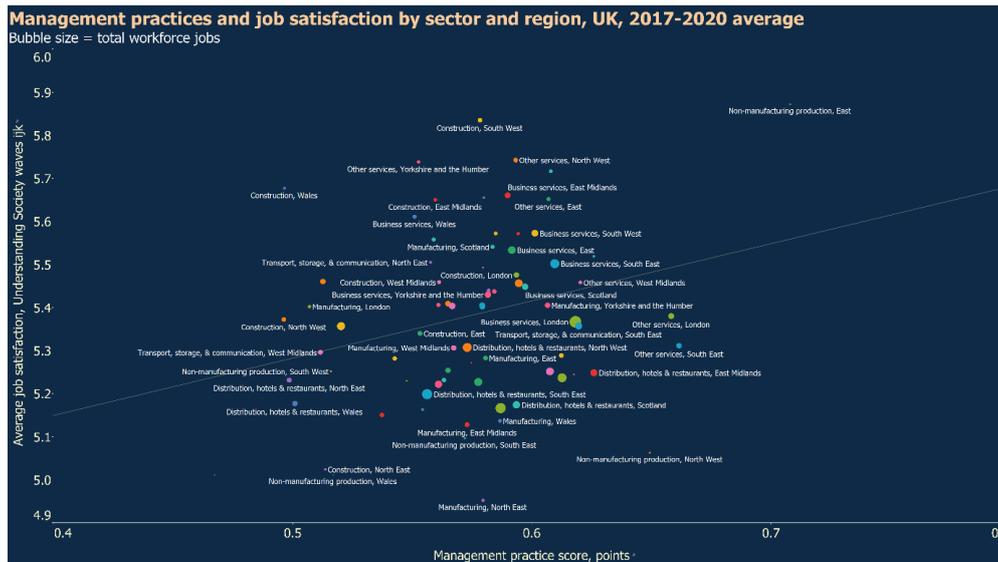
Figure 1: UK regions with higher relative management scores also have higher relative productivity



Source: ONS; author's calculations.

What is less often highlighted in national policy debates is the role of good leadership and management in supporting staff engagement, job satisfaction, and worker wellbeing—despite the potential of worker wellbeing to create a virtuous cycle with productivity growth<sup>1</sup>. The evidence at the level of individuals and firms is solid—good managers enable good work<sup>2</sup>. However, it is messier at a sector-region level. Figure 2 shows only a modest correlation between management practices and job satisfaction ( $R^2 = 0.07$ ,  $p = 0.016$ ).

Figure 2: There is only a modest correlation between sector-regions’ management practice scores and average job satisfaction



Source: ONS; University of Essex, Institute for Social and Economic Research. (2024). *Understanding Society: Waves 1-14, 2009-2023 and Harmonised BHPS: Waves 1-18, 1991-2009. [data collection]. 19th Edition. UK Data Service. SN: 6614, <http://doi.org/10.5255/UKDA-SN-6614-20>; author's calculations.*

This points to three important questions to pursue. First, are *all* management practices equally important for productivity and worker wellbeing? Second, are *all* highly productive companies also good for their workers? And third, how can we further enhance the metrics for measuring, analysing, and understanding good work?

Looking at the productivity-enhancing management practices in the literature<sup>3,4</sup>, they only partially overlap with approaches that support worker wellbeing. For one, these measures do not capture important psychological factors, such as the quality of workplace relationships and social networks, an empowering organisational culture, or the degree to which management instil a sense of learning, progress, meaning, and purpose in workers' daily lives<sup>5</sup>. These were important dimensions of the [Pissarides Review into the Future of Work and Wellbeing](#)<sup>6</sup>.

Moreover, depending on how they are implemented, some management practices—such as the presence of performance tracking, targets, and performance-based incentives—can drive a negative, rather than a positive, dynamic in the workforce. Having said that, many of the recognised practices—such as training, engaging with all staff, and involving non-managers in decision making—should indeed be beneficial for workers. It seems more research is required to untangle the connections between specific management practices, productivity, and worker wellbeing.

Moreover, it would be naïve to assume that all productive firms are good for their staff, or the other way round. A striking study<sup>7</sup> by McKinsey Global Institute found that there are *two* very different company archetypes that achieve strong financial performance: one focused on challenging, top-down, goal-oriented management (with, consequently, higher levels of staff attrition and lower returns on people-oriented investment), and the other focused on still challenging, but collaborative and nurturing practices (benefiting from better outcomes for their people, too). Interestingly, while the MGI research found that

both archetypes were highly profitable, it was the people-oriented companies that delivered better resilience through economic perturbations.

All of this points to a need for a deeper, more nuanced understanding of the links between productivity and good work, and the role of specific management practices in them. For such a picture, we would ideally need matched data on management practices and staff experiences—something I hope productivity and wellbeing researchers will pursue.

But, at a higher level, shouldn't we also call for routine measurement and publication of job satisfaction data, to complement the existing metrics on good work? With the world of work rapidly changing, monitoring what matters—including subjective measures of satisfaction—is a high priority.

*Tera Allas CBE is a trustee of [Be the Business](#) and a governor of the [National Institute of Economic and Social Research](#) and contributes to several expert advisory bodies, including the [Office for Budget Responsibility](#). She holds an Honorary Professorship at the Alliance Manchester Business School and is a Fellow of the Academy of Social Sciences and the RSA.*

#### Footnotes

[1] Workplace Wellbeing and Firm Performance, University of Oxford Wellbeing Research Centre Working Paper 2304, 2024. <https://wellbeing.hmc.ox.ac.uk/wp-content/uploads/2023/11/2304-WP-Workplace-Wellbeing-and-Firm-Performance-DOI-2024.pdf>

[2] The boss factor: Making the world a better place through workplace relationships, McKinsey Quarterly, 2020. <https://www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/the-boss-factor-making-the-world-a-better-place-through-workplace-relationships>

[3] Management practices in the UK: 2016 to 2023, ONS, 2024. <https://www.ons.gov.uk/economy/economicoutputandproductivity/productivitymeasures/bulletins/managementpracticesintheuk/2016to2023>

[4] Management matters in an era of disruption, World Management Survey, 2024. <https://poid.lse.ac.uk/textonly/publications/downloads/Management-matters-wms-2024.pdf>

[5] Meet the psychological needs of your people—all your people, McKinsey Quarterly, 2022.

[6] The Pissarides Review into the Future of Work and Wellbeing, Final Report, Section 3, <https://static1.squarespace.com/static/61e471292531e621931e557d/t/67a080fd20dd7d70748980f7/1738572041937/TPR-FinalReport-26-01-25v4.pdf>

[7] Performance through people: Transforming human capital into competitive advantage, McKinsey Global Institute, 2023. [https://www.mckinsey.com/~/\\_media/mckinsey/mckinsey%20global%20institute/our%20research/performance%20through%20people%20transforming%20human%20capital%20into%20competitive%20adva](https://www.mckinsey.com/~/_media/mckinsey/mckinsey%20global%20institute/our%20research/performance%20through%20people%20transforming%20human%20capital%20into%20competitive%20adva)

