

# RAISING OUR SIGHTS: GOOD WORK IN A FAIRER AND STRONGER ECONOMY

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## INTRODUCTION

The state of Britain's economy has been in the spotlight since 2008, though nobody predicted the depth, longevity or sheer scale of damage resulting from the recession. Signs that the economy started to recover in 2013 do not mean all is well.

The government rightly says that new jobs have been created, but tells us little about the quality of work they provide. Around a million young people are out of work. According to the Chartered Institute for Personnel and Development<sup>1</sup>, a further million people are employed on zero hours contracts – though this seriously underestimates the scale of insecure and under-employment across the economy.

Since June 2010 77% of net job creation has been in industries where the average wage is less than £7.95 an hour, and real wages have fallen in all but one month since Cameron became Prime Minister.

Poorly paid, part-time, unskilled and untrained jobs do not chart a pathway to aspirational growth. Secure, mid-range jobs are becoming scarcer and the New Economics Foundation<sup>2</sup> worries that this trend may be systemic. If so, opportunities for social mobility will continue to be severely curtailed.

The quality of working life has deteriorated in other ways, with rising levels of stress and mental ill health. While survivors of organisational change and restructuring are relieved to keep their jobs, they face insecurity, work intensification, performance micro-management and unsupportive organisational cultures. All are having an adverse impact.

Prospect's responsibility as a professional union is to represent the interests of its members and their families. Every day we negotiate with employers over terms and conditions, support individuals facing problems at work and, where necessary, provide legal representation.

But members also share broader concerns: they want opportunities to use their skills at work, to do interesting and satisfying jobs, and for young workers to have access to decent careers and lifestyles.

## WHAT DOES GOOD WORK LOOK LIKE?

Our workplace agenda is not just for the bad times. In our view work that is enjoyable, stretching and fulfilling is good both for individuals and employers. There are six key components:



### Secure, interesting, fulfilling jobs

Feeling insecure at work in response to real or perceived threats is a significant source of stress. Good work doesn't necessarily mean a job for life, but individuals should not feel their job is constantly under threat. Job design is important, as is having clear and achievable responsibilities. Work should provide opportunities to learn, develop and grow – within a role, through lateral moves, or by taking on greater responsibilities.

Workers are more productive and engaged where organisational goals align with their own sense of purpose. Individual motivators may be many and varied, but a sense of place within an organisation's broader structure, and identifying with its values, are core factors.



### A culture based on trust and fairness

For most people work is a social activity. Workplace relationships – with colleagues, managers or senior leaders – set the culture. Behaving in an open, honest and inclusive manner is critical to building trust. The Institute of Occupational Medicine's 2010 'Good work, good health' study<sup>3</sup> demonstrated the importance of perceived justice in maintaining wellbeing. Acting fairly and being seen to act fairly must include respecting difference and supporting and valuing diversity. Successful teams comprise individuals with different strengths, perspectives and backgrounds.

<sup>1</sup> <http://bit.ly/CIPDzerohours>

<sup>2</sup> <http://bit.ly/NEFgoodwork>



### Choice and control over hours

Flexibility should be genuinely two-way. Wherever possible, employers should allow people flexibility in when and where they work. Technology blurs boundaries between work and life outside, but individuals need to feel in control.



### Reward and effort in balance

Open and transparent reward structures allow individuals to see and understand whether their pay is fair relative to others. Yet equal pay remains a challenge across all workplaces, as do other unfair and discriminatory pay practices. The Chartered Management Institute has identified a 50% gap in bonuses paid to men and women. More broadly, as Wilkinson and Pickett argue in 'The Spirit Level'<sup>4</sup>, inequality causes shorter, unhealthier and unhappier lives and it destroys relationships between individuals born in the same society but into different classes – not least where opportunities for social mobility have been progressively eroded.



### Degree of control over pace of work and environment

Matching work to an individual's abilities and capabilities is important, as is control over tempo and hours of work. Feeling safe and comfortable at work is also a basic need.



### Employee voice

Many agree on the importance of the employee voice to successful corporate engagement, but there is no consensus about how to make it happen. Although many people do not realise it, good employers recognise the value that union workplace representatives bring in resolving day-to-day problems at work. New research by the National Institute for Economic and Social Research<sup>5</sup> shows that a union presence in the workplace can enhance satisfaction over pay, hours, job security and work itself.

Although understanding of these benefits has declined, especially among younger workers, research by Unions 21 shows that even people who have never been in unions recognise the value of a collective approach.

## A BETTER FUTURE

The search for a better and more sustainable future requires us to think holistically about the opportunities for promoting good work in a fairer and stronger economy. There is a strong consensus that skills in science, technology, engineering and maths will provide the building blocks for our future successful high quality industries. But it's how such industries are run that will determine whether they actually provide good work. Prospect doesn't have all the answers, but we have a vision of what success looks like – for the economy, workplaces and individuals.



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We are also conscious of opportunities now to influence public policy in the run-up to a general election. This briefing hopes to encourage a more cohesive policy debate, influence decision-makers and chart a path back towards a more aspirational society.

## THE STATE WE'RE IN

The global financial crisis and the knock-on effects of its aftermath have posed severe challenges to economies and labour markets. For much of the past two decades both had enjoyed sustained growth, but the past five years have seen a different picture emerging:

- Nascent economic growth is based on rising house prices rather than rebalancing the economy to produce sustainable growth. It is not strong enough to make any real difference to living standards. GDP is still lower than before the 2008 recession and the UK ranks sixth out of the G7 countries for productivity – with UK productivity in 2012 14% lower than the G7 average.
- Unemployment in the UK remains at around 2.5 million on the International Labour Organisation measure, but the TUC estimates a further 2.25 million people wanting a job are not counted. Almost half the new jobs created since 2010 are temporary.
- Research for the TUC's 'Britain needs a pay rise'<sup>6</sup> campaign shows that inflation has eroded the real-terms value of pay by an average of 6.3% in the last five years. Occupational pensions have also faced a concerted squeeze. Private sector membership of defined benefit pension schemes has fallen to around 2 million workers, but half are in schemes closed to new entrants.

The prospects for many middle-income earners are bleak – current growth in jobs is either among the top income earners or the lowest. This is creating an hour-glass labour market where those who do not have, or cannot acquire, the skills and experience to move upwards are being pushed towards jobs in sectors such as the personal services and retail industries. There they frequently face in-work poverty.

<sup>4</sup> <http://thespiritleveldocumentary.com/>

<sup>5</sup> <http://bit.ly/unionisation-satisfaction>

<sup>6</sup> [www.tuc.org.uk/britain-needs-pay-rise](http://www.tuc.org.uk/britain-needs-pay-rise)



Yet sectors that should be the engines of high quality economic growth are facing demographic and skills challenges. For example:

- The energy industry must replace 80% of its staff over the next 15 years and will need to reskill for a low carbon economy, including carbon capture and storage and renewables. A nuclear new-build programme will require many highly skilled engineers and specialists, supported by a responsive supply chain. According to EDF Energy, UK companies will miss out on specialist contracts for new nuclear build due to lack of hi-tech engineering skills.
- In telecoms, an ageing workforce in network engineering areas contrasts with challenges posed by young and frequently transient workers in the mobile sector. Information and communications technology industries will require 129,000 new entrants a year to fulfil their growth potential, but are already experiencing skills shortages.

These labour markets remain segregated by gender. In STEM-based industries, women account for only 13%<sup>7</sup> of employees, less than 7% of engineering professionals and 1% of skilled tradespeople. A 'leaky pipeline' means more women than men either never use their STEM qualification, or leave to work in other areas.

It is hard to imagine how the government's vision of the workplace – based on driving down costs and deregulation – can foster the development of a skilled and productive labour force. Many Prospect members work for employers that do recognise the business benefits of constructive engagement, fair reward and investment – but even good employers are influenced by the politics of short-termism and unfair employment practices.

Yet the current damaging direction of travel is not inevitable, as demonstrated by experiences elsewhere in Europe. For example, Germany has a sustained commitment to the social market economy, with social partnership of trade unions and employer associations enshrined in collective labour law, and a system of co-determination giving workers the right to participate in the management of the companies they work for. As Phillip Schack, managing director of German manufacturing company Tital has commented: "We depend on innovation coming through. We need collective ideas; employees who think as they work."

## INFLUENCING PUBLIC POLICY

So how can a strategy to deliver higher quality jobs be created and funded? Some will argue for greater state intervention and control of key industries, for example through renationalisation. This may be desirable in some circumstances. But even if achievable, it risks opening the door to controversial and politically unpopular debate that would not deliver practical gains.

The government's 2010 National Infrastructure Plan<sup>8</sup> acknowledges the urgent need for a massive increase in expenditure on infrastructure projects. The updated plan, published by the Treasury in late 2012<sup>9</sup>, included over 550 projects worth over £310bn. By December 2013, planned investment had risen to £375bn.<sup>10</sup>

Most of this investment will be accounted for by major programmes, including highways, rail, nuclear, offshore wind and broadband. While the plan acknowledges that these projects require both public and private investment, in reality a significant proportion will be paid for directly and indirectly by taxpayers, financially underpinned, for example, through economic regulation or price rises to consumers.

Very little of this investment is optional, and much of the need is highly visible and increasingly urgent – for example in rail and energy, which post-privatisation have operated models of sweating assets procured through the public purse. The water industry was privatised in part to enable it to raise capital for investment. But much of it is now owned by venture capitalists who have used the same assets to raise loans often unconnected to investment in the water industry.

This does not need to be an ideological debate. Whether pro or anti-privatisation, evidence shows that UK citizens have not benefited from the major divestments of the 1980s and 1990s. But, because these same industries now need further public investment, there is an opportunity to do things differently. The public infrastructure must be renewed and politicians have choices about how to manage this investment in the public interest.

As the CEO of Hermes Fund Managers has stated: "Since we are collectively paying for the bailout of the financial system for the common good, we should, as a society, have the right to reform and shape it so that it meets the common good and not just to improve financial returns for participants."

## INDUSTRIAL POLICY

Until recently the idea of promoting a coherent set of policies to guide industrial development was unfashionable. There was a mistrust of governments 'picking winners' based on a series of expensive failures in the 1970s. But all the major political parties have shown greater willing to take tentative steps in this direction in the last few years.

Lord Mandelson began to change the last Labour government's approach in the later stages of its administration. Business secretary Vince Cable built on many of Lord Mandelson's policies by setting up 'catapult centres' – a network of organisations designed to encourage innovation, focusing initiatives on priority industrial sectors where the UK is well placed to take a global lead, and establishing industrial councils to guide strategic decision-making.

Providing a cross-party consensus, the former Conservative minister Lord Heseltine's 2012 report, 'No Stone Unturned'<sup>11</sup>, investigated all aspects of government policy affecting economic growth.

The government's policies have focused on supply-side measures that create the conditions for economic growth rather than pump-priming industries with central funding and using government leverage to maximise opportunities for industry.

<sup>7</sup> [www.wisecampaign.org.uk/about-us/wise-resources/uk-statistics-2012](http://www.wisecampaign.org.uk/about-us/wise-resources/uk-statistics-2012)

<sup>8</sup> [www.infrastructure.govt.nz/plan/mar2010](http://www.infrastructure.govt.nz/plan/mar2010)

<sup>9</sup> <http://bit.ly/infrastructureplan-2012>

<sup>10</sup> <http://bit.ly/infrastructureplan-2013>

<sup>11</sup> <http://bit.ly/BISnostone>

Despite these positive developments, there is still room to refine government strategy. As factories, shipyards and coalmines closed in the industrial north, the private sector failed to replace jobs in declining industries with equivalent jobs in new industries. No government has developed coherent regional policies to address this.

Current government initiatives have been hampered by the abolition of the regional infrastructure that did exist. While the record of Regional Development Agencies is open to criticism, the Local Enterprise Partnerships that replaced them are smaller, weaker bodies, lacking transparent governance or the capacity to deliver the government's industrial initiatives. So there is a risk that the positive gains from greater industrial activism will focus on areas and regions that already have the capacity to develop, leaving vast areas of Britain untouched. Having acted precipitously, the government is quietly expanding the remit and size of these organisations in a piecemeal way. They are starting to mirror the organisations they replaced, but more must be done to co-ordinate regional and industrial policy.

Not enough funding for research and development is being provided to make a qualitative difference to innovative companies. As the Institute for Fiscal Studies has shown, announcements in the Spending Review 2013 made hardly any impact on public sector investment plans, failing to restore cuts announced in previous budgets<sup>12</sup>.

Government spending on research and development lags behind the UK's main industrial competitors and is getting worse. In 2012 a Council for Industry and Higher Education report<sup>13</sup> on UK research and development found the UK's performance inferior to that of France, the US, Denmark, Japan and Sweden. Compound annual growth rates for the most recent period rank the UK behind all the sample countries in the report, apart from Sweden. Any policy that aims to kickstart the UK economy has to reverse this decline.

In 'The Entrepreneurial State'<sup>14</sup>, Mariana Mazzucato recognises the crucial role of government in taking the risks in research and development, and suggests that some of the profits accrued from new technologies should be returned to the taxpayer to fund the next round of innovation. With this approach the government could create a virtuous circle from its infrastructure programme by funding research and development in cutting-edge technologies and setting a mechanism to ensure that a small percentage of profits are reinvested in innovation.

Large-scale infrastructure projects always create opportunities to develop new processes. For example, the Aircraft Carriers project, despite facing public criticism, has provided work for 10,000 employees – a quarter of them engineers – in 700 companies, 90% UK-based<sup>15</sup>. New technological breakthroughs have included special lightweight water pipes, a new system of reverse osmosis that provides drinking water from the sea and more efficient generators and motors. These new technologies are already

attracting additional contract orders, generating new revenues and helping to fund further economic growth.

To realise the gains of the new political consensus on industrial activism, the government needs to use the leverage provided by the infrastructure programme to invest in UK industry.

Public procurement should be used more effectively to support innovative research and development; investment in high quality training and skills; and a decent working environment. The Welsh government has taken the welcome step of excluding companies that have blacklisted workers from public contracts. In major infrastructure projects, extending this leverage to the supply chain and using it to mainstream environmental targets would have a significant impact. The government should adopt the recommendations of Sir George Cox's Review 'Overcoming short-termism'<sup>16</sup>, to ensure greater focus on the long-term consequences of corporate decision-making.

## WHAT WOULD SUCCESS LOOK LIKE?

Individuals inevitably place differing emphases on the factors they consider important for their own well-being at work and what this means for the economy as a whole. But widely shared concerns include growing income inequality; inadequate corporate governance; unfair change and its toll on individuals; and the diminishing economic and social prospects of younger workers.

Although it can't provide a complete solution, the prospective national investment programme involving the public and private sectors does provide real and immediate opportunities to make a difference. Government must raise its sights and leverage its investment to:

- create jobs that provide the basis for sustainable, high quality growth and employment, including in key sectors such as energy, advanced manufacturing and ICT
- address growing income inequality by generating jobs that at least command a living wage and opportunities for career advancement
- complement a national skills strategy that recognises the potential of all workers and new entrants and helps to balance up the hour-glass labour market by enhancing access to skilled, technical and professional occupations
- expand opportunities for good work that enable individuals to have real influence over their working lives and provide decent incomes and full participation in society.

<sup>16</sup> [www.yourbritain.org.uk/uploads/editor/files/Overcoming\\_Short-termism.pdf](http://www.yourbritain.org.uk/uploads/editor/files/Overcoming_Short-termism.pdf)

<sup>12</sup> 'We shall squeeze... until the pips squeak', 27 June 2013, Tatlow, G, IFS post spending round presentations

<sup>13</sup> 'The UK R&D Landscape Enhancing Value Task Force', Hughes, A and Mina, A Reprinted and Revised March 2012, [http://ukirc.ac.uk/object/report/6403/doc/CIHE\\_1203RDlandscap.pdf](http://ukirc.ac.uk/object/report/6403/doc/CIHE_1203RDlandscap.pdf)

<sup>14</sup> 'The Entrepreneurial State', Mazzucato, M. (2011), London, Demos

<sup>15</sup> 'Shipbuilders shape model for revival', 9 January 2013, Financial Times



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