



Strong partnerships, good jobs, productive workplaces

A discussion paper



CIPD



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Executive summary

Introduction

The quality of work and strength of working relationships are at the heart of many of the challenges faced by our economy and society.

Too often the quality of both work relationships and workplaces is missing in discussions on expanding opportunities and growing the economy. This needs to change. We need a broader conversation about the future of work in which people are central.

We need to turn the focus on industrial action and division, into a mission for industrial peace by using all of our talents to build better and more productive partnerships at work.

This mission addresses the central challenges of improving labour market participation, innovation adoption and productivity across the economy. It will need to see a new public policy emphasis on improving the quality of workplaces and jobs through strong and enduring relationships between workers and employers.

This is our contribution to that discussion, setting out practical and feasible steps that could be taken at a national, sectoral, and regional level to strengthen social partnership and raise the level of people management, job quality and productivity in workplaces across the economy.

Where we start

Many people in the UK feel reasonably positive and optimistic about their jobs and careers. Seriously insecure, exploitative or vulnerable work is not the majority experience. However:

- where it does exist, poor quality work has a very damaging impact on places, communities, individual life chances, overall social cohesion and the wider economy
- levels of employee engagement and quality of management are overall mediocre, which has a negative effect on labour market participation and productivity
- policies aimed at boosting low levels of private sector investment in new ideas and technologies, or managerial and workforce skills have repeatedly disappointed.

The challenges we face over next decade can only be met if we break out of this pattern of poor, or increasingly, indifferent working experiences and relationships. A pattern that holds back individuals, places, businesses and industries.

These pressing challenges include: raising productivity; resetting employment relations; improving the quality of work; and navigating technological change

Raising productivity

The focus on improving productivity has traditionally looked at areas such as tax relief for R&D and new technology, and supply-side measures on skills to improve the qualification level of the workforce, for example, through the expansion of higher education.

There is little evidence of the impact of these policies on the “long tail” of low productivity growth firms. This is evidenced by the longstanding decline in employer investment in training and poor use of people’s skills in too many workplaces.

A critical missing ingredient is a focus on working experiences, employment relations and people management practices.

Without addressing this critical workplace dimension, traditional policies aimed at boosting productivity are likely to remain limited in their impact to a minority of already comparatively productive firms and sectors.

Resetting employment relations

The UK’s record on social partnership and employee involvement has always been patchy by comparison with our European neighbours. But employment relations have been put under particular strain in recent years as a result of the cost-of-living crisis and cost-of-doing business crisis. In several sectors this strain on relations has been manifested by a sharp spike in employment disputes and industrial action.

This is not a good starting point for meeting the challenges that face the UK economy: challenges that will entail more tough choices, flexibility and

openness to change, and high levels of engagement and mutual trust. We urgently need to rebuild a mission of productive dialogue and shared understanding between workers and employers to enable effective change management and a renewed focus on mutual gains.

This new emphasis on social partnership – industrial peace – and meaningful employee engagement can play a key role in helping organisations innovate and adapt to the multiple challenges facing them, for example as they seek to adopt new technology and manage competing demands on resources. In many workplaces this mission already existed, testament to the under-told stories of workers, unions and employers embracing change together.

Improving quality of work

Work is not only a means to a living, critical as that is. It is also increasingly recognised that people’s experience of work is of central importance to their overall quality of life, identity and self-esteem, health and wellbeing, and the strength of families, communities and places. A government concerned with improving outcomes across the country must look not only to the remunerative, but also to the qualitative aspects of work.

The creation of better quality and more flexible jobs will also be central to keeping more people healthier and in employment for longer. Workplaces which have supportive line managers, inclusive cultures, and provide flexible working and access to occupational health services are more likely to support the health, wellbeing and retention of employees.

Navigating technological change

One of the keys to raising productivity while improving job quality will be successfully managing and harnessing the dramatic technological developments that are now sweeping through our lives. Accelerating advances in digital and communications technologies, with new forms of automation and artificial intelligence at the forefront, are disrupting markets, redefining business models and reshaping jobs and careers.

There is growing evidence that people management and workplace practices that emphasise high-involvement strategies and engage employees are critical to both supporting the effective adoption of technology as well as managing potential risks to workers' job quality or health.

How to make it happen

Raising the quality of people management, development and workplace practices across the economy is a challenging task for policy makers. Nonetheless, there are areas of public policy where Government can work in partnership with employers, trade unions and professional bodies to make a material difference over time.

Establish a Workplace Commission

CIPD and Prospect believe there is a case for establishing a Workplace Commission as a means to strengthen social partnership at a national level and to co-ordinate policy making across government departments and relevant agencies on workplace issues.

- It would bring together key labour market 'social partner' institutions Acas, Low Pay Commission, employer representative organisations, a range of trade union and workforce representative voices and other independent expert bodies to provide expert policy advice on workplace issues.
- It could also help in the design of new employment regulation through ensuring there is more collaboration and co-development of policy at an early stage, drawing on the perspective of employers, trade unions and other experts within a shared forum.
- Establishing a Workplace Commission with a small secretariat and budget to fund working groups and develop discussion papers would require estimated funding in the region of £300,000 a year.

Support extension of trade union membership and recognition

To ensure all workers have a fair opportunity to access the advice and support that trade union membership can bring, Prospect has proposed that employers that do not already recognise a trade union should have a duty to enable trade union access to and communication with workers where there is evidence of significant interest or support. This would enable a trade union to have a right to access or communicate with workers where they cross the threshold of

- Either 10% of the employees in a prospective bargaining unit demonstrably expressing support for the union to have access (eg. signing a petition), or
- 2% of the total workforce across an employer expressing support for the union to have access (with an absolute minimum of 15 employees).

These proposals could be consulted upon through a Workplace Commission as part of a strategy to improve social partnership and consensus where possible on any proposed new regulation.

Develop a more progressive labour market enforcement system

Emerging evidence suggests a link between job quality and productivity and finds that this correlation is stronger for bad work and poor productivity. It concludes that the focus on productivity initiatives should be on lifting more poor-quality work closer, at the very least, to the average level. The labour market enforcement system is potentially the most effective lever for achieving this ambition.

Creating an effective enforcement system that can play a more proactive role in improving employment standards and working practices requires a much stronger emphasis on supporting employer compliance. To achieve this, policy makers should consider the following recommendations:

- Double Acas's budget to boost its ability to advise employers and individuals on people management, workplace conflict and employment rights.
- Allocate Single Enforcement Body (SEB) inspectors on a regional as well as sectoral basis to work with Acas and local business advisers, for example, accountants, to ensure employers and their staff are aware of relevant employment law.
- Incentivise smaller firms to allow Acas to conduct a free annual HR 'MOT' of their employment practices, for example by linking this to a potential reduction in their liability in any subsequent claim against them at an employment tribunal.
- Reinstate the ability for employment tribunals to make wider recommendations to employers to improve their people management practices. Employers would be required to work with Acas or a professionally qualified HR consultant to improve their people management practices.
- Ensure the SEB plays a central role in supporting the effectiveness of the employment tribunal system, for example, by taking responsibility for ensuring employers pay any compensation they are required to.
- Enable inspectors operating in a new SEB to mirror the Health and Safety Executive's enforcement powers and issue improvement notices as a first step in some circumstances.

Developing a more effective labour market enforcement system as described above would require additional funding:

- Acas's annual budget would need to increase from £60m to £120 million a year to enable it to further develop its people management advisory services to employers as part of a more progressive labour market enforcement system.
- An estimated £100 million a year would be needed to increase the number of labour market enforcement inspectors in the UK to OECD average levels of one per 10,000 workers.
- HSE's budget would need to be increased by £100m a year to restore funding to at least 2009/10 levels in real terms.

Strengthening sector based social partnership and collective employer representation

A central foundation of a strategy to strengthen social partnership and improve workplace practices would be the development of stronger sector institutions.

Research by the UK's former Industrial Strategy Council (ISC) led it to conclude that improving the performance of everyday economy service sectors is important to overall efforts to boost productivity and will require a focus on managing and developing the workforce.

The Government could set out the ambition to enhance key sector bodies and strengthen their ability to drive collective employer action on workplace practices to improve skills development, job quality and technology adoption.

This ambition could be supported by the establishment of a £50 million sector-based social partnership fund which sector bodies could bid for to improve their ability to support partnership working between employers and unions at a sector level.

Improving locally delivered HR support for SMEs with UK's nations and regions

A further cornerstone for a strategy to improve firms' employment relations and workplace practices would need to be much better local business support for SMEs on HR and people management.

OECD research highlights that the provision of business advice and support can have an important impact on improving SME productivity and growth performance. Research also shows that there is very little focus within publicly funded business support services on improving people management capability and workplace practices in the UK. However, there is also emerging evidence from CIPD's People Skills HR support pilots for SMEs that the provision of HR support to SMEs can have a positive impact on workplace relations, labour productivity and financial outcomes. Improving the availability of high-quality HR support to SMEs at a regional level would support efforts to improve job quality, skills investment and productivity at a regional level.

CIPD has previously estimated that if a People Skills model of business support was rolled out across all 38 LEP areas it would cost between £20m-£40m a year and could support 20,000 to 40,000 SMEs a year depending on the level of funding provided.

How to fund it

The proposals in this paper would together cost in the region of £350m a year. This would not need to be met through additional Government spending but could be funded through relatively minor changes to existing spending programmes on R&D tax relief which amount to nearly £9bn a year.

Significant levels of public funding on R&D tax incentives are wasted because of deadweight or fraud. There have been recent improvements to R&D tax incentives schemes which should reduce this waste and supporting R&D investment should of course continue to be a Government priority.

Nonetheless, there is a strong argument for reforming the tax relief incentives schemes for R&D investment at least to a relatively small degree in order to redirect a portion of public funding to support the sort of policies outlined in this paper.



Introduction

The quality of work and strength of working relationships are at the heart of our economy and society. They are going to be decisive for many of the most important challenges that the next government will face including how to address stalled productivity growth and very low or no real wage growth for most workers.

However too often the workplace and issues such as the quality of people management and employment relations have been ignored or downplayed in policy discussion or political debate, treated as a closed black box or well-meaning afterthought.

Rightly, much current policy discussion and political debate concerns how to boost economic growth in the UK through boosting R&D and science-based innovation and investment in high tech and green growth sectors. These objectives are of course critically important for the UK's competitiveness and should be central to any renewed industrial strategy. But on their own they will never be enough, and will not deliver the benefits sought from them. A narrow focus on technological innovation in itself does not address the fundamental importance of how we adopt and adapt to it. It also neglects the huge challenge of improving productivity growth in 'everyday economy' sectors. Unless we can improve productivity and sectors such as retail, hospitality, transport, logistics and social care, which account for over 40% of employment, efforts to raise overall productivity and living standards across the UK will continue to fail¹.

Raising productivity across the wider economy requires a new public policy emphasis on improving the quality of people management and building strong and enduring relationships and partnerships among workers and employers. This is needed to raise employer demand for investment in skills and improve how workers use their skills in workplaces across the economy. Human resource management practices that involve and engage workers can also support technology adoption beyond frontier firms and help ensure that its effects augment job quality where possible. A policy objective to improve people management and workplace practices can also underpin efforts to improve employee health and wellbeing and labour market participation through the creation of more flexible and high-quality jobs.

But worker engagement and working relationships have often been a weak point of the UK economy, and have come under particular strain in the past few years, with Covid and then the cost-of living crisis causing acute disruption, dislocation, and in many areas, damage to trust. Now is the time for a reset. This paper aims to offer a number of practical and feasible steps that could be taken to make a real difference in this area.

Running through these is a recognition that a key to making measurable progress over the medium and long term will be strong and enduring relationships and partnerships among workers and employers that can survive stress-points and successfully navigate change. It is these that we should be seeking to build within workplaces and organisations, and at local, regional, sectoral and national levels.

1 <https://www.cipd.org/globalassets/media/knowledge/knowledge-hub/reports/2023-pdfs/july23-industrial-strategy-policy-paper-8421.pdf>



1. Where we start

Many people in the UK feel reasonably positive and optimistic about their jobs and careers.² Seriously insecure, exploitative or vulnerable work is not the majority experience.³ However:

- where it does exist, poor quality work has a very damaging impact on places, communities, individual life chances, overall social cohesion and the strength of the wider economy⁴
- outside these areas, most work is not as good as it could or should be – flexibility and autonomy are constrained, levels of engagement and quality of management are mediocre, with consequent effects on productivity and participation, and there are signs that things are drifting in the wrong direction in many areas.⁵ Non-inclusive or toxic working cultures and behaviours that marginalise, deter, disadvantage or abuse women, minorities and workers with disabilities are all too common, and often not picked up by existing monitoring and enforcement frameworks.

- Policies aimed at boosting historically low levels of private sector investment in new ideas and technologies, or upgrading production processes or managerial and workforce skills have repeatedly disappointed – suggesting that a key missing ingredient may be the working practices and cultures that stimulate and empower organisations to innovate and improve.

We cannot rest satisfied with this status quo. The challenges we face over the next decade can only be met if we break out of this pattern of poor or increasingly indifferent working experiences and relationships that hold back individuals, places, businesses and industries.

These pressing challenges include:

- Raising productivity
- Resetting employment relations
- Improving the quality of work
- Navigating technological change.

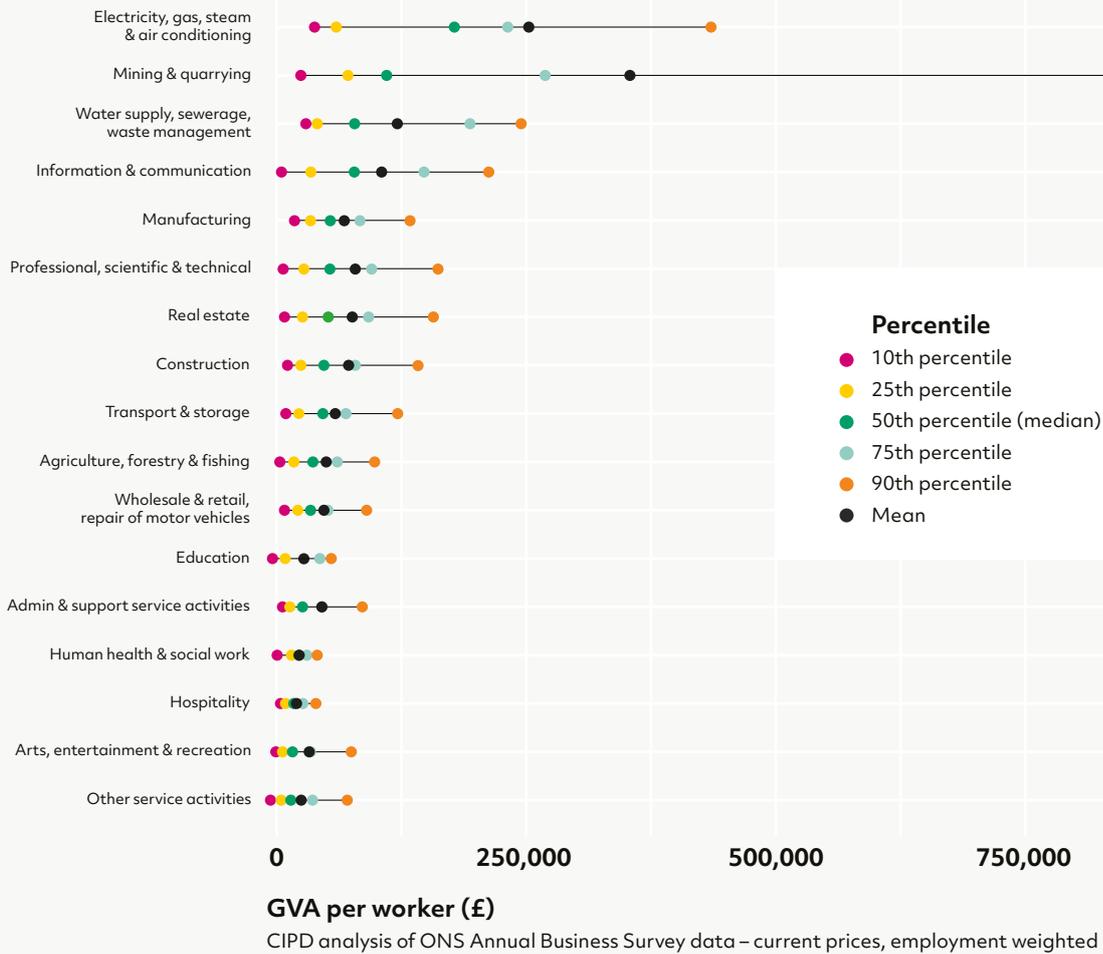
2 The latest CIPD survey data suggests that while “most people continue to have a good experience of work, with high levels of job satisfaction and good relationships with both line managers and colleagues. Most people like their work and find it fulfilling”. <https://www.cipd.org/globalassets/media/knowledge/knowledge-hub/reports/2023-pdfs/2023-good-work-index-report-8407.pdf>

3 The Commission on Vulnerable Employment estimated around 2 million people “trapped in a continual round of low-paid and insecure work where mistreatment is the norm”. Around 3 million jobs are low paid (<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/lowandhighpayuk/2023>). Experiences of insecurity, earnings volatility and lack of autonomy are concentrated in the bottom fifth of the earnings distribution. <https://economy2030.resolutionfoundation.org/reports/low-pay-britain-2023/>. Setting a higher bar of job quality, CIPD survey data suggests that “between 6 and 9 million people have poor quality work in some important respects” <https://www.cipd.org/globalassets/media/knowledge/knowledge-hub/reports/2023-pdfs/2023-good-work-index-report-8407.pdf>

4 Data suggests that geographical concentrations of poor work are associated with health indicators resulting from “the economic and social impacts of reduced access to the labour market, leaving this population vulnerable to alcohol and drug abuse and poor mental health”. <https://www.ifow.org/resources/the-good-work-monitor>

5 The 2017 Skills and Employment Survey found downward trends in task discretion, and key productivity drivers such as autonomy, voice and supportive line management https://www.cardiff.ac.uk/_data/assets/pdf_file/0009/1309455/4_Intensity_Minireport_Final.pdf; https://www.cardiff.ac.uk/_data/assets/pdf_file/0010/1229833/1_Productivity_at_Work_Minireport_Final_edit_2.pdf. The latest CIPD survey evidence suggests “a slide towards mediocrity” in areas such as how people see the intrinsic value and mental health impact of their work. <https://www.cipd.org/globalassets/media/knowledge/knowledge-hub/reports/2023-pdfs/2023-good-work-index-report-8407.pdf>

Distribution of firm level productivity



Raising productivity

UK productivity growth has slowed markedly since the financial crisis, exacerbating a longstanding gap with comparable economies.⁶ There is also a productivity deficit in every sector of the economy between bottom quartile firms and those operating at the average level, and a significant gap between the median and the top – see *figure 1 above*. Productivity differs hugely by industry but also within industries. Even low productivity industries have a range of performance, and the numbers suggest that if we could move the dial just a bit and lift up the bottom performing firms this could

have a large aggregate effect on productivity. For example, the 25th percentile firm in hospitality has a GVA of £8,500 while the 50th percentile (median) firm is double that at £17,000. It is widely accepted that tackling the long tail of “lagging” firms, and supporting more “average” firms to improve to the level of the higher performing top quartile, will be key to securing a more prosperous and stable future for our country.⁷

Policies aimed at addressing this have traditionally focussed on areas such as R&D, new technologies, and supply-side measures on skills to improve the

6 <https://www.ons.gov.uk/economy/economicoutputandproductivity/productivitymeasures/bulletins/internationalcomparisonsofproductivityfinalestimates/2021>

7 <https://economy2030.resolutionfoundation.org/wp-content/uploads/2023/12/Ending-stagnation-final-report.pdf>

qualification level of the workforce, for example, through the expansion in higher education.

These are important but too often their impact has been undermined by problems of take-up, diffusion and utilisation, with improvements concentrated in a few leading firms or sectors. Too often there is little evidence of impact on the “long tail” of low productivity growth firms and stagnating or deteriorating competitiveness.

For example, the UK’s innovation strategy noted that ‘while the UK is a world leader in taking the first steps at the frontiers of innovation, adoption and the use of innovation by firms across the economy is relatively low by international standards. This lack of adoption typically leads to lower profits for the firms, and lower growth and productivity for the economy as a whole.’⁸

Evidence suggests that policies such as R&D tax credits serve to support businesses that are already relatively R&D-intensive but are “not effective at expanding and diversifying the UK’s base of innovative businesses”.⁹

Furthermore, policies which could help boost innovation adoption and productivity across the economy have failed to have the intended effect

due to a lack of consultation with employers and consequently poor design. Too often there is little understanding of how or whether policies can be effectively implemented in workplaces.

For example, the Apprenticeship Levy has coincided with a collapse in the use of apprenticeships among SMEs and among young people while the long-standing decline in workforce skill development has continued.¹⁰ Programmes like Help to Grow: Digital¹¹ and Help to Grow Management¹² introduced without sufficient consultation with employers, have failed to reach the number of businesses and workplaces that they were designed to support.

Meanwhile, employer provision or investment in training has continued to decline on a number of measures.¹³ Many businesses are not making good use of the skills their workforce already has, with around 15% of the UK workforce in jobs that they say do not make good use of their existing skills,¹⁴ and between a quarter and a third of graduates (over three million) work in jobs that do not require a degree.¹⁵

There is mounting evidence that a critical missing ingredient is a focus on working experiences, employment relations and people management

8 <https://assets.publishing.service.gov.uk/media/61110f2fd3bf7f04402446a8/uk-innovation-strategy.pdf>

9 <https://www.ippr.org/articles/industrial-strategy-steering-structural-change-in-the-uk-economy>

10 <https://www.cipd.org/uk/knowledge/reports/devolution-evolution-skills-policy/>

11 <https://www.gov.uk/government/news/final-opportunity-for-businesses-to-access-help-to-grow-digital-scheme>

12 <https://assets.publishing.service.gov.uk/media/64bfe94ed4051a00145a92fc/help-to-grow-management-end-of-year-two-evaluation-report.pdf>

13 <https://explore-education-statistics.service.gov.uk/find-statistics/employer-skills-survey/2022>

14 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/634191/Skills_and_lifelong_learning_-_cost_of_skill_underutilisation_final.pdf

15 <https://www.ft.com/content/570d23b3-d286-4cb9-a319-b49cc4056f52>

practices. Differences in management practices are emerging as a key determinant of workplace and organisational productivity.¹⁶ This is because engaged, involved and supported workers are better able to collaborate and contribute their insight and expertise to improving or redesigning both individual and collective work processes. It is also because good management and positive working relationships are key to creating flexible, learning organisations that are able to introduce, incorporate and harness the benefits of new technologies or skillsets. The employment relations climate within firms and the ability of managers to manage and develop people are critical factors that will influence whether and how employees learn new skills in the workplace.¹⁷

Without addressing this critical workplace dimension there is a risk that policies aimed at boosting productivity will feel like “pushing on a piece of string” - limited in their impact to a minority of already comparatively productive firms and sectors. Certainly, to-date this approach has failed to reach the high-employment, lower productivity service sectors (or “everyday economy”) that account for a much larger share of total employment. Improving productivity performance in these sectors will be key to achieving a generalised improvement in economic growth and living standards across the UK economy.

Resetting employment relations

The UK’s record on social partnership and employee involvement has always been patchy in comparison with European neighbours. But employment relations have been put under particular strain in recent years as a result of the cost-of-living crisis and cost-of-doing business crisis. Record-breaking levels of inflation have left businesses struggling to offer commensurate pay awards, leaving most workers painfully aware of the real terms fall in their living standards.

In many sectors this strain on relations has been manifested by a sharp spike in employment disputes and industrial action. 2022 and 2023 saw the number of strikes and stoppages rise to levels not seen in the UK since the 1980s, with particularly affected sectors including transport, telecommunications, the postal service, the legal profession and significant areas of the public sector. Even where industrial action was avoided, or within workplaces not covered by collective bargaining, gaps between nominal pay rises and inflation risks leaving a legacy of ill-feeling and mistrust meaning workers are less prepared to put in discretionary effort for their employer.¹⁸

This is not a good starting point for meeting the challenges that face the UK economy: challenges that will entail more tough choices, flexibility and openness to change, and high levels of engagement and mutual trust. We urgently need to repair productive dialogue and shared understanding

16 <https://academic.oup.com/oxrep/article-abstract/37/2/231/6311333?login=false>

17 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/590493/skills-lifelong-learning-workplace.pdf

18 <https://www.cipd.org/uk/about/news/good-work-index-people-less-engaged-fulfilled-more-stressed-working-life>

between workers and employers to enable effective change management and a renewed focus on mutual gains. Well-embedded social partnership and meaningful employee engagement will be critical for maintaining long-term commitment to shared goals that can withstand the disagreements and difficult conversations that disruptive change and external shocks will inevitably bring.

This challenge is most visible in the public sector, which faces demands to improve and innovate in the face of evolving social needs and tight fiscal constraints. But it is no less true across much of the private sector, where the need to step up productivity and competitiveness is urgent if we are to meet decarbonisation targets, maintain and develop our position in the global economy, and raise overall living standards over the decades to come.

Improving quality of work

Work is not only a means to a living, critical as that is. It is also increasingly recognised that people's experience of work is of central importance to their overall quality of life, identity and self-esteem, health and wellbeing, and the strength of families, communities and places. A government concerned to improve outcomes across the country must look not only to the remunerative but also to the qualitative aspects of work. This was recognised by the 2017 Review of Modern Working Practices and the subsequent Good Work Plan¹⁹ which led to the introduction of a number of relatively minor legislative changes.

Recent changes making the right to request flexible working a day one right and to enhance support for working carers and redundancy protections for pregnant women and new parents are further positive steps forward to build on.

However, the continuing need to improve job quality is becoming a more pressing challenge as social values and attitudes evolve. Survey evidence suggests that it is becoming more important to people to feel that the work they do is meaningful and useful.²⁰ McKinsey have argued that "Employees are re-evaluating their relationships with their employers, and many are not liking what they see ... workers are reflecting on not just pay, but the entirety of their experience. How they feel about their job is strongly influenced by whether

¹⁹ <https://assets.publishing.service.gov.uk/media/5c192b58e5274a466a5b457f/good-work-plan-printready.pdf>

²⁰ <https://www.mckinsey.com/featured-insights/future-of-work/creating-meaningful-work-and-driving-business-success-amid-technological-disruption>

their psychological—rather than just material—needs are fulfilled.²¹

The demand for work to be not only fairly paid but also a positive experience of respect, autonomy and social purpose is not restricted to those in more remunerated careers. Research confirms that care workers, for example, put great importance on the sense of purpose and fulfilment they get from their jobs.²² Clearly, labour market power and the scope for agency is not distributed equally. But the staff shortages and wage pressures of the past year have shown they are not restricted to the higher paid or indeed unionised segments of the workforce. The need for government and employers to respond is now becoming an urgent economic imperative, as the impact on growth of the UK's productivity slowdown is compounded by a worrying trend of lower labour market participation.

A key driver of this trend has been growing levels of economic inactivity due to rising numbers of workers leaving the labour market because of ill health, with anxiety, depression and musculoskeletal conditions increasingly common causes.²³ Increasing workloads, lack of flexibility, or insufficiently inclusive workplace cultures are also prompting many to switch to informal caring roles

or opt for early retirement if they can.²⁴ As well as losing experienced older workers, many industries and professions continue to lose an unacceptably high proportion of skilled and qualified women mid-career – undermining initiatives to improve diversity at education and recruitment stage - because of problematic workplace cultures and working arrangements. This is contributing to additional skills shortages and lost potential output that the country can ill afford at this time.

The creation of better quality and more flexible jobs will be key to keeping more people healthier and in employment for longer. The UK's ageing working population also means that tackling economic inactivity due to ill health is likely to increase as a challenge going forward. Workplaces which have supportive line managers, inclusive cultures, and provide flexible working and access to occupational health are more likely to support the health, wellbeing and retention of employees.²⁵ The scale of this economic challenge, and the need to improve outcomes throughout the country and population, means that the job quality agenda cannot be restricted to a minority of highly qualified or classically "creative" roles in "cutting edge" sectors but must extend to high employment service sectors and the economy more broadly.

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- 21 <https://www.mckinsey.com/uk/our-insights/the-mckinsey-uk-blog/more-uk-employees-are-leaving-their-jobs-than-ever-how-businesses-can-respond>. The trend of older workers re-evaluating the place of work in their life, putting greater value on job quality and flexibility and exercising choice if they can about where or whether to work, is reinforcing the higher expectations of autonomy, voice and social meaning that Generations "Y" and "Z" are bringing into the workplace and labour market. https://social.hays.com/wp-content/uploads/2013/10/Hays_Report_V4_02122013_online.pdf; <https://core.ac.uk/download/pdf/288853876.pdf>; <https://www.indeed.com/career-advice/finding-a-job/generation-y>
- 22 <https://theconversation.com/why-care-workers-are-feeling-less-valued-and-leaving-the-sector-after-the-pandemic-169961>
- 23 <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/economicinactivity/articles/risingillhealthandeconomicinactivitybecauseoflongtermsicknessuk/2019to2023#types-of-health-conditions>
- 24 <https://committees.parliament.uk/writtenevidence/109876/html/>
- 25 <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/reasonsforworkersagedover50yearsleavingemploymentsincethestartofthecoronaviruspandemic/wave2#job-appeal-as-a-factor>

Navigating technological change

The key to raising productivity while improving job quality will be successfully managing and harnessing the dramatic technological developments that are now sweeping through our lives. Accelerating advances in digital and communications technologies, now with new forms of automation and artificial intelligence at the forefront, are disrupting markets, redefining business models and reshaping jobs and careers on every side.

This poses two immediate threats. One is that the UK's businesses, industries and public sector organisations prove to be insufficiently flexible and innovative to effectively capture the benefits to efficiency and quality that such technologies can offer, their productivity and competitiveness falling further behind in the race to successful adoption. The other, equally serious, is that gains in productivity are won at the expense of job quality and employment security for increasing numbers, empowering a few while deskilling the many, leading to rising inequality and unemployment that will undermine wider social and economic objectives.

Working relationships and workplace practices will be key to avoiding both scenarios and instead identifying and realising a win-win future for economic growth and employment quality. Daron Acemoglu has argued that the key to maximising the productivity benefits of AI and automation,

as well as managing impacts on employment and equality, is the extent to which it is seen as a way of delivering the same outputs with reduced labour costs or as a way of delivering new and better outputs which automate some tasks while at the same time creating new tasks for the labour time it frees up.²⁶

Key to realising this potential will be creative conversations and relationships of trust between employers and workers. Research by the Institute for the Future of Work and Warwick Business School concluded that 'human resource management practices that emphasise high-involvement strategies and engage workers contribute to the positive impact of technology adoption.'²⁷

A Prospect member offers a very concrete example: responsible for curating large data sets from the natural environment, part of her job was to check the quality and integrity of the data being loaded to the database. She then wrote a computer program to do the same thing. "I suppose you could say I coded myself out of a job," she says. But "I didn't see it as cheating myself out of work. If there's routine work that can be done by a machine, I think my time and my skills are better spent on something more creative and interesting." As a result, she was able to spend more time developing strategies to manage data from new environmental monitoring technologies, as well as work on international projects.²⁸ None of this could have happened without an employer that granted its workers autonomy, valued their ideas, and enabled them to

26 https://www.nber.org/system/files/working_papers/w24196/w24196.pdf

27 <https://www.wbs.ac.uk/news/ai-adoption-widespread-and-having-positive-impact-on-jobs/>

28 <https://www.theguardian.com/public-leaders-network/2018/jun/20/robots-public-sector-ai-right-investment>

see their job as something to develop rather than simply defend. Evidence that this may be a critical dimension can be found in data on the extent of automation in manufacturing, where greater use of industrial robots is associated with countries where employees have more, not less, representation and voice.²⁹

Partnership and voice are also the critical ingredient for making effective use of advances in remote connectivity and automated data gathering to improve flexibility and efficiency. Developments in employee monitoring practices and algorithmic management that the boom in hybrid working has accelerated pose clear risks to autonomy, dignity, engagement and trust if experienced as intrusive surveillance or unaccountable discipline. But mounting evidence shows that the genuine advantages that new technologies can offer for optimising work processes and people management can be leveraged if introduced in a context of transparency, consultation, involvement and mutually agreed guidelines. One recent groundbreaking study found clear evidence worker voice enables innovation & productivity advances, by providing an “oversight & audit function” that can ensure any use of digital monitoring technologies is fair and accountable.³⁰ The OECD has recently concluded that:

“Social dialogue can play a critical role in managing the work-place risks of AI. Evidence shows that the outcomes of AI for workers are more positive in firms that consult workers about the adoption of new technologies. However, by giving employers access to more and better data about workers, AI could also introduce information asymmetries, especially when workers are not aware that they are interacting with AI, or not sufficiently informed about the outcomes of this interaction.”³¹

29 Prospect analysis of data from International Federation of Robotics and European Participation Index, included in <https://committees.parliament.uk/writtenevidence/109876/html/>

30 <https://www.iza.org/publications/dp/16362/contested-transparency-digital-monitoring-technologies-and-worker-voice>

31 <https://www.oecd.org/publications/using-ai-in-the-workplace-73d417f9-en.htm>

Turning the corner

The need to transform the UK economy into one that offers more good jobs and generates faster productivity growth is now widely recognised across the political spectrum. But these challenges will not be addressed simply by doubling down on policies that, one way or another, only “push” new ideas and technologies, or improved skills and training offers at employers and workers.

Such policies have “moved the dial” less than hoped in the past because there simply hasn’t been the demand from the other side, with too many businesses seemingly content to keep on ticking over as they have in the past, and too many workers settling for, and aiming simply to hold on to, jobs that don’t make the best use of their talent, skills or potential contribution.

Low-quality management and indifferent levels of employee engagement are two sides of the same coin. Both are longstanding weaknesses of the UK economy. But they are not inevitable. Often the biggest barrier is simply lack of awareness – of basic employment rights, good management practices, and the fact that things can and should be better:

- Many managers and employers do not have a good understanding of employment law, or of how to consult or involve their employees, the potential business benefits of addressing these gaps or the risks of failing to do so.
- Many workers do not have a good understanding of their employment rights, of how to seek redress, or of opportunities for training or career development, or the potential benefits of collective worker voice and/or trade union membership.

Because people typically don’t know what they don’t know or how things could be better, top-down promotional campaigns or offers of support or even subsidy rarely make a big impact.

The key to unlocking the creativity and flexibility that will enable a positive cycle of mutual gains is building more strong relationships and constructive conversations between employers who are always looking for new and better ways of doing things, and workers who are ambitious and confident about the opportunities their job and their career could be offering them. As we set out below, there are lots of ideas and encouraging real life examples that can help us make this a reality. These challenges are not beyond the reach of Government to influence. Progress can and has been made in places, and could be extended and scaled up if we took an evidence-based approach to learning from them.



2. How to make it happen

The evidence cited in the first section of the paper highlights the compelling need for a strong public policy agenda to improve people management practices, social partnership and employee voice and associated workplace practices.

However, the question for policy makers is what can practicably be done to raise the quality of people management capability and improve working practices to support better jobs, technology adoption and productivity gains across the economy.

Government has typically been reluctant to intervene to improve management and workplace practices and where there have been attempts, these have been small scale³² or resulted in lower than expected take-up of support among firms where provided,³³ with a lack of employer consultation over programme design a common characteristic.

Raising the quality of people management and development and workplace practices across the economy is without doubt a challenging task. Nonetheless, there are areas of public policy where Government can work in partnership with employers, trade unions and professional bodies to make a material difference over time.

Former Bank of England chief economist Andy Haldane noted in his 2017 Productivity Puzzles paper, that ‘measures which support the long tail of companies, currently operating at low levels of productivity, have the potential to do considerable good. As Olympic athletes have shown, marginal improvements accumulated over time can deliver world-beating performance. Applying those marginal gains to the population of UK companies could significantly improve UK living standards.’

Realising these marginal gains would require a long-term commitment to this agenda as changing business investment behaviour and improving employment practices across the economy will take many years. It would also require concerted and collective action at a national, sectoral and regional level and a clear plan on how this would integrate with and support industrial strategy more broadly.

32 <https://www.bethebusiness.com/>

33 <https://assets.publishing.service.gov.uk/media/64bfe94ed4051a00145a92fc/help-to-grow-management-end-of-year-two-evaluation-report.pdf>

Establish a Workplace Commission

Setting a national agenda on improving social partnership, people management and workplace practices would require the coordination and engagement of a number of key stakeholders. Consequently, CIPD and Prospect believe there is a case for establishing a Workplace Commission to co-ordinate policy-making across government departments and relevant agencies on workplace issues.

This would bring together key labour market 'social partner' institutions Acas, LPC, employer representative organisations, a range of trade union and workforce representative voices and other independent expert bodies to provide expert policy advice on workplace issues. These organisations would also have the reach to help lead improvements in practice through their channels to employers and workers.

This type of Workplace Commission would signal that the UK Government wants to strengthen social partnership and highlight the importance of consultation and compromise in dealing with workplace issues and resolving conflict and disagreements. It could help co-ordinate policy-making across government departments and relevant agencies on workplace issues and engage those bodies with the expertise and leverage to improve practice in organisations.

Its purpose would be to develop and drive forward a government-supported, sector-based and workplace focused campaign on productivity, performance and good work.

It could also help in the design of new employment regulation through ensuring there is more collaboration and co-development of policy at an early stage, drawing on the perspective of employers, trade unions and other experts within a shared forum.

An example of an issue where this type of body could help find consensus and agreement is on the challenging task of finding the right approach to regulation on the use of AI at work. The next UK Government will have to find the right balance to ensure that any new regulation on the use of AI at work manages any associated risks to workers while not preventing employers from innovating and using AI to improve productivity. A Workplace Commission could help ensure that the development of regulation on AI is informed through a social partnership approach which brings together the different perspectives of employers and trade unions at the earliest opportunity.

It could also seek to find consensus between trade unions and employer bodies on the development and implementation plans to strengthen social partnership and promote union membership, and to improve worker voice and representation, suggested elsewhere in this paper.

Estimated cost

Establishing a Workplace Commission with a small secretariat and budget to fund working groups and develop discussion papers would require estimated funding in the region of £300,000 a year.

Develop a more effective and progressive labour market enforcement system

Another key foundation of a strategy to improve people management and workplace practices would be the development of a much more effective system of labour market regulation and enforcement.

Employment regulation sets the underlying standards for employment practices across Britain. It exists to protect workers' rights and prevent unethical employers from undercutting competitor firms and preventing a 'race to the bottom' on working conditions.

Regulation must also be married to effective enforcement if the system is to achieve its purpose. There is no point in introducing new employment protections for workers if existing employment rights are not being enforced effectively.

Enforcement system is broken

However, evidence suggests the UK's labour market enforcement system is broken. Enforcement in the UK is inadequate both through the employment tribunal system and the various enforcement bodies.³⁴ Findings from the CIPD's annual Good Work Index suggest that many breaches of employment rights are never enforced through the tribunal system or via the various enforcement bodies. Examples of unenforced employment

regulation include evidence of systemic pregnancy and maternity discrimination against women, highlighted by Equality and Human Rights Commission (EHRC) research.³⁵

The failings of the enforcement system have been recognised by both the main political parties. The Conservative government had pledged to establish a Single Enforcement Body (SEB) to try and improve enforcement but subsequently shelved these plans. The Labour party has also proposed to establish and properly fund a SEB to enforce workers' rights. This would be given more inspectors and extensive powers to inspect workplaces and bring prosecutions and civil proceedings on workers' behalf relating to health and safety, minimum wage, worker exploitation, and discriminatory practices.

These are all essential aspects of an improved enforcement system. However, within both the Conservative and Labour proposals for a SEB and to improve enforcement, there is a glaring absence of focus on how to boost employer compliance.

There is strong evidence which indicates that any plan to improve the effectiveness of the enforcement system will fail unless there is an equally strong focus on helping more employers - particularly smaller employers - to meet their obligations under employment law.

34 <https://www.cipd.org/uk/knowledge/reports/labour-market-enforcement-uk/>

35 <https://www.equalityhumanrights.com/guidance/business/pregnancy-and-maternity-discrimination-research-findings>

The 'bite' of employment regulation is uneven, particularly among smaller employers

Often micro-, small and medium-sized enterprises fall foul of employment regulation unintentionally because of a lack of HR knowledge and practices rather than malicious intent. For example, most firms named and shamed by HMRC³⁶ for failing to pay their staff the National Minimum Wage are SMEs, particularly micro and small firms, which lack employment law knowledge or HR expertise. CIPD's People Skills pilots suggest that a majority of SMEs are likely to be failing to meet their obligations under existing employment regulation in some way due to a lack of basic knowledge on HR and people management.

Research by the Department for Business, Innovation and Skills³⁷ found that employment regulation has less bite on smaller firms because of their lack of HR knowledge and informal people management practices.

It found that: "Small employers are more likely to be involved in, and lose, employment tribunals, particularly those that did not follow formal processes when dealing with disputes. This chimes with the finding here that small and micro employers are more likely to be reactive, responding to issues relating to regulation only when they arise. The influence of regulation on day to day practices was therefore less evident for these employers."

This same research also found that improving HR capability in small firms can help by resolving conflict before matters escalate, reducing the likelihood of falling foul of the law. It concluded "By encouraging these employers to adopt formal practices for dealing with disciplinary action, dismissal could be avoided in many cases by resolving performance issues and ensuring employees understand the issues and have time to improve."

Trade unions, which can have a similar positive impact on the way in which disputes or disciplinary issues are managed,³⁸ also often find smaller employers resistant to the contribution they could be making in a workplace not because of ideological hostility but more from a lack of experience and confidence in working with trade unions to find constructive solutions to workplace issues.

These findings and experiences suggest there needs to be a complimentary and equal focus on supporting employer compliance to augment efforts to boost the number of labour market inspectors and level of financial deterrent. This is particularly the case if employment rights are strengthened further as many employers will take time to adjust to any new obligations.

36 <https://www.gov.uk/government/news/over-500-companies-named-for-not-paying-minimum-wage>

37 <https://assets.publishing.service.gov.uk/media/5a7ad803e5274a34770e77fd/13-638-employer-perceptions-and-the-impact-of-employment-regulation.pdf>

38 <https://webarchive.nationalarchives.gov.uk/ukgwa/+http://www.berr.gov.uk/files/file36336.pdf>

The Government response to its consultation on establishing a SEB³⁹ placed little attention on how the new body would improve compliance, noting only that this would entail 'building on the compliance activity of the existing bodies, and by providing detailed technical guidance.

Fundamental rethink on supporting employer compliance required

While the provision of online guidance and toolkits will be helpful for many employers, they will be largely useless as a means of reaching and changing the behaviour of the majority of SMEs that are typically unaware of their legal obligations.

Research by Acas and CIPD suggests SME owner managers need context-specific and bespoke expert advice to resolve issues in relation to workplace conflict and compliance with employment law, and to improve their people management and development practices.

The evidence above suggests that if policy makers are genuinely interested in boosting employer compliance as part of a more progressive and effective labour market enforcement system, there is a need for a fundamental rethink on how this is done.

CIPD's research report *Revamping labour market enforcement* makes a number of recommendations on how to meaningfully enhance employer compliance and the enforcement system as a whole:

- Double Acas's budget to boost its ability to advise employers and individuals on people management, workplace conflict and employment rights.
- Have SEB inspectors allocated on a regional as well as sectoral basis to work with Acas and local business advisers, for example, accountants, to ensure employers and their staff are aware of relevant employment law.
- Incentivise smaller firms to allow Acas to conduct a free annual HR 'MOT' of their employment practices, for example by linking this to a potential reduction in their liability in any subsequent claim against them at an employment tribunal.
- Reinstate the ability for employment tribunals to make wider recommendations to employers to improve their people management practices. Employers would be required to work with Acas or a professionally qualified HR consultant to improve their people management practices. The SEB or other relevant enforcement body, would be responsible for following up these orders to monitor compliance, with power to fine employers not meeting their obligations.
- Ensure the SEB plays a central role in supporting the effectiveness of the employment tribunal system, for example, by taking responsibility for ensuring employers pay any compensation they are required to.
- Require the SEB to take on powers to oversee joint responsibility measures to help enforce employment rights across supply chains.

39 <https://assets.publishing.service.gov.uk/media/60be1b47e90e0743a210de29/single-enforcement-body-consultation-govt-response.pdf>

- Ensure 60% of workplace inspections are proactive and 40% reactive, based on an assessment of highest-risk workplaces.
- A further way of improving employer compliance would be to enable inspectors operating in a new SEB to mirror the Health and Safety Executive's enforcement powers and issue improvement notices as a first step in some circumstances. Employers that received an improvement notice would be referred to Acas to help them improve their people management capability and address particular areas of weakness linked to their non-compliance. If a business failed to engage and work with Acas, the SEB would have the capacity to take further enforcement action including fines for non-compliance.

There is also significant potential for the HSE, which due to its very particular remit is not proposed for inclusion in any SEB, to have more impact on improving compliance and workplace practices to support the health and wellbeing of the UK workforce. For example, the HSE's management standards⁴⁰ provide an effective template to help employers meet their existing legal obligations to identify and manage the causes of work-related stress. Stress is a rising cause of both short and long-term absence from work⁴¹ and can have links to conditions like anxiety and depression, often connected to economic inactivity.⁴²

However, HSE's capacity to meaningfully support compliance on stress prevention and management and promote adoption of good practice in workplaces has been undermined by a significant reduction in funding and consequently in inspectors and workplace inspections.⁴³ Its overall effectiveness has been further affected by the erosion of its research capacity and capability to maintain or develop links into particular sectors.

To address these issues and bolster its effectiveness as an enforcement body which can also support compliance and the adoption of workplace good practice, there would be a need to boost HSE's funding by about £100m a year which would take it back to the level it was in 2009/10.

Driving up employment standards and productivity

A labour market enforcement system with the capacity to meaningfully support employer compliance could play a much stronger role, not just in enforcing employment law as a minimum floor but driving up overall employment standards and productivity.

This view is supported by recent analysis by the Warwick Institute for Employment Research, which shows a link between job quality and productivity and also finds that this correlation is stronger for bad work and poor productivity. It concludes

40 <https://www.hse.gov.uk/stress/standards/>

41 <https://www.cipd.org/globalassets/media/knowledge/knowledge-hub/reports/2023-pdfs/8436-health-and-wellbeing-report-2023.pdf>

42 <https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/economicinactivity/articles/risingillhealthandeconomicinactivitybecauseoflongtermsicknessuk/2019to2023>

43 <https://library.prospect.org.uk/id/2023/April/24/HSE-under-pressure-perfect-storm>

that the focus on productivity initiatives should be on lifting more poor-quality work closer, at the very least, to the average level.⁴⁴ The labour market enforcement system is potentially the most effective lever for achieving this ambition.

Estimated cost

Developing a more effective labour market enforcement system as described above would require additional public funding. We estimate that this would require the UK Government to:

- Increase Acas's annual budget from £60m to £120 million a year to enable it to further develop its people management advisory services to employers as part of a more progressive labour market enforcement system.
- Invest an estimated £100 million a year to increase the number of labour market enforcement inspectors in the UK to OECD average levels of one per 10,000 workers.
- Increase the HSE's budget by £100m a year to restore funding to at least pre-2009/2010 levels in real terms.⁴⁵

Support worker voice and raise awareness of employment rights

Workers themselves are key agents in supporting compliance, change management and job quality. A powerful compliment and reinforcement to measures to strengthen the work of public enforcement and compliance bodies, as well as improvements in HR capabilities, would be a plan to improve awareness and strengthen voice among workers themselves.

Evidence and experience shows uneven and often very low levels of awareness among many workers about basic rights (eg minimum wage, trade union membership), as well as of positive ways they could improve their working lives, from upskilling opportunities to career pathways that might be open to them.

A survey commissioned by the Government in 2005 found that 28% of workers did not feel very well informed about their rights at work, and six per cent did not feel well informed at all. 55 per cent felt that they could do with knowing more.⁴⁶

But well-informed employees, with opportunities to raise concerns or ideas, can be a valuable stimulus and constructive partner for firms looking to uphold good employment standards, improve job quality, or change ways of working to increase their productivity and competitiveness. We also know that effective employee information and consultation practices, coordinated with or

44 https://d1ssu070pg2v9i.cloudfront.net/pex/pex_carnegie2021/2020/01/05125116/Can-good-work-solve-the-productivity-puzzle-FINAL.pdf

45 <https://www.britsafe.org/safety-management/2023/a-perfect-storm-why-funding-cuts-are-affecting-hse-s-ability-to-regulate>

46 <https://www.employment-studies.co.uk/system/files/resources/files/errs51.pdf>

complementary to engagement with trade union representatives where there is membership, can be a powerful driver of compliance, quality and competitiveness.⁴⁷

Numerous studies have shown that real worker voice and influence makes businesses stronger and more productive, as well as meeting workers' legitimate expectations that their viewpoints and ideas should be heard and valued.

- Comparison of high performing companies across Europe found that "The common characteristic of companies that score well on both performance and well-being are their extensive practices for ensuring direct employee participation... By stimulating and facilitating employees to vocalise and utilise their tacit knowledge managers gain access to a largely untapped resource"⁴⁸
- Analysis of UK data conducted by ACAS has found that managers' perception of relative labour productivity and financial performance correlate with employees' reports of involvement in decision-making.⁴⁹

Evidence shows that, where present, trade unions can make a very positive contribution to this. A recent ground-breaking study using data on firm performance in Norway found that "increases in

union density lead to substantial increases in firm productivity".⁵⁰ OECD research has confirmed that

*"More than ever collective bargaining, when based on mutual trust between social partners and designed so as to strike a balance between inclusiveness and flexibility, can help companies and workers respond to demographic and technological change."*⁵¹

A recent report from the OECD on how the opportunities of AI can be most effectively harnessed recommends "Supporting social partners' efforts to expand their membership to forms of work and employers where they are not currently represented".⁵²

Addressing deficits in worker awareness and voice can be a win-win, enhancing peoples' working lives while contributing positively to employers' ability to improve and innovate. Elements of an agenda to achieve this include:

1. Measures aimed at boosting employee and worker awareness of basic employment standards, skills offers and career pathways.

CIPD has argued that Government should run a 'Know your rights' campaign in partnership with bodies like the CIPD, Acas, trade unions, Citizens

47 <https://www.ipa-involve.com/news/what-role-does-engagement-play>

48 <https://www.eurofound.europa.eu/hr/news/news-articles/working-conditions-industrial-relations/improving-company-performance-by-investing-in-people>

49 <https://www.ipa-involve.com/Handlers/Download.ashx?IDMF=b3018539-31b1-4f6b-beb4-57ff9df1aa76>

50 <http://ftp.iza.org/dp11111.pdf>

51 <http://www.oecd.org/employment/negotiating-our-way-up-1fd2da34-en.htm>

52 <https://www.oecd.org/publications/using-ai-in-the-workplace-73d417f9-en.htm>

Advice and employer organisations to ensure that the workforce is aware of their rights at work and how to raise issues of concern.

Prospect has proposed that employers should be required to give all employees and workers a written statement outlining their legal right to join a trade union and take part in trade union activities and their employer's obligation not to subject them to "any detriment" for doing so.⁵³ This could be achieved by requiring employers to include information about these rights in the "written statement of particulars" given to employees and workers when they start work,⁵⁴ and/or remind employees and workers of their rights on a regular basis (eg annually) through an employer's "typical methods of communicating with its workforce".⁵⁵ This could be supported by reminders of rights in standard HMRC documents and forms (eg PAYE starter checklists and/or P60 slips).

ACAS, and/or any future SEB, could also be required to develop and report on a proactive strategy to raise awareness of these basic rights. A comparable objective might be that currently set for the British Business Bank to monitor and improve awareness of available finance options among small businesses. (President Biden's Task Force on Worker Organizing and Empowerment

recommended a similar role for the National Labor Relations Board and other labour agencies in the US.)⁵⁶

2. Measures to promote and support good practices of workforce information and consultation

Worker voice is an essential ingredient of job quality and a powerful contributor to workplace productivity. For these reasons the Financial Reporting Council highlights the need for workforce engagement and means for workers to raise concerns as key elements of good governance,⁵⁷ and recently highlighted its value in supporting positive culture change:

*"Workforce representatives, through a recognised trade union or other forum, can act as a facilitator to encourage more engagement from employees. They can also assist culture change by actively supporting culture monitoring and embedding."*⁵⁸

However it is not a well-embedded part of working life in many areas of the economy and many businesses simply lack an awareness of its potential benefits or expertise in how to conduct it effectively. Research for the Skills and Employment Survey

53 <https://www.legislation.gov.uk/ukpga/1992/52/part/III/crossheading/action-short-of-dismissal>

54 <https://www.gov.uk/employment-contracts-and-conditions/written-statement-of-employment-particulars>

55 An "employer's typical methods of communicating with [its] workforce" is an established principle in the existing Code of Practice on access and unfair practices during recognition and derecognition ballots <https://www.gov.uk/government/publications/code-of-practice-access-and-unfair-practices-during-recognition-and-derecognition-ballots>

56 <https://www.whitehouse.gov/wp-content/uploads/2022/02/White-House-Task-Force-on-Worker-Organizing-and-Empowerment-Report.pdf>

57 <https://www.ecgi.global/sites/default/files/codes/documents/2018-uk-corporate-governance-code-final.pdf>; see especially provisions 5-6.

58 https://media.frc.org.uk/documents/Creating_positive_culture__opportunities_and_challenges.pdf

found that fewer than one in five workers felt they were able to make suggestions or take part in discussions or consultations that contributed “a great deal” to improving work processes, products or services – and worrying signs that the prevalence of such practices had “taken a backward step in recent times with sluggish productivity one of its unwelcome consequences”.⁵⁹ More recent survey evidence from Engage for Success indicates that employee engagement took a further hit from the dislocations associated with the Covid pandemic and is not recovering as might be hoped.⁶⁰

CIPD and IPA have produced up-to-date guidance on effective use of ICE arrangements.⁶¹ Engage for Success offers advice and examples of good practice on a range of mechanisms for worker voice.⁶² Such approaches need to become the norm rather than the exception across UK workplaces.

Wider adoption of good practice, and development of employer and employee capability, could be encouraged and stimulated by building reasonable and proportionate requirements to consult into relevant policy frameworks.

- For example, the Information Commissioners Office currently recommends that employers “consult workers, and/or trade unions or other representatives, about the development and implementation of employment practices and procedures that involve the processing of personal information about workers” – which, under GDPR, effectively applies to the introduction of many new digital, data-collecting and automating technologies into workplaces. The removal of the requirement on organisations using personal data to conduct Data Impact Assessments which, among other things, must include proportionate consultation of affected individuals and their representatives, is an unfortunate step backwards in this regard.
- Expectations of minimum standards of worker voice, consultation and representation can also be promoted through procurement frameworks, as have been developed by a number of public authorities including the Scottish Government⁶³ and Greater London Authority.⁶⁴
- Prospect has argued that a “Right to Disconnect” should be implemented not through any top-down, “one-size-fits-all” restrictions on out-of-hours contact and availability but through a responsibility on employers to consult and agree with relevant groups of workers on a set of rules that is appropriate to particular roles and business models.⁶⁵

59 https://www.cardiff.ac.uk/__data/assets/pdf_file/0010/1229833/1_Productivity_at_Work_Minireport_Final_edit_2.pdf

60 <https://www.ipa-involve.com/news/the-strategic-importance-of-employee-engagement>

61 <https://www.ipa-involve.com/information-and-consultation-of-employees-ice-what-why-and-how>

62 <https://engageforsuccess.org/employee-voice>

63 See <https://www.gov.scot/publications/fair-work-first-guidance-2/pages/9/>

64 https://www.london.gov.uk/sites/default/files/gla_group_rpip_2022-24.pdf

65 <https://library.prospect.org.uk/download/2020/01157>

3. Measures to support the extension of trade union membership and recognition where supported by significant numbers of employees

Trade unions can make a powerful contribution to improving job quality and productivity – sometimes, where necessary, challenging employers to do better or think more imaginatively. They can often contribute capability, expertise and experience in compliance, consultation and change management to the benefit of businesses as well as workers.

But outside the public sector union density is low and collective bargaining coverage receding. In many sectors and workplaces unions have little visibility, with little understanding among workers or employers about what they can offer.

Prospect has proposed that to ensure all workers have a fair opportunity to access the advice and support that trade union membership can bring, employers that do not already recognise a trade union should have a duty to enable trade union access to and communication with workers where there is evidence of significant interest or support.

This would build on measures on access to workers during statutory recognition ballots enshrined in existing legislation.⁶⁶ Under current rules, it is accepted that during a recognition ballot a union should have “such access to the workers constituting the bargaining unit as is reasonable to enable

the union (or unions) to inform the workers of the object of the ballot and to seek their support and their opinions on the issues involved”.⁶⁷ However, this only applies once a union can demonstrate majority support for recognition and a ballot has been called by the CAC – a very high hurdle to meet in workplaces where unions do not already have a large profile or presence.

Under Prospect’s proposals a trade union should have a right to access or communicate with workers where they cross the threshold of either: 10% of the employees in a prospective bargaining unit demonstrably expressing support for the union to have access (eg. signing a petition); or 2% of the total workforce across an employer expressing support for the union to have access (with an absolute minimum of 15 employees).⁶⁸ Importantly, this would include digital communication if appropriate given the increasing prevalence of hybrid or remote working arrangements.

These proposals could be consulted upon through a Workplace Commission as part of a strategy to improve social partnership and consensus where possible on any proposed new regulation.

66 <https://www.legislation.gov.uk/ukpga/1999/26/schedule/1>

67 <https://www.legislation.gov.uk/ukpga/1999/26/schedule/1>

68 This is in line with the current threshold for triggering negotiation over information and consultation arrangements. <https://www.gov.uk/guidance/the-information-and-consultation-regulations>

Strengthen sector based social partnership and collective employer representation

A central foundation of a strategy to strengthen social partnership and improve workplace practices would be the development of stronger sector institutions. Research by the UK's former Industrial Strategy Council (ISC) led it to conclude that 'the UK is unlikely to achieve the step change needed to compete globally and smooth the impact of transition between old and new industries without an ambitious, strategic, and far-sighted sectoral strategy'.

The ISC's evidence⁶⁹ also highlights that improving the performance of everyday economy service sectors is important to overall efforts to boost productivity across the UK and will require a focus on managing and developing the workforce. This is because lower technology sectors are 'more reliant on improvements in management quality, better workforce skills and technology adoption.'

However, the UK's landscape of sectoral institutions is patchy and its experience mixed, characterised by a lack of Government commitment and support, and consequent uneven levels of engagement and capacity from relevant stakeholders. Nevertheless, there are some partial successes that can be learned from and whose positive impacts could be

built on and looked for in other sectors. Examples include:

- the automotive sector, where the tripartite Automotive Council established in 2009, building on practices of social partnership in the industry, is widely seen to have played a key part in furthering a renaissance in the industry over recent years⁷⁰
- the film and high-end TV sector, represents another recent economic and export success story supported by collaboration among industry federations, trade unions like Bectu, and bodies like the BFI. Working together these bodies have targeted problems such as excessive working hours and toxic workplace cultures, and their collective action was key to getting the industry up-and-running again as quickly as possible in the wake of the first Covid-related lockdowns.
- the defence manufacturing sector, where Government-backed cross-industry work in areas such as the 2009 Terms-of-Business Agreement and the current work of the Shipbuilding Skills Delivery Group has been key to improving efficiency, competitiveness and resilience
- the nuclear sector, where the Nuclear Industry Association serves as a forum for stakeholders to network and identify a shared vision for the future, practical goals that can be advanced together, as well as priority issues on which to press for Government action

69 <https://industrialstrategyCouncil.org/sites/default/files/2020-10/The%20Sectoral%20Landscape%20-%20Research%20Paper.pdf>

70 See for example <https://www.automotiveCouncil.co.uk/what-is-the-automotive-council/>; <https://www.theengineer.co.uk/content/opinion/is-the-uk-automotive-industry-on-the-road-to-revival/>; http://www.ceris.cnr.it/ceris/workingpaper/2013/WP_21_CALABRESE_COFFEY_PARDI.pdf; <https://www.ft.com/content/579a5da2-6097-11e2-a31a-00144feab49a>; <https://www.ft.com/content/1f21764e-54fe-11e7-80b6-9bfa4c1f83d2>; <https://researchbriefings.files.parliament.uk/documents/CBP-7682/CBP-7682.pdf>

- renewable energy, where discussions are at a much earlier stage but where Renewable UK is working with unions like Prospect to develop shared understandings and agendas in areas like skills, health and safety and job quality
- construction, where the Construction Leadership Council brings together voices from across the industry, including workforce representatives, to identify and progress joint objectives in areas such as skills needs, environmental impacts, and the risks of over-reliance on self-employment.
- a clearly defined scope and agenda, broad enough to keep key stakeholders “in the room” but realistically focused on practical, substantial objectives to prevent it becoming merely a bureaucratic or process-driven “talking shop”
- a broad and diverse range of voices, including smaller firms in key supply chains as well as the biggest corporate players, relevant academic and other experts, and an appropriately diverse range of workforce and trade union representatives.

Issues addressed by these bodies include the development of shared visions and strategies for the industry that can facilitate joint-working and employee engagement, identification of skills gaps and future skills needs, common health and safety standards and general improvement in working practices and jobs quality.

None of these bodies or processes are perfect, but all are valuable experiences that can be learned from. In the experience of Prospect, important factors for making a positive impact include:

- most importantly, continuity and durability – because it takes time to build trust and develop relationships that can withstand inevitable disruptions and disagreements, and because effective engagement requires investment in capacity and capabilities

These insights also chime with recommendations from the Industrial Strategy Council which concluded⁷¹ that clearly defined policy objectives, sufficient scale and longevity are the key ingredients of a successful sectoral strategy.

These points should be taken into account both as we look to strengthen existing sectoral initiatives and bodies and also, crucially, as we look to extend this approach and pursue similar positive impacts in other parts of the economy. As things stand, a sectoral focus has been most prevalent and developed in relatively high-productivity, high value-added, traded sectors. But as well as continuing to improve in these areas we need to look for lessons that can be extended and applied to other areas just as critical to our country’s prosperity and quality of life.

Analysis by the ISC emphasised the need for government to take steps to boost productivity at a sector level, including among large, low-pay service sectors like retail, hospitality and care.

71 <https://industrialstrategycouncil.org/effective-policy-approaches-sectoral-issues>

It concluded: 'Services matter and require policy attention due to their sheer scale, their often-lagging productivity, and the difficulties they face in the aftermath of the Covid-19 outbreak. But they are also crucial because of their increasing importance to the manufacturing industry, their growing export potential, and the significant non-quantifiable benefits they provide (e.g. care sector's role in wellbeing, or creative industries' role in UK's international soft power).'

Sector bodies key to informing strategic supply and demand-side skills issues at industry level

Stronger sector institutions that can enhance social partnership at an industry level could also play a critical role in identifying common areas of skills shortage or gaps including people management capability. Consequently, they could help inform the sector specific skills priorities that could help inform the funding priorities for a more flexible skills and growth levy.

Strengthened sector bodies can play a role in helping employers – particularly SMEs - have a more sophisticated understanding of their people management and development needs in the context of changes to business strategy or investment in technology.

For example, key areas of HR practice such as change management, job design, employee voice, people management skills and training and development activities are likely to be critical in enabling effective adoption of technology across many sectors.

More effective sector bodies could help highlight and promote best practice such as encouraging more larger firms to take steps to support small firms in their supply chain to enhance workplace practices. However, there would need to be concerted action to improve sector bodies' ability to support and promote social partnership and collective action to address skills supply and demand side (workplace) issues.

Currently, the sector institutions that support different industries are highly varied, ranging from those based on the now-defunct Sector Skills Councils and groups of employers linked to the previous government's sector deals. There are also a number of industry bodies such as the British Retail Consortium and the British Hospitality Association which represent firms in their sectors.

The level of professional support and the degree of meaningful employer engagement provided through these bodies inevitably varies and in many cases would need to be significantly strengthened if they were to play a more meaningful role.

Another key variable is the breadth and depth of relevant stakeholder representation. For example, some sectoral bodies and initiatives have been effectively strengthened by inclusion of workforce and trade union representatives. But too often this has been ad hoc, patchy or limited to a single token seat that can't always adequately reflect or capture the diverse composition of a workforce or the number of different issues it faces. For example, trade unions were formally involved in the Government's Nuclear Skills Taskforce and Green Jobs Taskforce, but not in the follow-up Delivery Groups.

The Government could set out the ambition to enhance key sector bodies and strengthen their ability to drive collective employer action on workplace practices to improve skills development and use, job quality and technology adoption.

Estimated cost

To support this, the next Government could establish a £50 million social partnership fund which sector bodies could bid for to improve their ability to support partnership working between employers and unions at an industry level.

Improve locally delivered HR support for SMEs

A further corner stone for a strategy to improve firms' employment relations and workplace practices would need to be much better local business support for small firms on HR and people management.

Analysis by the OECD cites evidence that high quality publicly supported business advice can have an important impact on improving SME productivity and growth performance.⁷² This concludes that 'SMEs that avail themselves of business advice generally tend to have better growth performance and be more growth oriented than the average. By contrast, there is a link between the long tail of under-performing SMEs and the non-use of advice. A deliberate outreach strategy might be required to influence management practices in the long tail of low productivity SMEs.'

However, a recent report by the Gatsby Foundation found extreme variability in the type and availability of locally provided business support services through Growth Hubs in England.⁷³ This also reflects findings from a 2017 select committee inquiry into industrial strategy which found 'a confusing and complex landscape of policies and interventions designed to support businesses'.⁷⁴

72 https://www.oecd.org/industry/smes/Final%20Draft%20Report_V11.pdf

73 <https://www.gatsby.org.uk/education/latest/unfinished-business-business-support-services-and-further-education>

74 <https://publications.parliament.uk/pa/cm201617/cmselect/cmbeis/616/616.pdf>

Research by CIPD⁷⁵ also shows that there is very little focus within publicly funded business support services on raising people management capability at a regional level in England, and limited available help for firms to improve their practices. Exceptions include evolving efforts – for example, in Manchester, Liverpool and London, creating local good employer charters as a way of championing the importance of people management and development. However, such initiatives take time to gain traction and require effective marketing and business support services to boost wider uptake and impact beyond the ‘good’ employers that are naturally attracted to such initiatives.⁷⁶

The picture provided by the above analysis suggests that the quality of publicly funded, locally delivered business support, particularly on improving people management and development capability is inadequate to say the least. It also suggests that there is a need for a fundamental change in public policy on how to deliver business support services to SMEs.

Rethink needed on how to deliver business support for SMES

CIPD has run a number of People Skills HR support pilots for small firms in different parts of the UK since 2016 which have shown both the need for and the benefit of providing HR support to SMEs.

People Skills pilots have been run in Hackney (east London), Stoke, Glasgow and most recently Birmingham. They have provided a limited amount (up to two days per firm) free HR consultancy support to SMEs through key delivery stakeholders like Growth Hubs, chambers of commerce and local authorities. The evaluation of the pilots highlighted the typically low level of HR capability among most SMEs – particularly micro and small firms.⁷⁷

It found that the initial requirement for HR support among most SME owner manager was usually at a basic, transactional level. For example, ensuring there are written terms and conditions of employment or job descriptions in place and consistent policies an/or formal processes for recruitment, and on managing performance, conflict and absence.

Evidence from the pilots suggest that building core people-management capability and improving firms ‘absorptive capacity’ is a necessary first step to business improvement for many SMEs, particularly micro and small firms. This is because they typically lack a dedicated HR function and/or are time and resource poor and lack in depth knowledge of their skills gaps and people management challenges and how to address them effectively.

75 https://www.cipd.org/globalassets/media/knowledge/knowledge-hub/reports/productivity-and-place-the-role-of-leps-v2_tcm18-54430.pdf

76 <https://www.mmu.ac.uk/media/mmuacuk/content/documents/business-school/decent-work-and-productivity/GM-Charter-Evaluation-Interim-Report-June-2021.pdf>

77 <https://www.cipd.org/uk/knowledge/reports/hr-capability-small-firms/>

Importance of helping SMEs get the HR/ people management 'basics' in place

The evaluation also indicated that the provision of transactional HR support could be extremely valuable and provide a foundation for improvements to workplace practices and outcomes. For example, participating owner-managers were more likely to report their organisation being better or much better than similar firms in their sector on measures of workplace relations, labour productivity and financial performance after using the People Skills HR support service.

The CIPD's People Skills pilots evaluation found there was little deadweight associated with this type of support, with a large majority of the participating firms never having invested in professional HR support previously. The pilots further suggested providing a limited amount of free support can help encourage owner managers to invest further in their people management practices once they've understood the value that improving HR capability can bring.

Business support services need to be bespoke and flexible

In addition, the People Skills pilots highlighted some key considerations for the effective delivery of business support. The evaluation found that a flexible, consultancy model of business support is particularly valued by owner-managers of small firms because:

- it's easy to access
- it provides a bespoke diagnosis of the immediate people-related business challenges small firms face
- it develops targeted, context-specific support or training.

In contrast, off-the-shelf business support offers with fixed curriculums and/or those requiring lengthy time investment on the part of business leaders and managers (to either access or benefit from) are unlikely to be as attractive.

CIPD believes there is a strong case for rolling out a People Skills model of business support across local authority areas in England as they take over responsibility for running Growth Hubs and other functions previously sitting under Local Enterprise Partnerships.

The provision of HR capability building support for small firms at a local level would support wider policy efforts to improve workplaces practices, job quality, skills investment and development and labour market participation. For example, enhanced sector bodies could signpost and refer SMEs in their industry to this type of high quality locally delivered business support to build their HR and people development capability.

Estimated cost

CIPD has previously estimated that if a People Skills model of business support was rolled out across all 38 LEP areas it would cost between £20m-£40m a year and could support 20,000 to 40,000 SMEs a year depending on the level of funding provided.



3. How to fund it

The proposals in this paper would together cost in the region of £350m a year. This could be funded through relatively minor changes to arrangements for tax relief on R&D and intellectual property income (the patent box). Latest HMRC figures show that together these tax relief schemes cost the tax payer nearly £9bn a year.^{78 79} However there is significant evidence they are failing to have their intended impact on the economy.

Investment in R&D and science-based innovation is of course critically important to the UK's competitiveness and productivity potential and needs to be an ongoing priority, and tax credits are an accepted means of encouraging it. However, as cited in this paper, there is strong evidence that a narrow focus on R&D investment, and green and high-tech sectors, needs to be augmented by a broader strategy to boost innovation adoption and productivity growth across all sectors of the economy.

Of 3 million active UK firms, just 90,000 claim R&D tax credits, meaning 97% of firms don't. Similarly, less than 1,500 mainly large firms benefit from patent box relief.

There is also evidence that the R&D schemes and the patent box tax aren't value for money. A recent National Audit Office study suggests that hundreds of millions of pounds may have been wasted in payments on the SME scheme

due to error and fraud. For example, when HMRC increased their scrutiny of claims, their estimate of the percentage loss due to error and fraud went up from 5% to 24%. Contributory factors included incessant tinkering with the design of the schemes, insufficient resources given to administration and priority being given to prompt payment rather than effective scrutiny. The patent box seems not to suffer from poor administration as its beneficiaries are a small number of large firms. However, the evidence is mixed on whether there is any economic benefit. Margaret Hodge MP, Chair of the All Party Parliamentary Group on Anti-corruption and Responsible Tax, highlighted in December 2023 concerns over the public value of R&D tax credits and assessed that patent box relief had been 'exploited as a tax loophole'.⁸⁰

Changes to the R&D tax relief scheme were announced in Autumn Statement 2023 which should reduce the incidence of waste and fraud in future provided the current level of scrutiny is maintained. Nonetheless, there is a strong argument for reforming the schemes for R&D investment at least to a relatively small degree to redirect a portion of public funding to support the sort of policies outlined in this paper. A relatively straightforward change would be to reverse the increase in the subsidy rate announced in Autumn Statement 2023. There is a strong argument for abolishing the patent box entirely.

78 https://publications.parliament.uk/pa/ld5803/ldselect/ldeconaf/137/13705.htm#_idTextAnchor012

79 <https://www.gov.uk/government/statistics/patent-box-reliefs-statistics>

80 <https://www.theguardian.com/commentisfree/2023/nov/30/britain-margaret-hodge-commons-tories-economy-labour>

Government has always been comfortable making big bets on productivity-enhancing investments in R&D as outlined above and in physical infrastructure, such as the £66 billion latest estimated cost of HS2.⁸¹

The analysis in this paper suggests that there is an equally strong case for additional, relatively small-scale investment to help Government work more effectively in partnership with employers and trade unions and other key stakeholder to improve workplace practices and raise firm-level innovation and productivity across all sectors and regions of the UK.

81 <https://www.theguardian.com/uk-news/2024/jan/10/hs2-cost-of-london-birmingham-line-rise-mps>



Strong partnerships, good jobs, productive workplaces

A discussion paper

