



21st century enlightenment

A new social contract for work?

Matthew Taylor, 2013 Chief Executive's Annual Lecture

Delivered 11 November 2013

Transcript

This is my seventh annual lecture as RSA Chief Executive. Thank you for joining me.

As part of a strategic review, the RSA is currently asking how we should see the world and the role the RSA might play in shaping progress. The three key ideas at the heart of our current thinking are 'creativity', because we need a world in which people are able to develop their own solutions and fulfil their own potential, 'inclusion' because the power to create needs to be something open to all, and 'responsibility' because creativity cannot simply be bestowed - it is something to which we ourselves must aspire.

Paid work consumes the biggest proportion of the main part of our adult lives. For ourselves and for the good of our society we need work to be a site of creativity. But for most people it is not. This is why the quality of work is something that should concern the RSA.

My argument today has two elements:

First, improving the quality of employment practice, and particularly employee engagement, is not just important in itself. By enriching working lives we would also be helping to tackle our nation's key economic and social challenges.

Second, this is not as intractable a structural or cultural problem as it might seem. There are practical steps which could yield significant gains and command broad support.

To put it simply: we not only should, but we can, make our country stronger by making employment better.

Looking at the challenges our country faces – an economy which has major structural weaknesses, moderately performing public services which face continuing cost pressures, falling living standards and high levels of inequality – politicians and other commentators tend to identify one key area which they think will provide a panacea for our ills. The left might look to social justice, while the right turns instinctively to freeing the market to drive economic growth. We all seem to see education as vital but don't agree about the direction of reform.

Jobs too have been described as the priority. Paid employment occupies a dominant position in society's self-conception. It drives the economy, offers the best route out of poverty and is central to social identity, self-esteem and wellbeing.

Yet the despite the importance we ascribe to work there are huge problems with the pattern and nature of employment. There are millions of people who are either unemployed or underemployed - working part time when they want to be full time - and millions more whose work fails to lift them out of poverty. Two thirds of children in poverty live with employed parents.

These are vital issues. But while the debate on jobs tends to be dominated by quantity and remuneration, quality is also crucial. Here too we find that hopes for rewarding working lives are not matched by the reality.

True, overall levels of reported job satisfaction are reasonable, indeed improving. But satisfaction is a retrospective reflection of whether our basic needs are being met in the workplace. Is the job safe, is pay adequate etc? We need higher ambitions if work is to play the role it could in making our lives better and our country more successful.

And when we look at a more ambitious definition of good work, particularly focussing on employee engagement, the picture is far from reassuring. In its most recent global survey of employee engagement Gallup found that fewer than one in five UK workers felt engaged at work while two thirds felt unengaged. Most disturbing, we lead Europe for those actively disengaged: more than a quarter of UK workers according to Gallup's definition 'aren't just unhappy at work; they're busy acting out this unhappiness'.

Just last week a Microsoft study of 2,000 UK office workers found that fewer than one in ten say believe they've made a significant contribution to their employer over the last year, while almost a quarter say they have never made any major contribution to their employer.

Better work and a better country

Employee engagement can seem a fuzzy concept and its meaning is contested but there is a growing consensus that it is a valid measure of the degree to which workers invest enthusiasm

and energy in their work. Researchers and businesses are increasingly seeing how central engagement is not only to organizational and economic success, but also a range of wider benefits.

The first is productivity. The UK's performance has not for a long time been great but over recent years has got worse. Now, according to the latest data, UK workers produce 16% less per hour than the average across the G7.

The foundations of productivity are complex and contested. Investment and technology are clearly important but so is the way workers are treated and the extent to which they commit their talents and energies to their jobs. Organisations from Serco to Sainsbury's to the NHS have found a strong correlation between employee engagement and employee productivity. The CIPD estimates that disengaged employees on average take more than twice as many sick days as engaged employees. The OECD says that one in five workers is over-qualified for their job. Estimates vary, but there is no doubt that reducing the number of actively disengaged workers, or increasing the number of actively engaged, could add tens of billions of pounds to our GDP.

The second benefit relates to fairness. Politicians across a wide spectrum of opinion recognise the problems of inequality. The minimum wage has dropped £1000 per year in real terms since it was established. Over the last thirty years, overall wage inequality has grown and the top fifth of earners earn 14 times as much as the bottom fifth.

Growing inequality also has a de-stabilising impact on the economy. There is a cogent argument – made by no lesser an authority than the OECD – that growing disparities in wealth and income contributed to the credit crunch.

There is circumstantial evidence linking the decline in the power of organised labour to widening wage disparities. There is surely a case for saying that were employees to be given more information on the distribution of rewards in their company, if their views of these distributions were shared and if companies were required to recognise and respond to those views, the pressure for a more just distribution of rewards and other benefits within the firm –including access to training - might grow.

A third strand of argument focuses on health and well-being. The correlation between unemployment and worse health outcomes is well-known, but among those who are employed there is also strong evidence of links between satisfaction and engagement at work and wider measures of health and wellbeing. We face an epidemic of depression and anxiety in society, bringing with it major costs for the welfare state. According to Gallup, workers who are actively disengaged at work are twice as likely as engaged workers to say they felt stress and anger.

Disengaged, de-motivated and over controlled employees are more likely to become physically or mentally unwell.

We have tended in public discourse and policy debate to see the quality of working life as a side issue deserving attention only when more fundamental problems have been addressed. This is a mistake.

In a free society paid work should not be compulsory. There will be people who are unable to work or choose not to and accept the consequences. But for the rest of us, the social contract of work is broken. A new contract should have two clauses. First, if employment is essential for social inclusion and acceptance then employment should be available to all. Second, and just as important, if being a valued and respected person involves being in work then being treated as a valued and respected person should also be integral to work.

Routes to better work

So engagement and good employment matter but how are they to be achieved? Engage for Success, our partners for today's event, say engagement is most likely to occur when four conditions are in play:

First, when there is a **strong strategic narrative** about the organization and its purpose, second, when there are **engaging managers** who focus on their staff and give them scope to develop as individuals. Third, when there is **employee voice** throughout the organizations, helping to agree decisions and free to express disagreement and finally when there is organisational **integrity** – corporate values are reflected in day to day behaviours.

These principles seem eminently sensible, they offer gains for workers, managers and society and - as Engage for Success have shown in their advocacy – they have widespread support.

The conundrum is this. Why have our aspirations for work not turned into social norms and expectations?

I believe the critical barriers are cultural and institutional; we need to free ourselves from outmoded mind-sets and allegiances if we are to close the gap between aspiration and reality. But let me first turn to a couple of other important steps we could take to start making work better.

Take the valuing of employees: in our data rich world if something can't be measured it tends to be undervalued. The conventions of accountancy describe money spent on capital investment as contributing to a company's assets while money spent on people counts merely as a cost. This way of thinking is a hangover from the era when mass manufacturing was the dominant industrial

paradigm. In the modern knowledge economy the majority of the assets of the organisation lie in the knowledge and skills of its workforce, yet these assets are absent from the balance sheet.

As part of our growing interest in work and employment, the RSA is an active partner in Valuing Your Talent, an initiative launched last week. It brings together academia, management, accountancy and employee organisations to develop an agreed framework for measuring, reporting and driving investment in human capital. Over the coming months we'll be developing this framework and sharing it as a common, publicly accessible tool that we hope will stimulate widespread adoption.

Linked to this we need to shift from an over reliance on technology as the site of workplace innovation to a greater focus on the way work environments are designed. Our work organisations are still heavily conditioned by the assumptions of industrial ways of working: hierarchical organisation, job simplification and the division of labour; efficiency and execution over exploration and experimentation. A few radical work organisations have always existed at the margins, reminding those in the mainstream that work doesn't have to be the way it so often is: It can be unbureaucratic, purpose-driven, highly autonomous, multi-skilled, collaborative and deeply satisfying.

Unfortunately the appetite for experimentation seems limited in traditional sectors and well-established businesses and professions, if not in the more creative sectors and among startups. The genuine exceptions are rare and often repeated: Semco (as it was); WL Gore; The Mondragon Co-Operative. John Lewis is widely praised and there is widespread enthusiasm for mutual and co-operatives, yet different forms of governance are not necessarily reflected in innovative forms of employment.

We should be helping organisations question the way they work, supporting reform and innovation. On our website the RSA recently launched an animation to provoke just such questioning. We want to find organisations designed and run specifically to optimise work engagement. The aim is to learn from them, use them as inspiration and partner them with other businesses keen to trial new ways of doing things.

Let me turn finally to a cultural divide and related institutional failure which together represent a major barrier to more widespread and robust employee engagement.

A missed opportunity?

Over the last thirty years power has shifted from employees to bosses and managers. There was the reduction in trade union legal rights and privileges in the 1980s. Union density has fallen

particularly in the private sector. Employers have become globally footloose, willing to shift employment to lower wage jurisdictions and – as I have said – there has also been a trend toward more unequal remuneration.

There seems to be little desire for a return to sixties style industrial relations but back in 2004 there was an opportunity to halt this decline in collective employee voice; to find a third way between master and servant employment practice and old style collective bargaining.

Prompted by the European Union, regulations passed into law in 2004 introduced processes to provide independent employee representation and rights to information and consultation. Based on agreement with the CBI and the TUC, and perhaps reflecting business, trade union and Governmental ambivalence about the whole idea, the regulations were highly voluntaristic in form. Measures only took force if employees or managers activated them. Key aspects of the system such as the degree and depth of consultation, and the support given to staff representatives, were in effect left to management discretion.

From the limited research that has been published on the effect of the regulations two broad and connected conclusions can be drawn. The first is that its overall impact has been limited. It has not, as some feared and others hoped, opened the door to a shift towards more European style worker engagement. The second is that the key determinant of whether new arrangements are seen to be effective – particularly by workers - is the degree of commitment shown by management in supporting the process.

Yet while this opportunity has been missed and while the tide of collective employee organisation has been on the wane – particularly in the private sector – a different type of employee engagement has emerged strongly. The last twenty years have seen the growth in a variety of schemes – among the most prominent being Investors in People and Best Companies – which seek to improve employment practice.

Indeed the experience of introducing Best Companies at the RSA in part inspired this lecture. Our decision to do so was made with good intentions but not with a full appreciation of its potential impact. As managers we hadn't understood the range of questions we would be required to ask our employees - from leadership to well-being, from company values to fairness – or the forensic and challenging nature of the data generated.

Not only did we find to our discomfort that the RSA was merely a satisfactory employer in the eyes of its employees but also that some departments and managers lagged behind even the moderate standards we had as an organisation. Our experience confirmed wider research which shows that managers nearly always overestimate the level of engagement in their organisation.

The findings of the survey are now driving a wide ranging programme of change in this organisation, ranging from clarifying our mission and purpose to improving performance management to reviewing our salary structure.

The irony of the current impasse in employee engagement is this: arguably, in the more rigorous and authentic implementation of the 2004 Regulations and in the use of the most powerful tools for individual employee engagement we have in reach the key elements of what could be an agreed threshold for good employment.

This combination of the individual and the collective, of satisfaction, engagement and rights is not merely pragmatic. We have seen – for example at Mid Staffs NHS Trust – that the most dreadful managerial practice can exist in places with strong provisions for collective worker representation and voice, and we have seen over and over again that a voluntary commitment to individual employee wellbeing and engagement can prove empty when company bosses feel it is in their interests to make unilateral decisions with potentially disastrous consequences for their workers.

Breaking the frame

So why is it so hard to knit together the two key strands of employee engagement – collective representation, information and voice along with individually focussed measures of employee well-being and fulfilment?

To answer I will draw on the theoretical framework I outlined in my annual lecture last year. According to this theory we should see complex change as most likely to be accomplished through combining - as best we can - three alternative and competing ways of thinking about change: the **hierarchical** in which change is about things like leadership, strategy, planning, authority; the **solidaristic** in which change is about belonging, community, fairness and shared values; and the **individualistic** in which change is about competition, acquisitiveness, enterprise, and innovation.

While it is possible to make a case for employee engagement and good work from each of these three perspectives, each is also prone to making a more limited and self-serving case.

From a hierarchical viewpoint better employment practice, including employee engagement, can be seen as a more benign way for managers to get what they want – contented, compliant and hard-working employees. There is less enthusiasm for giving employees an independent voice for concerns and criticism or for engaging with employees to build agreement to changes which impact staff. As one seasoned HR practitioner and champion of employee engagement said to

me 'too many managers think employee engagement is just for the good times. When organisations have to make tough and unpopular decisions suddenly they try to revert to master and servant mode'.

From a solidaristic viewpoint employee engagement can be supported in as much as it delivers genuine gains for workers. However, the idea of working with employers to develop a sense of shared purpose and mutual responsibility is viewed with scepticism given the assumption – often reinforced by managerial behaviour – that ultimately the interests of bosses and workers are in conflict. The British trade union movement has traditionally preferred to rely on industrial muscle than organisational partnership. Employee autonomy, satisfaction and engagement are all very well but what matters most are representation and rights.

From an individualist perspective good employment practice is, of course, to be preferred to bad but in reality the responsibility for making good work lies with the individual. Organisational arrangements and culture are all very well but ultimately what matters is the scope for individuals to get ahead through their own efforts. Work is a means to an end. Anything on top of that is a bonus.

I believe the predispositions and camps associated with these mind-sets help to explain the wide gap between rhetoric and practice on good employment. Instead of an adherence respectively to authoritarianism, adversarialism and instrumentality we need instead a managers to aspire to pluralism, workers representatives to partnership and all of us to fulfilment at work.

Which brings me to a modest concluding proposal intended to act as platform for spreading high quality employee engagement:

Could an alliance be forged between progressive employers, modern trade unions and employee engagement organisations such as IIP, Best Companies and Engage for Success? The goal of this alliance would be to define and promulgate a framework of basic provisions – primarily a robust and transparent measure of individual employee experience, engagement and well-being, and the provision of collective representation, information and consultation – which would together enable organisations to receive the designation of 'Good Employer'.

Organisations seeking to attain this status could choose from a wider number of accredited organisations – from trade unions to HR consultancies. Thus the framework would provide the basis for a lively marketplace in employment partners but would not act as a meal ticket to any.

Given the evidence of the positive externalities of good employment practice and the existence of a substantive but flexible framework such as this, could we over time seek to make Good

Employer status something which, although entirely voluntary, would be seen as vital to a company's social licence to operate and that would influence the choices of consumers and investors? Could it, for example, bring into play the provisions of the Social Value Act that enables public authorities to consider wider social benefits in making procurement decisions?

If managers accept that robust employee engagement has to include representation and voice, and if the champions of workers recognise that most employees see no inherent conflict between their interest and those of their organisation, can we overcome the long legacy of poor management and industrial strife and aim for a full sense of engagement at work to be the experience of the vast majority not the lucky minority?

Valuing work ourselves

A new engagement framework could take us some way forward. But we shouldn't forget the importance of individual aspiration or of the idea of responsibility that I described in my opening words.

Survey after survey shows that one of the key determinants of whether we enjoy work and whether it is good for us is the degree of autonomy and discretion we feel we have in our jobs. This may be one reason why we have seen a rapid rise in self-employment and in the proportion of young people who aspire to be their own bosses.

But most of us will continue to work in organisations.

The least well paid workers tend to have the least control at work but disengagement is a phenomenon across the labour market. In an outspoken recent article, which struck a chord with readers all around the world, the LSE's David Graeber asked why so many people are in what he calls 'bullshit jobs'. He quotes a successful corporate lawyer who says his job is utterly meaningless, contributes nothing to the world and should not really exist. In a similar vein, the Microsoft study I quoted earlier found that nearly four in five office workers considered a sufficient measure of a successful day at work was simply clearing their email inbox.

It is not for me to comment on the value of corporate law or office work, but we can hardly expect human dignity and fulfilment – which is ultimately the measure of better work – if we do not ourselves seek it. Graeber reminds us that reform and innovation will only come about if we as workers move beyond a deficient, instrumental and unquestioning attitude to our jobs.

Good for us, good for organisations and good for our country: Better work should be everyone's business.