

Sisson, Keith

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## Shaping the world of work: Time for a UK jobs strategy

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**Shaping the world of work - time for a UK jobs strategy**

**WARWICK PAPERS IN INDUSTRIAL RELATIONS  
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**Keith Sisson  
Emeritus Professor of Industrial Relations  
Industrial Relations Research Unit  
University of Warwick  
Coventry  
CV4 7AL**



## Editor's Foreword

The Warwick Papers in Industrial Relations series publishes the work of members of the Industrial Relations Research Unit (IRRU) and people associated with it. IRRU is devoted to empirically-grounded, theoretically-informed and policy relevant research on work, and the Warwick Papers, which are blind-reviewed within IRRU, address current topics of employment relations with academic rigour. Papers that engage with policy and practice issues are particularly welcome, as they may require timeliness and style that do not precisely fit the conventions of academic journals.

This paper by Keith Sisson is an example of application of industrial relations theory and empirical research to major policy issues, and notably the direction of UK employment policies after Brexit. It is written by Keith Sisson, Emeritus Professor at IRRU. Keith was Director of IRRU in the second half of the 1990s, at the time when the Blair government signed up to the Social Protocol of Maastricht and made EU labour law binding for the UK. IRRU was a leading centre in researching the implications of that step, by launching the *European Journal of Industrial Relations* and the first textbooks on European industrial relations, while conducting research on the impact of EU rules on working time, information and consultation, atypical work and European Works Councils in the UK. Richard Hyman concluded his assessment in the 2010 IRRU-led textbook of industrial relations by saying that 'British industrial relations have in significant measure been Europeanised (...) but the European social model has become in key aspects increasingly Anglo-Saxon'<sup>1</sup>. Just like EU accession did not revolutionise British industrial relations, Brexit is unlikely to lead to any counter-revolution. Prime Minister Theresa May declared that 'Existing workers' legal rights will continue to be guaranteed in law - and they will be guaranteed as long as I am prime minister; we're going to see workers' rights not eroded, and not just protected, but enhanced under this government' (Conservative Party conference speech, 2 October). Leaving the European Union does offer the British government more discretion in the regulation of regulating employment relations, not just directly but also through migration, industrial and education policies – for the better or worse.

The policies proposals outlined in this paper are Prof. Sisson's own views and do not commit IRRU, which has always been an independent research centre. But their timeliness and grounded elaboration makes them worthy of attentive scrutiny and debate, at a time when Number 10 launches a review of modern employment and the main opposition party puts together a commission on the future of work.

Guglielmo Meardi

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<sup>1</sup> R. Hyman, 'British Industrial Relations: The European Dimension', in T. Colling and M. Terry (eds) *Industrial Relations: Theory and Practice*, Wiley 2010, p. 77.

## **Abstract**

The approach to employment poses one of the UK government's biggest post-Brexit challenges. Brexit is accepted as exposing widespread anger and dissatisfaction with wages, living standards and their inequality. The new Prime Minister seems sensitive to the implications. In her maiden speech, she talked about dealing with work-related 'injustices'. She also touched on people's worries about job security, the cost of living and paying the mortgage. Her mission, she said, was to give people more control over their lives and 'make Britain a country that works not just for the privileged few, but that works for every one of us'. Her proposals, which include putting workers on the board and developing an industrial strategy, are important in recognising the need for an active as opposed to passive government role in shaping the world of work. They aren't going to be enough on their own, however, to deal with the low pay, low skill and low productivity at the heart of the UK's problems, let alone the challenges digitalisation poses. There needs to be a jobs strategy with a clear focus, appropriate institutional framework and mutually reinforcing policies. This paper makes ten suggestions for what might be involved.

## Shaping the world of work - time for a UK jobs strategy<sup>1</sup>

Of the many issues that Brexit raises, the approach to employment poses one of the government's biggest challenges. At issue isn't just what to do about the volume of EU-derived legislation if Brexit means Brexit. The Brexit vote is accepted as exposing widespread anger and dissatisfaction with living standards and their inequality. Even to be told by their trade union leaders that Brexit was likely to worsen their situation had no effect on many people's desire to give the establishment a bloody nose in response.

Initial analysis suggests that, along with age and the level of education and skills, major considerations in the way people voted were indeed differences in living standards: the higher the levels of unemployment and the lower the levels of education and skills, the more likely people were to vote for Brexit. Areas that had suffered job loss from impact of globalisation, for which a good proxy is Chinese import penetration, were especially prominent<sup>2</sup>.

The new Prime Minister seems sensitive to the issues. In her maiden speech, she talked about dealing with several work-related 'injustices'. She also touched on people's worries about job security, the cost of living and paying the mortgage. Her mission, she said, was to give people more control over their lives and 'make Britain a country that works not just for the privileged few, but that works for every one of us'. These followed similar comments in the Conservative leadership campaign, when she also raised possibilities that would have seemed quite revolutionary just a few months before: putting employee and consumer representatives on company boards, placing tighter controls on executive pay, making shareholder votes on corporate pay not just advisory but binding, and requiring companies to publish the ratio between the chief executive's pay and the average company worker's pay<sup>3</sup>.

The Brexit vote, then, might be said to represent both threat and opportunity. Carry on as before or, even worse, try to cut back on employment protection as some Brexit supporters favour, and the anger and dissatisfaction is likely to grow. Seize the opportunity to re-set the policy framework - begin to shape the world of work in the direction of the new Prime Minister words - and Brexit could turn out to be a blessing in disguise.

The remainder of the paper develops the argument in greater detail. It starts by highlighting what's wrong – low pay, low skill and low productivity - and how the weddedness of governments to the principle of 'voluntarism' helps to account for them. It goes on to emphasise how fundamentally important the world of work and the workplace are and how the challenge

of digitalisation in particular is making them more so. It argues for a jobs strategy to accompany an industrial strategy to help deal with current and future challenges and outlines what might be involved.

## **What's wrong**

### *Low pay, low skills and low productivity*

In discussions about the UK and where it stands in comparison to other major economies, much is made of the UK's high employment rate. In the words of the Bank of England's Chief Economist (Andy Haldane<sup>4</sup>):

The aggregate numbers here are hugely impressive, with 2½ million new jobs created since 2010. The UK unemployment rate has fallen like a stone, from 8.5% in 2011 to around 5% currently.

That's as far as the good news goes, however. The rate may be higher than in other countries, but the quality of much UK employment is poor and the levels of pay low, resulting in high levels of 'in-work poverty'. This in turn adversely affects family life and means society has to subsidize employers to bring earnings up to a 'living wage'.

According to the Resolution Foundation *Low Pay in Britain Report 2015*<sup>5</sup>:

- One-in-five employees (21 per cent, or 5.5 million individuals) were low paid in Great Britain, on the basis of the OECD definition of low pay (i.e. two-thirds gross median hourly earnings for full-time employees), marking the country out as one of the worst performers in the OECD. There has been little change in this proportion over the past 20 years.
- Extreme low pay affected 2 per cent of employees – likely to be young people and apprentices as well as some possible minimum wage non-compliance – reflecting the fact that the threshold falls below the adult minimum wage.
- More than one-in-five employees (22 per cent, or 5.7 million) were paid less than the voluntary 'Living Wage'. This is an increase from 20 per cent in 2013.
- One-in-twenty employees (5 per cent, or 1.4 million) were on the minimum wage. This proportion has been increasing steadily since the early 2000s.

In the words of Haldane' speech cited above:

Nominal earnings today are around 7% higher than in 2009. But in real terms earnings are still around 5% *below* this peak. This is the longest period of flat or falling real wages since at least the middle of the 19th century.

To achieve their levels of pay, many UK employees also have to work longer hours than their counterparts in other countries, intensifying the impact on health and family life. Eurostat figures consistently suggest that, while overall average hours worked in the UK are similar to those in other countries (around 40 hours), the proportion working more than 48 hours is one of the highest in Europe<sup>6</sup>. The TUC reckons there's been a 15 per cent increase in such working between 2010 and 2015<sup>7</sup>.

Another effect is a very high level of income inequality. The share of wages in national income has fallen. The most accepted measure (the Gini coefficient) suggests the UK has one of the highest levels of inequality of major OECD countries<sup>8</sup>.

In Haldane's words again, talking about the nature and extent of the recovery since the 2008 banking crisis, the 'pay-poor recovery of the past few years has not lifted all boats'. Indeed, a sizable fraction of households have seen no recovery in their disposable incomes. Those benefiting are over the age of 50, the already asset-rich and living in London and the South-East. By contrast, those under-40, asset-poor and living elsewhere have seen their disposable incomes and wealth fall.

Haldane recognises, too, that the *nature* of work may matter as much as headline numbers in people's dissatisfaction: an increase in self-employment (from 3.6 million in 2005 to around 4.7 million) and in temporary contracts and zero-hours contracts (a fivefold increase from 120,000 to 800,000). Some of these shifts are voluntary choices, but many aren't. For these, the 'dark-side of labour flexibility – job insecurity - may be being felt'. He adds that around a quarter of workers currently are afraid of losing their jobs and some 4.5 million workers in England and Wales are in insecure employment.

In the case of *skills*, a constant refrain of business leaders is that young people don't have the basics required for employment. There is some evidence for this<sup>9</sup>. The picture is complex, however, when it comes to debates around youth transitions into the workplace. Surveys have repeatedly found that only a minority of employers actually recruit young people and the overwhelming majority of those who do find them 'well or very well prepared for work'<sup>10</sup>.

The UK's poor intermediate level skills record certainly stands out. Here a succession of high-profile public studies can be cited: the National Skills Task Force's reports of the 1990s, various editions of *Skills in England in the 2000s*, The Treasury 2006 *Leitch Review* and the UK Commission for Employment and Skills' 2010 *National Strategic Skills Audit for England*<sup>11</sup>. In 2008/9, a report for the Apprenticeship Ambassadors' Network (2010) estimated that there were around eleven apprentices per 1000 employees in the UK. In Germany, the figure for the same number was forty, i.e. nearly four times as many<sup>12</sup>. According to the latest figures, there were 843,000 or 11.7 per cent of young people aged 16 to 24 in the UK who were not in education, employment or training (so-called NEETs).<sup>13</sup>

Two recent developments bear testimony to government concerns about this situation. One is yet another proposed revamp of vocational training and education (VET) in the light of a report from Lord Sainsbury<sup>14</sup>. The other is an apprenticeship levy designed to bring about a significant increase in apprentice numbers<sup>15</sup>.

In the case of *productivity*, the UK has a longstanding 'gap' with comparable countries. The most recent data from the Office for National Statistics (for 2014) suggest that output per hour was 18 per cent below the average for the other G7 countries and more than 30 per cent less than France, Germany and the USA<sup>16</sup>.

Low pay, low skills and low productivity are inextricably related and many factors help to explain them. One is *job polarisation* - the tendency for jobs in the middle to be squeezed out creating something of an 'hourglass' economy. The decline in manufacturing (especially in low-technology industries vulnerable to imports) is important here. But so too are developments in services, where the bulk of the UK workforce is employed. In recent years they have seen the creation of lots of middle-paying to low-paid jobs in personal and social services (many filled by women working part-time)<sup>17</sup>.

A second consideration is *business strategy*. Levels of pay, training and productivity are closely associated with a firm's competitive strategy<sup>18</sup>. The higher the quality of the goods or services the business is aiming for, the more likely it will invest in training and development and the higher the levels of pay and productivity. By contrast, if its priority is low cost, the more likely it is to emphasise standardisation, which means forms of work organisation and job design that have little need for higher skill levels. Too many UK businesses, to put it bluntly, operate in the bargain basement, relying on low pay to survive. Work organisation is rooted in 'lean' and



'traditional' models with extensive managerial hierarchies and long hours, but little high performance working<sup>19</sup>.

Low skills are not so much a matter of supply, in other words, but of demand. While demand for higher-level skills has expanded since the 1980s, nearly half of all jobs don't require post-secondary education and one-third of firms offer no training<sup>20</sup>. Also, by far the most common explanation for not offering training – given by almost two-thirds of non-training employers – was that employees were already fully proficient in their role.

A third consideration is a *lack of investment*. The LSE 2013 Growth Commission Report<sup>21</sup> shows that UK investment levels are significantly below those of comparable countries. The UK has less physical capital per worker than the United States and considerably less than France and Germany. The UK also suffers from relatively low investment in R&D. Here the most recent figures show that, in 2014, the UK's share of gross GDP devoted to R&D stood at 1.7 per cent, compared to the USA's 2.8 per cent, Germany's 2.9 per cent and France's 2.6 per cent<sup>22</sup>.

Important, too, are the *corporate governance structures and financial system* within which companies are 'embedded' and which encourage/discourage particular types of business strategy. The UK's 'variety of capitalism' is usually categorised as an example of the 'shareholder' or 'outsider' model of corporate governance<sup>23</sup>. In this model, there's a privileged position for shareholders and an overwhelming emphasis on shareholder value as the key business driver; a high concentration of institutional share ownership which encourages a focus on short-term profitability rather than long-term market share or added value; and relative ease of take-over, which not only reinforces the pressure on short-term profitability to maintain share price, but also encourages expansion by merger and acquisition rather than by internal growth. Finally, there's a premium on 'financial engineering', a domination of financial management over other functions and a tendency to numbers driven, as opposed to issue driven, planning<sup>24</sup>.

'Financialisation' and the 'permanent restructuring' it leads to hardly encourages the pursuit of business policies emphasising quality products and services. More damagingly, 'financialisation', coupled with 'short termism', has spawned a set of incentive structures that put a premium on *extraction from* rather than *investment in* the business - in the form of soaring executive pay, rising dividends and takeover windfalls.

*A tradition of voluntarism*

Many see the ideology of 'neoliberalism' as the root of the problem. Certainly the austerity, deregulation, cuts in public expenditure and privatisation associated with the so-called 'Washington consensus' have been important<sup>25</sup>. Especially damaging has been the extension of 'efficient markets' thinking to the workplace. A reading of people management texts suggests the 'resource-based' view of the organisation holds sway - people are human resources, the organisation's greatest asset, the key to success etc. etc. In practice, however, it's the doctrine of the firm as a 'nexus of contracts' that's become dominant<sup>26</sup>. This sees the firm as a 'contracting site' and the employment contract no different from other contracts – it's purely a 'market' or 'transactional' relationship. But subcontracting and outsourcing mean the employment relationship is 'externalised' and 'fragmented', with the employer who pays being different from the one who directs - hardly a recipe for the greater involvement that many commentators seek<sup>27</sup>.

Important though it is, however, 'neo-liberalism' isn't a sufficient explanation for the UK's situation. Most EU and OECD member countries have followed its prescription to a greater or less extent. But even a cursory look confirms there are considerable differences when it comes to pay, skills and productivity. Arguably, too, these differences cannot be explained by the greater intensity with which neo-liberal policies have been applied in the UK. Fundamentally important as well are long-standing differences in institutions deeply rooted in the UK's 'variety of capitalism' touched on earlier: they include the legal framework, the structure of collective bargaining, organisation of the VET system, corporate governance arrangements and, above all, the role of government.

Put simply, successive governments, Labour, Conservative and Coalition, have been unable to break with a key feature of this inheritance: the tradition of 'voluntarism'. Also described, perhaps more accurately, as 'abstentionism', 'laissez faire' and 'non-interventionism', this is the belief that it's not for governments to get involved in the workplace – the parties should be free to organise their affairs with little or no involvement of government or the courts. Implicit was the assumption that trade unions offered a 'counter-vailing power' to that of employers and most matters could be resolved by largely informal processes of negotiation<sup>28</sup>. Such is the force of 'voluntarism' that it's only in recent years, because this assumption no longer holds, the TUC has broken free.

Unbelievable as it may seem, the UK hasn't had a specialist ministry for employment for two decades, meaning there is both a lack of strategic direction and fragmentation of operational

responsibility. The Department for Work and Pensions (DWP) is a misnomer. In its own words, it's 'responsible for welfare, pensions and child maintenance policy ... it administers the State Pension and a range of working age, disability and ill health benefits ...' Along with the Treasury, which sets the parameters for public sector pay, it's one of no fewer than six departments involved in work matters: Business, Energy and Industrial Strategy (with responsibilities for employment relations and the Employment Agency Standards Inspectorate); Education (with responsibilities for apprenticeships); the Home Office (with responsibilities for equality and for women); the Department of Environment, Food and Rural Affairs (responsible for the Gangmasters' Licensing Authority), and Her Majesty's Revenue and Customs (HMRC) (involved in the enforcement of the National Living Wage). Acas reports to BEIS, the Health and Safety Executive to the DWP, the Equality and Human Rights Commission to the Home Office, and so on. If someone wanted to design arrangements enabling governments to avoid facing up to the bigger issues, they'd be hard pushed to do better than the present set.

In this, it needs to be emphasised, the UK is exceptional among large countries. France and Germany have dedicated departments with ministers at the top table. The USA has a Department of Labour and a Secretary of State Cabinet member.

For someone who's been involved in the area for more than fifty years, the list of things allowed to happen and opportunities missed is enough to make you weep. In rough date order, sector-wide collective agreements were allowed to collapse – important not only in denying large sections of the workforce the benefits of the additional standards they bring, but also undermining the status and membership of trade unions and employers' organizations and so the platform for their greater involvement in economic and social policy-making. The board level representation of Theresa May's campaign speech was recommended in Lord Bullock's 1977 majority report on industrial democracy, but ignored by the Callaghan Government. As recently as 2005, the UK had the opportunity to introduce a form of the works council arrangements so important in countries like France, Germany and the Netherlands. This time the initiative was effectively stymied by the Blair government caving in to what can only be described as an unholy alliance between CBI and TUC to protect their mutual interests: what should have been an automatic right of employees to workplace representation was translated into a requirement for ten per cent of employees to trigger a request – something that, unsurprisingly, few have tried to do.

In the area of VET, successive governments have tried to establish a 'market'. Initiative has followed initiative - all claiming to be different, but little more than variations on a very similar theme. Never resolved have been two main dilemmas. One is whether employers are to be regarded as consumers of VET or active stakeholders in running things. The other is how to get UK employers to take a measure of collective responsibility, which is one of the secrets of the successful continental models of countries such as Germany and Switzerland<sup>29</sup>.

Most recently, the government has inexplicably decided to cease funding of the UK Employment and Skills Commission in favour of an Apprenticeship Institute. The Commission was established in 2008 to offer guidance on skills and employment issues and its head has been John Mayfield, Chair of the John Lewis Partnership. Not only was it industry-led. Its commissioners were a 'social partnership' made up of CEOs from large and small businesses, employment advisers and trade union representatives - exactly the kind of body you might have thought was needed.

In the case of corporate governance, Will Hutton's long-running campaign for reform goes back into the early 1990s<sup>30</sup>. More recently, in 2012, the *Kay Review of UK Equity markets and long-term decision making*<sup>31</sup> was published following the controversial Kraft takeover of Cadbury. Cadbury's fate was effectively sealed by fewer than less than a third of its shareholders, leading to the charge that, in the words of the then city minister (Lord Myners), many shareholders were akin to 'absentee landlords'<sup>32</sup>. Yet there still haven't yet been any fundamental changes. Another Cadbury could similarly be taken over tomorrow. The on-going problems associated with funding BHS's pension scheme, which echo those of Robert Maxwell's publishing empire twenty five years ago, could likewise be repeated.

### **Why it matters**

Hardly a week goes by without a report from one of the research institutes or think tanks commenting on some aspect of low pay, low skills and low productivity. The danger of so much attention is that the underlying importance of the issues gets lost sight of. It isn't just the sheer number of people involved that make work and the workplace important - in the third quarter of 2015 almost some 31.75 million (seven out of ten of those 16 or over) were in employment (the great majority, nearly 26 million 'employees' and the remainder 'self-employed')<sup>33</sup>. Work and the workplace play a pivotal role in capitalist societies:

- They have a major impact on health and well-being. Positive in that work satisfies the need for respect and meaning, self-esteem and self-fulfilment<sup>34</sup>. Negative in that they

expose workers to physical injuries and illnesses, along with the stress that in later life can lead to the heart disease, strokes and diabetes together accounting for more than 50 per cent of all mortality<sup>35</sup>.

- They are the main source of a society's wealth and prosperity – they make workers into consumers who generate demand and so growth; and their levels of productivity account for differences in living standards over time and between countries, reflecting the skills of the workforce, the capabilities of organisations and the technology they use. Especially important is that it's wages not profits that the government's currently relying on for growth - too much profit is being 'extracted' and not enough going into investment.
- They are a major source of 'human capital'. In a phrase, and for better or worse, the workplace is a 'learning organisation': vocational training, on-the-job development and promotion opportunities help people to acquire skills and develop their talents. Also, the learning involved isn't just a matter of technical skills, but also social ones such as perseverance and self-discipline, communications, and the capacity to make judgments, along with critical interpersonal skills such as leadership and the ability to work in teams.
- They are a major source of 'social capital'<sup>36</sup>. Experience at work influences levels of trust and attitudes towards cooperation that help to shape society's capacity to innovate and change more generally. Especially important is whether employees are treated justly, whether their contribution is recognised and whether their views are sought and acted on. The results are reflected in macroeconomic performance indicators such as 'high levels of and growth in GDP; more efficiently functioning labour markets; higher educational attainment; lower levels of crime; better health; and more effective institutions of government'<sup>37</sup>.

Although work's economic functions get most of the attention, clear from this is that its social ones are no less fundamental. In terms of impact on individuals – their livelihood, life chances and health – only the family comes close. In terms of society, nothing comes close. Just consider the objectives policy makers subscribe to that are affected: ending child poverty, enhancing the quality of family life, improving health, increasing social mobility, building a knowledge economy etc.

It's here that the inequality highlighted earlier really matters. As the UN's Human Development Report emphasises, it isn't just that inequality is inefficient and impedes growth. It also fuels

people's sense of social injustice. Trust suffers, resulting in the 'corroding of institutions and weakening of political legitimacy'<sup>38</sup>. Which is exactly what many commentators have been saying was at stake in the Brexit vote.

The world of work also isn't standing still. At the time of writing, it was being reported that, after Brexit, immigrants from the EU would have to apply for permits to work in Britain under plans being considered by ministers. Sir David Metcalf, head of the Migration Advisory Committee, is said to reckon that such a scheme would be 'pretty straightforward' to run and could be modelled on a previous work permit system for seasonal agricultural workers<sup>39</sup>. It would have considerable implications for the many UK businesses presently dependent on immigrant labour, however.

More fundamentally, yet more globalisation, robotisation and, above all, digitalisation (the so-called 'Fourth Industrial Revolution') also have to be taken into account. Most attention focuses on occupations – whether digitalisation, coupled with changes in business models, will not only create new ones, but also change and destroy old ones. But perhaps more important is a shift of work venue, e.g. from physical workplaces to crowdsourcing and digital platforms, which could be global in their reach<sup>40</sup>.

Much is at stake. One prospect is what is being termed the 'uberisation of work' - instead of a traditional job, in other words, many workers are likely to have an 'ever-shifting portfolio of commissions assigned through online platforms'<sup>41</sup> following the example of the Uber private car hire operator. Already the status of such workers is a major issue - whether they are to be regarded as 'self-employed' (as companies like Uber have tried to argue) or as 'employees' (because they are clearly 'economically- dependent' and in a 'subordinate relationship'). Either way, the potential implications for the structures that have grown up around and are dependent on the traditional notion of a job are enormous - they include issues of legal responsibilities, customer protection and public safety, training and skills, and social security and pensions, along with the balance between work and family lives, and identity and social recognition. Table 1 gives an overview of the 'strengths/ weaknesses' and 'opportunities/threats' associated with digitalisation.

The big question is whether governments are willing and ready to do what's necessary to shape these developments for the benefit of society at large - to maximise the opportunities and minimise the threats. Sadly, as the previous section has shown, UK governments don't have a good track record when it comes to such matters.

**Table 1 Digitalisation: Summary of the main ‘strengths/weaknesses’ and ‘opportunities/threats’**

<p><i>Strengths</i></p> <ol style="list-style-type: none"> <li>1. Connected world, open systems, knowledge economy</li> <li>2. Networks, exchange, sharing and collaboration, with access based on functionality rather than ownership</li> <li>3. Integration of industries and services: intelligent factories, energy systems, mobility, transport and cities and ‘optimised’ governance</li> <li>4. Automation, robotisation, learning machines</li> <li>5. Productivity, efficiency and profitability gains</li> <li>6. Zero marginal cost economy</li> <li>7. Innovative products and services, proliferation of mobile apps to ‘make life easier’</li> <li>8. New auto production capacities, micro factories</li> </ol> <p><i>Opportunities</i></p> <ol style="list-style-type: none"> <li>1. New jobs (computer engineers and scientists, network experts)</li> <li>2. More ‘agile’ work organisation; more flexible and more autonomous work</li> <li>3. Abolition of repetitive and routine tasks</li> <li>4. Better ergonomics; help in performance of heavy or complex tasks</li> <li>5. New forms of collaboration and cooperation among workers</li> <li>6. Return of industries and jobs (via ‘smart’ factories) – to their country of origin</li> </ol>	<p><i>Weaknesses</i></p> <ol style="list-style-type: none"> <li>1. Jobless growth, jobless future</li> <li>2. Emergence of super powerful oligopolies - new world data masters</li> <li>3. Concentration of power and wealth in value chains</li> <li>4. Problems of (non)-compliance with regulatory and tax standards</li> <li>5. Protection of personal data exposed to intrinsic risks</li> <li>6. ‘Algorithmisation’ of individual behaviour, work and consumer habits, social and cultural preferences; normalisation and standardisation of the individual</li> <li>7. Hollowing out of the middle classes and polarisation of society between a reduced number of ‘top-of-the-scale’ workers and a mass of ‘bottom-of-the-scale’ workers</li> <li>8. Under-investment and under-utilisation of digital tools for the social emancipation of low-income sections of society</li> </ol> <p><i>Threats</i></p> <ol style="list-style-type: none"> <li>1. Destruction of medium-skilled jobs</li> <li>2. Intensification of ‘anytime, anywhere’ work; blurring of the boundary between private life and working life leading to stress and burnout</li> <li>3. Loss of control by workers of their own expertise, know-how and free will</li> <li>4. Digital management, policing of workers, risk of mutual loss of trust</li> <li>5. ‘Precarisation’ of jobs and statuses and dependence on ‘data masters’</li> <li>6. Weakening of possibilities for collective action</li> <li>7. Skills and training/labour demand mismatch</li> </ol>
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<p>7. New ways of distributing productivity gains (e.g. working time reductions)</p> <p>8. Social emancipation and an economic model geared to common goods</p>	<p>8. Exacerbation of inequality; wage stagnation</p> <p>9. 'Digital Taylorism' and a class of digital galley workers (crowdsourcing); world competition among workers for all jobs not requiring face-to-face contact</p> <p>10. Erosion of tax base and social insurance financing</p>
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Based on Degryse, C. 2016. 'Digitalisation of the economy'. *Working Paper* 2016.02. European Trade Union Institute. Available at [www.etui.org](http://www.etui.org).



## What can be done -

### A job strategy to go with an industrial strategy

Things could be changing. It looks as if the new government is serious about industrial strategy - it has already set up a Department for Business, Energy and Industrial Strategy, along with a cross-department Cabinet Committee on Economy and Industrial Strategy to achieve more growth. It looks, too, as if it will sensibly follow Lord Heseltine's 2012 *No Stone Unturned* report<sup>42</sup> in its main thrust and delivery. In other words, although recognising a key role for government in setting the direction and taking advantage of low interest rates to invest in strategic infrastructure and boost investment allowances, R&D grants and so on, there will be much more 'localism' when it comes to delivery and business support infrastructure - with key roles for Local Enterprise Partnerships and Chambers of Commerce.

Committing to industrial strategy is a very important step: it recognises the need for an active as opposed to passive role for government and confirms it is possible to break free from the shackles of 'voluntarism'. By itself, though, an industrial strategy isn't going to be enough to deal with the problem of low pay, low skill and low productivity, let alone the challenge of digitalisation.

My suggestion is that there's an accompanying jobs strategy that prioritises the quality as opposed to the quantity of employment. Such a notion might seem far-fetched and the stuff of fantasy. Yet this is exactly the direction in which the OECD looks to be encouraging its member countries to go. The OECD has had a sort of jobs strategy since 1995. For the first decade or so, the main concern was with the supply side of the labour market - meaning deregulation and getting people into work. It seems, though, the emphasis is shifting. A Ministerial meeting in January 2016 reaffirmed strong support for OECD evidence-based policy analysis and emphasised the importance of 'resiliency' and 'inclusiveness' in the labour market, 'reducing labour market inequalities' and 'promoting better quality jobs'<sup>43</sup>.

To quote the statement from the meeting on the last point in full:

We emphasise the importance of promoting better jobs, since the quality of working life is one of the most powerful determinants of well-being in our societies. We also note

that there does not have to be a trade-off between the quality and quantity of employment opportunities in the advanced countries: job quantity and the different dimensions of job quality tend to be positively related across OECD countries as well as across individuals at a point in time and over the life-time. We discussed how better jobs can promote other policy goals such as promoting higher labour force participation and increasing the supply of skilled labour, worker commitment and, ultimately, strong and sustainable economic performance.

Closer to home, the Scottish Government has been going in a similar direction. In 2014, it set up a tripartite *Working Together Committee* under the chairmanship of the SNP's John Mather. The Committee, in turn, proposed the establishment of a Fair Work Convention, which the government endorsed<sup>44</sup>. The Convention's first output was a *Fair Work Framework*<sup>45</sup>, which it followed up at the end of August 2016 with *Scotland's Labour Market Strategy*<sup>46</sup>.

So what might be involved in a UK jobs strategy, bearing in mind that the Scottish Government does not have the full set of employment law powers? I offer ten suggestions for discussion covering its focus, framework and policies. Some are ideas that have been rejected or quietly shelved for short-term political considerations. Others involve going back to the future in the light of experience. If there is any originality, it's in joining things up that don't normally get joined up.

### *1 A commitment to job quality - to emphasise the importance of five measurable job dimensions: fair wages, security, opportunity, voice and a safe work environment*

Full or near full employment has been there or thereabouts as a major economic policy goal since World War 2. This is no longer enough for the reasons the OECD gives. There needs to be a commitment to job quality in the interests of the well-being and prosperity of individuals, businesses and society at large. This might appear in regular economic statements as well as a Fair Work Act featured later.

I suggest the *focus* is on five dimensions. All are objective and measurable and can be compared with those of the OECD<sup>47</sup> and the Scottish Fair Work Convention.

*Fair wages*. It isn't just a matter of the level of *average earnings* and whether they ensure good living conditions. Also important is whether the way earnings are distributed

contributes to people feeling being in it together or creates a sense of injustice that undermines well-being and economic performance.

*Security.* Important here is the predictability of income and hours - both in terms of the number of hours and when they are worked; a safety net of employment rights to ensure justice and protection from unfair or arbitrary action; and measures to support workers in the event of unemployment or the risk of unemployment

*Opportunity.* This is not just a matter of equal opportunities and rights not to be discriminated against in access to jobs, but also to progress and develop.

*A voice in decisions.* A good job is one where there are opportunities to have a say and air views, be listened to and have opinions taken into account - at task, workplace and organisation levels. Mechanisms include problem-solving groups, consultative processes, collective bargaining and board representation

*A safe working environment.* Important here is not just protection from accidents and illnesses, but also from what, in its job quality framework, the OECD calls *job strain*. This arises when high demands, such as time pressures, are combined with low resources to deal with them, such as a lack of work autonomy or training.

*2 A Department of Employment and Skills - to make sure there is strategic direction, joined up decision making and policy execution.*

I appreciate that this suggestion definitely smacks of going back to the future. I think it speaks for itself, though, in the light of earlier comments. Remember, the UK is exceptional in not having a Minister at the top table fighting the corner for work issues - especially important given very tight Treasury-imposed budgetary controls.

Symbolism and a fresh start are also important. If the government introduces a dedicated department, it will tell us that they are serious about the importance of work and the workplace. The Department of Work and Pensions is too identified with workfare, cutting benefits and so on to credibly do what needs to be done.

In practice, having a dedicated department would mean moving *work* from the Department of Work and Pensions (to become the Department Social Security and Pensions); *employment relations* from Business, Energy and Industrial Strategy; *apprenticeships* from the Department of Education; and responsibilities for *equality* from the Home Office. Acas,

and the Health and Safety Executive would come under the new Department, as would the Fair Work Agency introduced below. The new department might share responsibility for the Equality and Human Rights Commission with the Home Office or Ministry of Justice.

### *3 An Employment and Skills Commission - to advise on policy development covering work organisation, workforce development and the future of work.*

The decision to cease funding the UK Employment and Skills Commission should be reversed - the UK needs an authoritative and respected social partner organisation to advise, encourage and cajole ministers. The Commission's membership might be extended to include the Chairs of Acas, the Equal Opportunities and Human Rights Commission and the Health & Safety Executive. Its brief might also be expanded - subject-wise to include work organisation, workforce development and the future of work; and responsibilities-wise to cover policy development and advice to government on its own accord as well as on request.

Objectives for the immediate future might be to:

- lead the debate to drive better outcomes for skills, jobs and growth in the light of any post-Brexit restriction on low skilled immigrant labour
- help businesses realise the potential of their people through *Investors in People*
- identify the main challenges in the world of work and spell out the implications for individuals, businesses and government.

### *4 A Fair Work Act - to re-set the legal framework of employment covering the five dimensions of job quality and filling in the gaps (e.g. on zero hours contracts, the status of Uber-type workers and consultation rights).*

If Brexit means Brexit, there'll be a need to re-set the legal framework of employment in the UK. I suggest the best way of doing this is to follow the example of Australia<sup>48</sup> and introduce a Fair Work Act covering the five dimensions of job quality. The 'fair' tag is especially important - this will show that the government recognises 'fairness' is the key yardstick by which most people judge their work situation.

I appreciate there are those who hope Brexit will mean further deregulation of the employment relationship. Deregulation will do nothing for low pay, low skills and low productivity, however, let alone the other challenges ahead. Also, as key Brexit ministers appreciate, it really isn't practical politics. In the words of David Davis:

The great British industrial working classes voted overwhelmingly for Brexit. I am not at all attracted by the idea of rewarding them by cutting their rights<sup>49</sup>.

### *A fair wage*

The previous government was right to introduce the National Living Wage. The present government should resist attempts to dilute its impact. Steps have to be taken to 'block-off' low value added competitive strategies which rely upon low wage costs and numerical labour flexibility, and make only very limited skill demands on the bulk of their workforces<sup>50</sup>. Above inflation rises in the national minimum wage for the foreseeable future should be used to encourage employers to dispense with low paid jobs and introduce new technology and/or improve job structures. The net effect may be a reduction in the number of jobs, but the price is worth paying if it helps to break the vicious circle of low pay-low-skill-low productivity. The country can no longer afford to subsidise low paying employers.

Reducing inequality means doing something about the pay of those at the top as well as the bottom. Here the prime minister's idea that companies should have to publish the ratio between the chief executive's pay and the average company worker's pay is to be welcomed. The same goes for her proposal to give shareholders binding votes on executive pay. She might add - because too many are like Lord Myners' 'absentee landlords' - that pay and bonuses above, say, £500,000 (roughly twenty times average pay) should be considered to be company profit and liable for corporation tax as well as income tax.

### *Security*

In the case of employment protection, the government might follow the Australian 2009 Fair Work Act mentioned earlier to widely publicise a safety net of national employment standards. Under the Australian Act, workers have ten minimum National Employment Standards, together with pay rates in awards and minimum wage orders. These standards make up the safety net that cannot be altered to the disadvantage of the employee. They are:

- Maximum weekly hours - 38 hours in the case a full-time employees.
- Requests for flexible working arrangements

- Parental leave and related entitlements
- Annual leave
- Personal carer's leave and compassionate leave. Parents or carers of a child under school age, or of a child under 18 with a disability, the right to request a change in working arrangements to assist with the child's care.
- Community service leave
- Long service leave
- Public holidays
- Notice of termination and redundancy pay
- Fair Work Information Statement

In addition, there are two other groups whose position a UK Fair Work Act might clarify. One is workers on 'zero hours'. Here the government might follow the New Zealand example. The recent Employment Standards Legislation Bill<sup>51</sup> includes a package of measures 'to retain flexibility where it is desired by both employers and employees, but also increase certainty by ensuring that both parties are aware at the beginning of the working relationship of the mutual commitment that they have made'. As well as requiring hours of work to be stated in the employment agreement, the changes also prohibit employers from doing the following:

- requiring employees to be available to work for more than the agreed hours without having a genuine reasons based on reasonable grounds
- requiring employees to be available to work for more than the agreed hours without paying reasonable compensation for the number of hours the employee is required to be available
- cancelling a shift without the provision for reasonable notice or reasonable compensation
- putting unreasonable restrictions on secondary employment of employees
- making unreasonable deductions from employees' wages.

A Fair Work Act also brings an opportunity to influence the development of the online 'platform economy' in a positive way. At first sight, groups like Uber drivers and Hermes couriers, who might be said to be in its vanguard, don't fit the traditional categories of 'employed' and 'self-employed'. They're definitely 'economically dependent' and 'subordinate', however. Arguably, therefore, they should surely be regarded as 'employees'

and be entitled to the rights that go with being so. Likewise, the organisations ‘employing them’ should have the same responsibilities as ‘employers’ of ‘employees’.

A later section will have more to say about the wider issues involved in security.

### ***Opportunity***

Here legislation has been largely couched in terms of equal opportunities and discrimination. As the Institute of Employment Rights<sup>52</sup> has recently argued, there is scope for going further. They cite in particular the area of disability and workers with family responsibilities. In the first, they argue for the restoration of the Disability Discrimination Act. In the second they suggest increasing maternity pay and more provision for flexible working such as working from home and term time working.

The Equality and Human Rights Commission<sup>53</sup> has also flagged up issues needing further attention. One is the Modern Slavery Act 2015 dealing with victims of trafficking. It believes there need to be amendments to the legislation to make sure the act is functioning as intended and deal with any gaps in compliance with the UK Government’s international human rights obligations.

The other is the position of ethnic minorities. In its *Healing a divided Britain* report (2016), the Commission finds that ethnic minority unemployment rates remain ‘significantly higher’ and that Black workers in particular earn considerably less with than white employees. It calls for a comprehensive race equality strategy with clear responsibilities. Immediate recommendations include extending the range and scope of ethnicity data and their more effective monitoring.

Tackling discrimination is fundamentally important. There’s a need to do more than just give workers protection, though, if the aim is to get rid of low pay jobs. Most obviously, more could be done to promote time off for training and development. Employees currently have a right to such time off for only in businesses with 250 or more employees - which makes the right virtually non-existent for many workers. The threshold might be reduced to 25. There might also be obligation on the employer to make a contribution - the expectation presently is that the employee will bear the costs - with public funding taking responsibility for a share as well.

### ***A voice in decisions***

Historically, trade unions and collective bargaining have been the main vehicles for voicing the views of workers in the UK. There is some scope to revamp trade union recognition provisions.<sup>54</sup> But, being realistic, changes in trade union recognition aren't going to make a lot of difference. Trade unions these days rarely have the 'structural power' to force employers to negotiate if they don't want to. Also the statutory right of representation is workplace rather than sector or nationally-based as it is in France, Germany, the Netherlands and Sweden. Effectively, like their counterparts in the USA, trade unions in the UK are faced with a 'catch 22' situation - they can't secure recognition without members, but they cannot demonstrate the benefits of membership without recognition. Single-employer bargaining also means that these benefits are largely reserved to the well-organized, with just a 'trickle-down' effect for the rest.

In the circumstances, as well as promoting board level representation (more of which below), my vote would be to re-visit the 2005 Information and Consultation of Employees (ICE) legislation. This gives employees the right to be consulted about issues such as the recent and probable development of the undertaking's activities and economic situation; its likely pattern of employment and measures that might be taken in the event of a threat to employment; and decisions likely to lead to substantial changes in work organisation or contractual relations.

Only relatively straightforward changes would be needed<sup>55</sup>: requiring employers to introduce collective information and consultation processes automatically rather than expecting 10 per cent of employees to 'trigger' a request for them - giving recognised trade unions rights to representation as they currently have in consultation over collective redundancies and business transfers; and introducing the provisions of the 'recast' European Works Council arrangements giving employee representatives rights to obtain the financial and material resources needed to carry out their duties, call special meetings, hold pre-meetings, seek external advice and undertake training. Remuneration committees might also be obliged to take into account the views of employees in setting executive pay - strengthening the position of employee and consumer representatives on the Board.

As well as moving beyond the relatively narrow concern of collective bargaining with pay and conditions, there are two main arguments for promoting information and consultation. The first is that these are fundamental rights - and being denied those fuels the alienation at



the heart of much of the dissatisfaction with work. The second is that they make good business sense as the Acas case studies quoted earlier confirm. Critically, they enable managers to benefit from employees' knowledge and experience of operations, the problems and the pitfalls, and how they might be dealt with to reduce costs and improve productivity, quality and customer care.

#### *A safe working environment*

The UK compares relatively favourably when it comes to occupational safety according to the most recent data from Eurostat published by the HSE<sup>56</sup>. Arguably, this is because it's in this area that the UK not only has extensive legislation guaranteeing employee 'voice' at the workplace level, but also long established social dialogue institutions in the form of the HSE. It means that health and safety policies and practices in the UK enjoy a very particular legitimacy.

Even so, there's no room for complacency. One concern is the coverage of H&S legislation. As the Institute of Employment Rights has argued<sup>57</sup> protection needs to be extended to those in various forms of non-standard employment. Another is the resources available to the Health & Safety Executive - it needs more staff to enable it to undertake inspections.

A wider concern must be mental health. There's a strong correlation between inequality and mental health as the Wilkinson and Pickett studies<sup>58</sup> have shown on the basis of the evidence from the WHO World Mental Health Survey Consortium and national studies for Australia, Canada and the UK. Consistent with the extensive income inequality, it emerges that the UK had one of the highest levels of mental illness of the 12 countries. In the UK, more than one in five people had such an illness, whereas in Germany less than one in ten did. Only the USA had a higher level. An improvement in job quality, therefore, could bring considerable savings in care costs as well as improvements in individual well-being.

*5 A Fair Work Agency - to replace the several current enforcement bodies, ensure greater access for workers secure their statutory rights and impose effective sanctions on persistently exploitative employers.*

It's one thing to have employment rights. It's another to enforce them. The Citizens' Advice Bureau which, along with Acas, bears the brunt of enquiries about employment rights, has been particularly exercised about enforcement down through the years. Its conclusion,

which it has set in several reports<sup>59</sup>, is that there should be a single enforcement agency. It's one that it's difficult quarrel with.

The present setup has three main weaknesses. One is that, for many groups, the pursuit of grievances through the employment tribunal system is an especially daunting prospect. It's become 'increasingly complex, legalistic and adversarial' says the CAB. This reduces the chances of claims being made, in particular, by 'pregnant women, new and lone parents, carers, migrant workers, those with mental health problems, and other vulnerable individuals lacking the time, skills and/or energy to prepare and present their case'.

A second is that, since 2013, there have been hefty fees for bringing complaints to employment tribunals. Hardly surprisingly, claims to the tribunal have decreased. Employment tribunal awards are also not strongly enforced and many go unpaid.

A third is that there are no fewer than four separate enforcement bodies offering alternatives to the employment tribunal route: HMRC, which enforced the National Living Wage; the Gangmasters Licensing Authority, which has responsibility for the conduct of licensed gangmasters; the Employment Agency Standards Inspectorate, which deals with the conduct of employment agencies; and the Health & Safety Executive, which enforces the right not to have to work more than 48-hours.

The trouble is that, even though a single telephone gateway was set up in 2009 (the Pay and Work Rights Helpline) to help deal with multiple grievances, the enforcement bodies continue to be funded by different government departments. Not only is the collective remit far from comprehensive, but each body has its own overheads, with funding and operational priorities decided in isolation and without any overarching strategic plan. Compounding these problems is that the agencies are poorly funded and their budgets have been cut since the 2010 spending review<sup>60</sup>.

The previous government went some way to recognising the force of the CAB argument as far as agency workers are concerned. Under the Immigration Act 2016, there's a provision for a new post of 'Director of Labour Market Enforcement' no less. The intention is the Director would oversee the Gangmasters Licensing Authority, the Employment Agency Standards Inspectorate, and the National Minimum Wage Team - 'to develop a coherent enforcement strategy for approval by the Home Secretary and Business Secretary'<sup>61</sup>.

*6 A workforce development programme - to promote the importance of innovation in work organisation, working arrangements and people management practices and the contribution they can to improving productivity and performance.*

The employment rights that feature in previous recommendations are obviously fundamental. But an exclusive focus on compliance isn't going to be enough. There needs to be an emphasis on continuously raising standards and, in the process, helping organisations to move up the 'value' chain. Improving organisations and working life are mutually reinforcing.

The problem is that work organisation isn't associated with innovation. Many businesses, as the work of Acas Senior Advisers shows, are locked into traditional ways of organising work and management is not fully exploiting even the most basic opportunities to improve performance<sup>62</sup>. Lack of awareness is a major problem.

What is needed is a high profile national Workplace Innovation Programme rooted in very practical case studies and self-assessment tools, such as the Acas Model Workplace, and focussing on the following:

- the importance of innovation in work organisation, working arrangements and people management practices and how they can contribute to improving productivity and performance;
- the key activities involved in managing the employment relationship, i.e. recruitment and selection, the contract of employment, discipline and grievance, absenteeism, information and consultation, work-life balance, conflict management (including discipline and grievance), performance management and pay systems; and
- the essential 'soft' skills involved in managing the employment relationship such as communication, consultation and negotiation.

Much of this programme might be delivered in partnership with LEPs and Chambers of Commerce. Also, to help finance and achieve the broadest coverage of businesses getting advice, membership of Chambers should be made compulsory as it is in countries like Germany. It sounds draconian. But, as work associated with Lord Heseltine's *No Stone Unturned* report suggested, the grounds for far outweigh those against - and the latter really only boil down to being wedded to 'voluntarism'<sup>63</sup>.

*7 A key role for the public sector - to set and enforce job quality standards.*

Public sector organizations are well placed to play such a role. First, they are significant employers in their own right – the public sector employs well over five million people even with the cuts in recent years. They also have considerable experience of grappling with the issues that job quality throws up. This is above true of the link between low job control and increased risk of ill health. The UK civil service is where the internationally renowned ‘Whitehall studies’ mentioned earlier were carried out. These showed there where the individual stands in the hierarchy (the so-called 'social gradient') was the critical factor in explaining mortality. A popular perception is that stress is associated with those in especially ‘high demand’ jobs such as senior managers. Yet employees in these jobs may not experience stress, if demand is predictable and, above all, within their control. By contrast, it is the workers in ‘high demand, little control’ jobs, most of whom are relatively low status, who are at most risk. Making the difference is the nature and extent of autonomy.

A second area where public sector organisations can set an example is that of outsourcing. If they don't have to outsource, they shouldn't - it doesn't help to turn good jobs into bad ones. If outsourcing is unavoidable, they should not outsource responsibility as HMRC appears to have done in the case cited earlier. Public sector organisations should set an example to the private sector in ensuring that the terms and conditions of the workers they outsource are not worsened. As the Acas TUPE guide ([www.acas.org.uk/TUPE](http://www.acas.org.uk/TUPE)) emphasizes, there is also an opportunity to encourage suppliers to reach higher management standards by making the right information and advice available. In particular, would-be contractors need sufficient information about potential employees and actual liabilities if their bids are to be translated into viable management of the service contract.

Like large companies, the wide ranging procurement activities in which public sector organisations are involved also means they have considerable capacity to influence the businesses they contract with throughout their supply chains. In 2013/14, the public sector spent a total of £242 billion on procurement of goods and services, accounting for around a third of total managed expenditure<sup>64</sup>.

It's already the case that, under the 2012 Public Services (Social Value) Act, those who commission public services are required to think about how they can also secure wider social, economic and environmental benefits. In the Act's words:

Before they start the procurement process, commissioners should think about whether the services they are going to buy, or the way they are going to buy them, could secure these benefits for their area or stakeholders.

Public procurement commissioners could, for instance, insist that contractors pay the voluntary 'Living Wage', which is higher than the statutory National Living Wage - some local authorities already do so. Similarly, they could require contractors to meet particular standards in the area of gender duty and equal pay. They could also require contractors to have achieved *Investors in People* status in terms of their people management policies more generally, which would fit with the recommendations in the next section. It's also open to them to seek to influence job quality indirectly as well - by raising the levels of service quality required as a way of encouraging suppliers to up-skill.

*8 A refocusing of vocational education and training on demand - to ensure that workers in sectors where little or training and development takes place have better opportunities by requiring employers to meet mandatory VET standards.*

The recent initiatives are to be applauded. The follow up to the Sainsbury report recognises the need to put as much time and resources into the VET route as the academic one and should help should increase the amount and quality of supply. An apprenticeship levy also makes sense. There is a lot of devil in the details and scope for improvement in the proposal<sup>65</sup>. But a levy will help employers who do train.

In themselves, though, these initiatives are unlikely to improve matters greatly. It's time to take things to their logical conclusion - to recognise that the government must seek to influence the demand for VET. As the OECD observes, policies can and should shape demand rather than merely respond to it:

Government programmes can influence both employer competitiveness strategies (how a company organises its work to gain competitive advantage in the markets in which it is operating) and product market strategies, which determine in what markets the company competes. As companies move into higher value added product and service markets, the levels of skill that they require, and the extent to which they use these skills, tend to increase<sup>66</sup>.

How might governments do this? One way, already discussed, is via the National Living Wage. Another, touched on immediately above, is through public services procurement.

Helping further would be an approach differentiating between employers - which is where the sector and local dimensions touched on earlier come in. The target of industrial and jobs strategy should not just be high technology sectors, important though they are. A high tech approach, such as advanced forms of apprenticeships, should be reserved for high tech businesses. For the big core of construction and the service sector employing some 40 per cent of the workforce and providing taken for granted and territorially distributed goods and services - what CRESC call the 'foundational economy'<sup>67</sup> a different approach is required. Given that it's household spending and tax revenue that sustain these largely sheltered activities, it's not unfair to ask for a quid pro quo in the form of mandatory VET requirements giving a strong incentive for people to train and re-train. Prime candidates would be social care, retail and hospitality, with workers required to have basic City & Guilds qualifications with opportunities to proceed further - which would have the added benefit of improving service quality.

This is another reason why membership of Chambers of Commerce should be a legal obligation as it is in other countries – training, learning and work experience should be recognised as a social responsibility that goes with being in business. Compulsory membership would make it much less difficult to plead ignorance of these responsibilities and the advice that's available to help businesses meet them.

*9 A much improved social security safety net - to help people cope with job transitions and provide them with income support, including enabling work to be combined with family responsibilities, such as childcare and caring.*

It's this area that represents one of the biggest challenges. As in the case of VET, the emphasis has largely been on the supply side and involved reductions in employment protection and cuts in benefits. There has been little serious attempt to develop the 'flexicurity package' of other EU countries<sup>68</sup>. At the time of the financial crisis in 2008, for example, even some employers complained about the lack of arrangements to put workers on short time as they were able to in Germany<sup>69</sup>.

More recently, in the wake of Brexit, *The Economist*, not renowned for advocating government intervention, offers a damning indictment. Britain, it argues, 'has benefited

enormously from its embrace of free trade. But its failure to share the proceeds means that in too many places ... the effect has been underwhelming'. It goes on to talk about strengthening the social safety net and opening up opportunities for those whose jobs are destroyed. The UK has few 'active' labour market policies, suggesting spending on them is about one fifth of Germany's. The UK's so-called 'rapid response service' dealing with threatened closures is 'feeble'<sup>70</sup>.

Other critics focus on the need for joined up policies linking pay with living costs and economic insecurity. In a recent roundup reported in *The Guardian*<sup>71</sup>, Katie Schmuecker of the Rowntree Foundation comments: 'Half the people that are experiencing poverty are in working households ... We need to look at the way in which pay, in-work benefits, taxation, the cost of housing and the cost of childcare work together'. Torsten Bell of the Resolution Foundation similarly emphasises the importance of the 'housing situation'. If the Prime Minister 'really wants to see the benefits of capitalism shared more equitably, her government must raise housing supply and cut the cost of renting or buying a home'.

There is also a need to look at more radical proposals because the current mix of arrangements is patently inadequate, let alone capable of coping with the likely changes in the world of work discussed earlier. One is the wage or 'livelihood' insurance associated with Robert Shiller of Yale University<sup>72</sup>. This already exists in a limited form in the USA with plans for extension in the pipeline. Schiller envisages two main types: a government one that is limited to assisting lower-income workers, based on some form of payroll tax and a private one that allows everyone to buy insurance against wage loss. His argument is that:

At a time of rising economic inequality and job dislocation, wage insurance makes a great deal of sense. In a vibrant capitalist economy ... Insurance is a type of risk management. Rational people would want to pay for this benefit so that they could take promising but risky employment opportunities. It could help spur innovation in the economy.

The other idea, the subject of a recent referendum in Switzerland, is a universal basic income (UBI). As the 2016 report commissioned by Compass<sup>73</sup> argues,

Such a scheme would overcome many of the problems with the existing and increasingly complex, punitive and unpopular system of social security, which in

multiple ways has become a weak tool for social protection but a strong tool for waste and the humiliation of those on the very lowest incomes. A UBI would provide a much more secure income base in an age of deepening economic and social insecurity and unpredictable work patterns. It would offer much greater financial independence and freedom of choice for individuals between work and leisure, education and caring while recognizing the huge value of unpaid and voluntary work.

The big questions, as the authors recognise, are whether a UBI is feasible, whether it's affordable and whether it can be introduced in a way that doesn't take money away from the most needy. A full scheme that replaced all or most of the existing system, they conclude, would be difficult to implement; it would be too expensive and too many poorer households would lose. It should be possible, though, to implement a modified scheme, which would raise average incomes, reduce poverty levels, significantly for children, and reduce the level of inequality, all at a manageable cost of around £8bn or just under 0.5% of GDP.

*10 Changes in corporate governance - to secure responsible ownership and promote **investment in** rather than **extraction from** the business.*

Putting employee and consumer representatives on company boards as the prime Minister seems inclined to do would be massively important symbolically: it would help to reinforce the notion of companies being there for the benefit of society and not just a select group of shareholders, more of which below. It might also help to improve communications from top to bottom of the organisation and vice versa as well as putting a break on executive pay and deterring senseless takeovers.

Another benefit of such an initiative is that it offers an opportunity to bring the TUC back in from the cold. Like members of joint consultative committees, worker representatives on the board will need a lot of help, support and training if their presence is to be more than token - and the trade unions, with their long experience of such activities in areas like health and safety, are well qualified to provide this.

As the Prime Minister recognises, greater transparency of policies and practices would also help to secure more responsible ownership. But it shouldn't stop with the executive pay and compulsory pay audits that's she's mentioned. As the Accounting for People Task Force<sup>74</sup> proposed in 2003, larger companies should be required to include in their Operating and Financial Reviews information about policies and practices across a range of HR issues: for example the results of compulsory equal pay audits ; the ratio of senior executives pay to that of



other employees; their training and development spend; their procedures for informing and consulting with employees; their policies on improving the quality of working life and so on.

One benefit is that such information could be brought together in the form of 'good company' or 'best company' recommendations across the whole gamut of HR policies and practices. This would help to encourage continuously improving standards. Another is that the benchmarking this would also enable offers the prospect of greater accountability - for example, there could be regular social audits developed in consultation with employee representatives.

Promoting *investment in* rather than *extraction from* the business is the big challenge. It mustn't be shirked, though. As well as giving shareholders binding votes on executive pay, there are specific changes worth considering to curb some of the more casino-like activity, including controls on practices such as 'short-selling' and leveraged buy-outs. Short-term investors just looking to make a fast killing might also be excluded from votes on key issues affecting the long-term future of the business to prevent takeovers like Kraft's of Cadbury. More extensive justification for mergers and acquisitions could be required, along with revamped acquired rights and collective redundancy legislation that raises the costs of behaviour with potentially damaging consequences for workers and their local communities. The hostile foreign takeovers of UK companies that the Prime Minister seems to be concerned about might be subject to particular scrutiny on these grounds. Also, as the Labour Party has recommended, companies shouldn't be made to take on their new owner's debts as in the BHS case. The takeover code could also be updated to ensure any buyer has the means to acquire a company without saddling it with debt.

Even more fundamentally, it's time to revise the Companies Act to reset the balance between 'shareholder value' and 'shared value'<sup>75</sup>. Supporters of 'shareholder value' say it avoids the potential confusion of objectives associated with the alternative 'stakeholder' model with managers having multiple responsibilities<sup>76</sup>. In principle, the continuous recycling of investment also helps to create new businesses and jobs and as well as simultaneously destroying existing ones<sup>77</sup>. The trouble, as indicated earlier, is that 'shareholder value' in the UK has been allowed to spawn a set of incentive structures that mean the model is no longer fulfilling its general purpose.

### **Back to the beginning**

I appreciate there can be lots of argument about these suggestions – especially as space doesn't allow going into the detail that people might want before being persuaded. Some raise very

controversial issues on which the jury is out - the role of 'shareholder value', for example. Others, such as 'livelihood insurance' and a 'universal basic income', are only just appearing on the radar. I hope, though, that the paper convinces people of the fundamental importance of work and the workplace. I hope, too, the paper convinces people of the importance of an active role for government in shaping what happens. 'Markets and states are complements, not substitutes'<sup>78</sup> - it's the rules that governments make (or don't make) that are critical in shaping the world of work. Also these rules need to be mutually reinforcing, encouraging good practice and deterring the bad.

I know from first hand that UK policy makers find work issues particularly uncomfortable to deal with. It means opening up the 'black box' that is the workplace – something which the 'labour market' paradigm they've worked within for so many years doesn't encourage. It means questioning taken-for-granted assumptions – that 'light touch regulation' works best and that the 'market' will ensure employers adopt the most efficient forms of work organisation. It means confronting powerful vested interests - and contemplating an agenda extending beyond one Parliament.

All this is true. Yet a jobs strategy does address the issues of low pay, low skills and low productivity *and* it does offer practical solutions to them. By contrast, the alternatives of sticking with the *status quo* or, worse still, seeking further deregulation only offer more misery. For the immediate and foreseeable future, the problem is not the *level* of employment. It's the *quality* of employment - because of the link with productivity and growth. Society can no longer afford to subsidise low paid jobs. Work and the workplace also cannot carry on being ignored without serious long-term damage to society. Brexit is a warning of the populist anger there to be exploited if they are.

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<sup>1</sup> I'd like to thank Willie Brown, Paul Edwards, Ewart Keep, Paul Marginson and John Storey for their help, comments and suggestions in preparing this paper. I'm also grateful to the editor and reviewer for making suggestions that ensured the final version was better than it would otherwise have been.

<sup>2</sup> See Coyle, D.2016. 'Brexit and globalisation'. Available at [www.voc.eu.org](http://www.voc.eu.org). Clarke, S. 'Why did we vote to leave? What an analysis of place can tell us about Brexit'. Available at [www.resolutionfoundation.org](http://www.resolutionfoundation.org).

<sup>3</sup> The relevant passages from the Prime Minister's speech, available on the Involvement and Participation website ([www.ipa-involve.com](http://www.ipa-involve.com)), reads as follows:

I want to see changes in the way that big business is governed. The people who run big businesses are supposed to be accountable to outsiders, to non-executive directors, who are supposed to ask the difficult questions, think about the long-term and defend the interests of shareholders. In practice, they are drawn from the same, narrow social and professional circles as the executive team and – as we have seen time and time again – the scrutiny they provide is just not good enough. So if I'm Prime Minister, we're going to change that system – and we're going to have not just consumers represented on company boards, but employees as well...

As part of the changes I want to make to corporate governance, I want to make shareholder votes on corporate pay not just advisory but binding. I want to see more transparency, including the full disclosure of bonus targets and the publication of "pay multiple" data: that is, the ratio between the CEO's pay and the average company worker's pay. And I want to simplify the way bonuses are paid so that the bosses' incentives are better aligned with the long-term interests of the company and its shareholders.

<sup>4</sup> Haldane, A. 2016. 'Whose recovery?' Text based on speech in Port Talbot, 30 June. Available at [www.bankofengland.co.uk](http://www.bankofengland.co.uk)

<sup>5</sup> Corlett, A. and Gardiner, L. (Resolution Foundation). 2015. *Low Pay Britain 2015*. Available at [www.resolutionfoundation.org](http://www.resolutionfoundation.org).

<sup>6</sup> See, for example, European Commission. 2009. *Industrial Relations in Europe in 2008*. DG Employment and Social Affairs, Brussels. p.64: Chart 2.4. Available at [www.eurofound.europa.eu](http://www.eurofound.europa.eu).

<sup>7</sup> TUC. 2016. '15 % increase in people working more than 48 hours a week risks return to 'Burnout Britain warns TUC'. Available at [www.tuc.org.uk](http://www.tuc.org.uk).

<sup>8</sup> The 'Gini' coefficient condenses the entire income distribution into a single number between zero and one: the higher the number, the greater the degree of income inequality. On this basis, inequality in the UK is amongst the highest of the major countries being exceeded only by the USA.

For further details, see *OECD.StatExtracts* available at [www.oecd.org](http://www.oecd.org)

<sup>9</sup> Much is made of the UK's very average showing in the OECD's so-called PISA (Programme for International Student Achievement) tables – in the latest round, carried out in 20120 the UK came 20th in science, 23 in reading and 26th in maths out of a total of 65 countries. For further details, see

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Organisation for Economic Cooperation and Development. 2013. *Programme for International Student Achievement*. Available at [www.oecd.org](http://www.oecd.org).

<sup>10</sup> See UK Commission on Employment and Skills. Catch 16-24.

[www.gov.uk/government/uploads/.../file/.../15.02.18.\\_Youth\\_report\\_V17.pdf](http://www.gov.uk/government/uploads/.../file/.../15.02.18._Youth_report_V17.pdf)

<sup>11</sup> For further details, see Ewart Keep. 2002. 'The English VET Policy Debate – Fragile 'Technologies' or Opening the 'Black Box', Two Competing Visions of Where We Go Next', *Journal of Education and Work*, Vol 15, No 4, 457-479. Ewart Keep. 2013. 'Opening the 'Black Box' – the increasing importance of a public policy focus on what happens in the workplace'. Available from [ewart.keep@education.ox.ac.uk](mailto:ewart.keep@education.ox.ac.uk)

<sup>12</sup> 11 Steedman, H. (LSE). 2010. *The State of Apprenticeships in 2010. International Comparisons. A report for the Apprenticeship Ambassadors' Network*. London: London School of Economics (Centre for Economic Performance). Available at [www.cep.lse.ac.uk](http://www.cep.lse.ac.uk).

<sup>13</sup> Available at [www.ons.gov.uk](http://www.ons.gov.uk).

<sup>14</sup> 13 The 'Post-16 skills plan' implements the recommendations of the Sainsbury report. The present plethora of courses will be replaced. Students who have finished their GCSEs will be able to choose from up to 15 routes providing path to skilled employment. Each route, such as health and science, construction, social care or engineering and manufacturing, will take place either at a college and include a work placement or through apprenticeships. The content for those routes and the accompanying standards will be set by an employer-led body. The first routes will be made available from 2019. All technical routes will build in English, maths and digital skills, according to employers' needs, and will set standards of excellence that are every bit as demanding as A levels. For further details, see [www.gov.uk/.../Report\\_of\\_the\\_Independent\\_Panel\\_on\\_Technical\\_Education](http://www.gov.uk/.../Report_of_the_Independent_Panel_on_Technical_Education).

<sup>15</sup> From April 2017 employers with an annual pay bill of more than £3 million each year will be required to contribute to a new apprenticeship levy. Having paid the levy to HMRC, they will be able to access funding for apprenticeships through a new digital apprenticeship service account. For further details, see [www.gov.uk/government/publications/apprenticeship-levy](http://www.gov.uk/government/publications/apprenticeship-levy).

<sup>16</sup> For further details, see Office for National Statistics. 2016. *International Comparisons of Productivity – Final Estimates*. Available at [www.ons.gov.uk](http://www.ons.gov.uk).

<sup>17</sup> For further details of what's involved in 'polarisation', see European Foundation for the Improvement of Living and Working Conditions. 2008. *More and better jobs: Patterns of employment expansion in Europe*. Dublin: European Foundation for the Improvement of Living and Working Conditions. Available at [www.eurofound.europa.eu](http://www.eurofound.europa.eu).

<sup>18</sup> Lanning, T. and Lawton, K. (IPPR). 2012. 'No train to gain. Beyond free-market and state-led skills policy'. *Institute for Public Policy Research Report*. Available at [www.ippr.org](http://www.ippr.org).

<sup>19</sup> The source for these comments is an analysis of the regular surveys of the European Foundation for the Improvement of Living and Working Conditions. The authors distinguish between four main

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models of work organisation. Especially relevant is the distinction between the 'learning' and 'lean' models. Both draw on employees' capacity for continuous learning and problem-solving, but the one emphasises worker autonomy, while the other prioritises managerial control and tight quantitative norms to fix the pace of work. It emerges that, even allowing for different degrees to which national producers are positioned on the high-technology or high quality end of product markets, there are significant differences between countries. It is the 'lean' rather than the 'learning' model that predominates in the UK. Indeed, the proportion of 'learning' workplaces in the UK is even less than the 27-country average, while that for the 'lean' model is higher: the UK's proportion of 'learning' workplaces is less than half that of Sweden, while its figure for 'lean' ones is twice as many. At the other end of the spectrum, the UK also stands out on account of the high proportion of 'traditional' workplaces – almost twice that of Sweden and, again, above the 27-country average.

The same survey also makes it possible to get an impression of the extent of managerial hierarchies in the different countries. This mirrors the dominant model of work organisation. Consistent with the top down control of the 'lean' and 'traditional' models, the UK employs more 'senior managers' proportionately than other EU countries. Indeed, of the 27 EU member countries only Ireland and Italy reported higher proportions. In the UK, something of the order of 14 per cent to 15 per cent were categorised as 'senior managers' as against an EU average of just under 10 per cent. In Sweden and Germany, only just over four per cent were in the 'senior manager' category.

There is yet a third set of findings bearing on work organisation. This involves the relative importance in determining the pace of work of the direct control of a superior as opposed to the demands from others. Consistent with the other sets of findings, it emerges that, in the UK, the balance is much more in favour of the direct control of a superior than in France, Germany, the Netherlands and Sweden. Indeed, in the words of the survey report, whereas in countries such as Sweden the direct control of a superior is 'almost negligible' in determining work, in the UK it remains 'important'.

For further details, see European Foundation for the Improvement of Living and Working Conditions (Valeyre, A., Lorenz, E., Csizmadia, P., Gollac, M. Illéssy, M. and Makó, C.) 2009. *Working conditions in the European Union: Work organisation*. Dublin: European Foundation for the Improvement of Living and Working Conditions. Available at [www.eurofound.europa.eu](http://www.eurofound.europa.eu).

<sup>20</sup> Lanning, T. and Lawton, K (IPPR). 2012. 'No train to gain. Beyond free-market and state-led skills policy'. *Institute for Public Policy Research Report*. Available at [www.ippr.org](http://www.ippr.org).

<sup>21</sup> LSE Growth Commission. 2013. *Investing for prosperity. Skills, Infrastructure and Innovation*. Available at [www.cep.lse.ac.uk](http://www.cep.lse.ac.uk).

<sup>22</sup> Organisation for Economic Cooperation and Development. 2016 *Expenditure on R&D as a percentage of GDP*. Available at [www.oecd.org](http://www.oecd.org).

<sup>23</sup> For further details, see Sisson, K. 2010. *Employment Relations Matters*. Chapter 3: Coming to terms with the employment relationship. Available at [www2.warwick.ac.uk/fac/soc/wbs/research/irru/erm](http://www2.warwick.ac.uk/fac/soc/wbs/research/irru/erm)

<sup>24</sup> See Sisson, K. 2010. *Employment Relations Matters*. Appendix: The UK in comparative perspective. Available at [www2.warwick.ac.uk/fac/soc/wbs/research/irru/erm](http://www2.warwick.ac.uk/fac/soc/wbs/research/irru/erm).

Changes in the type of shareholder following deregulation of the financial sector in the 1980s and the accompanying globalisation of capital markets exaggerated these tendencies. Rather than influential individual shareholders helping to align the longer term interests of the business, the key

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players became fund managers primarily concerned with ‘buy’ and ‘sell’ decisions made many times a day. Intensifying the pressure on short-term financial results is the growth of a veritable ‘industry’ of business intermediaries, including city analysts and traders, accounting and law partners, executive pay consultants, and senior advertising and PR executives, all of whom derive their own income from share price-related activities ranging from the buying and selling of shares to merger and acquisition.

Apart from the USA, no country has been more affected by ‘financialisation’ than the UK. Along with high levels of merger & acquisition activity and other kinds of investment/ divestment heavily financed by debt, evidence for this comes in several forms: the rise in the number and financial assets of hedge funds, the financial resources leveraged by private equity companies and the levels of executive pay and stock options that helped to fuel the significant growth in income inequality.

For further details, see Sisson, K. 2010. *Employment Relations Matters*. Available at [www2.warwick.ac.uk/fac/soc/wbs/research/irru/erm](http://www2.warwick.ac.uk/fac/soc/wbs/research/irru/erm), Appendix: *The UK in comparative perspective*.

It’s easy to underestimate the pressure short-termism puts companies under. A company as large and as well-established as Unilever, for example, might be thought to be immune. But it isn’t. In a feature for McKinsey entitled *Business, Society and the future of capitalism*, the CEO of Unilever, Paul Polman, talks about moving from quarterly reporting, which many see as the epitome of the short-termism problem. The immediate reaction was an 8 per cent reduction in share price; building a firmer base for taking the longer view was also no easy matter.

When we reported on a quarterly basis, we often saw enormous volatility in our share price, which attracted short-term speculators. By abolishing full quarterly reporting of the P&L, we took some of the volatility out. But moving to a longer-term focus required spending significant time reaching out to the right shareholders. Any company—certainly a company of our size—has thousands if not millions of shareholders, and they can have different objectives. Some want you to spin off businesses and get a quick return. Some want share buybacks, some want dividend increases, some want you to grow faster. It’s very difficult to run a company if you try to meet the needs of all your shareholders. So we spent time identifying those we thought would feel comfortable with our longer-term growth model instead of catering to shorter-term interests.

We have seen our shareholder base shift. That’s probably not happening as fast as we would have liked, but we are starting to see change as our results come in more consistently and we can provide more proof: several years of consistent top- and bottom-line progress, many years of consistent dividend increases, and so on. We’re starting to attract more longer-term thinkers, who are sufficiently numerous to satisfy our business model.

Available at [www.mckinsey.com](http://www.mckinsey.com)

<sup>25</sup> The concept and name of the ‘Washington Consensus’ were first coined in 1989 by John Williamson to summarize commonly shared themes among policy advice by Washington-based institutions at the time, such as the International Monetary Fund, World Bank, and U.S. Treasury Department, which were believed to be necessary for the recovery of countries in Latin America from the economic and financial crises of the 1980s. The consensus included sets of specific policy recommendations:

- Fiscal policy discipline, with avoidance of large fiscal deficits
- Redirection of public spending from subsidies
- Broadening the tax base and adopting moderate marginal tax rates;
- market determined interest rates
- Competitive exchange rates;
- Trade liberalization
- Liberalization of inward foreign direct investment

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- Privatization of state enterprises;
  - Deregulation except for those justified on safety, environmental and consumer protection grounds, and prudential oversight of financial institutions;
  - Legal security for property rights.

Based on Wikipedia. 2016. 'The Washington Consensus', available at [en.wikipedia.org/wiki/Washington\\_Consensus](http://en.wikipedia.org/wiki/Washington_Consensus).

<sup>26</sup> For further details, see Sisson, K. and Purcell, J. 2009. 'Management– caught between competing views of the organisation?' in T. Colling and M. Terry (eds) *Industrial Relations Theory and Practice*. Chichester: John Wiley & Sons. p.98. See also Parkinson, J. 2003. 'Models of the company and the employment relationship'. *British Journal of Industrial Relations*. Vol 41, No 3, September, 485.

<sup>27</sup> In the week at the end of July when I started to write this paper, two stories were capturing media attention - dealing with Sports Direct and the BHS and being labelled as examples of the 'unacceptable face of capitalism'. A third received much less attention and yet, in some respects, is more illustrative of wider practice. HMRC is the government department responsible for enforcing the National Living Wage. Very embarrassingly, you might have thought, some thirty cleaners at its Merseyside offices were going on strike, arguing that they were no better off, because the subcontractor HMRC uses was trying to offset the effect of the National Living Wage increase by cutting their hours. Faced with such claims, a spokesperson is reported to have said that this had nothing to do with the HMRC.

HMRC greatly appreciates the work cleaning staff do in our buildings. As cleaning staff are employed by an external contractor who set the terms and conditions of their employment, HMRC has no involvement in this process over their pay.

For further details, see 'HMRC cleaners in Merseyside to strike in battle over pay' *The Guardian*, 25 July 2016.

<sup>28</sup> For further details, see Sisson, K. 2010. *Employment Relations Matters*. Chapter 4: Institutions - the stuff of employment relations. Available at [www2.warwick.ac.uk/fac/soc/wbs/research/irru/erm](http://www2.warwick.ac.uk/fac/soc/wbs/research/irru/erm)

<sup>29</sup> For further details of the arguments, see Keep, E. 2015. 'Unlocking workplace skills: What is the role for employers?' *Policy report*. CIPD. Available at [www.cipd.co.uk](http://www.cipd.co.uk). See also Ken Mayhew and Ewart Keep. 2014. 'Industrial Strategy. The high road to sustainable growth'. *CIPD Research Insight*. Available at [www.cipd.co.uk](http://www.cipd.co.uk).

<sup>30</sup> See his *The State We're in: Why Britain is in Crisis and How to Overcome it*. 1995. Cape.

<sup>31</sup> Kay, J. 2012. *The Kay Review of UK Equity Markets and Long-Term Decision Making*. Available at [www.bis.gov.uk](http://www.bis.gov.uk).

<sup>32</sup> Alick, P. 2010. 'Myners calls for enquiry into bankers' fees'. *Daily Telegraph*, 25 March. Reference is to a speech to the Responsible Asset Management Conference

<sup>33</sup> Office for National Statistics. 2016. Available at [www.ons.org.uk](http://www.ons.org.uk).

<sup>34</sup> In the words of the authoritative Black review of the health of Britain's working population, 'There is ... compelling evidence that work has an inherently beneficial impact on an individual's state of health ... Overall, the beneficial effects of work were shown to outweigh the risks and to be much greater than the harmful effects of long term worklessness or prolonged sickness absence'.

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Black, C. 2008. *Working for a healthier tomorrow. Review of the health of Britain's working age population*. Presented to the Secretary of state for Health and the Secretary of State for Work and Pensions 17th March. London: TSO. p.21.

<sup>35</sup> In the UK, the best known work showing this is that of Michael Marmot. His two so-called 'Whitehall studies' tracked the health of some 28,000 British civil servants from 1967 onwards. Both confirmed that there was a 'social gradient' in mortality that ran from bottom to top of the organisation. In the words of the joint Civil Service Unions/Cabinet Office publication summarising Whitehall II:

the association between low control and increased risk of heart disease was independent of a range of personal characteristics of individuals ... the relationship related to the way work was organised and the opportunity it gives people for control rather than to any characteristics of the individuals in those jobs ... Low control at work makes an important contribution to the social gradient in mental and physical ill health.

For further details, see PCU (Public and Commercial Services Union) on behalf of Council of Civil Service Unions/Cabinet Office. 2004. *Work, Stress, Health: the Whitehall 11 study*. London: CSU/Cabinet Office. p.8.

<sup>36</sup> For further details of 'social capital', see Organisation for Economic Cooperation and Development. 2001. *The Well Being of Nations. The Role of Human and Social Capital*. Paris: OECD. Chapters 2 and 3.

<sup>37</sup> Performance and Innovation Unit (Aldridge S. and Halpern, D. with Fitzpatrick, S.). 2002. *Social capital: a discussion paper*. Performance and Innovation Unit.

<sup>38</sup> For further details, see United Nations Development Programme (UNDP). 2005. *Human Development Report 2005. International cooperation at a crossroads: Aid, trade and security in an unequal world*, Chapter 2 'Inequality and human development'. New York: United Nations.

<sup>39</sup> See Swinford, S. and Riley-Smith, B. 2016. *The Daily Telegraph*, 24 August.

<sup>40</sup> For further details, see Degryse, C. 2016. 'Digitalisation of the economy'. *Working Paper 2016.02*. European Trade Union Institute. Available at [www.etui.org](http://www.etui.org).

<sup>41</sup> Degryse, C. 2016. 'Digitalisation of the economy'. *Working Paper 2016.02*. European Trade Union Institute. Available at [www.etui.org](http://www.etui.org).

See [www.oecd.org/std/labour-stats/Job-quality-OECD.pdf](http://www.oecd.org/std/labour-stats/Job-quality-OECD.pdf)

<sup>42</sup> Lord Heseltine. 2012. *No stone unturned: in pursuit of growth*. Available at [www.bis.gov.uk](http://www.bis.gov.uk).

<sup>43</sup> For details, see [www.oecd.org/employment/labour-ministerial-statement-2016.pdf](http://www.oecd.org/employment/labour-ministerial-statement-2016.pdf)

<sup>44</sup> See Mather, J. 2014. *Working Together: Progressive Workplace Policies in Scotland*. Available at [www.scotland.gov.uk](http://www.scotland.gov.uk).

<sup>45</sup> The framework is available at [www.fairworkconvention.scot/](http://www.fairworkconvention.scot/)



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<sup>46</sup> Full details are available at [www.gov.scot/Resource/0050/00504798.pdf](http://www.gov.scot/Resource/0050/00504798.pdf)

<sup>47</sup> The OECD's framework rests on three 'objective' and 'measurable' dimensions:

- Earnings quality captures the extent to which earnings contribute to workers' well-being in terms of *average earnings* and their *distribution* across the workforce. Average earnings provide a key benchmark for assessing whether having a job ensures good living conditions, while the way earnings are distributed across the workforce matters for well-being and economic performance.
- Labour market security captures those aspects of economic security related to the risks of job loss and its economic cost for workers. It is measured by the risk of unemployment which encompasses both the risk of becoming unemployed and the expected duration of unemployment. It is measured by the degree of public unemployment insurance, which takes into account both the coverage of the benefits and their generosity.
- Quality of the working environment captures non-economic aspects of job quality and is summarised by the incidence of *job strain* that can impinge on workers' health and well-being. Job strain occurs when high demands on workers, such as time pressure or unhealthy working conditions, are combined with low resources available to address them, such as a lack of work autonomy or training.

<sup>48</sup> For further information, go to [www.fairwork.gov.au/about-us/legislation](http://www.fairwork.gov.au/about-us/legislation)

<sup>49</sup> See report in *The Sun*, 15 July 2016. Talking about getting rid of red tape, Minister for Brexit David Davis is quoted as saying:

I am not talking about employment regulation. Britain has a relatively flexible workforce and, so long as employment law stays reasonably stable, it should not be a problem for business. There is also a political, perhaps sentimental, point. The great British industrial working classes voted overwhelmingly for Brexit. I am not at all attracted by the idea of rewarding them by cutting their rights.

Just for the record, in 1998, the then Prime Minister (Tony Blair) boasted in the foreword to the proposed programme of legislation outlined in *Fairness at work* (1998) that the UK would remain 'the most lightly regulated labour market of any leading economy in the world' (House of Parliament, 1998: *Fairness at Work*. London: The Stationery Office). He wasn't quite right - the UK has the *second weakest* framework after the USA. For further details, see *OECD Indicators of Employment Protection* available at [www.oecd.org](http://www.oecd.org).

<sup>50</sup> The words are those of Jonathan Payne and Ewart Keep. 2011. 'One Step Forward, Two Steps Back? Skills Policy in England under the Coalition Government'. *SKOPE Research Paper No. 102*. SKOPE, Cardiff University. Available at [www.scope.ox.ac.uk](http://www.scope.ox.ac.uk)

<sup>51</sup> For further details, see [www.mbie.govt.nz/info-services/employment-skills/legislation-reviews/employment-standards-legislation-bill/addressing-zero-hour-contracts](http://www.mbie.govt.nz/info-services/employment-skills/legislation-reviews/employment-standards-legislation-bill/addressing-zero-hour-contracts).

<sup>52</sup> K. D. Ewing, John Hendy and Carolyn Jones (eds). 2016. *A Manifesto for Labour Law: towards a comprehensive revision of workers' rights* (Institute of Employment Rights, Liverpool). Available at [www.ier.org.uk](http://www.ier.org.uk).

<sup>53</sup> For further details, go to [www.equalityhumanrights.com](http://www.equalityhumanrights.com).

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<sup>54</sup> The Labour leader, Jeremy Corbyn, favours giving employees the right to organise and negotiate their pay, terms and conditions at work through a union which should be mandatory for all large employers with over 250 staff. Currently a union seeking recognition must show that 10% of employees are members and 50% want them to lead on pay bargaining. If that is not the case, a secret ballot is held and union recognition requires a majority of those voting and at least 40% of those eligible to vote to support recognition. For further details, Jeremy Corbyn. 2016. 'Strengthening workers' rights should be our priority'. *The Observer*, 31 July.

Arguably, this isn't going to help a great deal. The 250 threshold means large parts of the private sector would be excluded. As it says in the text, the proposal also means that the benefits of collective bargaining would be largely reserved to the well-organized, with little more than a 'trickle-down' effect on those unorganised.

An alternative would be to reintroduce an inclusive structure of sector collective agreements as the Mather review has argued for recently in its report for the Scottish Government:

The benefits of a sectoral approach come from an ability to address challenges and determine strategies that affect all organizations and workers in a sector. They also come from an ability to determine agreed standards on pay, terms and conditions and other matters such as investment in training. A sectoral approach maximizes efficiencies in the consultation and negotiation process and establishes a level playing field that marginalizes firms seeking an advantage through 'undercutting' the competition - either by paying lower wages and offering poorer terms and conditions or poaching skilled workers from those who invest in workforce training.

Mather, J. 2014. *Working Together: Progressive Workplace Policies in Scotland*, p. 33. Available at [www.scotland.gov.uk](http://www.scotland.gov.uk).

The Institute of Employment Rights has also come out in favour of sector arrangements in two recent manifestos. In manufacturing, they argue for the promotion of multi-employer bargaining. In highly fragmented industries where this isn't feasible, such as care and retail, they propose a modern version of wage councils. Either way, the outcome would be inderogable terms and conditions.

K. D. Ewing and J. Hendy. 2013. *Reconstruction after the Crisis: A Manifesto for Collective Bargaining* (Institute of Employment Rights, Liverpool); K. D. Ewing, John Hendy and Carolyn Jones (eds). 2016. *A Manifesto for Labour Law: towards a comprehensive revision of workers' rights* (Institute of Employment Rights, Liverpool). Available at [www.ier.org.uk](http://www.ier.org.uk)

Maintaining sector agreements where they exist certainly makes sense - there's no good reason other than ideological for breaking them up. There's also a case for *some* sector arrangements in highly fragmented industries where a level playing field benefits employers as well as employees. Arguably, though, for the foreseeable future, the best way of doing this for pay is through the National Living Wage.

In manufacturing, local shop stewards in the larger companies are likely to be less enthusiastic than their national trade union colleagues. Employers' organisations such as the Engineering Employers' Federation would be very strongly opposed bearing in mind their long struggle to disentangle themselves. The inevitable conflict would take time and energies away from, arguably, more urgent issues.

For further details, go to [www.equalityhumanrights.com](http://www.equalityhumanrights.com)

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<sup>55</sup> See John Purcell and Mark Hall. 2012 'Voice and Participation in the Modern Workplace: challenges and prospects'. *Acas Future of Workplace Relations Discussion Series*. Available at [www.acas.org.uk](http://www.acas.org.uk).

<sup>56</sup> The latest details are available in [www.hse.gov.uk/Statistics/european/european-comparisons.pdf](http://www.hse.gov.uk/Statistics/european/european-comparisons.pdf)

<sup>57</sup> K. D. Ewing, John Hendy and Carolyn Jones (eds). 2016. *A Manifesto for Labour Law: towards a comprehensive revision of workers' rights* (Institute of Employment Rights, Liverpool). Available at [www.ier.org.uk](http://www.ier.org.uk).

<sup>58</sup> For further details, see Wilkinson, R. and Pickett, K. 2009. *The spirit level: why more equal societies almost always do better*. London: Allen Lane. pp. 66-8.

<sup>59</sup> 55 The Citizens Advice Bureau has produced no fewer than three reports recommending a single enforcement agency. The first, *Rooting out the rogues. Why vulnerable workers and good employers need a 'fair employment commission'*, came out in 2007, the second, *Give us a break! The CAB service's case for a Fair Employment Agency*, in 2011 and the third, *Fair Employment. Why Scotland's workers need a Fair Employment Commission*, in 2012.

For further details, go to [www.citizensadvice.org.uk](http://www.citizensadvice.org.uk) and [www.cas.org.uk](http://www.cas.org.uk).

<sup>60</sup> According to the charity Labour Exploration, in 2015, the UK has just 0.9 labour inspectors per 100,000 members of the workforce compared with 4.6 in Ireland, 5.1 in the Netherlands, 12.5 in Belgium and 18.9 in France.

The Employment Agency Standards Inspectorate had 9 frontline staff, 1 administrative officer, In 2013-14 the EAS budget was £532,032.

The Gangmasters Licensing Authority had 69 staff. In 2014-15 the GLA budget was £4,447,000.

The HMRC had 232 National Minimum Wage staff. In 2014-15 the NMW enforcement budget was £9,200,000.

For further details, see Ronson, C 2015. *Policy Blueprint Combatting Labour exploitation through Labour Inspection*. Available at [www.labourexploitation.org](http://www.labourexploitation.org).

<sup>61</sup> See [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/537203/Immigration\\_Act-Part\\_1\\_-\\_Labour\\_Market\\_Enforcement.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/537203/Immigration_Act-Part_1_-_Labour_Market_Enforcement.pdf)

<sup>62</sup> An 'Innovative Workplace Initiative' in the East Midlands, for example, estimated that the overall benefits across the eight organisations involved were over £900,000. In one case, the benefits came from something as simple as a saving in management time spent on disciplinary and grievance matters. In others, it came from new ideas leading to a change in working arrangements: re-organisation of a warehouse, disposal of waste materials, revised purchase order documentation, improved machine design/ development and a move to integrated manufacturing. The examples are mostly low tech and so are easily dismissed. As British cycling has shown, however, the 'marginal gains' approach has a lot going for it.

The mechanisms by which these improvements were achieved are also very simple. Just having clear and easily understood policies on discipline, grievance, equality and absence can save considerable management time. Processes were also important – in one case, the catalyst was the introduction of a newsletter, in another more delegation and in a third individual appraisal arrangements. Especially important, however, were mechanisms that enabled employees to voice their views – these could be departmental meetings, focus groups or joint consultative meetings.

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For further details, see Advisory, Conciliation and Arbitration Service (Cooper, J.). 2011. *Looking back to move forward. Assessing the impact of Acas workplace projects*. Available at [Acas.org.uk](http://Acas.org.uk).

<sup>63</sup> Lord Heseltine. 2012. *No stone unturned. Chamber of Commerce International Comparisons*. Available at [www.bis.gov.uk](http://www.bis.gov.uk).

<sup>64</sup> 58 House of Commons Library. 2015. *Public Procurement*. 31 January. Available at [www.parliament.uk](http://www.parliament.uk).

<sup>65</sup> See Ewart Keep. 2016. 'Easy to say, hard to do..... some reflections on the Skills Plan'. Available at [www.skopec.ac.uk](http://www.skopec.ac.uk).

The IPPR is one of a number of organisations worried that the current apprenticeship proposals won't achieve the government's aims.

The government is handing more responsibility to employers for funding, designing, buying and delivering apprenticeships, while at the same time removing the requirement that they include a nationally recognised qualification. In addition to introducing this new apprenticeship system, the government is trying to oversee a rapid expansion of the programme in order to meet its self-imposed target of delivering 3 million apprenticeship starts by the end of the parliament.

We are concerned that these changes will provide insufficient oversight of the content and delivery of these new apprenticeships. While the new system might work well in sectors where there are large employers with a commitment to training the 'next generation' of their workforce, they will not help to improve the skills base in many other parts of the jobs market that are characterised by smaller employers, low-skilled jobs, or less traditional sectors which don't have a shared sense of 'occupational identity' (such as retail). Given that these characteristics apply to a growing share of the jobs market, this is a big cause for concern. England is in danger of introducing an apprenticeship system that would work well in the economy of the 1960s, but is not fit for a 21st-century workforce.

Available at [www.ippr.org](http://www.ippr.org).

<sup>66</sup> Quoted in Ken Mayhew and Ewart Keep. 2014. 'Industrial Strategy. The high road to sustainable growth'. *CIPD Research Insight*. Available at [www.cipd.co.uk](http://www.cipd.co.uk).

<sup>67</sup> For further details of what is meant by the 'foundational economy', see Justin Bentham and colleagues. 2013. 'Manifesto for the foundational economy'. *CRESC WORKING PAPER NO. 131*. Centre for Research on Socio-Cultural Change. Available at [www.cresc.ac.uk](http://www.cresc.ac.uk).

<sup>68</sup> In theory, 'flexicurity', originally associated with Denmark, offers a middle way. It recognises that, in an era of rapid change, there is a need for greater flexibility. At the same time, it appreciates that there has to be considerable emphasis on giving greater security to workers. To paraphrase the European Commission's Expert Group on Flexicurity, it came to be seen as having three main components:

- *Flexible contractual and work organisations arrangements* - both from the perspective of the employer and the employee.

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- *Active Labour Market Policies* which help people to cope with rapid change, unemployment spells, reintegration and, importantly, transitions to new jobs.
  - *Reliable and responsive lifelong learning systems* to ensure the continuous adaptability and employability of all workers, and to enable firms to keep up productivity levels.
  - *Social Security systems* which provide adequate income support and ease labour market mobility, including provisions helping people to combine work with private and family responsibilities, such as childcare.

See, for example, the European Commission's Expert Group on Flexicurity. 2007. *Flexicurity Pathways. Turning hurdles into stepping stones*. Available at [ec.europa.eu/social/BlobServlet?docId=1519&langId=en](http://ec.europa.eu/social/BlobServlet?docId=1519&langId=en).

A problem in the UK is that the components of 'flexicurity' don't seem to have been seen as a package of mutually supporting measures. As in the case of training, the emphasis of public policy has been on the 'supply' side, most notably cuts in benefits and reforms of employment protection legislation making it easier for employers to hire and fire. The result is that the essence of the 'flexicurity' concept - that it denotes a shift from particular job security to wider employment security - has been lost.

<sup>69</sup> Ironically, at height of the financial and economic crisis in 2008-9, it was employers' representatives who complained about the relative lack of employment security in the UK. In the light of a 75 per cent reduction in orders, Matthew Taylor, chief executive of JCB, was quoted as saying: 'We are making some very good employees redundant and that hurts'. He went on to contrast the position in the UK with that in Germany, where it was possible to put JCB's employees on a two-day week, with the Government making up some of the wages to avoid layoffs (*The Sentinel*, 2009).

<sup>70</sup> For further details, see *The Economist*, 30 July 2016. 'The Need to do more to help the losers of globalisation'.

<sup>71</sup> Quoted in Katie Allen. 2016. 'Five ways capitalism can work 'for all, not just the few'. *The Guardian* 30 July.

<sup>72</sup> Shiller, R.J. 2106. 'How Wage Insurance Could Ease Economic Inequality'. Available at [www.nytimes.com](http://www.nytimes.com). For more details, see his 2004 book *The New Financial Order. Risk in the 21th century*. Princeton: Princeton University Press.

<sup>73</sup> Howard Reed and Stewart Lansley. 2016. *A universal basic income. An idea whose time has come?* Available at [www.compassonline.org.uk](http://www.compassonline.org.uk). See also, Standing, G. 2015. *The Growing Precariat: Why We Need a Universal Basic Income*. Available at [www.singularityhub.com/author/gst](http://www.singularityhub.com/author/gst).

Reed and Lansley claim that several high profile organisations in the UK have backed the principle of a basic income including the Royal Society of Arts. In 2015, the Adam Smith Institute, called for the introduction of a negative income tax to replace tax credits, Jobseeker's Allowance and other means-tested benefits. The 2016 conference of the Scottish National Party backed the principle of a UBI, as has the Green Party, while some Liberal Democrats have called for it to become party policy. The shadow chancellor, John McDonnell, has also expressed interest.

A variant of UBI is the 'participation income' proposed by Anthony Atkinson:

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In my proposal, the basic income would be paid conditional on participation. I should stress at once that this is not limited to labour market participation. While the qualifying conditions would include people working as an employee or self-employed, absent from work on grounds of sickness or injury, unable to work on grounds of disability and unemployed but available for work, it would also include people engaging in approved forms of education or training, caring for young, elderly or disabled dependents or undertaking approved forms of voluntary work, etc. The condition involves neither payment nor work; it is a wider definition of social contribution.

See Atkinson A.B. 1996. 'The case for a participation income'. *Political Quarterly*, Vol 67, No 1, 67-70. See also his more recent *Inequality – what can be done* published by Harvard University Press in 2015.

<sup>74</sup> *Accounting for people. Report of the task force on human capital management*. 2003. Available at [www.bis.gov.uk/files/file38839.pdf](http://www.bis.gov.uk/files/file38839.pdf).

<sup>75</sup> For a range of views on the shareholder value issue, see TUC. 2014. *Beyond shareholder value. The reasons and choices for corporate governance reform*. Available at [www.tuc.org.uk](http://www.tuc.org.uk).

The TUC has suggested that a possible reformulation of the existing wording of Section 172 of the Companies Act 2006 might be:

The directors of the company are required to act in good faith to promote the long-term success of the company, and in so doing, should have regard to the need to: i. deliver fair and sustainable returns to investors ii. promote the interests of the company's employees iii. foster the company's relationships with suppliers, customers, local communities and others, and iv. take a responsible approach to the impact of the company's operations on human rights and on the environment.

For further details see TUC. 2014. *Workers on Board* available at [www.tuc.org.uk/sites/default/files/Workers\\_on\\_board\\_0.pdf](http://www.tuc.org.uk/sites/default/files/Workers_on_board_0.pdf)

<sup>76</sup> See, for example, Brittan, S. 2003. 'Shareholders, not stakeholders'. Samuel Brittan: Contribution to RSA and Economist Debate 06/02/03. Owen, G. 2003. 'Capitalism works'. *Prospect Magazine*. Issue 93, December.

<sup>77</sup> Schumpeter famously describes the process as 'creative destruction' in his 1942. *Capitalism, Socialism and Democracy*. New York: Harper & Brothers.

<sup>78</sup> Kevin O'Rourke. 2016. 'Brexit: This backlash has been a long time coming'. Available at [www.VoxEu.org](http://www.VoxEu.org).