



# Early Policy Briefing

## Work organization

February 2025



## WISER: Well-being in a Sustainable Economy Revisited

# WISER – 101094546



**Funded by  
the European Union**

Funded by the European Union. Views and opinions expressed are however those of the author(s) only and do not necessarily reflect those of the European Union. Neither the European Union nor the granting authority can be held responsible for them.

## Sommario

<b>Work Organization .....</b>	<b>4</b>
<b>1 Managerial Culture and Malaise at Work .....</b>	<b>4</b>
<b>2 Work Dissatisfaction and Disengagement .....</b>	<b>5</b>
<b>2 Humanizing Firms .....</b>	<b>6</b>
<b>3 Successes and Failures .....</b>	<b>7</b>
<b>References: Section 3 .....</b>	<b>8</b>

## Abstract

The organization of work in companies in recent decades has evolved towards the following recipe: more competition, more pressure, more controls, more conflicts, more incentives, more stress. This evolution is at the root of the current crisis of distress and disengagement of workers, witnessed by any survey. This trend is dangerous for the long-term economic sustainability of companies. Worker disengagement calls for heavy expenditure on control. With time, workers' demotivation and distrust destroy cooperation and commitment to the job. Greater profits in the short run undermine long-term profitability and economic sustainability. Indeed, while for a long time in the history of capitalism the reasons for the success of firms depended largely on access to financial capital and technology, we gradually entered a different period in which the destiny of firms depends increasingly on the human factor, i.e. from shifting to organisational models that privilege the quality of persons, starting with their capacity to cooperate and create constructive relationships. Things are changing. A growing number of firms have realised that it is crucial to put the "human question" at the heart of the firm agenda. Such firms adopt organizational models based on limited hierarchy, working groups where small groups of employees are fully responsible for their tasks, promoting work-life balance, good quality human relationships, architecture and work spaces designed to promote relationships, good quality time on the job, respect for employees' rhythms, attention to personal needs, and an emphasis on cooperation and intrinsic motivation rather than on competition between employees and extrinsic motivations.

# Work Organization

## 1 Managerial Culture and Malaise at Work

“To change an organisation (...) one must identify the control nodes and physically destroy these centres of power. To do so, *changers* who are given importance disproportionate to their company status must be sent in, thus creating malaise in the nodes to be destroyed. Once this malaise becomes sufficiently evident, those opposed to change are struck down in the most blatant way possible so as to inspire fear (...). Act quickly, decisively and relentlessly. The organisation will not take long to understand because people do not like to suffer.”

These are the words of Francesco Starace, former CEO of ENEL, the main Italian energy company. His interpretation of company relationships is revealed by the words he chooses: strike down, physically destroy, create malaise, inspire fear, cause suffering. His view is shared by swarms of managers trained by faculties of economics under the belief that "to be a good manager, one must be a jerk" (the words of another Italian top manager) or capable of declaring "Enough of this suicide fad!" in response to a wave of employee suicides. I quote Didier Lombard, CEO of Telecom France at the time of the 58th employee suicide in 3 years in his company.

This type of managerial culture, presented as modern and innovative, echoes Jason Gould, a late nineteenth-century American railway construction company manager: “I can always employ half the workers to kill the other half.” In the meantime, the best business schools consider these ideas to be obsolete and the cause of disasters. In fact, new ideas are taught today, and capitalism now thrives with companies that prioritize employing individuals rather than treating them as mere personnel..

According to Henry Mintzberg, defined by the Financial Times as the greatest management expert in the world, Starace's type of company policy has been responsible for the collapse of many American firms and even for the global economic crisis that began in 2008. He sustains that a bigger crisis was at the root of the 2008 crisis, namely a decline in the sense of community within firms and in people's sense of belonging to and caring for something greater than themselves. He adds that decades of bad management have inflated the importance of CEOs and reduced personnel in the corporation as being fungible commodities (Mintzberg 2009).

This senseless behaviour had the world economy on its knees. The managerial effectiveness of American firms is threatened by an excess of hierarchy. The isolation of those at the top undermines a sense of community. Solutions? According to Mintzberg, firms must involve their employees again. The way to rebuild community is to stop doing things that undermine it, like treating people as "human resources".

The type of managerial culture criticised by Mintzberg affects the organisation, which in recent decades evolved in a direction that causes tensions in company relations: more work pressure, stress, incentives, conflict, control, competition and so forth. In addition to causing the collapse of

many firms, this organizational shift is a major factor behind the current crisis in workplace well-being.

Do you know the day of the week when we are less likely to have a heart attack? Sunday. The highest probability of a heart attack occurs on Monday, especially Monday morning (Witte et al. 2005, Manfredini et al. 2009). The reason is that on Monday morning many people have to return to a job they hate. This and the epidemic of burn-out or even suicides is only the tip of an iceberg of increasing work distress, robustly documented by the studies on the topic.

## 2 Work Dissatisfaction and Disengagement

The other side of the dissatisfaction coin is disengagement at work. Its incredible dimensions are illustrated in Table 2 which shows that the western European workforce is divided into workers who are engaged, not engaged and actively disengaged (i.e. those who, given the opportunity, avoid work or even boycott the company).

**Table 2.** Worker's Engagement in Western Europe, 2011-2012.

Workers claiming to be:	Percentage
Engaged	14%
Not engaged	66%
Actively disengaged	20%

*Source: Gallup World Poll, 2011-2012*

These are incredible figures. Actively disengaged workers are more numerous than engaged workers. Together, not engaged and actively disengaged amount to 86% of the workforce. This means that if they could, 86% of European workers would have zero or negative productivity. If they produce something, it is only because they are supervised. Moreover, the numbers are worsening: the percentage of engaged workers was only 10% in the period 2014-2016!<sup>1</sup>

Workplace engagement is linked directly to a series of measures of companies' health, starting with profitability. The link between wellbeing in the workplace and productivity has long been demonstrated (Oswald et al., 2015, DiMaria et al., 2020, Bryson et al., 2017, Bockerman & Ilmakunnas 2012, Bellet et al., 2024, Edmans 2011, Peroni et al., 2022). Satisfied workers are more precise and collaborative; they are absent or sick less often, they make fewer errors, they solve problems better and make clients happier. Workers who are not satisfied with their jobs do poor work (Diener & Seligman, 2004).

This is why firms with better internal relations are more solid. Worker disengagement calls for heavy expenditure on control. In the US the percentage of work supervisors can be as high as 15% of the workforce, and 14% in the UK, while in other western countries the percentage is substantially smaller (Jayadev & Bowles 2006). Spending for worker control mirrors occupational disengagement (i.e., it is a consequence of Starace-style management). Workers whose productivity would be zero or negative must be closely monitored.

<sup>1</sup> <https://www.slideshare.net/adrianboucek/state-of-the-global-workplace-gallup-report-2017>

This expenditure weighs heavily on competitiveness because working under surveillance is non-productive and expensive. Its disproportionate weight in the US and UK contributed to the deindustrialization of these countries. Not by chance, the national industry in these countries began to succumb to international competition in the 1980s, when these managerial practices spread.

## 2 Humanizing Firms

Mintzberg proposes humanising firms. It is not his idea. Many firms are doing it or have already done it. There is a long list of examples of successful firms where employee sense of belonging is strong. The best-known examples are big companies such as Toyota, Semco (Brazil), Mondragon, Pixar. However, such cases are common among small-to-medium firms. The president of Pixar speaks of "collective creativity" due to a "vibrant community" aware of working on a common project. The contrast with Starace's approach could not be more striking.

There is evidence to suggest that basing an organisation on conflict and fear can increase profits in the short period. However with time, demotivation and distrust destroy cooperation and commitment to the job. Greater profits in the short run undermine long-term profitability and economic sustainability. The short-termism that has dominated managerial decisions for decades has failed.

The great economist Schumpeter described capitalism as a process of creative destruction in which traditional firms are replaced by innovative firms with lower costs and better products. This is how capitalism favours consumers. But now many firms have entered another phase that Mintzberg calls *destructive conservation*. The core business of many big firms has become to bully workers, suppliers and even clients to squeeze profits out of them, take over competitors in order to stay at the top, manipulate public opinion with disinformation organised by marketing experts, and fund politicians to obtain special laws, tax cuts and subsidies. These methods plunder society, which only reaps the disadvantages; they also undermine the reputation, profitability and sustainability of firms in the long period (Mintzberg 2013).

When things turn bad for these firms, they can count on being saved by the government. According to Mintzberg, they are not "too big to fail" but "too big to function well". He mentions big pharmaceutical, financial, oil and agri-food companies as being specialised in such practices. Indeed, these sectors are largely perceived by the public as harbouring unscrupulous managers, if not worse. The takeover of Monsanto (agri-food) by Bayer (pharmaceuticals) in 2018 can be interpreted as follows: they are sectors in which the skills of managers in destructive conservation are very similar.

However, the world is also full of positive examples. Many firms have realised that it is crucial to put the "human question" at the heart of the firm agenda. For example Google, though not a stranger to destructive conservation, has an advanced workplace organization that consists of: limited hierarchy, working groups where small groups of employees are fully responsible for their tasks, promoting work-life balance, good quality human relationships, architecture and work spaces designed to promote relationships, good quality time on the job, respect for employees' rhythms, attention to personal needs, and an emphasis on cooperation and intrinsic motivation rather than on competition between employees.

### 3 Successes and Failures

We are witnessing a historic change in the reasons for the success and sustainability of firms. At first, the reasons depended largely on access to financial capital and technology. Then we gradually entered a different period in which the destiny of firms depends increasingly on the capacity to connect the variety of motivations, interests and preferences of people in a common project. The capital fundamental for firms is no longer financial or technological, but rather human and relational. Human capital concerns people's skills and relational capital concerns the synergies created by their relations within firms. They are interconnected because the capacity to cooperate is a fundamental aspect of human abilities. American digital capitalism, like that of other countries, is an extreme example of this change. Indeed, it arose in garages and the investments that created small and large information technology empires were minimal.

Never before has the line between the success and failure of firms depended so much on the quality of persons, starting with their capacity to create constructive relationships. This historic change has thrown into crisis companies that did not respond by shifting to organisational models that privilege the human factor.

## References: Section 3

- Bellet, C. S., De Neve, J. E., & Ward, G. (2024). Does employee happiness have an impact on productivity? *Management Science*, 70(3), 1656–1679.
- Bockerman, P., & Ilmakunnas, P. (2012). The job satisfaction-productivity nexus: A study using matched survey and register data. *ILR Review*, 65(2), 244–262.
- Bryson, A., Forth, J., & Stokes, L. (2017). Does employees' subjective well-being affect workplace performance? *Human Relations*, 70(8), 1017–1037.
- Diener, E., & Seligman, M. (2004). Beyond money: Towards an economy of well-being. *Psychological Science in the Public Interest*, 5, 1–31.
- DiMaria, C. H., Peroni, C., & Sarracino, F. (2020). Happiness matters: Productivity gains from subjective well-being. *Journal of Happiness Studies*, 21(1), 139–160.
- Edmans, A. (2011). Does the stock market fully value intangibles? Employee satisfaction and equity prices. *Journal of Financial Economics*, 101(3), 621–640.
- Jayadev, A., & Bowles, S. (2006). Guard labor. *Journal of Development Economics*, 79(2), 328–348.
- Manfredini, R., Manfredini, F., Boari, B., Salmi, R., & Gallerani, M. (2009). The Monday peak in the onset of ischemic stroke is independent of major risk factors. *The American Journal of Emergency Medicine*, 27(2), 244–246.
- Mintzberg, H. (2009). Rebuilding companies as communities. *Harvard Business Review*, 87(7/8), 140–143.
- Peroni, C., Pettinger, M., & Sarracino, F. (2022). Productivity gains from worker well-being in Europe. *International Productivity Monitor*, 43, 41–61.
- Witte, D. R., Grobbee, D. E., Bots, M. L., & Hoes, A. W. (2005). A meta-analysis of excess cardiac mortality on Monday. *European Journal of Epidemiology*, 20(5), 401–406.