

good jobs  
a demos and  
pwc essay  
collection

Edited by  
Ralph Scott



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# GOOD JOBS

A Demos and PwC essay collection  
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## Contents

Contributors	9
Acknowledgements	11
Introduction Ralph Scott	13
1 What do the public think? Ian Tomlinson-Roe	17
2 Employee engagement: good jobs or just a nice idea? John Philpott	29
3 The one-man band show: self-employment and good jobs Ryan Shorthouse	39
4 The role of the public sector Julia Goldsworthy	51
5 Good jobs for care workers Baroness Kingsmill	59
6 Our journey to the living wage Fiona Kendrick	65
7 The power of transparency Joe Wiggins	71
8 Good jobs and the productivity puzzle Duncan O'Leary	75
References	83



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Finally, thanks to all of those who participated in our Good Jobs seminar series earlier in the year and in the citizens’ juries that PwC hosted during the party conference season. They have helped to ground this collection in the wider realities and bring in the voice of the public: something we always aim to do with our work.

Ralph Scott  
December 2014



# Introduction

Ralph Scott

What makes a job ‘good’? In the midst of a jobs-rich recovery, in a relatively flexible labour market, attention inevitably shifts to the quality of the jobs being created – both in terms of the contribution to national productivity, and the qualitative experience of those undertaking the work. In these terms at least, it is not evident that the picture is entirely rosy: there are questions of pay, productivity, security and job satisfaction.

All of this is in a context of significant growth of low-paid, low productivity jobs in what some have described as a ‘hourglass’ labour market: with these kinds of jobs – mostly hospitality and other low-skilled services – growing by around a quarter since the recession, and high productivity jobs – such as those in financial services – declining by around a fifth.<sup>1</sup>

In this collection, we bring together a wide range of contributors to address these questions, in turn providing an overview of what might be meant by ‘good jobs’, and how we might create more of them.

It begins with the views of the public, a sample of whom discussed what they value in a job in a series of deliberative events held by PwC earlier this year. Ian Tomlinson-Roe draws on these observations to suggest that opportunities for progression, job satisfaction and having a stake in the business are the conditions the public consider important for a good job.

The changing structure of the labour market also gives an indication of what workers value. In his piece, Ryan Shorthouse of Bright Blue describes the growing ranks of the self-employed and what this means for the good jobs agenda, suggesting that many are abandoning old ways of working precisely so they can exercise the kind of control over their work that good jobs provide.

But freelancing will not work for everyone: so what can we do to encourage more ‘good jobs’? Returning to the views of the public, in his piece, Ian Tomlinson-Roe suggests that HR departments with a better understanding of employees’ skill-sets and goals could give them the progression they need. He also posits that in order to give employees a stake in the company’s success there should be a greater role for employee voice.

John Philpott, the Jobs Economist, builds on this, arguing that it is this deeper, more meaningful method of employee engagement that would be likely to create good jobs and in turn generate the productivity gains we are looking for. And Duncan O’Leary picks this up in his description of two potential solutions to the productivity puzzle. Rather than improving productivity through macro-scale policy interventions, he argues that stronger employee voice could help achieve good jobs from the ground up.

Julia Goldsworthy raises the role of the public sector as an employer – with surveys revealing lower levels of job satisfaction than in the private sector. In her contribution, she unites good jobs with the devolution agenda. She argues that more local public services can give civil servants more autonomy over how services are delivered, improving outcomes and their working experience at the same time.

Finally, the collection provides insights into the incentives acting on businesses or whole sectors, with Fiona Kendrick of Nestlé describing their journey to the Living Wage, Baroness Kingsmill outlining what good jobs might look like in the care sector, and Joe Wiggins of Glassdoor describing their rather revolutionary proposal of online reviews for employers, providing the kind of transparency that TripAdvisor has for hotels.

All of these measures and more would be welcome in moving towards a labour market full of good jobs. Now that we are well into economic recovery, it is time to start thinking about how we use our time at work more productively, with benefits both to GDP and our own wellbeing.

## Notes

- 1 <http://www.tuc.org.uk/economic-issues/labour-market-and-economic-reports/low-paid-job-creation-has-pushed-earnings-growth> (accessed 9 Dec 2014).



# 1 What do the public think?

Ian Tomlinson-Roe

Heated debate about living standards – and what can be done to help lift them – has moved centre stage since the onset of the financial crisis. Although growth has returned to the UK economy, many households have yet to see the recent uplift reflected in their daily lives.

And although Britain has avoided the levels of unemployment seen in past recessions, the UK as a whole has a productivity problem – with UK workers producing less per hour than their counterparts in France, Germany and the US, and with the gap widening since the financial crisis.<sup>1</sup> This has resulted in a so-called ‘jobs rich, productivity poor’ economic recovery.<sup>2</sup>

This matters because productivity, and its improvement, is the point where the debates on growth, living standards and deficit reduction converge. In the long run, living standards and productivity are closely linked.

But higher wages must come from creating greater value for which employers will pay. Jobs, and their design, are therefore pivotal in this debate, comprising the most important factor for the public in the Demos-PwC Good Growth Index (see figure 1).

## Bringing the voice of the public to the debate

However, we need to go beyond the expert view on what is, or is not, a good job and understand the views of the public. To help us to do so, we made use of one of our citizens’ juries.

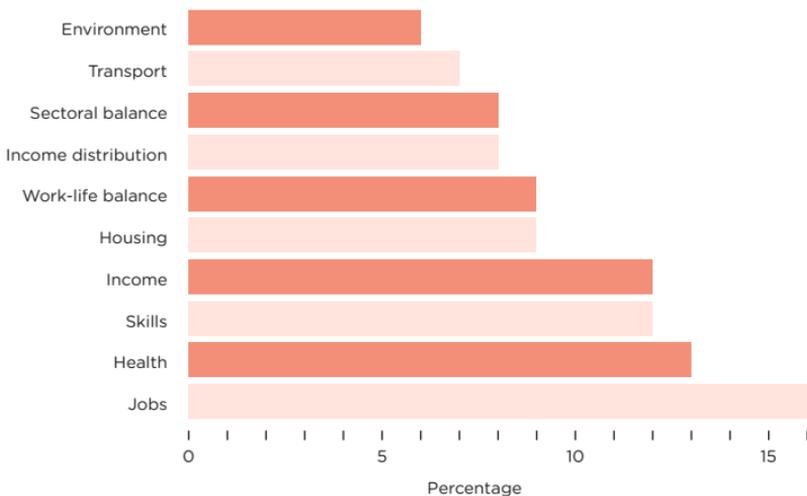
A citizens’ jury is a deliberative method that explicitly looks at how (and whether) people’s opinions shift when they are given new information and a chance to deliberate on it. Like a legal jury, it involves selecting a cross-section of the

public, reflecting different views and parts of society, who come together to hear evidence on a burning issue from different experts and reflect on what they have heard before coming to their conclusions.

It also allows for observers to attend and hear the evidence sessions; relevant politicians and policy makers are usually asked to receive a presentation of the jury's views based on the evidence at the end of the event. One of our party conference juries, led by BritainThinks, was given the chance to take a deep dive on how to deliver more good jobs.<sup>3</sup> This built on research by the New Economics Foundation Good Jobs Task Force,<sup>4</sup> which identified a number of potential elements of a good job including a decent income and working conditions, job security, an opportunity for progression, satisfying work, employee voice and work-life balance.

The challenge we set our jury was to review these elements and particularly to tease out the differences between an acceptable job and a good job.

Figure 1 **Indicators of success for the public in the work and money aspects of their lives, Demos-PwC Good Growth Index**



In the jurors' eyes, an acceptable job involves security, decent conditions and incomes to live on as well as work-life balance. Table 1 shows the jury's views on why these criteria are important for individuals and their views on why they should be important for employers and the country as a whole.

Table 1 **The jury's criteria for what are acceptable jobs and why they are important**

Criteria	Why important to individuals	Why viewed as important for employers and the country
Job security	It allows them to: <ul style="list-style-type: none"> <li>· plan for the future</li> <li>· make and sustain their financial commitments</li> </ul>	There would be a more committed workforce It would encourage unemployed people to take up work
Decent income – defined as a 'fair income' that you can live on without getting into debt	It allows them to: <ul style="list-style-type: none"> <li>· live, not just survive</li> <li>· save for the future</li> <li>· feel fairly rewarded</li> </ul>	It would reduce crime It would reduce cash-in-hand payments There would be less need for 'top-ups' from the government and so help to reduce the deficit There would potentially be lower staff turnover
Decent conditions	It means they will be safe at work It is the foundation of enjoying work and working well	There would be fewer accidents and injuries at work There would be lower levels of absenteeism
Work-life balance	It allows a family life It allows employees to rest and refresh themselves physically and mentally	Productivity during work hours would be higher There would be lower levels of absenteeism

But good jobs – ones that are more rewarding and productive in all senses – require more (see table 2). In particular, job satisfaction and a stake in business success are needed, with incentives linked to organisational performance, as often happens most obviously in social enterprises, mutuals and employee-owned businesses. An opportunity for progression and working with good people also needs to be part of the package.

Table 2 **Criteria for good jobs and why they are important**

Criteria for a 'good job'	Why important for individuals	Why viewed as important for employers and the country
Job satisfaction	They can enjoy the work They feel like they are making a difference They feel motivated	Employees would feel motivated and committed to the job Lower staff turnover
Having a stake – incentives linked to the performance of the business	Feel rewarded Be part of the success of the company Have a greater sense of how their role contributes to wider organisational success	Employees would feel motivated and committed to the job
Working with good people	It helps employees enjoy their jobs It contributes to employees feeling happy more generally in their lives	Productivity would be higher Commitment to the job would be higher
Opportunities for progression	It demonstrates an appreciation of employees' hard work It provides motivation and something to aim for	It allows the workforce to develop and grow skills over time

At the root of the jury's discussion was the need to create a 'happy, satisfied workforce'. A 'happy environment is a more productive environment' according to members of the jury. Good health featured through the course of discussion: as one of our jurors put it, people need to be 'fit for work in mind and body' and, of course, skills, with a better match between the skills an individual has and the work opportunities available.

### How can more good jobs be generated?

In practice, the complete answer to delivering more good jobs is a challenge beyond the scope of this essay, but the jury highlighted some of the key measures where business and policy makers could make progress.

#### Having a stake in the business

Employee voice – where employees feel they can express their views and are taken seriously – matters not for its own sake, but to help deliver a more satisfied, productive workforce.

Although the jurors did not emphasise this area, they felt that in all organisations there should be more opportunities for staff to be engaged in the generation and testing of ideas. For larger employers, the jurors thought that the German ‘co-determination’ model, with a proportion of board places elected by the workforce, had merits in order to facilitate a genuine two-way conversation between the workforce and management.

Box 1 **What is co-determination?**

*Co-determination is an ‘institutionalised process of employee information, consultation and decision-making’<sup>5</sup> in the management of an organisation, which gives employees unique participatory rights in the decision-making process of companies. In Germany, worker representatives hold seats on the boards of all companies employing over 500 people.*

*Rebecca Page set out the objectives behind co-determination:*

- *equality of capital and work – the principle that employers should consider the interests of their employees as well as their shareholders*
- *democracy in the economy – the broader application of democracy, beyond parliament, to the workplace in order to resolve conflicts through ‘dialogue and co-decision’*
- *social development – by considering the employees’ interest when making organisational decisions, employees’ experience of the world of work is improved*
- *control of economic power – to enable a productive balance of interest to ‘stabilise’ economic wellbeing<sup>6</sup>*

The jury also recognised the critical role played by the line manager in shaping the relationship between an organisation and its employees. As a nation the UK has not necessarily done as well as it could to develop managers for a modern workforce and this clearly resonated with the jury. For instance, there

was a feeling of a need to counteract cultures of long working hours and ‘presenteeism’, when employees turn up for work when they are unwell.

### Strengthening the links between schools, industry and employment

We have commented in other research about the need to overcome the mismatch between skills demand and supply and the need for a more structured system for linking schooling and skills to the world of work.<sup>7</sup> The jurors agreed and were particularly concerned about the prospects for young people entering the workforce, particularly in the context of improving social mobility.

Having an employer-led system, building on initiatives such as Employer Ownership of Skills (see box 2) and with skill assessment led locally, was seen as critical to putting the UK back on trajectory to the top of the global economy. Work experience opportunities and developing soft skills were also highlighted as particular priorities, along with the need for better careers advice and guidance around non-university routes to employment such as apprenticeships.

#### Box 2 The Employer Ownership of Skills programme

*The Employer Ownership of Skills programme provides an innovative model for funding apprenticeships and training. As part of this programme, PwC is managing a fund on behalf of government to give employers access to funding for training in professional and business services occupations. Funding is available for apprenticeships and business skills courses. The programme supports 250 employers, 200 of which are small and medium sized enterprises.*

*The aim of the government fund is to support organisations in developing skills and talent to grow business and offer new jobs. Funding is being routed directly to employers for the first time, allowing employers to choose where this investment can have maximum impact. This programme offers streamlined access to funding, taking the administrative burden away*

*from them. Employers are also provided with high quality training options that they can access directly through the programme, keeping it as simple as possible for employers to introduce apprenticeships and new 'good jobs'.*

### **Employee engagement and progression**

Often, satisfaction with a job comes from intrinsic value – whether you are a secretary of state in parliament or a cleaner in a hospital – people want to feel that their job has purpose and see clearly how they add value. As Dr Steve Peters commented: ‘When we have a sense of purpose in life it brings with it a sense of meaning and this in turn leads to achievement, satisfaction and wellbeing’<sup>8</sup> – all qualities identified with a good job.

Back to the issue of productivity raised earlier, disengaged employees may also be less committed to their work and less productive as a result. Researchers at Warwick University have found a link between wellbeing and productivity – with happier workers 12 per cent more productive than average and unhappy workers 10 per cent less productive.<sup>9</sup>

The key starting point is connecting individual motivations with job design. In our work with employers across the public and private sectors, we find that too often organisations do not formally know very much about their employees’ motivations, goals and preferences, or take into account how these might change over time.

Better organisational data management can make an important contribution to improving the relationship between organisations and their employees, and as a result improve productivity.

The jurors agreed and thought that employers should build up a more detailed profile of their staff, including their aspirations, skills details and motivations to work, which would help better allocate resources and skills sets to the different roles and responsibilities available in an organisation.

### A digital profile?

Matching opportunities to aspirations is made potentially much easier through the use of digital technology. Indeed, our jurors favoured building up a digital profile for employees to help:

- Businesses take employees' personal situations and life stage into account when determining employees' work patterns, job flexibility and training.
- Ensure that managers can allocate opportunities for advancement or variation in roles in ways that reflect employees' interests and aspirations.
- Fit employees to roles in order to increase productivity and job satisfaction.

Digital management of this kind of information raises issues of how this can best be managed, particularly with issues of privacy and security in mind, and with the need for a culture of trust between employee and employer. Nevertheless, jurors were open to the idea of introducing an intranet system containing digital profiles of staff where they could log their breadth of skills and the kinds of opportunities they would be willing to consider. This might also address some of the issues facing 'data-lite' line managers who could access this information not only to review employees' performance but also to help structure one-on-one reviews with employees about their current and future aspirations.

### Conclusion

The challenge of raising productivity in the UK economy as a whole has no easy answers: there is no panacea. But a focus on designing good jobs which engage staff is a good place from which to start, supported by better organisation data management and enabled by digital technology.

With a happy, healthy and engaged workforce being critical to good jobs at an individual level, and higher

productivity and living standards for the UK as a whole, exploring the practical steps to creating ‘good jobs’ will be essential for both the government and business in 2015 and beyond.

## Notes

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## 2 Employee engagement: good jobs or just a nice idea?

John Philpott

A generation ago, talk of engagement at work normally used the word in its military rather than amenable sense. Throughout the UK economy, bosses and workers frequently engaged in conflict over pay, conditions and changes to established workplace practices. But the intervening years of shifting labour market contours and reform of employment law reconfigured the balance of power at work. This severely weakened collective action by trade unions, especially in the private sector, favouring employers over employees. The result has been a prolonged era of industrial calm, albeit at the expense of much greater pay inequality and, for many, a sense of deterioration in the quality of working life.

However, although employers may now have the upper hand they are nonetheless increasingly exhorted to voluntarily extend the hand of friendly engagement to 'their people'. This entails making changes to long standing workplace culture and related management practices in the belief that such a move will be reciprocated by employees in the form of increased enthusiasm for their work and, in particular, greater willingness to 'go the extra mile' for their employer. Engaged employees are said to not only work better but also to be less likely to quit their jobs or take time off sick, and more likely to come up with innovative ideas for how to improve their own performance, that of co-workers and their organisation as a whole.

The exhortation to engage has grown louder because it is generally reckoned that only around 1 in 3 UK employees are fully engaged at work (an observation drawn from large scale employee attitude surveys, which normally place the UK ninth among the world's twelve largest economies in the international engagement league table). In other words it looks as though only a minority of UK employees are giving it their all at work,

the majority performing at far less than their full potential. The workers, no longer united, may have been defeated in the workplace power struggle but clearly not all are content with the resulting settlement. Consequently, it is argued that bosses should be doing far more to get employees engaged, without which organisations, and indeed the economy as a whole, will underperform and fail to prosper.

There are various ideas about how best to engage employees, notwithstanding a general acceptance that there is no one-size-fits-all approach to managing the workplace that will be right for every organisation. But most engagement recipes revolve around the importance of a clear and consistent sense of organisational purpose and values to inspire employees and the exercise of appropriate management practices, which enable employees to pursue that purpose effectively without the need for top-down command and control regimes.

The necessary management practices are normally said to encompass job content, degree of work autonomy, workplace environment including regular two-way communication between employees and management, flexible working, training opportunities, and a sense of fair treatment over recognition and reward for performance. Given that such practices are also generally thought to enhance both the quality of jobs and working life, employee engagement is therefore presented as a win-win – necessary for organisational success and good for workers too, the ideal way to overcome the various problems that arise in an era of workplace power imbalance. As a result, employee engagement is not promoted as merely the latest in a long line of management wheezes to get more out of workers but instead as a revolution in employment practice that offers a genuine pathway to better work and good jobs.

Yet while no sensible person would object to shifting workplace culture and practice in this way, those in the vanguard of what one might call ‘the employee engagement movement’ tend to gloss over a number of tricky issues, which may ultimately undermine the efficacy of the rosy prescription

on offer. Academic sceptics question the strength of evidence purporting to prove a link between employee engagement and how well organisations perform. Moreover, one can also question the strength of the supposed underlying economic imperative for organisations to embrace the engagement agenda, especially in a very de-regulated labour market such as that of the UK, which makes it feasible for many organisations to perform perfectly well without paying too much heed to the quality of work on offer.<sup>1</sup> Is employee engagement therefore really likely to prove a genuine pathway to good jobs for all, or does it instead amount to little more than a nice idea that will ultimately remain of interest to only a minority of organisations?

### The engagement narrative

The basic employee engagement narrative is built on an analytical perspective, which concludes that the very same structural factors that have shifted the power balance between labour and capital in recent decades also necessitate a new approach to employment relations. Deindustrialisation has been accompanied by increased demand across all sectors for highly qualified knowledge workers and also increased demand for less qualified workers, the latter mostly needed by organisations in expanding private-sector services. Employers require knowledge workers and less skilled service workers alike to apply the personal touch in their work so as to enhance product or service quality, the mix of hard and soft skill involved nowadays commonly referred to as ‘talent’. But employers reliant on talent are faced with the reality that people usually have discretion over where or how enthusiastically they apply their talent in the labour market. Hence the purported need for high engagement workplace cultures capable of extracting the maximum discretionary effort from employees.

The basic narrative is far from new (indeed, employee engagement is open to the accusation that it amounts to little more than a rehashed version of very old human resource management nostrums). But there is no denying that the

employee engagement movement has in recent years achieved greater momentum for its ideas than earlier variations on this similar theme, the message of a potential win-win outcome for the workplace becoming more popular with opinion formers across the business and political spectrum. In particular, the message is helped considerably by the purported business case for employee engagement which hands employers and politicians a seemingly attractive alternative to tougher employment regulation or a return to trade union collectivism as a means of improving job quality.

The former Labour Government endorsed the Macleod review of employee engagement, which gave rise to an independent employee engagement taskforce (known as Engage for Success), a body whose work has been further encouraged by the Coalition Government since 2010 and is now the principal forum for evidence-based advocacy designed to influence employer practice.<sup>2</sup> Signatories to an open letter to *The Times* newspaper (published on 12 November 2012) sponsored by Engage for Success promoting the economic case for employee engagement included a raft of big name captains of UK industry, existing or former heads of major public sector organisations and some leading trade unionists. More recently the chief executive of the Royal Society of Arts, Manufacture and Science (RSA) has also suggested an alliance to foster employee engagement that would promote a framework to enable organisations to receive the designation 'Good Employer'.<sup>3</sup>

### **Does the evidence for employee engagement stack-up?**

The engagement movement has developed the narrative by claiming to have 'nailed the evidence' to show clearly that organisations with high engagement levels outperform their low engagement counterparts in both private industry and public service, with engaged organisations also reporting lower staff absence, lower turnover, fewer accidents and increased employee wellbeing. Indeed, the argument goes

on, propelling the UK towards the top of the international engagement league table would boost productivity and add around £26 billion to GDP.

Given the complexity involved, any estimates of the macroeconomic impact of employee engagement should be taken with a big pinch of salt. For example, how does one explain why labour productivity per hour worked is a third higher in the US than in the UK even though both countries record similar overall employee engagement scores?

This does not of course preclude the potential for positive effects from improving employee engagement at the micro level, and indeed it is mostly at the level of individual organisations that such effects are said to be found. However, while the results of micro level studies are often presented with considerable fanfare, few have convincingly overcome the host of methodological problems involved in drawing genuine links between engagement scores and indicators of individual or organisational performance outcomes.

A key problem is that employee engagement is itself a somewhat fuzzy concept and can be defined in a variety of ways. Evidence of engagement is usually drawn from employee attitude surveys conducted within organisations, the undertaking of which has become a mini-industry in its own right in recent years. But analysts also have to differentiate between the extent to which employees engage with their job, their organisation, or both. Moreover, it is also possible for employees to be engaged with their job or organisation at a psychological level without this necessarily translating into effects on their performance. And even where an association is found between engagement and performance it is often hard to determine whether this is a relationship of cause and effect or simply a correlation, mediated by other factors affecting organisations such as the sector, market, institutional and regulatory settings in which they operate.

To be fair, the employee engagement movement does accept the need to address these methodological issues and Engage for Success has included in its literature the views of those sceptical of the evidence base for its strong assertion

of the engagement-performance link. But the movement's continued public advocacy of a clear positive link sits at variance with the conclusion of one highly respected management academic whose views it has recently published: 'At the present time and to the best of my knowledge there are almost no publicly available studies of engagement that meet the conditions for establishing cause and effect.<sup>4</sup> Consequently, therefore, 'Employee engagement proponents hold strong views and offer definitive practical suggestions which do not appear to be informed by a reasonable quantity of good quality relevant evidence.'<sup>5</sup>

### **Flaw in the employment engagement narrative**

However, when it comes in particular to the matter of how to improve job quality there is an even bigger apparent flaw in the engagement narrative. If organisations are under ever greater pressure to become good employers and create more good jobs why are there still so many bad employers and bad jobs around? The answer lies in a misdiagnosis by the employee engagement movement of the consequences of structural change in a de-regulated labour market.

Increased demand for higher-level knowledge skills has generally outstripped supply, giving rise to an underlying tendency for pay at the top of the earnings distribution to rise relative to pay in the middle. By contrast, the supply of people seeking work in less skilled service-oriented jobs has generally exceeded demand, thereby depressing pay towards the level of the national minimum wage (now the UK's only item of statutory employment regulation with any genuine bite, without which pay rates at the bottom end of the labour market would have plummeted still further). This abundance of low wage labour reduces the need for employers to invest in staff training or commit to their employees more generally, in the process encouraging increased use of ultra-flexible working practices such as zero hours contracts, which guarantee neither work nor a wage.

An excess supply of people prepared for one reason or another to enter low-paid work thus makes it perfectly feasible for many organisations to maintain low-cost and low-quality business models without paying much attention to job quality or the human condition at work. This is particularly true for organisations providing work requiring little in the way of formal qualifications and where job-related skills can be acquired quickly and cheaply, thereby reducing the cost implications of high labour turnover.

Although it is possible to identify from attitude surveys high levels of engagement by employees working in low-paid insecure work with little training – especially among those for whom the only alternative is unemployment – it is difficult to contend that this represents good work on any objective measure of job quality. But more to the point, it seems highly unlikely that organisations employing people in this way will heed exhortation to change work culture and management practices in the manner suggested by the employment engagement movement in the absence of a framework of tougher labour market regulation that simultaneously pushes them in that direction.

It is doubtful, however, whether all those currently riding the employment engagement bandwagon would embrace an associated agenda of improved individual and collective employment rights to act as a bulwark against employer power and to deter organisations from persisting with down-market business models. The obvious risk therefore is that without a firm regulatory underpinning, employee engagement will prove to be no more than yet another workplace management fad, the laudable rhetoric of making work better failing to convince when set against the harsh reality of widespread bad practice.

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### 3 The one-man band show: self-employment and good jobs

Ryan Shorthouse

Economic and technological advancement would mean that, in the beginning of the twenty-first century, people in developed nations would only need to be working 15 hours a week. So forecast John Maynard Keynes in 1930:

*Of course there will still be many people with intense, unsatisfied purposiveness who will blindly pursue wealth. But the rest of us will no longer be under any obligation to applaud and encourage them... We shall endeavor to spread the bread thin on the butter – to make what work there is still to be done to be as widely shared as possible.<sup>1</sup>*

The dreaming continues. Earlier this year, one of Britain's leading doctors – the president of the UK Faculty of Public Health – called for us all to switch to a four-day week, to reduce stress and redistribute working hours.<sup>2</sup>

But, despite improved living standards over the past half-century, people are still opting to work long hours. The number of people working longer hours in the UK has increased in recent decades<sup>3</sup> and among OECD countries the UK has the highest proportion of men (40 per cent) and women (20 per cent) working more than 40 hours a week.<sup>4</sup> As Professor David Graeber from the LSE explains, 'Given the choice between less hours and more toys and pleasures, we've collectively chosen the latter.'<sup>5</sup>

Alas, this revolution – the prioritisation of leisure and family, instead of work – just is not going to happen. The 'rat race' ceaselessly recruits. Ambitions augment. Or, with rising inequality and expectations, needs must.

The evidence on the impact of longer working hours is mixed and inconclusive. It suggests that very long working hours and overtime will lead to more economic output

generally, but there are also studies showing that it leads to a reduction in output per hour per employee.<sup>6</sup> But for household finances, at least, longer working hours is often positive. As the Resolution Foundation has found, a significant factor in income growth for low- and middle-income households between 1968 and 2008 was greater female employment.<sup>7</sup> Little wonder that manual workers in some UK workplaces are the most positive about longer working hours.<sup>8</sup>

Despair not about individual happiness: though some studies suggest overtime in some specific industries is associated with poorer health outcomes, long working hours have not led to increased misery across the population generally.<sup>9</sup> In fact, because of other transformations to the labour market, work is becoming a happier environment for many people, despite the longer hours.

Work today need not be in tension with leisure and family. Increasingly, people are finding ways of combining them. In recent decades, we have witnessed the growth of flexible working practices, the increased generosity of paid maternity and paternity leave, and more flexible and affordable childcare. They are allowing us to integrate our home and work lives better.

Though women are spending more hours in the labour market than they once did, they are also managing to find time to spend longer with their children, happily: time use surveys – tracking the daily activities of 66,000 people – show a typical working woman in 2000-2004 spent triple the amount of time each day devoted to caring for a child under the age of five than a working woman in 1974/05.<sup>10</sup>

In some cases, especially for those with higher educational attainment, work is being found which is no longer a means to leisure; but leisure itself. Forget the Grecian conception of work as *ascholia*: literally, the absence of leisure. Gladly, more people are engaging in work with intrinsic rather than just instrumental value.

This reflects trends observed by the political scientist Professor Ronald Inglehart: as standards of living have risen in Western European countries in the latter part of the twentieth

century, and welfare systems have grown more generous, more people have adopted post-materialist values – emphasising autonomy and self-expression – rather than materialist values, prioritising economic and physical security.<sup>11</sup> More people want and are able to choose employment on the basis of purpose and enjoyment, rather than financial necessity.

Perhaps the best way to do what you love and to gain greater control of your time – to ensure balance between work, family and leisure – is by becoming self-employed or setting up your own business.

Indeed, there has been a revolution in the UK labour market since the 1980s: not the abandonment of long working hours, but the growth in self-employment.<sup>12</sup> A record 15 per cent of the workforce is now self-employed, according to the Labour Force Survey.<sup>13</sup> This surge in self-employment in the UK is exceptionally high compared with other OECD countries. Since 2000, the number of people working for themselves has increased by 30 per cent, much higher than the modest increase in the employment rate.<sup>14</sup>

Since the start of this century, there has been a 40 per cent rise in growth in microbusinesses (those employing fewer than nine people) – with most of the growth in one-person businesses.<sup>15</sup> Contrastingly, all other business sizes have experienced no or negative growth. In addition, many more people are developing ‘portfolio careers’, combining employment with self-employment.<sup>16</sup> Oh, and those who are self-employed are more likely to work longer hours.

Not all is rosy: this is not simply a mass outbreak of budding Bransons. Those entering self-employment are a rather heterogeneous group, and cyclical factors have played a part and there has been a significant rise in self-employment during the latest recession. Just over a quarter of those in self-employment recently surveyed report that they would prefer to be a typical employee, and 19 per cent are self-employed to avoid unemployment.<sup>17</sup> The Global Entrepreneurship Model shows that the UK has a relatively high proportion of necessity-driven entrepreneurship relative to opportunity-driven entrepreneurship, only the latter of

which is associated with macroeconomic growth.<sup>18</sup> There is also anecdotal evidence suggesting that job seekers have been encouraged to register as self-employed to supposedly gain higher levels of Working Tax Credit, or because employers are reducing their liabilities. Overall, self-employed workers are less likely to earn as much and have a pension.<sup>19</sup>

Still, the vast majority of those who are self-employed say they chose self-employment for positive reasons – 73 per cent in a recent survey said the reason they became self-employed over the past five years was wholly or in part because of personal preferences.<sup>20</sup> And though necessity-driven entrepreneurship is disproportionately high in the UK, the level of opportunity-driven entrepreneurship is still five times higher.<sup>21</sup> Commonly cited reasons for self-employment include the desire for a particular lifestyle, the need to balance family commitment with working life, and – especially among those with good educational attainment – the wish for independence and financial reward.<sup>22</sup>

The decision to take the risk, to take the plunge and set up your own business, generally pays off: not necessarily with higher wages, or a significant expansion in their company, but certainly in wellbeing. The self-employed tend to have considerably higher life satisfaction than employees.<sup>23</sup> More of those in self-employment cite their work as meaningful compared to those in employment, and a majority report that being their own boss means they have greater control over their lives.<sup>24</sup> Most of those who are self-employed or microbusiness owners say they do not want to return to typical employment in the future, and indeed the evidence shows they remain outside the conventional labour market.<sup>25</sup> Even those who do not succeed tend not to give up: a US study shows that of small business owners who closed their company, 60 per cent went on to launch a new venture.<sup>26</sup>

The one-man band show is only going to get bigger. Several trends – technological, economic and demographic – suggest so. First, the internet has made it a lot easier to start a business, reducing start-up costs and making it easier to market your product to a wider range of customers. A third

of microbusiness owners say they would have not been able to start a business without the internet; a further third said it would have been very difficult without it.<sup>27</sup>

The shift away from manufacturing to services in our economy also makes it easier to start your own business, because the overheads for providing services are generally much lower than the costs of making products. The average cost of starting a business is now just £500, according to a Barclays survey.<sup>28</sup> The Royal Society of Arts highlights that rising demand for niche products and personalised services is also providing more opportunities for small businesses.<sup>29</sup>

Examining the data from the British Attitudes Survey, young people are what I deem ‘Generation DIY’.<sup>30</sup> They value personal responsibility and freedom on economic and social matters – for example, favouring lower taxes and lower government spending on welfare. Also, they are more likely to support the liberalising of laws on gay marriage, immigration and drugs – but, at the same time, less likely to engage in risky behaviour than previous generations.

With individual responsibility seemingly at the heart of their beliefs, it is little surprise that young people are increasingly turning to self-employment. The entrepreneur is now lionised in British culture, more so than in other European countries, with more people than ever in this country (79 per cent) saying successful entrepreneurs have high status.<sup>31</sup> Combine this with the rise in educational attainment and the adoption of post-materialist values among younger generations, and it is likely more will pursue entrepreneurship.

There are other social groups that are more likely to be self-employed, such as older workers seeking gradual retirement, especially now the state pension age is rising and private pensions are less adequate. Add also the increase in the British population of migrants and different ethnic minority groups, who are more likely than not to be self-employed and set up businesses.

More people in the future, then, will see good jobs – the good life, even – deriving from self-employment and entrepreneurship. Policy makers should welcome this. Indeed, it could well be a step towards the vision of conservatives such as John Ruskin and Roger Scruton, where work for more of the working class becomes purposeful and an expression of their self. The personal benefits are clear, but so are the potential wider economic benefits: greater innovation, competition, productivity and job creation.<sup>32</sup>

The challenge is to make certain that the potential advantages of going alone translate into reality, for the individual concerned and for the British economy, by ensuring high value firms are created. At the very least, the state needs to be on the side of the self-employed. As Bright Blue argued earlier this year, the Treasury should reduce the tax burden by aligning the thresholds for the payment of Class 2 and 4 NI for the self-employed with Class 1 NI for employees, and raise them all so they are identical to the Personal Tax Allowance limit.<sup>33</sup> Also, the extension of tax-free childcare – which enables parents to have 20 per cent of their childcare costs covered by government – to the self-employed, as well as the introduction of the Universal Credit, will help.

Self-employment is a hot topic for think tanks at the moment. The Social Market Foundation recommends banning non-competes in employment contracts and legislating for a right to return to work, making it easier for experienced professionals to mitigate the risk of having a go at running their business.<sup>34</sup> Demos is floating ideas to ensure government contracts are more competitive and can be secured by a greater number of microbusinesses, as well as toughening up the rules around late payment to help small businesses that need regular cash flow.<sup>35</sup>

The RSA is searching for and showcasing ways to bring those who are self-employed together, to pool resources, extend networks and reduce isolation.<sup>36</sup> We at Bright Blue are undertaking a project focusing on generating policies, learning from overseas, to support the self-employed on very low incomes to build sustainable businesses.<sup>37</sup>

The policy-making community is starting to provide the ideas to guarantee that growing self-employment and entrepreneurialism really are the routes to the good life for more and more people across the income spectrum.

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## 4 The role of the public sector

Julia Goldsworthy

### Summary

The public sector has important responsibilities not just in its primary purpose, delivering public services, but also as the employer of millions of people in the UK.

From the working conditions and employee benefits the sector offers, to its ability to recruit, retain and progress staff, the public sector set benchmarks for many other employers, and is seen to define important elements of what makes a ‘good job’.

But good jobs must be productive ones too – particularly when rising demands for services and continued fiscal austerity will create unprecedented pressures on our public services in the future.

If productivity continues to stall, the ability of the sector to meet the expectations of employees and services users alike looks uncertain. There are challenges ahead that raise fundamental questions and demand reform: in a world of prolonged austerity, how can the public sector continue to offer ‘good jobs’? How can a shrinking public sector recruit and retain talent when competing with a private sector that is growing as the economy recovers? What are the consequences for public services if there is no progress in delivering productivity improvements?

This contribution will examine the role of decentralisation and employee engagement in the public sector as tools that could help improve productivity, and in turn help our public services deliver more for less. Moving away from a rigid, centralised ‘command and control’ system will help empower and engage public sector workers, helping sustain both the reputation and reality of ‘good jobs’ in the public sector, and drive public service improvements despite the difficult fiscal constraints.

This approach will help ensure the most is made of the public sector's most valuable assets – its employees.

### **'Good jobs' in the public sector**

Even though the workforce is at its smallest since the Office for National Statistics (ONS) started collecting records of this kind in 1999, the public sector employs nearly 5.4 million people.<sup>1</sup> It represents a significant part (around 18 per cent) of the UK's workers, so any plan to achieve 'good jobs' for all must include the public sector.

The public sector has a traditional reputation as a 'good employer' – offering relatively enhanced employee benefits that can include defined benefit pensions, generous annual leave entitlements, and most recently equal parental pay in the civil service.<sup>2</sup> This sets a benchmark for other employers in defining what constitutes a 'good job' and helps the sector compete with the private sector in recruiting and retaining staff when often they cannot compete on the basis of basic wage levels alone.

Attracting the best workers is important, because the quality of public services and their ability to adapt to future challenges is in large part dependent on the quality of the workforce delivering them.

And while of course the nature of work across the public sector is hugely varied, evidence shows that overall public sector workers not only have higher levels of education than their counterparts in the private sector, they also are more likely to believe that progression in their organisation is more achievable. In a survey by the Chartered Institute of Personnel and Development (CIPD), 33 per cent of public sector employees thought personal progression was achievable for them, compared with 31 per cent in the private sector and 29 per cent in the voluntary sector.<sup>3</sup>

### **The 'productivity puzzle'**

Yet the relative strength of the public sector's ability to attract and progress a skilled workforce does not appear

to have translated into increased productivity. In the UK's public sector as well as the private sector, there remains a 'productivity puzzle'.

For example, ONS evidence comparing productivity in 1997 and 2010 shows that the public sector had failed to show any improvement at all.<sup>4</sup> While record rises in public spending over that period will have masked the frontline impact of this fact, in times of prolonged fiscal austerity the impact of stalled productivity gains becomes more exposed. At a time when our public services need to be delivering more for less, without reform, they will simply deliver less.

Why is a workforce that is relatively skilled and open to progression – in other words potentially adaptable – failing to improve its productivity? This question is important, because good jobs must be productive ones too. The answer is that good people are not the only factor. The circumstances and structures in which they work make a big difference too – not just to the quality of public servants, but to the quality of jobs too.

### The legacy of centralisation

Public servants in the UK operate in one of the most centralised nations in the world. Power, resource and decision making is hoarded in Whitehall, constraining the ability of frontline public servants to make full use of their potential to deliver productivity gains.

While the UK has a rich history of strong local democracy and economically self-confident regional cities, the more recent picture is one of creeping centralisation. It reached its peak in the early twenty-first century, when the centre controlled many aspects of public service delivery with increasingly targeted and ringfenced funding allocations, accompanied by very detailed performance management programmes.

Centralised targets create perverse behaviour incentives: where it makes sense for ambulances to wait outside A&E with their patients, in order to meet the four-hour waiting time targets, or for teachers to focus only on GCSE students on the C/D threshold. It is an approach that pressurises public servants into

meeting the targets rather than achieving their intended outcomes. This prevents services from being shaped to meet local needs, and also disempowers and disengages the workforce.

The CIPD employee outlook survey revealed that the public sector has the lowest employee engagement of all organisational types and sizes – faring particularly poorly on measures capturing whether they feel respected at work, and are consulted about important decisions.<sup>5</sup>

This impacts on productivity, because engagement is directly linked to performance. The UK engagement taskforce set out the connection between engagement and performance, citing one study that found business units with engagement scores in the top quartile averaged 18 per cent higher productivity than those in the bottom quartile.<sup>6</sup>

Based on this evidence, it is doubtful that further productivity improvements can be driven from the centre. While there have been small steps to address this imbalance – through limited experimentation with pooled budgets for example – much more radical action is needed if the public sector is to thrive in the future.

## The challenges ahead

The challenges ahead for the public sector are enormous. Fiscal austerity is here to stay – in the medium term at least. In GDP terms, according to Office for Budget Responsibility forecasts, spending over the next parliament on the public sector could in some areas retrench to levels not seen since before the Second World War.<sup>7</sup>

No department will escape this pressure – even those whose budgets are protected will need to respond to rising demands stemming from our ageing demographic profile and increasing consumer expectations.

In this context, an incremental approach to reform will not be enough. Without productivity improvements, it is inevitable that budget cuts will be found by a combination of reducing frontline services and eroding employee benefits, for example, through further pay freezes and stripping costs from pension schemes.

This in turn will undermine the appeal of the public sector as a provider of ‘good jobs’ – and will make it even harder for a shrinking public sector to recruit and retain staff as a recovering private sector creates jobs and stimulates wage growth.

The skilled and adaptable workforce needed to deliver public sector productivity improvements will be undermined. There is a risk that public sector productivity will edge backwards instead of progress – which is bad news for service users and employees alike.

### Decentralisation – for engagement, productivity and ‘good jobs’

But there are new opportunities for positive transformational reform. Prompted by the independence referendum in Scotland, the decentralisation agenda has a new-found place in the spotlight of the political debate. It is vital that as this discussion progresses, it considers not just matters of public service accountability and responsiveness to the end user, but also recognises the wider opportunities to sustain ‘good jobs’ by engaging the public sector workforce.

While more work is still needed on how best to define and measure public sector productivity, and to explore the relationship it has with employee engagement, greater decentralisation offers an opportunity to unleash the potential of public sector workers. And, if it is rolled out as an ‘asymmetric process’, suggested by IPPR North in its report *Decentralisation Decade*, there will be new opportunities to measure what works in improving service delivery and productivity.<sup>8</sup>

Giving public sector workers more control and autonomy will enable them to focus on meeting the objectives they want to achieve, rather than gaming process targets. This becomes even more important as public services are expected to address more complex issues, such as chronic ill health and long-term unemployment. Shared knowledge, pooled budgets and frontline autonomy will be crucial in tackling these kinds of problems.<sup>9</sup>

This is the approach that has been taken in the Troubled Families Programme. Households with complex problems, which are often the subject of many interventions from a number of public service silos, get intensive support from a single key worker. They help deal with each family's problem as a whole, rather than dealing with each problem or person separately. While the funding support for this programme has been centrally driven, it is an empowered frontline public servant who makes the difference to the family. Applying such an approach more systematically will only succeed if more powers and resources over a wider range of public services are passed down to a more local level.

Decentralisation has the potential to foster a more collaborative culture within and across local public sector organisations, making it easier to share more information, and to use it better, and in doing so deliver services that are more flexible and personalised, and put the service user first.

More empowered workers in a more clearly locally accountable structure will feel more respected and better consulted, and be more likely to have a clearer sense of the direction of their organisation. It is an approach that will help create a workforce that is well motivated, engaged and capable of driving improvement.

Public services work better the more closely they are designed around people. We must not forget that this holds true for employees as well as service users.

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## 5 Good jobs for care workers

Baroness Kingsmill

The way we care for the elderly and the disabled is important. They are our neighbours, our friends and our parents. One day, we will all need care. People receiving care need support to live comfortably and independently. They might need extra help to prepare meals and bathe, they might need a prompt to take vital medication, and they might need support with conditions such as dementia and Alzheimer's.

But care work is in crisis. People are not being treated with the care and attention they deserve. All too often, their only source of support, care workers, are exhausted, unable to plan their own lives through insecure contracts, and unable to spend enough quality time with the person in receipt of care. Care workers need to be treated properly so that they can treat care recipients properly.

Care workers are under-valued, under-paid and under-trained. They do not have the status of nurses or child-minders. The sector is subject to weak regulation. We do not know who they are, we do not know what qualifications they hold, and they are not registered with any professional body.

Their wages tend to be either the national minimum wage or no more than 15 per cent above that minimum. Frequently, even the national minimum wage is ignored, with employers unlawfully refusing to pay domiciliary workers for the time to travel in between their clients. Studies suggest that between 160,000 and 220,000 care workers are unlawfully paid less than the national minimum wage. An investigation by HM Revenue & Customs (HMRC) into 80 care providers found that almost half (47 per cent) were not compliant with national minimum wage regulations. An estimated 307,000 care workers, or a fifth of

the adult social care workforce, are on zero hours contracts, and do not have stable hours each week or a stable income.

Qualifications are patchy. A fifth of health and social care apprentices receive no training at all. The Care Quality Commission's oversight of workforce issues is weak and the provision of training and education relies on a fragmented independent sector. Over 41 per cent of care workers do not receive specialised training to help deal with their clients' specific medical needs, such as dementia and stroke-related conditions. Younger people are reluctant to enter the industry, as there is no career progression. The low status of care work and poor treatment of workers has led to a vicious downward spiral with turnover rates ranging from 20 per cent to 30 per cent per annum.

Because of the exploitative working conditions for care workers there is a risk that they will only be able to deliver a rushed, poor quality service. The pressure that 15-minute care slots places on them makes them unable to give the human interaction that care recipients desperately need. Excessive time pressures and low levels of training lead to mistakes and, in a minority of regrettable cases, abuse.

These conditions make it difficult to attract ambitious and compassionate young people to the sector and have created a high dependence on low-skilled, female and migrant workers, who are particularly vulnerable to exploitation because of their limited employment options.

The public purse is tight and increases in taxation are deeply unpopular. As a result, the recommendations in my review into social care fall into two categories: immediate changes that are within existing budget constraints, and long-term objectives.<sup>1</sup> The most likely source of additional monies would be the integration of the health and social care budgets. Improving conditions for care workers and care recipients is a journey: we need to act now, but we need long-term change and to truly value care as essential to the wellbeing of some of the most vulnerable people in society.

As a first step in the short term, care managers must be registered and have a licence to practice with a requirement

to have a level 5 Diploma in Leadership for Health and Social Care. We recommend the remit of the Health and Care Professions Council should be extended to care workers to protect them from exploitation. We believe that, eventually, all care workers should be registered and have a licence to practice. The Care Quality Commission (CQC) should have the power to prosecute providers who employ care managers and workers without a licence.

Second, the national minimum wage must be a floor, not a ceiling. The CQC should be required to monitor evidence of non-payment of the national minimum wage. It should have an absolute requirement to refer cases where workers are being paid less than the legal minimum to the HMRC for investigation. The law should be changed to enable better information sharing and joint-working between the HMRC and the CQC, as well as other relevant authorities. HMRC should also be required to take a more proactive approach to enforcing the national minimum wage. And local authorities must be required to perform due diligence to ensure that care workers are not being paid less than the national minimum wage: if evidence is found of non-payment of the national minimum wage and local authorities are found not to have performed appropriate due diligence, they would be jointly liable.

Third, there should be a ban on exploitative 'zero hours contracts'. An independent review for the Labour Party recently set out new legal rights for employees on zero hours contracts to ban employers from being able to force them to be available at all hours, insist they cannot work for anyone else, or cancel shifts at short notice without compensation.<sup>2</sup> If employers require a worker to be available for work but with no guarantee of providing work, I recommend that they should have to pay for this standby time. Standby contracts allow flexibility for employers and certainty for workers.

Fourth, the CQC should set standards for local authority procurement processes through a new care charter. Above all, this must include an end to 15-minute slots, which are associated with non-payment of the minimum wage and poor quality of care.

Fifth, there should be a focus on improving training standards and progression. Skills for Care should be reformed to strengthen the representation of employers and employees on its board. It should be given an explicit remit to tackle poor standards and raise levels of training, and particularly apprenticeships, in the sector. There should also be a 'something-for-something deal' to employers on skills, as suggested by the Labour Party. This will give employers, working collectively at sector level, more control over skills standards and the £1.5 billion apprenticeship budget, and in return ask that they work to increase the number of high quality apprenticeships in their sectors and supply chains.

And as a final short-term measure, the remit of the CQC should be extended to protect care workers from exploitation, as well as their existing remit to ensure providers meet appropriate standards for care users.

These short-term measures will have a significant impact, but in the long term, I recommend the professionalisation of care work, with consequent improvements to funding.

This would bring real action on low wages, whereby local authorities should use the tendering of procurement contracts to encourage employers to pay the living wage. The experiences of Southwark and Islington Council show that this can be done by reducing waste elsewhere, at no extra cost to central government. As suggested above, it would also make certain that all care workers were registered and required to hold a licence to practice – with a particular focus on those contracted through personal budgets, given the low levels of oversight of these workers. The register and licence would be maintained by the HCPC.

Finally, to ensure care work was truly a 'good jobs' sector, we must create opportunities for progression and National Minimum Training Standards, and attaining the QCF Level 2 Diploma should be made compulsory for all care workers. Skills for Care should develop higher-level apprenticeships linked to QCF levels 7 and 8, and care workers should be able to fast track into a specialist role or degree study such as nursing. We need good quality care.

We need care workers who are treated properly, paid fairly and adequately trained. The opportunity to make those changes is now.

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## 6 Our journey to the living wage

Fiona Kendrick

As a UK commissioner for employment and skills, as well as chairman and CEO of Nestlé UK & Ireland, I am incredibly passionate about the food industry's role in attracting and retaining talent.

This is critical to ensure continued growth in our economy, when skills shortages are high in sectors essential to our continued global competitiveness. It is also vital to make sure that young people have jobs that are rewarding and full of potential, careers that provide interesting work and great training, progression, colleagues and mentors, and pay that recognises their valuable contribution.

### Creating shared value

In June this year I was delighted to announce that Nestlé had received full recognition as the first major manufacturer accredited as a living wage employer in the UK.

The accreditation covers more than 8,000 employees across Nestlé UK and its sister companies, including Nestlé Nutrition, Nestlé Professional, Nestlé Waters, Nestlé Purina Petcare and Nespresso.

In the UK right now approximately 5.2 million people currently earn less than the living wage.<sup>1</sup> We believe that this needs to change: to attract world class talent, we need to be a world class employer. Making commitments like this is not always easy, but taking the decision to become a living wage employer was very much a part of our vision at Nestlé.

## Working in collaboration with our partners

We did all of this in close partnership with our trade unions Unite, GMB and USDAW, whose members have really helped us on this journey and given us their full backing and support throughout the process.

We collaborated with the unions on the path towards Living Wage Foundation accreditation for over a year before implementation and maintained a sustained dialogue about undertaking a living wage commitment and the accreditation process itself. By maintaining this dialogue we were able to demonstrate our sincerely felt business commitment to an issue right at the heart of our union partners' agenda, ensuring sustained support and participation.

## Ensuring continued economic growth in our economy

As a major UK employer, we know that acting responsibly and making a positive socioeconomic impact is not only beneficial for the communities we operate in, but also makes good business sense. We believe that attracting the best employees into our organisation and into the food and drinks sector is critical for our growth both as a company and more broadly for the country as a whole.

In this new digital age, how an organisation behaves will only become more and more transparent and it will continue to become clearer to those within and outside exactly which organisations really live their values and those which do not. Those organisations that do not see this will struggle not only to attract and retain the best people, but also to retain their customers' trust and loyalty.

We have always recognised that our greatest asset is our workforce and we wanted to demonstrate this with action, not just words, and went above and beyond the basic requirements of becoming an accredited employer. As part of the company's ongoing commitment to the Nestlé Youth Employment Initiative, providing employment opportunities to young people aged under 30, the living wage will also apply to the

company's graduate, internship and Fast Start school leaver programmes, ensuring these employees receive the same benefits as our more experienced members of staff.

### **Rewarding work and making employees feel valued**

In addition, we believe the living wage is not all about pay, but also about feeling valued. Many of the people who work on our sites in cleaning and catering roles are outsourced to external service providers. It was important to us that these staff, although employed by a third-party, are made to feel appreciated and so we also announced that we are working closely with our contractors to guarantee that their approximately 800 employees working across Nestlé sites will also be paid the UK living wage by December 2017. We believe this is right for all our employees, both those directly employed by us and those we employ through contractors, as we care about our people and care about the remuneration they receive.

Furthermore, by making sure our contractors join us in paying the living wage to employees, this in turn allows them to go to market and attract a wider group of applicants to work for them, rewarding them for what they do. This can help enable greater diversity in employment for our contractors, attracting and retaining talent, and ensuring quality and breadth of output.

### **Making an impact**

Evidence suggests that long-term business benefits will include productivity increases, lower staff turnover and reputational benefits. Although it is too early for us to see this yet, the announcement has had a positive impact on staff morale, with favourable feedback from staff who were proud that we had made such a public commitment.

Further testimony as to the success of the initiative was evidenced by the breadth of stakeholder support we received on the day of announcement, from the Secretary of State for Business Vince Cable MP, to Shadow Business Secretary

Chuka Umunna MP and Living Wage Foundation Director Rhys Moore. Support also included constituency MPs, the Archbishop of York, as chair of the Living Wage Commission, and our union partners. The strength and breadth of support we received spoke clearly of the importance of the initiative in setting the bar for our industry and the country.

This is an intense journey to go on, but an essential one. We hope that by taking a leadership role we will see other employers follow what we have done and do the same, both within our sector and beyond. Ultimately, this makes great business sense in attracting and retaining talent. This is what is needed to create a thriving economy: a motivated workforce and aspirational workplaces. And we believe that other employers now need to follow our lead.

## Notes

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## 7 The power of transparency

Joe Wiggins

The workplace is changing rapidly and the relationship between employees and employers is evolving into a series of partnerships rather than the traditional ‘paternal’ approach favoured by many companies up until now. The idea of commanding and controlling a workforce seems alien to so many people these days, yet it was the norm before the turn of the millennium, and is still common practice in many companies.

There was a time when a ‘boss’ was the person who told you what to do, ‘work’ was somewhere you were expected to be between certain hours every day of the week, and information was distributed on a need to know basis. Now, transparency has blown through the workplace leaving in its wake a ‘new normal’ – this is shifting the balance of knowledge and empowerment towards employees.

Employees used to be in the dark in the workplace. The employer would hold all the cards from the moment someone walked through the door for an interview to the moment they walked out of the door on their way to another job or to retirement. Information about salary, the interview process, the benefits package and the culture, and about how a company had treated its staff in the past, was restricted, or at the very least difficult to find. This has meant that until a few years ago making decisions about where to work has been based on very limited, incomplete and certainly one-sided information. We have all been essentially taking risks about the building blocks of our careers – sometimes that has worked in our favour and sometimes not.

The trend towards user-generated content started back in the mid-1990s with Amazon, TripAdvisor and many other reviews sites that have emerged since then allowing people to rate everything from restaurants and hotels, to their university

professor and doctor. Nowadays, most internet-connected and technology-literate consumers would consult numerous reviews before they spend a few pounds on a book for their Kindle, so the idea of choosing a job without consulting freely available user-generated content about the company seems ludicrous.

I remember working for a large insurance company when the social media tsunami hit and initially we did not know whether to run and hide or face up to what was coming our way. Looking back now, of course, the answer is obvious, but when you are in the middle of such rapid change, you cannot always foresee how things will pan out. Fast forward to today, only a few years later, and social media are integrated with corporate communications, press offices, brand, marketing and customer service, to name a few. Companies are all too aware of the power of the crowd and how it can very easily impact and influence a company's bottom line.

Anyone involved with creating, nurturing and enhancing a brand or a company's reputation knows that a brand is not just what you say it is; it is also what people say about it. When it comes to an 'employer brand', job seekers get far more information online than what they read on a company's career site. So a company's employer brand is not just about what an employer puts out but it is also about the voice of the people that interact with the company, be they employees, customers, investors, shareholders or others. In today's online, social media world, job seekers get aggregated opinions of millions of 'insiders' on tap, plus data that they simply could not get elsewhere.

We know that people love to share and the voracious development of mobile technology is only accelerating this trend. In fact, according to Glassdoor research, 20 per cent of people are likely to read company reviews on their mobile device 15 minutes before the start of an interview. We also know that people love to share information about their job and their company given that they spend so much of their lives at work. This is all to the benefit of employees everywhere.

Take an interview situation. First, a prospective employee can turn to Glassdoor to screen out companies that do not

have the right cultural fit or companies that have leaders with low approval ratings according to employees. They can then research interview questions, even practising them on their phone beforehand if they want. Then, if they are deciding between a couple of job offers, they can make a detailed comparison of the benefits on offer at each company if they choose.

This is the reality of the workplace now – there are no secrets anymore and as a result everyone from graduates and interns, to people looking to make their final career move, can find a job they love by having more information at their fingertips, thereby making better decisions about where to work.

For companies that focus on employee engagement and treat their staff well, this is already proving to be a massive boost. People are fighting to get their foot in the door. Companies like Google and John Lewis, for example, get so much press as being highly desirable places to work that they can, and do, attract the best.

For companies that, to put it gently, place a lower value on how employees feel and whether they are satisfied and engaged, the game is well and truly up. The inside track on all jobs and companies is now out there for all to see. It is time for these companies to shape up.

This transparency will continue to change the workplace rapidly. Those companies that cannot, or refuse to, adapt will wither and those that embrace the trend will flourish. We are already seeing this today, with companies living their lives in the open finding it easier and cheaper to recruit and having much higher rates of retention. Not to mention, of course, the significant impact on the bottom line of an engaged workforce with everyone pulling in the same direction.

While in some quarters of the human resources (HR) industry reactions to Glassdoor have been wary, most HR professionals and recruiters have moved on and are rapidly working out how to leverage the community to hire top talent more effectively. As one prominent HR analyst Kyle Lagunas recently put it, ‘Glassdoor has created something that was missing from the talent acquisition process for years: accountability.’



## 8 Good jobs and the productivity puzzle

Duncan O'Leary

### Intro

'Productivity is not everything, but in the long-run it is almost everything'; on this point, even Paul Krugman's most hardened critics would agree.<sup>1</sup> Productivity lies at the heart of the UK's two most important political debates: how to boost living standards and how to reduce the deficit. All things being equal, increasing hourly productivity by 10 per cent would add an extra £140 billion in GDP every year.<sup>2</sup> Such an increase would transform both household budgets and the government's finances.

The disagreement concerns how we get from here to there. At heart, this disagreement hinges on two competing theories of change, which can be summed up in a single question: 'Should we wait for productivity increases to produce better jobs, or would better jobs increase productivity?'

### Two theories

The first of these theories, the 'productivity first' theory, understands wage growth as a product, or consequence, of increased productivity, which is itself driven by a series of other factors. The Government's productivity framework identifies five factors that combine to enhance productivity in the long run:

- investment in physical capital, including machinery, equipment and buildings
- innovation – the successful exploitation of new ideas
- the skills of the workforce and the availability of labour

- enterprise, understood as the seizing of new business opportunities by old and new businesses
- competition, which encourages efficiency and innovation<sup>3</sup>

In the ‘productivity first’ account, there is plenty of room for public policy to make a difference. Government can encourage business investment through macroeconomic policy and banking reform. Innovation is affected by policy decisions on intellectual property. Skills policy is designed to encourage training. Regulation frameworks influence the rate of new start-ups and the competitiveness of markets.

The idea is that as productivity improves and the economy grows, employees will share in the gains. In the UK, the wage share remains at around 54 per cent, meaning that for every £2 in additional economic growth, employees collectively take home more than £1. However, the underlying assumption is that the best way to improve jobs is to improve productivity first.

The second theory, the ‘wages first’ account, presents a challenge to this worldview. It argues that wage growth can be a cause, not just a consequence, of productivity gains. Proponents of this view cite ‘efficiency wage’ theory, which posits that higher wages can encourage workers to be more productive, as well as saving money by improving employee retention rates.<sup>4</sup> Higher wages can produce savings for firms in the longer run. ‘Wages first’ proponents also argue that higher wages change the incentives for firms. A growing wage bill can encourage firms to find more productive ways of working, for example by investing in higher skills or new technology.<sup>5</sup> Without this spur, they argue, the incentives in many industries are too weak for companies to seek more productive ways of working while the current model remains profitable.

### Recent experience

In recent years, the ‘wages first’ account has begun to gain traction, with policy makers increasingly concerned by the types of jobs the UK economy is producing. Despite

predictions that global competition and technological innovation would create incentives for UK companies to move to more productive, higher paid ways of working, the reverse has been true for many.

Before the recession it became clear that the UK was, in fact, developing an ‘hourglass’ labour market. Compared with a decade ago, in 2014 there is a greater number of high productivity jobs at the top of the income scale, but there has also been growth in relatively low-pay, low-productivity sectors such as retail and social care. Since the recession, the UK has continued to amass low-paid jobs. The economic recovery has been ‘jobs rich, productivity poor’, with around 80 per cent of the net addition to employment since early 2008 being in relatively low-paying sectors.<sup>6</sup>

‘Wages first’ advocates argue that this strengthens their case. The recession, they argue, has provided a glut of people looking for work, driving wages down – which in turn has reduced the incentive for firms to find more productive ways of working. Ryan Avent of *The Economist* summarises this argument in a recent article, arguing, ‘Higher inflation in Britain reduced real wages. That, in turn, allowed firms to meet a given level of demand by using more workers less intensively – at lower productivities.’<sup>7</sup>

Avent compares the UK experience with that in the US, where wages continued to rise because of low inflation, with productivity keeping pace. Avent concludes,

*One possible takeaway from this divergence is that productivity is often endogenous to the real wage. Confronted with high real wages, firms reorganise production, invest in training and capital, and take other steps to boost productivity and economise on labour. When real wages are falling, by contrast, the incentive to economise is reduced and productivity lags.*<sup>8</sup>

The problem is how far policy makers can or should push this idea. On the surface, it provides an argument for raising the minimum wage to significantly higher levels. However, the risks associated with this are obvious: while some industries

might respond with new investment and enhanced productivity, others might suffer significant job losses.

The evidence that we do have suggests a piecemeal approach is right: the Resolution Foundation estimates that raising the statutory minimum wage to the level of the living wage would be likely to cost around 160,000 jobs across the country.<sup>9</sup> Mandating higher wages might create new incentives for innovation but, taken too far, could also put many thousands of people out of work.

### The firm as an institution

Decisions must be taken workplace-by-workplace for firms to adopt new ways of working. This requires more thinking about where the impetus might come from within firms themselves to take the ‘high road’ – better pay, higher productivity – even when the ‘low road’ – lower pay, lower productivity – remains a viable option.

One group with an obvious interest in this is the workforce. Employees’ interests are served not just by firms turning a profit, but by doing so with a business model that offers decent wages. Employee voice ought therefore to be an important force from within firms, pushing them towards higher pay, higher productivity business models.

Traditionally, trade unions have been conduits for this voice, with the evidence showing that there is a correlation across countries between union membership and higher productivity.<sup>10</sup> But the problem is that trade union membership continues to decline in the UK. Around 6.5 million employees in the UK were trade union members in 2013, compared with a peak of over 13 million in 1979.<sup>11</sup> The proportion of employees who are trade union members in the private sector is now down to just 1 in 7.<sup>12</sup> Unless something dramatic changes, the answer will have to come from elsewhere.

The German model of co-determination offers an alternative solution. Under this model, employees are represented directly on the boards of large companies, but do not have the power to outvote management or the shareholders.

The value of the idea is that it engages employees in the question not just of what wages the firm ought to pay, but also how this can be afforded in the long run. This puts the productivity question front and centre, recasting the workforce as a source of information about how things might be done differently.

One objection to this is that employee representatives on boards might oppose changes that enhance productivity but cost jobs. There is some evidence to suggest that employee representatives use their voting power to maintain high staffing levels in companies,<sup>13</sup> but it does not necessarily follow that these high-staffing models must be unproductive. In fact, the researchers looking at the German model have found that ‘the existence of a co-determined supervisory board seems to positively affect productivity, but not profitability’.<sup>14</sup> Companies, in other words, become more likely to take the high road.

## Conclusion

Recent experience suggests that the combination of globalisation and new technology has a large effect on some sectors, but not on others. Where jobs cannot easily be either off-shored or mechanised, firms are often happy to continue with low productivity, low-pay business models while they remain profitable. This realisation has strengthened the hand of ‘wages first’ advocates, who argue that better jobs can drive productivity gains, not just follow them.

However, there is only so far that this can be done from Whitehall. Raising the statutory minimum wage too far or too quickly comes with its own risks. Instead, policy makers need to start to conceive of firms as institutions and to consider what the drivers might be from within organisations for more ambition on both pay and productivity.

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What makes a job ‘good’? In the midst of a jobs-rich recovery, attention inevitably shifts to the quality of the jobs being created – both in terms of the contribution to national productivity, and the qualitative experience of those undertaking the work. In these terms at least, it is not evident that the picture is entirely rosy: there are outstanding questions in terms of pay, productivity, security and job satisfaction.

This collection brings together a wide range of contributors to address these questions, in turn providing an overview of what might be meant by ‘good jobs’, and how we might create more of them. It begins with the views of the public, who suggest that opportunities for progression, job satisfaction and having a stake in the business are the conditions they consider important for a good job. But contributors including John Philpott, Julia Goldsworthy, Baroness Kingsmill, Ryan Shorthouse, Ian Tomlinson-Roe and Duncan O’Leary also address the growth in self-employment, the productivity puzzle, employee engagement and employee voice.

*Good Jobs* also provides insight into the incentives acting on businesses and whole sectors in terms of progression, influence, pay and conditions, including the public sector, which often suffers from poor employee satisfaction. Finally, across the contributions there are a wealth of measures that could help with the move towards a labour market full of good jobs. Now that we are well into economic recovery, it is time to start thinking about how we use our time at work more productively, with benefits both to GDP and our own wellbeing.

Ralph Scott is Head of Editorial at Demos.

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