BUILDING THE BEST JOBS MARKET IN THE WORLD

THE EXPERT VIEW

A COLLECTION OF ESSAYS

Foreword
Kevin Green, Chief Executive, Recruitment and Employment Confederation

The UK labour market has undergone significant change in the last decade and we believe this will only accelerate over the next few years. There will be growth in independent working, employers will be looking to keep their core workforces lean while seeking to resource in response to peaks in demand whilst balancing scarce talent in a more flexible way. At the same time many individuals are seeking to gain more control over their work and balance work with life's other priorities, be that family or study. We feel strongly that the UK's dynamic labour market is a real competitive advantage and must be nurtured and protected. We know that not everyone agrees with us at the REC, but I think we all appreciate that we have a shared ambition of making the UK the best jobs market in the world. So we have set out to speak to and collect the views of experts about how we achieve this lofty and important ambition.

Each expert has their own particular vantage point on our economy and labour market. This makes for stimulating reading and discussion on the critical challenges that lay ahead. We are clear that while some of the challenges rest with government, it is also clear that there will be as many challenges for businesses and individuals as well as for recruiters who keep this fantastic jobs market functioning.

It is fair to say that the recession did have an impact on the jobs market, but many of our essayists state that the historical relationship between economic demand and jobs has not held this time. Yes, there was a fall in investment and consumer spending retracted. But employment responded differently. The scale of the corresponding fall in employment was much lower than in previous recessions. The recovery has also been different, with employment currently at record numbers.

Population growth explains this in part, but greater shifts at work have been occurring.

This year we will have a new government. The vast bulk of the messages about the UK labour market are positive; however, some critical challenges lay ahead. External forces may well impact on the labour market; for instance, uncertainty in the Eurozone and Britain's ongoing membership of the union possibly being in question.

However, the essays highlight areas of debate and contention within our successful labour market. Can we boost productivity or is poor productivity part of a structural malaise? What about wage growth? Does unemployment have to fall further to prompt wage growth or will this only rise when productivity increases? Have the skill needs of employers altered and how does the country address persistent skill shortages: by improving education or increased immigration, or both? How will the migration debate play out post-election?

Some of the essays note that progress has been made in women's participation in the labour market and more older workers remaining actively employed than ever before. However, we and many of the experts feel so much more can be done. How do we strike the right balance between flexibility and security to the benefit of workers and businesses alike? We are likely to work for more years than our forefathers ever did. Therefore, new solutions need to be found to support individuals who may have a career lasting 50 years including multiple jobs and as many as four or five different careers.

All of the above questions interact and compound one another. The essays conclude with a look at the future. How will technology change the way we work or think about work? How do employers go about attracting and retaining talent as this becomes the key driver of commercial and organisational success? A hundred years in the future, when we look back at the UK labour market, we are convinced that this period will be seen as a transition point, where we moved from an industrial-driven rigid labour market to one driven by knowledge, flexibility and imagination.

All of the essays bring to life the importance of our jobs market and many include a call to action. That many of the essayists don't agree with our views or those of each other was one of our objectives of creating a mature, thoughtful and meaningful debate. The UK jobs market is too important to leave to chance. The REC will continue to facilitate and stimulate the debate about how we build the best jobs market in the world.

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STRONGLY RISING EMPLOYMENT ALONGSIDE WEAK PRODUCTIVITY GROWTH AND FALLING REAL WAGES HAS RESULTED IN A NEW NARRATIVE.

DAVID SMITH, THE SUNDAY TIMES

Can the employment miracle continue?
David Smith, The Sunday Times

Everyone can agree that Britain's labour market has performed extraordinarily in recent years. Employment fell by much less than feared in the 2008–09 recession, dropping from 29.7 million to 29 million, a fall of 2.3% in the context of a 6% slump in gross domestic product, almost a perfect mirror image of the early 1990s, when employment fell by more than 6% in a much shallower recession. In 2008–09 the employment rate fell from 73% to 70.2%, about half its fall in the early 1990s.

A deep recession associated with a relatively mild employment shakeout might have been expected to be followed by a very subdued jobs' recovery. If employers were hoarding labour during the recession, why should they need to recruit during the upturn? In fact, the employment upturn has been strong, particularly as the economic recovery was weak during its early stages. Employment by late 2014 was 30.9 million, 1.2 million above pre-crisis levels and 1.9 million higher than the recession low. The population has increased but employment has risen faster, lifting the employment rate to 73.2%. The fact that this has occurred alongside a fall of almost 1 million in public sector employment is even more remarkable.

The story, then, has been one of considerable employment success, balanced in part by weak productivity growth and, until recently, falling real wages. Output per worker across the whole economy in the third quarter of 2014 was just 0.7% higher than in 2010, while output per hour was unchanged on its 2010 level. Mean real average earnings have fallen by almost 10% compared with pre-crisis levels, while median earnings have dropped by nearly 6%. The difference is because higher earners have experienced the largest falls.

Strongly rising employment alongside weak productivity growth and falling real wages has resulted in a new narrative. This is that it is possible to have more jobs, or more productivity (and growth in real wages), but not both together. It is one or the other. Once productivity growth begins to return to normal rates and pushes up wages, in other words, the rise in employment will inevitably slow and may go into reverse. Is this the future that Britain's job market is condemned to?

One gloomy view, that the weakness of productivity is permanent or 'structural', is often associated with the idea that the workforce has been dumbed down or de-skilled since the crisis. So on this view the new jobs have been low-paid, low-skilled jobs – many of them minimum wage jobs – dragging down both productivity and wages. That, in fact, has not been the case. Jonathan Cribb and Robert Joyce, in their chapter in the February 2015 Institute for Fiscal Studies Green Budget, pointed out that patterns of employment in recent years do not fit either the story of a boom in low-skilled jobs, or the 'hollowing out' of the middle. In 2014, 44% of jobs were in the standard occupational classifications for high-skilled, up from the 2007 pre-crisis level of 42.5%. Medium-skilled jobs, 30.9% of the total, were the same proportion as in 2007. The proportion of low-skilled jobs, down from 26.6% to 25.2%, has fallen, not risen.

Another important part of the story lies in the detail of what has happened to productivity. Have firms traded weak productivity (and real wages) for rising headcounts? Though that appears to be the case in the aggregate, it does not fit the sectoral picture. The Office for National Statistics has identified North Sea oil and gas and financial services as two sectors particularly responsible for weak productivity. The North Sea has seen a sharp drop in output and a significant fall in employment, with the number of jobs in the sector down by almost 17% from their recent peak, even before the effects of the drop in oil prices. The financial services sector, responsible for strongly rising measured productivity before the crisis but very weak productivity since, has suffered a similar fate, with employment down 7%.

In contrast, many parts of the economy which have experienced rising productivity have also seen increased employment. So transport equipment (mainly cars) has seen a 23% rise in productivity since 2010, alongside rising employment. Since 2010 the number of people employed in vehicle production has risen by nearly 8%. In the service sector, retailing and wholesaling, another employment growth area – employment up by 2% – has recorded a 12% productivity rise, similar to that in professional, scientific and technical activities.

At the micro level, then, rising productivity and rising employment can go hand in hand and have done in recent years. The UK economy does, of course, need productivity performances like those in these growth sectors to be the rule rather than the exception. Both the Bank of England and the Office for Budget Responsibility (OBR), it should be said, expect productivity to pick up. The Bank predicts a rise in GDP per hour worked of 0.75% this year, 1.5% in 2016 and 1.75% in 2017. The OBR, which says a productivity recovery is central to its fiscal forecasts, expects a gradual return to trend productivity – output per hour – growth of around 2% a year in coming years.

Forecasts are forecasts, and they have been wrong before, but there are reasons to be optimistic about productivity. The more that banking and financial systems normalise, the more it is likely that capital will be allocated to higher productivity growth sectors and firms. Periods of weak productivity in the past, such as the early 1900s, the 1930s and the 1970s, have been followed by productivity recoveries. There is no reason to believe the future will be different.

What does this mean for employment? Past experience would suggest that there is no long-run trade-off between productivity and employment. Between 1992 and 2007, for example, productivity (output per worker) rose by 34% while employment increased by almost 4 million, or 15%. That leaves labour supply and labour demand as the key factors. Recent years have been characterised by flexibility of labour supply, notably among older workers and migrants, and this process has further to go. The UK's 16–64 employment rate has reached a record-equalling 73.2%, but the 16+ participation rate, currently just over 63%, has further to rise. In addition, some of the roughly

8.3 million people working part-time may wish to convert to full-time work, at least judging from responses to the Labour Force Survey. Some of the 4.5 million self-employed may wish to become employees. In summary, while there are skill shortages affecting particular sectors, labour supply should not be a factor constraining the rise in employment in coming years.

What about labour demand? Rising employment is clearly conditional on economic growth, and thus continued recovery. Here we enter the realms of greatest uncertainty. Is the UK recovery just getting into its stride, or reaching maturity? What will be the effect of electoral uncertainty and further post-election austerity? Can we be sure that the UK will get a fair wind from the global economy and, in particular, the troubled Eurozone?

People will have different views on this. The crisis was preceded by a 16-year upturn, and only the very optimistic would expect a re-run. Even so, and with growth in the UK and most other industrial countries boosted by the bonus of a lower world oil price, it is reasonable to be moderately optimistic. The Bank of England predicts growth of between 2.5% and 3% annually through 2017, while the OBR forecasts 2% to 2.5% annual growth to the end of 2019, generating a 1 million rise in employment. That, given the record of recent years, looks a little cautious. Whether we call it an employment miracle or not, it is right to think it can continue.

United Kingdom prospects
Vicky Pryce, Centre for Economics and Business Research

The UK has seen a considerable improvement in its economic fortunes in the last couple of years. After growing by 1.7% in 2013, the economy is now estimated to have expanded by a further 2.6% in 2014. This was slightly less than original forecasts of around 3%, as growth slowed down in the second half of the year, but it still leaves the UK as one of the fastest growing large economies apart from the US.

How was that achieved? The main contributing factors have been strong household spending and a pick-up in investment. Although average earnings have only just started to rise above the rate of inflation, consumers, encouraged by higher employment and a rise in the value of their assets, mainly houses, spent strongly as a result. Retailers report tougher conditions on the high street, with heavy discounting taking place, but retail sale volumes were up by nearly 4% in 2014 as a whole. Business investment rose by 6.8% last year, which was the fastest rise since 1998. Admittedly this was from a low base, having been cut sharply when the financial crisis first hit, but the level has now returned to just above its pre-recession levels and the last two quarters have seen some falls, the latest one mainly reflecting cutbacks in the North Sea as oil prices tumbled.

The consensus is for a similar rate of growth of between 2.5% and 3% again in 2015. The reason behind it centres on the likely impact of a lower inflationary environment. As far as the UK is concerned, a sharp fall in global commodity prices means that consumer price inflation is likely to remain low at an average of 0.1% for the first half of 2015. Indeed, this year brings with it the real possibility of headline consumer price inflation turning negative for the first time in the history of the series. This in many situations would be cause for alarm among economists and policymakers, as deflation is often a sign of very weak economic conditions – such as those prevailing in the Eurozone at present and witnessed at various stages in Japan over the last few decades, with consumers stopping purchases because they expect prices to fall further.

However, as most of the downward pressures on the inflation rate in the UK come from external factors – such as international commodity prices (specifically those for crude oil and food) – rather than from slowing domestic demand and is mainly on essential items such as petrol and home utilities, this is much less of a worry at present. It will support household spending power at a time when wages are finally rising in real terms from historically subdued levels. This reflects more the fall in inflation than any pay rises due to any improvement in productivity, which has lagged behind. Real weekly earnings for the average worker across the private and public sector had fallen by 8% since 2008 and those who were self-employed had seen real incomes decline by 22%. But real disposable incomes for the short term at least will be boosted by further rises in the tax free level above which tax starts getting paid announced in the current Coalition's last budget in March.

The increasingly benign outlook for inflation has important implications for monetary policy. With the world economy wobbling and significant weakness in the UK's largest single export market, the Eurozone, it looks increasingly likely that the Bank of England will hold off on raising rates for at least another year until at least February 2016 as inflationary pressures will remain at bay despite higher employment. What seems to have happened is that the structure of the labour market has changed appreciably. The rate of unemployment at which inflation is likely to accelerate out of control now seems to be much lower than a few decades ago.

We are, though, getting to that point. We have already seen a slower rate of reductions in unemployment and this is likely to persist. Part of the demand for employees will be soaked up by part-time and self-employed workers moving to full-time employee positions and the rate of *under*employment will decrease quickly over the coming year as slack in the form of part-time and temporary work is reduced. Indeed, 2014 saw an improvement in the two main indicators for the *under*employment of the labour market – the number of people who were working in temporary work who would have preferred a permanent job, and part-time workers who could not find a full-time job when the recession began in 2008. The upward trajectory of self-employment, which was almost constant from the beginning of the crisis to mid-2014, has now fallen back as more jobs, including more full-time jobs, are being created by the private sector, though zero-hours contracts remain an issue for the future.

Nevertheless, there is a limit to how much the consumer can continue to finance the growth of the economy, which most forecasters expect to be around 2.5% per annum in each of the years over the next parliament. Households still have historically high savings rates of over 6%. And anything that shakes their confidence will lead to retrenchment, especially if interest rates start to rise at some stage. And despite the improvements, real consumer wages remain around 5.7% below their peak reached in the third quarter of 2007. NIESR estimates suggest that despite an average 2% per annum this year and 2.9% next, the previous peak will not be regained until 2020.

Rebalancing is hardly happening. Manufacturing has been recovering, but its share of the economy is unlikely to rise above 10–12%. Construction has been beset by capacity constraints and neither sector is expected to return to its pre-crisis peak level until 2018 at the earliest. Net trade is expected to make a negative contribution to growth for the next few years as economic weakness in the UK's main export market – the Eurozone – persists.

And there are more reasons to be cautious: the imminent UK general election, the outcome of which is more difficult to forecast than elections in the past. Who forms the next government will determine the balance between further public sector spending cuts and tax increases that will be needed to achieve fiscal balance. There is also a risk in any forecast of government revenues as the tax base in the UK has been narrowing over the last 15 years, reflecting policy changes to reduce the tax burden on the lowest earners in the UK by providing increases in personal allowances. Higher earners today provide a larger share of the total government income tax revenue than the basic rate taxpayers compared with the late 1990s. In 2013/14, higher-rate taxpayers and additional rate taxpayers (approximately 15.7% of the population) contributed 64% of total government income revenue compared with 46% in 1999/2000, leaving the UK more exposed to sudden movements of a small group of people out of the UK. The likelihood of any government coming to power being able to impose the necessary policies to eliminate the fiscal deficit by 2018/19 is unlikely.

Another uncertainty is over the UK's relationship with the rest of Europe. The prospect of a referendum is worrying the markets. The UK may vote to leave Europe – the so-called Brexit scenario. The official business line from the Confederation of British Industry is that the UK should stay in a 'reformed' Europe. But the truth is that no one quite agrees what a 'reformed' Europe should actually be. And in the meantime business is unlikely to want to take risks and invest in the UK if the prospect of leaving Europe is hanging over it. Add to that the continued crisis in the Eurozone and geopolitical concerns in the escalating Russia–Ukraine situation, conflicts in the Middle East, and more clear signs that China is slowing down and one is left with a view that the risks, if anything, are mostly on the downside.

Unconscious uncoupling: productivity and wages

Professor David Blanchflower,
Dartmouth College

The UK labour market in terms of quantities has been pretty resilient during the Great Recession. It was a surprise to labour economists and forecasters, including me, that the unemployment rate rose less than it had in previous recessions, reaching a peak of 8.5% in November 2011. Data published by the Bank of England in February 2015 showed that this was well below the peaks in the recession of the 1980s when the unemployment rate was above 10% in the UK in the three years from 1984 to 1986. The latest peak was lower than in the US, which reached a high of 10% in October 2009. Both the US and the UK currently have unemployment rates of around 5.7%. Labour market slack in the UK, though, appears to be greater than in the US.

First, in both countries the 16+ participation rate is lower than it was at the start of the Great Recession, as people withdrew from the labour force presumably due to lack of suitable job opportunities. The decline has been greater in the US, from 66.2% in January 2008 to 62.9% in January 2015, than in the UK, from 63.9% in January 2008 to 63.3% in December 2014. Recently participation rates in the two countries have been moving in opposite directions, with the US rate rising and the UK rate falling.

Second, the UK has seen a rise in the self-employment rate whereas in the US the rate has fallen. This is true of both the unincorporated and incorporated self-employment rates.

Third, the employment rate in both countries remains below starting levels. In the US the 16+ employment to population rate in January 2008 was 62.9% compared with 59.3% in January 2015. In the UK the equivalent numbers at these dates are 60.3% and 59.7%.

Fourth, there has been a sharp rise in underemployment in both countries. In the US the number of workers saying they were part-time for economic reasons is up from 4,846,000 in January 2008 to 6,810,000 in January 2015. In the UK the number of part-timers who say they want a full-time job is up from 728,000 in January 2008 to 1,312,000 in the latest data.

Finally, in the UK there has been a sharp increase in the number of migrants, which does not seem to have happened in the US. Approximately 2.7 million people from the A10 Accession countries have registered for National Insurance numbers in the UK since 2004, when these countries joined the EU. Despite attempts by the Coalition to slow the rate of net migration, it is higher today than it was when they took office in 2010.

When we look at the price of labour, that is, wages and earnings, there is a totally different story. Average real hourly earnings of private sector workers in the US are *up* 5.4%, while weekly earnings are up 5.7% between January 2008 and January 2015. If we take the national statistic on wages for the UK – average weekly earnings (AWE) for total pay – that has risen from £433 in January 2008 to £489 in December 2014, or by 12.9%. Over the same time period the Consumer Prices Index (CPI) is up by 18.2% while the Retail Prices Index (RPI) is up 19.9%. Mean weekly earnings of full-time workers in the Labour Force Survey, which is a random sample of wage workers, is up 14.6%, while the median is up 10.6%. The real earnings of the self-employed in the UK are down 22% since the onset of recession. So real earnings in the UK are down on every measure and by a lot.

So the big question is why real wages in the UK have fallen much faster than in the US even though there has been a fall in the unemployment rate in both – and at what point can we expect a return to 'normal' levels of real wage growth?[1] There are a number of factors we can conjecture that are behind this. While some are cyclical, some are likely to be structural:

1. There is a lag between the fall in the unemployment rate and a rise in wages.
2. Low interest rates have meant that homeowners have seen declines in their payments on their variable rate mortgages, which has insulated the shock of weak wage growth. Hence reservation wages may have fallen.
3. The impact of globalisation: union bargaining power is weak and union density has declined sharply, especially in the private sector. Firms can move their production abroad, including to China or other parts of the European Union, including to Eastern Europe.
4. Perhaps more importantly, the rise in the flow of workers, from Eastern Europe, and especially from Poland, has kept wage pressure down. The potential for this number to increase further if wages were to rise is high, which keeps wage pressure further in check.

Post-recession labour market slack is a lot higher than measured by the unemployment due to underemployment, hidden unemployment – from people who withdrew from the labour force but would come back if there were good jobs available – plus the potential influx of workers from Eastern Europe. Hence there is little or no evidence of any pick-up in wages.

AWE data published in February 2015 shows that the growth rate of regular pay fell from 1.8% to 1.7%. In the same month, the Bank of England's agents provided a special report on pay which saw no expectation of much if any increase in wages growth at all. They argued that growth in total labour costs 'had been steady' and expected a 'very slight increase in wage settlements in 2015'. The XpertHR pay databank reported that median pay awards are flat at 2%. The EEF manufacturers' association reported 'manufacturing pay growth steady'. The average pay settlement in manufacturing that the EEF reported for the three months from November 2014 to January 2015 was 2.3%, unchanged from the three months to December 2014, but 'fractionally down on the 2.4 per cent to 2.6 per cent range reported in manufacturing since early 2011'. Finally, the Chartered Institute of Personnel and Development's latest *Labour Market Outlook* reports the results of a survey it conducted with 1,000 of its members and found that average wage settlements for 2015 are expected to be 2% in the private sector and 1% in the public sector.

Of course, the most fundamental problem driving real wage weakness is the 'productivity puzzle'.[2] UK labour productivity remains about 2% below its level prior to the economic downturn in 2008. This is 16% lower than it would have been had productivity maintained its pre-downturn trend. Median wages seem to have become 'decoupled' from productivity growth because of rising inequality, which means that a growing share of the value from productivity growth is absorbed by pensions and higher salaries for top earners. I see no evidence that this puzzle will be fixed any time soon.

The AWE adjusted by the CPI is down an unprecedented 4.3% since the Coalition took office in May 2010. Voters should be mindful that the typical worker in the UK is worse off in real terms than they were when the Coalition took office nearly five years ago. Not good.

Notes

1. Blanchflower, D.G. (2015) 'As good as it gets? The UK labour market in recession and recovery. *National Institute Economic Review*. February. No 231. ppF76–F80.
2. Blanchflower, D.G. and Machin, S. (2014) Real wages continue to fall in the UK. *Vox*. 29 September. (http://www.voxeu.org/article/real-wages-continue-fall-uk).

WE MUST TAKE THE OPPORTUNITY TO TACKLE LONGSTANDING ISSUES THAT HAVE MEANT THAT WORKERS AND COMPANIES HAVEN'T BEEN FULFILLING THEIR POTENTIAL.

KATJA HALL, CBI

Wages, unemployment and the next government

Ian Brinkley, Work Foundation

The Prime Minister, the Bank of England Governor, and the Director-General of the CBI all think we should have bigger wage increases. So too do the Labour Party, the TUC, church leaders and poverty campaigners. To be sure, there will still be big differences over means and methods, but this unlikely consensus suggests there is widespread concern that something is not right in the British labour market.

So why have increases in wage rates been so low since 2008?

Firstly, more people are competing for jobs, especially in the bottom half of the labour market and especially among new entrants, including the young and the unemployed. This has been compounded by structural changes which have seen far fewer low-skill retail jobs being generated in this recovery than in the 1990s. Welfare to work reforms by successive governments have kept far more people active in the labour market than in previous recessions and recoveries, put more pressure on them to find work quickly, and increased the penalties of job loss. New entrants have seen big wage cuts compared with incumbents who have continued to see hourly wage rates increase.

Wages in aggregate are as a consequence much more sensitive to changes in the unemployment rate and some have suggested unemployment rates might have to fall as low as 4% before wage increases for all but the higher paid start to return to pre-recession levels.[1] This may be too pessimistic, but the fact is that most employers are not paying higher wages because they do not need to and no amount of political rhetoric will change that judgement. Policies that reduce unemployment, make labour more valuable to employers, and offer effective protection and remedy for the vulnerable from exploitation will be many times more effective.

Both employer and employee behaviour have also changed. Managers were able and willing to go for wage flexibility rather than big lay-offs in 2008–10. This reflects rising costs from hire and fire policies because a higher share of the labour force is more skilled; shifts in the balance of power in the workplace towards capital; and the preference of employees to have, for a time, lower wages rather than fewer jobs.

Harder to explain is why employment and hours worked went on rising after 2010. Some of the rise in employment has come from people staying in work longer, especially the over-50s, a trend in place before the recession. Firms that were reluctant to cut jobs in a downturn will be even more reluctant to cut in a recovery and they are in a good position to sustain workforces that are a little bigger than is optimal. Profitability has held up and wage bills have stayed down.

Finally, since 2008 significant numbers of 'zombie' firms that would have normally gone to the wall have stayed in business for much longer than usual – this has been good for employment in the short term but bad for productivity. This is steadily working its way through and will not be a factor in the future.

What does this mean for the next decade? The big 'if', of course, is whether a sustainable and more balanced recovery can be delivered, but let us assume the growing optimism in many economic forecasts is correct and things go well. The 1980s and 1990s saw unemployment and inactivity ratchet up with each economic cycle, but since 2000 we have been moving in the opposite direction. The next government starts with an employment rate higher than at any point since 1990 and a sustained and balanced recovery will drive it even higher. Backed by labour market policies and programmes to increase employment amongst groups typically left behind and the aspiration of full employment – by which I mean unemployment sustained at or close to 4% – is within the grasp of the next government.

I also remain optimistic that we will start to see some recovery in average wages, driven by falling unemployment and increasing skill shortages. Wages and productivity remain tied to each other, so a sustained revival in productivity without a recovery in wages remains as unlikely as a sustained recovery in wages without a productivity response. I can see no good reason why the UK's underlying potential for productivity growth now is significantly lower than it was in 2008. But a return to normality may be slow – normal was never very impressive – and we have in the meantime surrendered a huge amount of ground to many other OECD advanced economies.

Over the years a great deal has gone into UK workplaces – especially skills and new technologies – but little has come out in terms of better productivity. What happens in the workplace has not been given enough attention and I would be looking for a new government to bring together the existing social partner institutions of Acas, UKCES and the LPC[2] with the CBI, TUC and other independent and expert groups to pool expertise and agree a common plan of action, sector by sector, to improve workplace productivity.

A big concern is that significant parts of the labour force will see very little benefit in higher wages and better employment prospects. The UK's record on integrating young people without a degree-level education into the labour market is still dismal. Unemployment rates flatter – more comparable measures show us to be one of the worst performers in the OECD outside the disaster area of southern Europe. The recent suggestion that young people should be compelled to work for free to introduce them to the world of work, when paid work is central to the employment relationship, has little to commend it.

Moreover, the economy of 2015 is just as bad at generating large numbers of low-paid jobs as the economy of 1990, according to OECD estimates and definitions, despite the fact that since 1990 we have vastly improved educational and skill levels, created many more high-skill jobs, and shifted from lower-value-add to higher-value-add industries. Hoping things will improve through structural change and sending even more young people to university have not worked in 35 years.

Wage floors have a role, but it is limited. The independent Low Pay Commission is back on the 'escalator' by moving the National Minimum Wage up faster than average earnings and is likely to continue to do so for some years if the recovery continues. The proposal in the Buckle report[3] to impose more political direction and control over the Commission looks even more ill-judged than when it was first suggested. The significantly higher Living Wage has much to commend it as an aspiration, but little as a practical policy measure as the impact on employment plays no part in the somewhat idiosyncratic way that the level is calculated and the annual rate is set. Instead, the next government needs a low pay strategy focused on pay, progression and productivity across the low pay sectors. The Low Pay Commission should be given a wider remit, building on its 2013 report, to look at the causes and suggest solutions to low pay on a sectoral basis.

Both major political parties are committed to sustaining a semi-permanent public sector pay policy. Holding down public sector pay has worked up to now because private sector pay rises have been low, the policy has been applied with some flexibility, and it has helped limit the loss of public sector jobs since 2010. However, in competitive labour markets, artificially holding down pay is asking for trouble over the long run as recruitment and retention problems build up. If things go well, the next government may need to think through what a sustainable public sector pay policy looks like in an economy moving towards full employment with private sector pay rising at 4%.

Notes

1. Gregg, P. and Machin, S. (2012) *What a Drag: The chilling effect of unemployment on real wages*. London: Resolution Foundation.
2. Advisory, Conciliation and Arbitration Service; UK Commission for Employment and Skills; Low Pay Commission.
3. Buckle, A. (2014) *Low Pay: The nation's challenge*. Independent report for the Labour Party.

Booming employment masks a serious problem of skills

Brian Groom, editorial consultant and writer

Britain's flexible labour market constantly surprises. Its behaviour in the recession and beyond has been both startling and equivocal: a 'jobs miracle' has seen employment grow faster than in virtually every other developed nation, though this has also come at the price of a big drop in real wages and disappointing productivity.

The UK model is sometimes described as 'Anglo-social', partway between the liberal US system and more regulated continental European markets. So unusual has been its performance that it seems premature to attempt a definitive judgement even five years after the recession. There have been benefits but also downsides, and a huge challenge now lies ahead to raise skills and match them to the jobs being created.

Britain is hardly alone in facing the need to respond to a labour market that is being rapidly reshaped by technological and demographic changes. However, what many see as the country's historical weakness in training and skills must also be overcome. An ageing workforce and higher skill requirements mean there is an urgent need to create more career opportunities for young people, retrain older staff and make it easier for workers of all ages to progress to higher-skilled roles.

Employment has grown since 2007, at a rate second only to Canada in the G7 group of industrialised nations, according to data from the Organisation for Economic Co-operation and Development. In the three months to December 2014, 73.2% of people aged 16–64 were in work according to the Office for National Statistics, matching the peak recorded in 2004–05 (the most recent data at the time of writing).

Unemployment has fallen rapidly in recent months and stands at only half the Eurozone's rate, while there is less long-term joblessness than after past downturns. Economic inactivity – the proportion of people not seeking work – is low. That has been attributed to people retiring later, coupled with welfare changes over the past two decades that have made it harder to drift out of the workforce and on to benefits.

The UK labour model is not the only one to have belied its stereotype. In the US, economic inactivity has risen more sharply than in the past. In continental Europe, it used to be said that unemployment rose slowly because it was harder to sack workers, but stayed high for longer. But this time it shot up when crisis hit in southern European countries because more people were on temporary contracts that could be quickly shed.

Britain's success in keeping people in work, and recently in creating new jobs, has surely been a benefit: it prevented people from losing contact from the labour market and seeing their skills deteriorate. But there have been drawbacks, notably a drop of about 8% in real wages over six years, now just starting to reverse.

Many UK jobs created in the downturn were part-time and there has been concern about the growth of insecure forms of employment such as zero-hours contracts, along with a rise in less lucrative self-employment. In the past year, though, most new jobs were for full-time employees.

The most worrying drawback is poor labour productivity, which remains below its pre-recession level despite the economic recovery. Output per hour in the UK was 17 percentage points below the average for the rest of the G7 economies in 2013, the widest gap since 1992, according to the ONS – and 15% below where it would be if it had grown at the pre-crisis rate.

A recovery in productivity is badly needed. Without it, living standards will continue to stagnate. That is why creating better-skilled employment is so important.

The reasons behind this feeble performance are still imperfectly understood. Part of it may reflect a shrinking of high-productivity sectors such as finance and North Sea oil. But it seems clear that many businesses have responded to the upturn by hiring extra staff rather than investing in technology or more efficient working practices.

A general election is looming, so the labour market remains a political battleground. The Conservatives propose to set higher ballot thresholds for strikes, while Labour would set a target for raising the National Minimum Wage and give workers on zero-hours contracts the right to request fixed hours after six months.

Whatever the merits of further regulation, the economy faces one large issue – the supply of skilled labour – that can be solved only by collaboration between business, government, schools, colleges and universities. Among these, the role of employers will be vital.

Employers' plans suggest there will be 13.5 million new vacancies in the next ten years, mainly to replace those leaving the workforce, but only 7 million young people will leave school and college, according to the Department for Work and Pensions.

At the same time, anxiety about skills shortages is rising, not just in engineering. Employers are struggling to fill one in five vacancies because of a lack of recruits with the right qualifications and experience, according to the UK Commission for Employment and Skills (UKCES).

The workforce is becoming better educated and the proportion of jobs classed as highly skilled is slowly growing too. By 2020, half of all jobs will require workers to have a degree or similar qualification, the UKCES predicts. But it also says the skills of 16% of employees, or4.3 million workers, are underused, suggesting a mismatch between what employers need and the skills that people have.

Employers need to take the lead in shaping requirements and take responsibility for developing their workforces. There are already a number of useful initiatives at national and local level: these must be expanded, especially those involving smaller companies.

Companies that once blamed schools for turning out 'clueless' young people are getting involved with efforts to help them get jobs, says the Chartered Institute of Personnel and Development. Apprenticeship places have doubled in recent years. Some companies are also creating programmes to hire school-leavers as well as graduates, while more work experience places are being offered. More companies are working with local schools and colleges.

But still only 10% of UK employers employ apprentices – far lower than in Austria, Germany, Switzerland and Australia, where there are three to four times as many. Too few under-25s are doing apprenticeships at A-level equivalent and higher levels. Only 30% of businesses offer young people work experience while in education. Engagement with schools needs to start early, especially if students are to be encouraged to pick subjects needed for technical careers.

Better career paths are needed for people already in work. The UK has the second-highest proportion of low-skilled jobs in the industrialised world, beaten only by Spain, according to the OECD – and too many remain stuck at that level. The decline of jobs requiring mid-level skills, such as secretarial and assembly line work, has made it harder to progress up the pay scale.

More training will be necessary: only two-thirds of employers do any training and the annual total they spend on it has fallen by £2.4 billion to £43 billion since 2011, according to the UKCES. Industrial partnerships have been formed in eight sectors, areas such as technology and energy, to identify and supply skills needs. Some Local Enterprise Partnerships in England have schemes to procure training for small companies, while training initiatives form part of devolution deals for areas such as Greater Manchester and Sheffield city-region. More of this is needed.

It is not only about money, however: employee engagement matters. Successful companies are likely to be those that consult and listen to their staff. Companies need to work harder on ensuring managers have the right incentives and skills. They also need to focus on job design so that staff feel motivated – perhaps, for example, by creating enhanced customer service roles. People development has to be a board-level priority.

Employers must maximise use of existing skills, such as by offering flexible working at higher levels of responsibility. A government survey found that despite 97% of workplaces offering at least one form of flexible working, including job-sharing, part-time work, flexitime and working remotely, take-up had barely improved over six years. Those who ask for it fear they will be seen as unambitious and risk getting shunted, for example, into the 'mummy track' – but it is an important way of holding on to skills and experience.

None of this is easy. With company training budgets tight, public spending being cut and family budgets squeezed, it is far from clear who is going to fund the amount of retraining the economy needs. The best hope is that self-preservation will force business, especially, to act.

Migration, growth and jobs: a positive agenda

Jonathan Portes, National Institute of Economic and Social Research

No serious analyst of the UK labour market thinks radical deregulation is required. Labour market economists, and international organisations like the OECD, agree that three decades of successful reform have given the UK what is by international (and especially European) standards a flexible and generally well-functioning labour market.

But, paradoxically, there is one area where sensible deregulation is urgently needed, and could genuinely boost UK growth over the medium term; and yet, it is precisely here that politicians of all parties are talking about more, not less, regulation.

This is immigration. Now immigration rules are not generally what policymakers think of when they talk about labour market regulation or 'red tape' more generally. But of course restrictions on those who want to come here, or stay here, to take up employment or to look for a job are exactly that: they are government regulations that change the way the labour market functions.

This government has talked a lot about labour market deregulation, but, sensibly, has done rather little. However, as regards immigration, it has introduced a number of burdensome and bureaucratic rules and regulations, including a quota on skilled migrants from outside the EU, and restrictions on students, especially those who want to remain here after graduating to work or start a business.

Fortunately, the damage has been limited by a rear-guard action by sensible voices within government (most obviously Vince Cable, but also some Conservatives), cognisant of the potential economic damage. They succeeded in ensuring that the Conservatives' net migration target was never translated into actual policy and managed to create a number of backdoor mechanisms to ensure the headline restrictions have not been as harmful as feared.

But the next government – of whatever complexion – will face a serious dilemma. The senior leadership of all three parties that are likely to form a government know perfectly well that further restrictions on skilled immigration or students from outside the EU will damage the economy; while limiting free movement of workers within the EU is neither practical nor desirable.

Yet they seem paralysed by what they perceive as public hostility towards immigration. Their panicked response is therefore to come up with policy proposals which are likely to be neither sensible nor effective. Labour's proposal that companies hiring a skilled worker from outside the EU should have to hire an apprentice at the same time would be bureaucratic at best; while Theresa May's suggestion that students should be obliged to leave the country immediately after graduation – even if they have a job offer – is so obviously self-defeating that it is unlikely ever to become policy.

Is a more constructive agenda possible? I believe there is potentially an opportunity, for three reasons:

- It was obvious from the start that the Conservatives' net migration target was economically illiterate. But it has also, predictably, backfired politically. This has brought home, even to those who are relatively sceptical about migration, that it is not sensible to try to target something over which you have limited control; and, even more importantly, that not all migrants nor all types of migration are the same.
- Equally, the debate on free movement of workers within the EU has revealed that, as long as we remain within the EU, the UK has limited control of this aspect of policy: grudgingly, all three main parties have accepted that. That should mean that policy concentrates on abusive or exploitative behaviour by some employers and landlords, not on immigration policy.

- Moreover, the focus on EU migrants has meant that it is increasingly well understood among the public that non-EU migration – which we can control – is mostly skilled workers and students.

So what practical, politically feasible steps could the next government take? I see three potential opportunities:

First, the restoration, at least in part, of the Post-Study Work Route (PSWR), which allowed foreign students to stay on after graduation to look for a job. This initiative was introduced by the previous government, based on two observations:

- The success of Silicon Valley, in particular, and high-tech US companies in general, relied heavily on individuals who came to the US to study but stayed on to work (and in some cases, set up their own businesses).
- That, for the brightest and most motivated foreign students, the possibility of being able to remain in the country for a period after graduation to work was a significant draw.

The abolition of the PSWR was a major own goal; it means that foreign students who want to stay on here and try to build a career or a business find it much more difficult, if not impossible. Since such people are, almost by definition, likely to be relatively well educated and motivated, English speaking, at least partly integrated into UK society already, and so on, they are precisely the sort of people we want on both economic and social grounds. Of course, some will fail; they will end up unemployed or doing low-skilled jobs. That is the nature of immigration in a market economy; not all immigrants succeed, just as not all native-born entrepreneurs do either. Partial restoration of the PSWR would send a hugely important signal to potential students that the UK does want to attract them and, if they think they can make a success of it, keep them.

Second, the abolition of the cap on Tier 2 visas for skilled workers with a job offer. The cap is of limited political salience – even relatively well-informed analysts often confuse it with the overall net migration target. And, thanks to economic weakness between 2010 and 2013, and bureaucratic hurdles that make it difficult for SMEs to navigate the process, it has never been reached. But at some point recovery will mean that it will become a real constraint, just at the time when enforcing it would do most damage to growth. Skill shortages are already emerging in some sectors. It should not be hard for government and business to explain that deliberately excluding skilled workers who meet the official criteria, simply because the economy and labour market are performing well again, is economically self-defeating.

Third, a regional approach. The current system favours immigration to London: salaries are much higher, so thresholds are easier to meet, and many large companies, who find it easier to deal with the system, have headquarters there. And London is hugely dependent on immigration for its success. But other parts of the UK arguably need skilled migrants more. In some areas, the main constraint on economic development is the ability to attract or keep skilled workers. Partial devolution of immigration policy – with city-regions being able to lower salary thresholds or skill requirements for those willing to commit to a region for an extended period of time – could provide an immediate boost to growth and jobs in such areas.

Of course, even more important than specific policy changes is a change of attitude and mindset on the part of government and policymakers – and a willingness to communicate that to the public. It remains to be seen if any of our politicians are up to the challenge.

Globalism, labour market dynamics and the NHS, Dean Royles, Leeds Teaching Hospitals NHS Trust

The approach to labour market dynamics in the NHS is stuck in a 1950s time warp.

Britain can be seen to be part of a vibrant global economy. The evidence is everywhere. Watch TV news reports and you see the diversity of international and home grown talent on display. From the States, Asia, Europe, we have senior organisational leaders and managers at the top of some of our most well-known institutions. The Governor of the Bank of England is Canadian. Our service industry is supported by employees from all over the world; this is especially visible in London. For those who work in the city, the range of international accents can make it feel like a United Nations conference. It feels vibrant and modern. We boast about English being the language of the web and London as the most international city on the globe. We have embraced the international talent available because people want to work here, for the experience and to make a contribution. It's worth our praise and appreciation.

Yet in the NHS, recruiting staff internationally is seen as a crisis reaction, as a failure of workforce planning and a short-term knee jerk reaction. Instead of global talent and ideas being welcomed it is portrayed by the media as a 'foreign invasion'. Accents are seen as a problem, international staff treating our equally diverse population are seen as a risk to healthcare because English isn't a first language. There is a wistful harping back to good old days of 'growing our own' and being 'self-sufficient'. Is that possible? Was it ever the case? Is it desirable? Is it achievable?

Work as we know it has changed, is changing, and will change more, with faster technology, increasing globalisation, social media, four generations in the workplace, and changing demographics. This affects not only the private sector but the public sector too. We can't accept the logic of these changing ways of working and yet plan on a 'grow our own' solution. Speak to parents and many will tell you their children want international experience. They see the world as a much smaller place and they have ambitions for their grown up children. Those aspirations are shared by parents in the States, Asia, Europe and Australia. We can't as a country plan to educate our children here on the assumption that they will stay out of a sense of duty - less so given student fees and debt.

So let's change the narrative and the understanding. Let's plan our commissioning of health and social care education of doctors, nurses, therapists and healthcare scientists, knowing that a number will seek to pursue their careers around the world. And let's also accept that we will be recruiting from other countries not as a crisis measure but through a better understanding of labour market dynamics. One that recognises that bringing people from other countries to work alongside our home grown employees will bring a challenge but also new ideas that will help us transform the way healthcare is delivered. Many of those recruited will settle and stay and others will return home with new ideas, knowledge and experiences. A mutual exchange benefits the citizens in our country and others. Of course, patient safety and the quality of care we provide are paramount. We will also need rules to restrict recruitment from countries with healthcare problems; but where there is surplus supply we should encourage exchanges.

There is an opportunity to completely rethink our understanding of the NHS labour market. We have traditionally seen it as regional and national market. Given the huge number of professional mobile staff, we now need to see this as a continental and international labour market for health and social care. Policies that recognise this will help us recruit, select and train excellent future healthcare workers adding to the diversity of the workplace and all the positive benefits it will bring. We should see international recruitment in health as a natural response to a sustainable labour market, as we do in other sectors and one of mutual benefit. Not a short-term stop gap but policy that builds this as a sustainable solution; one that benefits patients and the NHS.

Making growth work for everyone
Katja Hall, CBI

A healthy economy – one that maintains and enhances the living standards of its citizens – is not only the right thing to do to build a stronger and fairer society; it makes business and economic sense too.

Pay is now rising faster than prices again – in the three months to December 2014 pay rose 1.7%, faster than the rate of inflation for the same period (0.9%). But this follows the longest period in which the cost of living had risen faster than wages since records began. Average household incomes, after taking account of rising prices, had fallen by 6% by 2013/14. That's why the CBI published *A Better off Britain* in November 2014; we wanted to lay out business's blueprint for improving living standards.

Extending opportunity and unlocking higher pay growth will be difficult and it won't happen overnight. But that doesn't mean that we should succumb to suggested quick-fixes such as more labour market regulation or higher minimum wages – they might help some people in the short term, but only at the expense of many others over time.

We must take the opportunity to tackle long-standing issues that have meant that workers and companies haven't been fulfilling their potential. Simply getting back to where we were before the crisis just isn't good enough.

There are lots of issues where action is needed, ranging from the rising cost of childcare to the fact that too many young people from disadvantaged backgrounds fall behind at school. But there are two main areas where business must take the lead in developing solutions: raising productivity to afford higher wages, and offering careers with progression.

Wages can only rise with productivity and competitiveness – that is the challenge for business

The UK economy has been less productive than other G7 economies for a long time. But between 1998 and 2007, improvements in labour productivity – how much value the UK workforce creates in each hour worked – were responsible for three-quarters of our economic growth. This was about working smarter – not longer or harder – and supported wages rising faster than in any other G7 economy.

But since the recession this engine of living standards has stalled. We must restart it.

The UK has scope to up its game. Our productivity is 16% lower than where it would have been had it risen at the same pace as during the years just before the crisis. Partly this was due to firms preserving jobs during the downturn – keeping people in work was the right thing to do, but it hit UK productivity. So as the economy strengthens further, we must now focus on raising productivity.

The onus is on businesses to drive this agenda. The challenge that each sector faces will be different, and can vary for firm to firm too, but they need to look to investment, innovation, management quality, skills and job design to ensure they are as competitive and productive as they can be. And these discussions need to take place in every sector if workers in every sector are to feel the benefit of this growth.

We must create better ladders into higher-paid work to get the most out of the talent in every worker

Global competition and new technologies mean that the shape of the UK's economy is constantly evolving – and with it the kinds of jobs that are being created are becoming more highly skilled and higher paid. A job on average pay is better rewarded than it used to be. But the journey from the bottom to the middle has become harder as the skills needed for these roles have been upped.

Our research backs this up: one in three workers starting off in the lowest wage group are still there 14 years later. To give these workers the opportunity to get on in work we must get better at delivering, at scale, the skills that people need to get on. We need action on two fronts here – a government focus on vocational routes to higher skills, and a business commitment to develop employees to reach their full potential.

First, government action. Reaching the middle now requires level 4 skills – that is to say, higher education – so vocational routes to level 4 must be a focus. And our fast-changing economy means that education pathways need to be a lifelong process. So government needs to develop a strategy for adult skills that it focuses on as diligently as it does with its apprenticeships strategy.

This strategy needs to ensure that skills training on offer matches up to employment prospects in the economy. At the moment, we train five hairdressers for every vacancy in a salon – yet only two people for every five jobs in the automotive industry. Businesses shoulder the burden of paying for vocational training at higher levels, but the Government and education providers must focus on economic needs rather than 'bums on seats' to have the greatest impact on employment prospects.

The answers aren't all about reforming the skills system, though – the second element of creating better ladders must come from businesses themselves. The opportunities that workers have and the encouragement they receive is critical, and businesses realise that they need to do more to help people build themselves a path to better pay.

For firms to get this right they need a commitment from the very top of their organisation, which then needs to ripple through the organisation with the right tools and incentives for line managers – it can't just be an easy line about 'people being our greatest asset'.

A commitment to invest in training is an important first step to fostering an upwardly mobile workforce. But development isn't all about spending money – and there are lots of great examples of companies using coaching and mentoring to empower their employees to take charge of their careers and to think about their potential and the options open to them.

Businesses want to build a more prosperous Britain where everyone has the chance to get on in life. Our labour market is creating jobs, youth unemployment is falling and more and more of the jobs we're creating are highly skilled and better paid. But our ambitions must be higher and our goals must be greater. Making growth work for everyone is about more than just getting back to where we were. We need a plan to ensure that growth is strong, sustainable and inclusive.

THE SCALE OF OUR CHALLENGE REQUIRES US TO BE MUCH MORE CREATIVE ABOUT THE WAY WE THINK ABOUT WORK AND SKILLS.

SIR CHARLIE MAYFIELD, JOHN LEWIS PARTNERSHIP AND UKCES

03

THE CHALLENGES AHEAD: THE ROLE OF EMPLOYERS

A changing world of work and a changing workforce: giving everyone the chance to succeed through work

Peter Cheese, CIPD

The world of work and the nature of the workforce are changing. The jobs many of us do today may no longer exist in five to ten years, and other new jobs will emerge. Technology is driving change at a great pace, and combined with a very uncertain and changeable economic and even political context, the future becomes a lot harder to predict.

At the same time, as Generation Y take their place in the workforce and Generation Z right behind them, new attitudes to work are emerging. The majority of young people today would prefer to work in small enterprises or as self-employed rather than work for large corporations. Talk is now of a life of jobs instead of a job for life, and with greater social mobility, these generations may have as many as 15 to 20 jobs during their lifetime, and will reskill and change direction many times. We are also seeing the growth of much greater flexible working, different working hours, job-sharing, and virtual or homeworking becoming much more part of normal working lives.

Many of these trends can be very positive, and can give more people more opportunity to work – people with caring responsibilities or with other life commitments, or older people who are increasingly likely to want to keep working but in different ways or at a different pace as they get older. In the UK we have a very diverse workforce with education levels higher than they have ever been, and access also to skilled migrant workers keen to participate in a growing economy.

However, what is also equally apparent is that we don't seem to be able to take full advantage of this workforce, and as a result to give everyone the best chances and opportunities. Too many people are working in jobs below their level of skill, experience or education, at the same time as employers are complaining they can't get the higher-skilled workers they are looking for, particularly in fields such as engineering, technology and science. While UK employment has improved, we still have systemically high rates of unemployment for young people, with one in six of all unemployed being under the age of 24. We have higher rates of unemployment or underemployment amongst women, and still less than 20% of executive positions in the largest organisations are filled by women, despite around 57% of university graduates in the UK being women.

Skills mismatches are an increasingly global issue – a recent McKinsey study estimated we have around a 90 million people surplus at the low-skill end of the economy and a 40 million shortfall at the high-skill end of the economy.

A major part of the reason for the skills mismatches which are becoming more and more apparent is the nature of jobs that we need or that we design for. The UK jobs market has a high proportion of low-skill jobs, fewer mid-level skill jobs, and a lot of high-skill jobs – that is, a jobs economy that is shaped like an egg timer and not like an egg, which is the characteristic of most developed economies. According to the OECD, over 20% of our jobs require not much more than a primary school level of education. This is one of the reasons we have too many people underemployed, and is also a significant factor in our relatively low levels of productivity. We seem to have designed too many jobs and organisations that take the route of low-skill, low-cost workers versus providing opportunities for progression and development.

Addressing some of the challenges

In addressing these critical issues for the future, there are things that we have to think about at a macro-economic level, as well as things that organisations can do at a more micro level.

At a national level, we have to consider both skills supply and the future of skills demand, and this requires joined-up thinking across government, education and business at a national level – something that historically we have failed to do in any consistent way. Young people will need much better careers advice and guidance; employers will have to get better at not only training and developing their workforces, but also in designing better jobs and progression routes in order to retain and continue to grow their employees. Lifelong learning, upskilling and reskilling will have to become more of the norm, and we need to understand how governments can best influence this and how organisations can work better with education across the age profiles.

For organisations, we have to think differently. We have to see that work is changing, that we should support different and more flexible means of employment as an opportunity to access and support a more diverse workforce, not least providing more opportunity for women to sustain their careers more readily. We have to train managers at every level to better appreciate and understand how to manage more-diverse teams working in more-diverse ways.

Organisations that can truly develop and take advantage of diverse workforces in every sense will be more sustainable, have access to a wider range of skills and experiences, and better reflect the communities they serve. They will have better employee value propositions that can attract potential employees from diverse backgrounds, will be able to fill vacancies more easily, and will be able to hold on to their staff for longer.

We are seeing many examples today of businesses who are placing greater emphasis on attitude and values in recruitment, particularly of young people, recognising that the organisation will have to invest in the development of the skills it needs, rather than relying on fully work-ready employees with all the skills needed. This was never really realistic as an expectation and certainly will not be realistic in the future. Building aligned cultures, where attitudes and behaviours are just as critical as skills and competence, will help to build better, fairer and more responsible businesses for the future – something that will not only benefit individuals, but organisations, economies and, ultimately, society.

Making the most of all our talents: two challenges for business

Sir Charlie Mayfield, John Lewis Partnership and UKCES

Two years of growth means we have some breathing space. During the recession the labour market was effective at keeping people in work and we have seen a net increase of 5% in employment since the low point of early 2010. Since 2008 the number of high-skill jobs in our economy has also barely been dented; indeed, the sector has been one of the main drivers of our return to growth.

However, while economic output has expanded, we've added more inputs – the number of people we employ – and productivity has therefore languished below its pre-recession peak. Whilst falling unemployment is cause for celebration, there's cause for consternation too. Without growth in productivity we will not improve competitiveness, which ultimately drives employment, nor will we sustain an increase in wages.

Productivity – the missing ingredient

For most of the post-war era, productivity increased year on year. But ittook a dive in 2008 and 2009, and has been essentially stagnant since then. If productivity had kept on growing at its previous trend, we would have an economy a sixth larger than we have today: more money for pay rises, for profits, and to cut the deficit.

So, if productivity growth is so vital, why is it missing? Part of the answer is that it's complicated – there's a lot to unpick, and many factors are involved.

We've never had a better educated workforce than we have today. There are fair questions about the quality and relevance of that education, but comparing the education available to today's retiring workers with the opportunities offered to new recruits shows real progress.

As a result, the statistics support the fact that we're seeing a surge in the number of high-skill jobs in our economy. Most of these jobs are professional roles, demanding advanced skills. From 2006 to 2013, the UK added some 2.2 million high-skill jobs, out of a total of 5.1 million added across the EU – more than any other member state. That's certainly good news in terms of opportunity. But we are seeing a simultaneous increase in the number of jobs created at the lower end of the labour market – often in the service sector.

The result of this is that we haven't seen any gain in overall productivity, and this is contributing to some larger structural problems. This is hugely important, as our ability to compete globally depends on the creation of more of these high-skill roles and an improvement in our productive capacity overall. One without the other is not enough.

The impact on middle- and lower-skill roles

And while the prospects for those at the top of the labour market can be great, changes in the shape of the labour market may be making it harder to achieve an overall improvement in productivity. For those in the middle and at the bottom of the labour market, conditions can be challenging.

The number of middle-skill jobs in the workforce has been in decline for several decades now. Therefore there's a growing chance that people find themselves 'underemployed', in roles where their talents are greater than those needed for their work. In 2013, the OECD Survey of Adult Skills found employees in the UK were second only to Spain among advanced economies for the numbers perceiving their jobs could be done with just a primary school education.

Under-utilisation of skills is not only demotivating, but an absence of accessible rungs on the career ladder can make it harder for people to climb in the way they used to. It means that there is less opportunity for people in the growing number of low-skill, low-paid roles to reach the middle, let alone the top of the labour market. This matters as it undermines the principle that hard work will lead to greater responsibility and reward in the workplace. And it is an economic concern too as businesses fail to benefit from the contribution that these employees could make, with appropriate training and job roles that enable them to make the most of their skills and capabilities.

The skills landscape for young people

It is now the case that 40% of young people go to university, but their skills are often not well aligned with employers' needs. Of today's graduates, almost a third end up in lower-skill job roles. For twenty-somethings, being a graduate is no guarantee of a career with progression and opportunity, and young people have been hit hardest by the decline in real wages.

At the same time, employers regularly struggle to find people to fill high-skill roles. The UK Commission's Employer Skills Survey shows that as the economy has moved back into growth, these skills shortages are increasing sharply: in 2013, more than a quarter of vacancies were hard to fill because employers couldn't find the right skills.

Whilst academic standards remain vital, research over many years has demonstrated that these skills mismatches have serious, damaging consequences for productivity.

Lasting returns

The return to growth is undoubtedly positive, but it won't be sustained without improvements in productivity.

Economists talk about 'total factor productivity' (TFP), which is the element of productivity growth they can't explain by pointing to better education or better equipment. There's a lot that might be going on in TFP, but a big part of it is undoubtedly what goes on in the workplace.

That turns the spotlight on those of us in business and puts the onus on employers to develop clear plans to improve the way we harness talent and drive our performance.

The scale of our challenge requires us to be much more creative about the way we think about work and skills. Success won't come easily. On the other hand, if we manage to unlock the productivity puzzle, there will be plenty of opportunity to see the benefits – through economic growth for UK plc, and for young people to climb the workplace ladder with the promise of skilled jobs in better workplaces.

The challenge for the next government is not to try to solve the productivity puzzle alone. Government can help, it's true. But to achieve real progress, the challenge is for politicians to create the conditions, encouragement and incentives for employers to address this issue through concerted, collective action.

HOW DO WE STRIKE THE RIGHT BALANCE BETWEEN SECURITY AND FLEXIBILITY AT WORK?

SIR BRENDAN BARBER, ACAS

04

THE CHALLENGES AHEAD: WELFARE AND WORKERS

How should work feel?
Sir Brendan Barber, Acas

How do we strike the right balance between security and flexibility at work? This question will no doubt feature again strongly in the upcoming general election campaign and the role of agency working will be a big part of that debate. The causes and the impact of job insecurity on individuals can be an emotive subject.

The fact that we care about how people feel about being at work – on a physical, social, emotional and psychological level – is too easily taken for granted. In the not too distant past, employers were primarily concerned with keeping people safe at work – keeping an eye on slips, trips and hazardous chemicals. Today, most enlightened employers feel an increasing responsibility for the overall wellbeing of their employees, in terms of taking action to tackle stress, for example, or raising awareness of mental health conditions.

Caring about people's experience of being at work does not just make us better people, and better managers, it also creates better and more productive workplaces. The big caveat to this last statement is: 'creates better and more productive workplaces in the medium to long term'. The best workplaces are based upon good relationships and these may take time to establish and to flourish.

This begs further questions: why are relationships at work so important? What can we do to make them as good as possible? And, critically, what impact does job insecurity have on employee wellbeing and business efficiency, and is there anything we can do to negate the inevitable damage it causes?

First some facts. While the Workplace Employment Relations Study 2011 showed that perceived job security fell among employees in both private and public sectors, the fall was much greater in the public sector. Between 2004 and 2011 the percentage of public sector employees ‘agreeing’ or ‘strongly agreeing’ that their job was secure fell from 66% to 47%. Bearing in mind the impact of the recession and the dramatic changes taking place in the public sector, these figures are hardly surprising. Nor is the statistic showing that perceptions of job security were greatly influenced by the number of organisational changes a workplace had gone through.

But poorly managed change and the imminent threat of losing one’s job are not the only causes of job insecurity. As the Skills and Employment Survey (SES) 2012 found, insecurity is also directly linked to unfair treatment at work and anxiety about loss of job status. This clearly has a knock-on effect for organisational effectiveness and employee motivation, as the report states: ‘where employees feel unfairly treated or that the intrinsic quality of their jobs is at risk, they are likely to feel less committed to their organisation and hence may be less likely to put in discretionary effort.’

Acas’s own analysis of its helpline calls highlights the part that an employee’s contractual status can also play in triggering feelings of job insecurity. People on zero-hours contracts, for example, reported feeling anxious about their future work and earnings. This was often exacerbated by an imbalance of power in the employer–employee relationship, with many managers using the threat of ‘zeroing down’ if employees caused a fuss about their shift patterns or attempted to assert their employment rights. Acas analysis also found a mismatch between the emotional commitment of many workers – particularly those in the care sector, where workers were often very passionate about their work and looking after their clients – and the contractual commitment offered by their employers.

A similar story emerges with recent analysis of calls to the helpline from agency workers. Many agency workers are completely unaware of their rights under the Agency Workers Regulations, introduced in 2011, or the consequence of agreeing to being paid between assignments as part of the Swedish Derogation contractual variation (17% of agency workers are reported to be on these contracts).

Of course, some commentators would argue that working patterns – along with our expectations of typical forms of employment – have been revolutionised, not only by demands for a flexible economy, but also by the Government's drive to allow employees to balance home and work life in a way that suits them. Contractual variations, it is said, are increasingly the norm and 'agile' working is to be welcomed.

A recent report by the CIPD, *HR: Getting smart about agile working*, found that although perceptions of work-life balance are changing – employees no longer see work as central to their lives (only 28% in 2014, compared with over 50% in 2005) – there is little change in the value attached to job security – with about 75% choosing it over being employable in a range of jobs. This is reinforced by a review of the Agency Worker Regulations, carried out by the European Commission, which found that 'seventy-six per cent of agency workers chose agency work because they could not get permanent work'.

The impact job insecurity can have on our health is enormous – triggering medical conditions as varied as asthma and depression. A report by Cambridge University found a range of flexible employment practices used in supermarkets in the UK and the US, including zero-hours, cause widespread anxiety, stress and 'depressed mental states' in workers as a result of financial and social uncertainty. And a study published in the *Journal of Occupational and Environmental Medicine* found that job insecurity can be even worse for your health than losing your job. As Professor Sarah Burgard is quoted as saying: 'Even though it's really terrible to lose your job, it ends the serious gnawing and uncertainty about it.'

Changes in the labour market – whether triggered by the needs of business or changing lifestyle preferences – may be impossible to reverse. But as our understanding of the employment relationship evolves, we need to hold on to some core values. Contractual issues may need to be flexible, but that does not mean that emotional and moral responsibilities should be equally flexible. People work better and are happier when they feel their job is meaningful, when they have a say in what they do and they see where they fit into the bigger scheme of things – no matter where they work or what they do.

Insecurity at work can come in many guises: it is not just about precarious work; it can also be about precarious health conditions. This is likely to be increasingly the case as we age as a workforce. A recent report from the Work Foundation focuses on what managers can do to help people with 'fluctuating health conditions' such as asthma, depression, multiple sclerosis, rheumatoid arthritis, inflammatory bowel disease and ankylosing spondylitis. As with the 'gnawing anxiety' caused by the fear of losing one's job, many of these conditions are invisible. One of the report's recommendations is the 'development of a template for an employee-owned "health at work" record' – empowering employees to manage their own health conditions.

This acknowledges a critical aspect of job insecurity: it can be best fought by giving people control of their own destiny: whether it's managing their health, having some influence over the contractual arrangements that suit them, or having a say in how work is organised and change is managed.

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Challenging the new normal
Frances O'Grady,TUC

Many people used to believe that any job is better than no job. But those days are over. While a record number of us are in employment, there is growing public concern about the quality of the new jobs on offer. Insecurity and low pay are the new normal for millions of workers. As the general election approaches, the TUC and trade unions are stepping up the pressure on politicians of all stripes for change. We want action to promote a fair economy, with good jobs and decent wages at its core.

Too many people lack a job they can build a life on. Sometimes locked into insecure and exploitative contracts, they struggle to afford the basics and are unable to plan for the future. Despite being one of the largest and richest economies in the world, Britain has one of the longest tails of low-skill, low-pay work in the OECD. If we are to compete in the twenty-first-century global economy, we need to address this problem now.

In October 2014, the TUC held a major national demonstration – under the banner of 'Britain needs a pay rise'. The case for fair pay is economic as well as ethical. One of the best ways to stimulate economic growth is to put money in people's pay packets. We're campaigning for a higher minimum wage and tougher enforcement; a living wage throughout the public sector and hardwired into the procurement process, to stop good businesses being undercut by the bad; and higher minimum pay in the sectors than can afford it, from contract cleaning to social care.

Meanwhile, trade unions also want to help boost productivity by driving up investment in skills. According to the OECD, the UK's skills base has fallen behind those of comparator nations – notably in technical and intermediate skills. High-quality apprenticeships are a big part of the answer, but we also need to make sure that all workers have access to training and development opportunities. Through our unionlearn organisation, trade unions are working with companies to deliver learning opportunities to almost 250,000 workers a year. But a third of employers still fail to provide training to their staff, with around 12 million workers losing out as a result. Closing that skills gap must be at the heart of an active industrial policy to build an economy that is more sustainable in every sense.

We also need to boost rights at work, which rank as among the weakest in the developed world. A new government should clamp down on abusive zero-hours contracts and other forms of insecure and exploitative employment. Despite more people being in work than ever before, it took our economy much longer than those of our competitors to return to pre-crash output levels. Some economists believe that's because the plentiful supply of cheap labour has stopped some firms from investing in new technology, equipment and working practices.

As a first step, the TUC wants regulatory intervention to guarantee minimum paid hours in all employment contracts, based on the normal hours worked per shift for the job. In addition, where an employer cancels a shift at short notice, the employee should be given a compensatory payment based on what they might have expected to have earned. Anyone on a zero-hours contract who has worked for more than three months should have their contract automatically converted to one that reflects their average weekly pay.

We also need action to deliver fairness for agency workers. The TUC believes that use of the so-called Swedish derogation in the Temporary Agency Workers Regulations has denied many agency workers equal treatment with comparable permanent workers. There is no place for legal discrimination of this kind, nor the systemic under-payment that results. There is already a 12-week qualifying period before agency workers are entitled to equal treatment – to add a further disqualification merely encourages exploitation. The TUC believes equal pay and treatment are essential, not least because of the high number of migrant workers on agency contracts. All workers should be employed on the same terms and conditions to promote fairness and prevent undercutting, whatever passport they hold.

We are also calling for a serious review of employment status to tackle bogus self-employment, including the operation of payroll companies. All workers should have a right to a written statement of their employment particulars from day one, including their statutory rights and hours of work, and the qualifying period for unfair dismissal should be reduced from two years to one.

But it’s clear that rights are not worth the paper they’re written on if workers are priced out of justice. The introduction of fees for employment tribunals has had a catastrophic impact on claims, particularly for women. A new government should scrap fees and reform the employment tribunal system to make it speedier, more effective and more efficient for the benefit of all parties.

Alongside these steps, measures to improve trade union rights and boost collective bargaining are needed to secure the rebalanced economy our country needs. The TUC believes trade unions should be automatically entitled to statutory recognition where at least 50% of workers in a bargaining unit are members. We also want to see stronger information and consultation rights, and all the evidence shows that where workers are genuinely consulted and engaged at work, businesses also gain. Reduced turnover, lower absence rates and improved performance are just some of the reported benefits.

From information and consultation rights through to action on zero-hours contracts, the TUC wants a new deal for the workplace. Quality of employment, as well as quantity of employment, needs to become an explicit goal of public policy. We believe all workers – baristas as much as barristers – deserve decency and dignity at work. That’s a principle that all of us – trade unions, government, decent employers – ought to be able to unite around.

Welfare to work for the twenty-first century
Steve Hughes, Policy Exchange

Nobody knows what the world of work will look like in the future. We cannot say now which jobs globalisation will create and destroy in the coming decades, and we cannot predict how the wages of workers will change with the ebbs and flows of the global economy. In the aftermath of the financial crisis, even forecasting the short-term picture of the labour market has proved to be a thankless task. The pay restraint imposed by the private sector has meant more people stayed in work and fewer people stayed unemployed than economists had expected. In turn, this became a piece of the stagnation in productivity 'puzzle', which saw the post-recession pattern of worker output behave very differently compared with previous recessions, and is still yet to be adequately explained.

That the future is so uncertain should mean that any government approaches regulating the labour market with caution, for fear of creating negative consequences. UK employers need to have flexibility to manage their workforce in an ever more competitive world of developing nations and lower-cost production. Policymakers should instead focus on improving the potential of the economy to grow through trade and the adoption of new technology, which will have positive knock-on effects for the number of jobs that are made available and on the breadth of opportunities for workers.

That is not to say that governments should have no labour market policy at all. As much as globalisation will create winners, it will create losers as well. The role for the state, therefore, is to help those who are in danger of being left behind. This help should be provided through the welfare system, acting both as a safety net and a form of support for those who are out of a job. But as the world of work has changed dramatically in the last few decades, and despite the best efforts of current and past governments, social security provision has struggled to keep pace, leaving the welfare state struggling to face the challenges of the twenty-first century. To change this requires recognition of three major problems that exist now.

Firstly, there are still too many people that cycle in and out of short-term work. Only 36% of Jobseeker's Allowance claimants are still working eight months after they stop receiving the benefit. The ultimate aim for helping any person back into a job has to be sustained employment, a principle that is built in to the payments made to the companies contracted through the Work Programme, the Coalition Government's flagship welfare to work scheme.

Secondly, the networks of private companies, third sector organisations and public sector bodies that offer employment support are often fragmented, leading to poorer outcomes for the people that they are trying to help. Someone who has barriers to work that include a lack of skills, mental health problems and a long period of unemployment might receive support from the Jobcentre, a Work Programme provider, a charity, health services and a local authority. The extent that these services work together is limited, and needs to be made much more effective.

Thirdly, the welfare system contains kinks and perverse incentives that act as a brake on what it can achieve. Combining a series of out-of-work benefits under Universal Credit will make the system simpler, and should eradicate the financial penalty for working more hours, which has been an unfortunate feature of the benefits system in recent years. It will also ease the transition in and out of work, but what it will not do is help people that need to retrain, or up-skill, to help their employment prospects.

The solutions to these problems are not easy, and require both resource and patience to implement. It should be an obvious statement to make, but welfare to work policy needs to have a clearly identifiable end-point. It also needs buy-in from across the political spectrum so that if governments change, this end-point does not. Recent cross-party agreement on issues such as automatic enrolment to workplace pensions, international climate change agreements, and Scottish devolution all show that a shared objective can be reached.

Whatever form the next government takes, it can set in motion three big changes that will better support those in need of help to get into work, and build a system more suitable to the demands of a twenty-first-century workforce:

1. Make employment support more personalised. Different people face different issues that affect their attempts to find work. The barriers are many and varied: from poor language skills to poor transport links, and from medical conditions to low educational attainment. The Australian system uses a diagnostic tool, which analyses 49 questions to identify 18 risk factors of long-term unemployment. Where particular barriers are found, further assessments are undertaken so that the claimants can be referred to the most appropriate service. Jobcentre Plus should continue its efforts to find a tool that can better understand the needs of each individual claimant. This would allow support to be more targeted and better suited to the individual.
2. Jobcentres should be overhauled, renamed Citizen Support Centres, and act as a single point of contact for government services. These centres should roll in the referral functions for other services such as skills, career or local authority support. This would allow a customer to access the services they needed quickly and easily. Co-locating this body in community spaces, such as libraries, would make the system more accessible. This would be based on the system used in Canada, which collates and signposts access to non-government services and provides administrative services for state-provided welfare.
3. Skills provision should be made more flexible. At the age of 18, every individual should be given an online lifelong learning account. This would act as the platform, portal and clearing house for other types of financial support, including loans, vouchers, financial aid, transfers from savings, matching funds and scholarships. The current

> student loan system would be integrated into this system, and third parties would be given access to allow trials of ideas such as adult education relocation vouchers. This would embed a true culture of lifelong learning and allow anybody with a computer to retrain in a digital career.

The nature of work will change, and alongside it state support for the unemployed must as well. In doing so there has to be a long-term commitment from all political parties to implement changes over a number of years, and not just change the agenda every time there is a change in government. We know the areas where this has to happen. Personalising intervention, overhauling Jobcentres and increasing access to skills and education are all vital to making the welfare state fit for the twenty-first century.

Why poverty in the workforce is bad for UK plc

Shaun Rafferty, Joseph Rowntree Foundation

Poverty is a very strong word. It's a term usually associated with the jobless and the destitute, people whose situation can be perceived as extreme and unusual.

In 2012, something new and unsettling happened in the UK economy. The number of people in poverty in a household where someone was in work overtook the number of people in poverty who were from workless households. 'The working poor' has now become a major feature in the national poverty statistics. The most commonly used definition of poverty is related to national median income. Those who earn less than 60% of that median income are considered poor.

At JRF, we have done a lot of research into what people really need to have a minimum standard of living in the UK today. This includes food, clothes and shelter, but it is also about having what you need to have the opportunities and choices necessary to participate in society. Using the standard definition, around 6 million households are in work but still in poverty, and if we apply our minimum income standard, the number of working families who don't earn enough to live on is even higher.

There are consequences for both the wider economy and for business in neglecting the financial wellbeing of the workforce. At a macroeconomic level, this means that despite more people being back in work, the effect on income tax receipts (and therefore the contribution to paying down the UK's deficit) is lower than expected because so many people are on low pay. Government has to 'top up' the incomes of low-paid workers via Working Tax Credit, which, of course, is paid from the same decreasing income tax revenue. People who can only just (or not) make ends meet have less to spend in the local and wider economy.

Poverty is a massive drain on the UK, for example tackling child poverty alone is estimated to cost us £29 billion a year. We will never achieve our full economic potential until we address the levels of poverty and disadvantage in the UK.

Learning from their experiences in the 1980s and 1990s, many employers worked hard to hold on to their staff during the last recession. One positive consequence of this was lower unemployment than had been predicted. But this was counterbalanced by a greater focus on reducing employee costs through lower pay, conditions and less favourable contractual arrangements, such as zero-hours contracts and people being offered fewer hours.

As the UK economy comes out of recession and starts to grow again, there is a risk that some employers will still operate business models that are predicated on the continued existence of a large pool of unskilled available labour. In hard business terms, you could argue that low pay and poor conditions were a necessary evil for many businesses during the recession. The problem is these low-cost business practices can become addictive. Now there may be a risk of hardwiring these sorts of jobs into our businesses in the long term, which could seriously damage growth and national prosperity.

The UK already has a larger proportion of low-skilled, low-paid jobs than most other northern and western European countries, and three out of five people that left unemployment last year entered work that paid below the Living Wage. Technological change and globalisation are expected to continue to polarise the labour market, with growth in high-skilled, high-paid work on the one hand, and low-paid, low-skilled work on the other. This results in an erosion of mid-skill-level jobs. Research by the UK Commission for Employment and Skills testing different scenarios regarding how the labour market will develop between now and 2030 finds an increase in precarious employment for those at the bottom end of the labour market under every scenario.

But the problem of in-work poverty extends beyond just low pay – the number of hours worked, job security and opportunities for progression matter too. Only one in five people that are low-paid manage to fully escape low pay within ten years, because they are less likely to be given opportunities to improve their skills and therefore their economic value in the labour market.

Over the last two decades, HR practices have evolved considerably. HR professionals and company boards widely accept the need to have a stable, well-motivated workforce that feels engaged with their employer's vision. We also understand the need to balance work and family and that welfare facilities such as employee assistance schemes are a sensible business investment, as well as being an important recruitment tool.

In 2014, JRF commissioned a respected economist to undertake an evidence review to establish what, if any, business case existed for improving the pay and conditions of low-paid employees. The report looked at things such as structured recruitment, training, performance management, flexible working and fringe benefits such as help with travel and childcare costs or access to a staff discount scheme. It found that while these practices help employees progress to a better job, reduce the stress of balancing work and home life and help reduce the cost of living, they also yield business benefits in improved productivity, employee motivation and engagement.

But even employers who adopt many of these practices have a low awareness of the problem of poverty among their workforce. This also means they haven't thought about the impact that large numbers of workers who can't make ends meet has on their business performance.

People who have insufficient work or income to meet their needs are more likely to suffer ill-health, including depression and anxiety. In 2014, the CIPD reported that poor health in the workplace was costing the UK economy an estimated £70 billion per year. In the same year, Barclays published an excellent report looking at the financial wellbeing of our national workforce. In arguing that HR people really needed to take financial wellbeing seriously, the report said: 'Poor financial wellbeing can impact the bottom line – you can't afford to ignore the taboo of financial wellbeing; anything that has such an impact on organisational performance should really be a primary concern of any employer'. Barclays found that 20% of employees think their financial situation affects their work adversely and that lost productivity reduces a firm's bottom line by 4%.

Much of the national focus around this debate so far has been on wages. In the UK, the Living Wage movement has gained momentum over the last five years, with more than 1,000 employers signing up to pay it. However, increasing pay isn't an affordable option for every business. Luckily there are many other effective things that employers can do to tackle poverty at work. From our recent research with employees on low pay in the retail, hospitality and care sectors, we know that things that reduce people's outgoings such as staff discount schemes or help with travel and childcare costs are a big help. More predictable shift patterns and longer contracts provide much needed stability for low-earning families.

Whether our primary concern is for the welfare of individuals or the success of UK business – or both (because they aren't incompatible) – we all need to think hard about poverty at work. If we want to harness the full potential of all our employees in the success of UK plc, we need to remove the barriers to high performance that in-work poverty creates.

Making work better – what can government do?

Paul Hackett, Smith Institute

As the election approaches, the political parties are turning their attention to the world of work and the votes of Britain's 30 million workers. But what do employees, employers and unions want, and what can government actually do to make work better?

Is everything fine?

At first glance the UK labour market appears to be in a relatively healthy state. There's continued growth in job vacancies, unemployment is falling and now back to where it was in 2008, and private sector pay is at last rising above inflation. However, this snapshot hides some serious and deep-rooted problems which need urgent attention.

The Smith Institute's research, captured in *Making Work Better: An agenda for government* (the product of a nine-month inquiry by Ed Sweeney, former Acas chair), shows that although there have been recent improvements in the rate of employment, Britain still has too many low-paid workers and a severe workplace productivity problem. Not only does our workforce performance fall well short of our major competitors (productivity in the USA, France and Germany is 30% higher than the UK), but we have high levels of wage inequality and low levels of job satisfaction and skills progression.

Our poor productivity record is arguably rooted in the sort of low-value businesses being created and the prevailing corporate culture of short-termism. It's also a reflection of ineffective management practices and failings at the workplace. We may have more people in work, but many of the new staff are working in insecure, poor-quality jobs.

Are we happy at work?

We have some world-class employers and many of our major companies (and employment agencies) have excellent industrial relations records and treat their employees extremely well. But, our research makes clear that there is a widening gap between the best and the rest and that a large number of people are far from happy at work.

Smith Institute surveys (which echo the results of government-backed workplace surveys) show that people at work are not only angry about the squeeze on earnings and excessive boardroom pay, but also worried about their job status, long and inflexible working hours and anxious about unfair treatment in the future. Alongside their feelings of insecurity, employees said they felt over-managed and under-valued. These concerns have intensified since the financial crisis and now affect the majority of workers – white- and blue-collar as well as those in the public and voluntary sector. For example, 40% of respondents to our workplace survey said their job does not make full use of their skills and abilities; nearly half felt they have no real say over how their work is organised and are rarely consulted on management decisions. We also found that best practice in the HR profession was often ignored.

There are no easy answers to solving the structural problems at work, especially in fiercely competitive, low-wage sectors. Many of the concerns (such as skills shortages, intrusive performance management systems, disconnect between pay and performance and the power imbalance at work) pre-date the recent recession and demand big shifts in organisational culture and behaviour. Prolonged reforms also require a degree of policy consensus and a commitment to social partnership. Identifying the problems is the easy bit; forging common solutions at a time of fiscal consolidation and political division is much more difficult. And, it is made all the harder by the lack of trust in both business and government.

Workplace citizenship

Government has a responsibility to protect and improve the livelihoods of its citizens, including what happens at work. Furthermore, government can't ignore the interplay between the world of work and everything else it does, not least welfare support, pensions and education. It was with these considerations in mind that the Institute's report proposed an agenda for change developed around the idea of 'workplace citizenship'. This was an attempt to provide a narrative for progressive work which embraced not only rights at work and the merits of voice and involvement at work and fair rewards, but also the importance of job satisfaction, skills development and achieving a genuine work-life balance.

Few believe we can go back (even if we wanted to) to the highly unionised world of the 1970s and reinvent the workplace institutions that characterised that period of full employment. But, labour market deregulation and union decline (and with it the erosion of collective bargaining) is at least partially responsible for the growth of income inequality and workplace dissatisfaction. There is also evidence to show that giving workers voice (individually and collectively) boosts productivity and trust in the workplace. It also helps people to cope with constant change in the labour market.

The Smith Institute is calling on government to see unions as part of the solution, rather than part of the problem. This could take the form of a package of measures to strengthen employment relationships – including reform of the Information and Consultation of Employees (ICE) Regulations (notably by lowering the thresholds), granting Acas the power to promote collective bargaining, and greater support for social partnership schemes, such as the TUC's unionlearn.

Agency work

There is also growing pressure on government to address the rise in involuntary temporary work, which is driving the race to the bottom in pay and conditions. Ed Miliband has already pledged to clamp down on abuses of zero-hours contracts and to remove the so-called 'Swedish derogation' to stop workers from being undercut by agency staff. There are also calls for a tightening of the TUPE regulations and greater staff protection in regard to outsourcing through 'two-tier workforce codes', which require public agencies to enforce minimum standards on contractors.

The Smith Institute's research concluded that the regulations covering agency work needed to be improved and much better resourced, especially in regard to enforcement. It also suggested that local employers and employment agencies could work together to help raise standards and drive out bad practices. This is precisely what has happened in Corby, where some employment agencies were found to be exploiting workers. The council (in partnership with local employers, employment agencies, unions and trade associations) established the Corby Employment Agencies Forum, which adopted a code of practice to ensure agencies and employers operate in a legally fair and responsible way. Other councils where employment agencies are prevalent are considering introducing similar codes of conduct.

Employment Bill

Action to raise employment standards and tackle insecurity and injustice at work should be a priority for the new government. The Smith Institute proposes a new Employment Bill for the first Queen's Speech, which could include: amending the ICE regulations mentioned above, greater transparency and disclosure on top pay and the gender pay gap, effective employee representation on remuneration committees of public companies, a five-year plan to move the National Minimum Wage to 60% of median earnings, extending paternity leave, and changing the employment tribunal system to ensure affordability is not a barrier to justice.

The Smith Institute is also hoping the next government will provide more support for management and HR training and improve support for both young and older workers. National and local government could also become Living Wage employers and make much more use of the power of procurement. Employers could also be offered tax breaks to pay the Living Wage – which still covers a very small fraction of the low-paid workforce.

A new deal at work

As the economy recovers we must take the opportunity to address some of the structural weaknesses in the labour market. The objective must be to both improve labour productivity and make work better. It's not one or the other. The two go hand in hand. Employers and unions have a big part to play of course, but government must lead and put fixing Britain's broken workplaces at the top of its agenda.

The Smith Institute's report 'Making Work Better: An agenda for government' and their other research on the world of work can be found on www.smith-institute.org.uk

… IT’S UP TO THOSE WHO SELECT CANDIDATES FOR MANAGEMENT ROLES TO ASSIST COMPANIES TO THINK DIFFERENTLY AND DEVELOP A BETTER UNDERSTANDING OF THE BENEFITS OF A TRULY DIVERSE WORKFORCE.

BARONESS BENJAMIN

What women want: actions needed to improve the gender pay and opportunities gap

Baroness Prosser, OBE

It seems to be clear that whatever the result of the 7 May general election, there will not be an appetite for introducing equality legislation, or even policies which would be likely to cost the government money or which would be seen to put undue pressures on business.

However, it is also clear that the current underuse of the talents and skills of so many women in the UK is unsustainable. The country is crying out for trained and qualified people in manufacturing and engineering, in agriculture and services and in IT skills and nursing care.

Enabling more women to participate in a wider range of careers and encouraging training and skills development so that they can operate at more senior managerial levels makes absolute economic sense. Higher earnings equal more taxes paid, more money spent in the economy, less need for benefit subsidies. A relatively small investment therefore equals a win–win situation.

The gender pay gap currently stands at 15.7%, up from last year's 14.8%, and this is despite the fact that for a few years now girls have been doing better than boys at school.

But it is in school where the problems later found in the world of work actually begin. Too few girls are studying subjects which will give them access to better-paid and more secure employment and too few girls are encouraged to think outside of the box when it comes to career choices.

It is a widely held view, which I share, that we need a majorly improved careers advisory service, one which employs people with knowledge of the world outside of education. This is not to criticise those teachers who have had this responsibility foisted upon them, but to understand that information, advice and guidance (IAG), as it is known, is a skill in itself and calls for different qualifications and experiences than a teaching qualification. The slightly cavalier approach to guiding young people into the big wide world is where for many girls and young women it all starts to go wrong.

Better information on the employment prospects of exam and career choices would be a help. For example, how much information is given on future salary levels or on opportunities for ongoing learning and promotion?

The next issue to be addressed is the 'motherhood penalty'. Having invested in the education and training of young women so that they can enjoy more senior and rewarding employment, we need to ensure that they can continue to do the same post-childbirth. How about a three-way investment in childcare costs: government, employer and parent? Good-quality childcare is expensive and sharing the cost makes economic sense. Currently many women manage to retain their positions when they have one child to care and pay for. For many, however, childcare costs for two children is economically not viable and so these women are lost to their areas of expertise and experience and often end up working part-time shifts but in sectors like retail, rather than in the sector in which they were originally trained.

Serious attention must be paid to the need for flexibility. The long-hours culture of the finance sector and of many legal firms is both unnecessary and damaging. No wonder they so often cry out at the lack of female figures in their senior management teams or their partnerships.

So two things need to happen here. Firstly, business needs to apply its collective mind to providing more part-time opportunities at senior levels. This can be done, as has been shown by Women Like Us, the careers and recruitment organisation set up by two mums in 2004 to match women to business and which has helped many employers reconfigure jobs from full- to part-time.

Secondly, we need more second-chance training to be made available to those women who have lost their skills and sometimes also their confidence.

In 2006, when the Women and Work Commission's report *Towards a Fairer Future* was published, the Government allocated £40 million to be spent on re-skilling and re-training women employed in sectors where either they were under-represented, for example in engineering, or where women were in the majority but not in skilled or management-level jobs, for example the textile sector.

Over a five-year period 25,000 women received training, funded partly by the above grant, but more so by the employers who took to the scheme in their many hundreds. The new government should re-introduce this scheme. Far too many women are employed below their capacity. It would bring greater prosperity to women themselves and to the Exchequer via higher taxes paid.

In October 2014 compulsory equal pay audits became law. The legislation as it currently stands is mealy-mouthed and full of hurdles designed, I suspect, to ensure it does not cause too much of a 'burden' on employers. I believe that equal pay audits have a part to play in dealing with the gender pay gap. Pay transparency should be a must. However, I think the above-mentioned measures for training, flexibility and affordable childcare would have a much greater impact on eliminating these unacceptable differences. Add to this a duty on managers, and indeed on trade union representatives, to ensure that opportunities for training for different jobs within the workplace are made available, and that women are not stuck in the lower-skilled and lower-paid areas despite the fact that they may well have the ability to do much more. It only needs a sharp eye and a willingness to do the right thing by the female workforce to make a difference.

The current government has demonstrated a deep dislike of what they refer to as 'red tape'. Much of this regulation is designed to ensure a level playing field, both for the workforce and between employers. The increasing use of zero-hours contracts (for anyone other than students where such arrangements suit both parties) is but one example of a culture likely to lead to alienation of the workforce, damaging prospects for long-term stability for the employer and often causing resentment, which will never translate into loyalty to a company.

Equally, allowing high-end profitable employers to carry on paying their employees the minimum wage, thereby passing on their responsibility for these employees to pay their way in life over to the British taxpayer, is equally immoral. It is high time the government of the day called a halt to this burden on the taxpayer by introducing a statutory requirement for employers in certain sectors of the economy, or those with a certain level of profitability, to pay the Living Wage.

The Equal Pay Act was introduced in 1970 and became operative in 1975. Forty years later, women are still not receiving a fair deal at work. The 2014 report of the Global Economic Forum showed that for the first time the UK had dropped out of the top 20 most gender-equal countries, coming in at number 26.

I only hope that post 7 May a serious and fruitful conversation can be held with the government of the day regarding what they intend to do about any of the above suggestions which could eliminate this ongoing, shameful disregard for the prospects and prosperity of half of the UK population.

A woman’s place is in … the labour market!

Charlotte Sweeney, Charlotte Sweeney Associates

In November 2011, the Home Secretary, Theresa May MP, noted in a speech on women and the economy that if the skills and qualifications of women who are currently out of work were fully utilised, the UK could deliver economic benefits of £15 billion to £21 billion per year – more than double the value of all our annual exports to China. In a similar vein, the Women’s Business Council conducted a number of pieces of research when launched in 2012. They found that by equalising the labour market participation rates of men and women, the UK could further increase economic growth by 0.5 percentage points a year, with potential gains of 10% of GDP by 2030.

Female participation in the labour market has undergone a significant shift in the last fifty years. There are thought to be a number of contributing factors to this, including:

- Growing appetite amongst women to engage in public life and to attain economic independence.
- Increasing economic imperative for women to work, as a single wage often no longer supports a family.
- Increasing levels of employment rights – such as equal pay and maternity leave – that have better enabled women to balance work and other responsibilities.
- State investment in childcare.

Progress continues to be made in increasing female participation. In February 2015, the Department for Work and Pensions stated that:

- The female employment rate stands at 68.5%, which is a new record.
- Over half of growth in female employment since 2010 has been in higher-skilled occupations such as managers, directors and senior officials.
- There are 250,000 more women in IT, manufacturing and professional and associated industries since 2010.
- Women on FTSE 350 boards is now at an all-time high, with no 'male only' boards in the FTSE 100.

Although there has been a much welcomed shift over the years, there continue to be challenges and barriers to women fully taking their role in the labour market and the country realising the positive impact this will have on our economy. These include:

- The continuation of a pay gap in the average full-time pay between men and women: in April 2014 this stood at 9.4%, the lowest it has been since comparative records began in 1997, when it stood at 17.4%.
- Women continue to dominate low-paid, low-grade work, such as within the caring and leisure occupations.
- Women and men are retiring later. Expectations are also shifting as nearly twice as many women (66%) than men (34%) expect to retire past state retirement age.
- Women's average personal pensions are only 62% of the average for men's and they make up the majority of pensioners living below the breadline.
- Women continue to be under-represented in the worlds of business and finance, particularly at higher levels, where women continue to be missing from many of the top tables of power.
- Caring responsibilities have typically been a major reason for older women's non-employment, as one in five women aged 45–59 is classed as a carer.

The Women in Work Index recently ranked the UK 14 out of 27 OECD countries on five key indicators of women's economic empowerment, including equality of earnings with men and the proportion of women in full-time employment, putting the UK behind countries such as Norway, Germany, France and the United States.

There is an economic, cultural and moral case to ensure that all barriers are removed to enable women to take their place in the labour market as they wish. If we were to complete a report card on progress to date, the comment may well be 'C+ – a good start, much more needed to be done!'

Looking forward, there are a number of actions required to take advantage of the progress made to date and to continue to build from this. There is no silver bullet to increasing the participation of women in the labour market, as we have seen in the past. It takes the determination and focus of a number of stakeholders to create the right environments for change and progression, such as government, employers and individuals.

A number of recommendations and actions that would have a positive impact include:

1. **Accountability** – many leaders from all backgrounds talk about creating more diverse and inclusive workplaces and removing barriers from labour market participation and are genuinely committed to making the change. In all cases, 'actions speak louder than words!' Hold leaders accountable for their specific actions to progress this within their sphere of influence.
2. **Much more than diverse boards** – focus on the executive pipeline, identify and remove the barriers, creating the leaders of the future that will ensure we see a flow rather than a trickle of women reaching senior roles in all sectors and industries.
3. **Flexible working** – create a serious focus on making flexible working a reality for the majority of the labour market. Create a culture where outputs are valued over and above time spent in the workplace. Create expectations that flexibility is a critical

commodity to attracting and retaining future talent – this isn't a 'nice to have'.

4. **Make shared parental leave a cultural reality** – drive the principles of shared parental leave through employers. Focus on the actions required to make this a cultural shift where all employees feel they have the opportunity to share their parental leave in a way that works for them rather than a well-written policy gathering dust.
5. **Support those with caring responsibilities** – get serious about supporting workers who have caring responsibilities. Identify the support mechanisms required to keep people with caring responsibilities in the workplace, enabling them to combine work with care.
6. **Increase transparency** – be open about the challenges employers are facing to reach parity in the labour market. Publish commitments, share plans for action and be honest about the impact and progress made. Ask for views and thoughts from people at all levels as to what could improve progress and transparency.

As we continue to drive towards gender parity in the labour market, it is important to recognise that women are not a homogenous group and should not be treated as such. The wider diversity agenda, including both protected characteristics and diversity of skills, sectors and experiences, should not be forgotten.

What is the role of women in the labour market? Surely, that should be exactly the same as men in the labour market, shouldn't it? As the labour market functions through the interaction of employers and employees, one thing is clear for the future. As employee demographics and expectations continue to change, so should the interaction and offerings from the employer – what worked well in the labour market fifty years ago doesn't work now. What is identified as innovative now will be archaic in another fifty years' time. Employers must embrace the changes and adapt to continue to be relevant to a changing employee landscape – and remember … one size certainly does not fit all!

Diversity in the workplace
Baroness Floella Benjamin, OBE

I have been dealing with the issue of diversity all my life and professionally for over forty years. That started when I asked a television producer why couldn't we have a more diverse portrayal of professional black characters, such as lawyers and accountants, and he dismissively told me 'that is not realistic'!

I knew it was blatantly not true because my family were all high professional achievers, including a surveyor, IT expert and financier.

I have never been afraid to challenge the status quo and have always had the moral courage to speak out for fairness and equality. Back in 1976 when I first appeared on the iconic children's programme *Playschool*, I asked why couldn't we have illustrations on the screen of black, Chinese and Asian faces of children represented in stories? The producer said, 'oh, we hadn't noticed'. Thankfully she acted upon it and from that day on, children's BBC programmes became the most diverse genre on television and a great example of how differences can be so brilliantly represented on screen and, in turn, in society.

The fact is that all we need to make change is to have empathy with others. Sadly this is something many find difficult. I believe it's partly because people are afraid to step outside their comfort zone and would much rather stick to what they feel comfortable with. Having to deal with their fear of the unknown can throw up inadequacies and a loss of confidence, a feeling of not being in control, as they are uncertain of others who are not the same as themselves.

I pride myself on not only being a strategic thinker but also being someone others can put their trust in. And my 44 years in the public eye gives me a great advantage to make others feel reassured and safe.

So what I have tried to do within every organisation I have been involved with is to open their eyes to the world that I see.

That is a world of inclusion and acceptance of others, who through adversity and resilience can bring a different perspective to the table. This can be extremely beneficial to the success of the company by giving it a global approach and identity. Research has shown that companies with diverse workforces and executive boards perform significantly better than those with little or no diversity. The big problem facing companies that realise this is how to go about finding the right people with the relevant experience to do the job.

I remember during my time at Ofcom as a Member of the Content Board, persuading the then CEO to invite young, up-and-coming people from diverse backgrounds to the annual high-profile media reception. At first it was thought that they weren't top executives so should not be invited. But my argument was unless people are allowed to mix in the arena to gain confidence and get the opportunity to understand the protocol, they will always feel excluded. Also, those who are already accepted will miss out on the opportunity of getting to know potential leaders who have undiscovered capabilities and skills.

This type of thinking, I suppose, is called mentoring, and thankfully many organisations are adopting this. But we have a long way to go, because a 2014 report by Race for Opportunity called *Race at the Top* found 'there has been virtually no ethnicity change in top management positions in the five years between 2007 and 2012'. Their research finds the situation has got worse because, despite the fact that one in ten UK people are from a minority background, only one in 16 of all senior management positions and one in 13 management positions are held by BAME people.

What the whole of society has to realise, especially the older generation, is that as we move towards an age in which diversity and equality in the workplace is looked upon as the norm, not as a problem, there has to be real sustainable change. But I am optimistic because finally, after many years of ineffectually tinkering round the edges, companies and employers are now taking diversity very seriously and are making major steps to rectify a situation which in the past has frankly been shameful.

I have been on the receiving end of discrimination in all its forms since arriving in Britain in 1960 as a 10-year-old girl. I was spat upon and told to go back to where I came from. My older sister was told to her face that the company she wanted to work for did not employ black people. Thankfully those dark days are long gone, but there is still a considerable way to travel before discrimination on the grounds of age, gender, disability, sexual orientation, religion or race in the workplace is consigned to the dustbin of history, where it belongs.

Mind you, these days I come up against a different type of bigotry. Upon taking up a new board position, I was condescendingly told by someone that I had only been appointed to the post because I was black and the organisation was being politically correct. I replied, 'you only get your jobs because you are white. Now it's my turn – and by the way, read my CV'.

And speaking of CVs, many people from BAME backgrounds are often very driven and culturally brought up to be high-achievers. It is drummed into them by their parents that they have to work twice as hard to prove themselves in order to be judged as equal and to be accepted as a serious contender. My beloved mother repeated this mantra to her six children every day. So when you are from a diverse background, your CV can be held against you because it can be construed as being too good to be true. I have often been told by people who have read my CV: 'you can't possibly have done all these things'. But resilience, tenacity and determination are instilled and learned by people from backgrounds like mine and these qualities are particularly useful in my profession.

It is widely acknowledged that the lack of diversity within the television industry, where I have spent most of my life, has always been a major issue. I and others have been banging on about it for decades with very little effect. But now suddenly, within the last few years, things have taken a dramatic turn for the better and all the major broadcasters are coming up with charters which sweep away the shocking practices of the past. Channel 4's new diversity 360 Charter and the BBC's dynamic drive to improve its diversity remit are shining examples of this.

I have been working with government, in particular Ed Vaizey at the DCMS, to address some of the diversity issues within the arts and creative industries and successfully finding ways to deal with them.

So after forty years of campaigning, persuading and being told to shut up or I will never work again, things really do look as if they are changing.

But there is still work to be done in other sectors, because not everyone gets it. So it's up to those who select candidates for management roles to assist companies to think differently and develop a better understanding of the benefits of a truly diverse workforce. Therefore selection panels themselves also need to be diverse in order to fully achieve this in their decision-making process.

Companies need to be educated and informed about the benefits of having diversity in their senior management, as well as understand the aspirational and positive message it sends out to their workforce and to their customers.

One in five nursery school children are from a diverse background. They are the future and they desperately need and expect to see role models to inspire them – to encourage them to find their place in society where they feel valued and appreciated. Without having this feeling of aspiration, the gap of 'the haves' and 'have nots' will forever widen.

Over the centuries Britain has always been a country which has assimilated different cultures. This has given it a unique quality which has created a rich cultural tapestry – the envy of the world. We must not hold back that evolution just because of skin colour or cultural and physical differences, but embrace these additions to the nation's wealth. I long for the day when everyone is given an opportunity to continue the process of making Britain the great country we know and love.

The opportunity of older workers
Ros Altmann CBE, Business champion for older workers

The UK – like many countries – has an ageing population. This will in turn lead to an ageing workforce. Recruiters have the opportunity to help businesses benefit from this experienced pool of labour.

Although it is often said that young people are the future, when it comes to the world of work the reality is that the proportion of older employees will steadily increase over the next ten years. In fact, by 2020, nearly one-third of the workforce will be over the age of 50. Demographic changes mean that the future for employers will have to encompass hiring increasing numbers of older people. Businesses will need to find knowledgeable, experienced workers, and recruiters can act as agents of positive change to increase emphasis on introducing and integrating more over-50s into the workforce.

The business case

Throughout the economy, businesses of all sizes will experience changes in the age profile of their staff. People will be staying in the workforce for longer, and when doing so they are likely to be healthier than past generations. With millions more people aged 50 to state pension age in coming years, and the numbers aged 16–49 falling, demographic drivers will force businesses to look again at older workers. This will not only be in the interests of the companies themselves, as they retain or recruit staff with long-standing work experience, it will also benefit the economy as a whole. If everyone worked just one year longer, gross domestic product would increase by 1%, which is £16 billion of extra output.

Our latest YouGov survey found that nearly three-quarters of over-50s would still like to be working between the ages of 60 and 65 and nearly half want to keep working between 65 and 70. This isn't just about earning more money; many also value the mental stimulation and social interaction of work. The International Longevity Centre (UK) found that more than half of people working past state pension age did so because they enjoyed it, substantially higher than those who worked longer because they couldn't afford to retire (26%).

Looming labour shortages could mean employers start competing heavily for older people, with many sectors such as engineering and care at risk of serious skill shortages. In my role as Business Champion for Older Workers, I have been working with a range of employers across many sectors who have recognised that the stereotypical thinking about older workers is out of date. They also understand that, without retaining, retraining or recruiting more older workers, their skill needs will not be met.

The role of recruiters

The recruitment industry has a really important role to play in facilitating the move towards fuller working lives and increased later-life employment. With an ageing population which is interested in working for longer, and employers starting to realise the demographic challenges they are facing, recruiters could facilitate increased placement of older workers. This is a chance to prepare for the future, by supplying employers with willing and experienced staff, and helping older individuals deploy well-honed skills or develop new ones.

Unfortunately I have heard from many talented older people who find themselves out of the workplace and who feel the recruitment industry is not interested in them. The YouGov polling found that more than half of over-50s who are now back in work following a period of unemployment believe that recruitment agencies were not interested in them as a result of their age. Anecdotally they have expressed fears that their applications were simply shifted to the 'no' pile once their age was apparent. Regardless of equality legislation and our demographic climate, this shouldn't be the case. Recruiters have suggested to me that employers are only interested in seeing younger candidates, but there may also be an element of unconscious bias, which unfairly and incorrectly links ability with age. Such attitudes are outdated in the twenty-first century, as age is no longer a reliable predictor of either physical or mental abilities.

Instead of focusing on what an applicant is expected to be like, based on their chronological age, recruitment should focus on the skills and experience they have to offer. Most over-50s are well equipped to handle many types of work and are perfectly capable of learning new skills in a new job. In particular, where older workers may have spent many years in a single occupation, it is important to recognise that they can develop new skills. Just as younger applicants are expected to build upon their experiences in education when developing within a new job, older applicants who are changing field are able to build upon their past knowledge.

On diversity and the future

It is really quite surprising, given the demographic realities, that the issue of tackling ageism in the workplace is only now gaining prominence. Age is a protected characteristic under the Equality Act but it is often seen as the 'Cinderella' of the equality world – left behind in terms of CSR outreach, and principally spoken of with regards to younger workers. Yet we all hope to live long and prosperous lives and therefore stand to benefit from improved attitudes towards older people at work.

Employers are slowly starting to respond to these concerns. For example, Barclays will be launching an apprenticeship programme specifically for over-50 jobseekers. They believe older people can adapt to a new career, learn new skills and display the tenacity needed to succeed in the workplace. They also recognise that their customer base is ageing too, so ensuring they have more over-50s staff could be helpful in customer satisfaction. I sincerely hope that more employers will follow their example.

Recruiters could play a really important role in promoting fuller working lives. By taking older candidates seriously and not simply writing them off if they are over 50, a recruiter can access a wider pool of skilled staff to find that ideal candidate. By making the case to clients, recruiters can take steps to challenge one of the more pervasive forms of discrimination still prevalent in employment practices.

Moving this agenda forward and allowing older workers access to the same opportunities as their younger colleagues will require concerted action by government, business and older people themselves. The part that recruiters can play by facilitating the transition of older workers into suitable jobs is essential. The future of our jobs market relies heavily on the skills and experience of older generations. Let's work together to grasp this opportunity with both hands.

IN THE YEAR 2114/2115 MORE PEOPLE THAN EVER BEFORE BELIEVE THAT THEY ARE AVERAGE, WHILE FEWER THAN EVER ACTUALLY ARE.

PROFESSOR DANNY DORLING,
UNIVERSITY OF OXFORD

Fuelling the northern powerhouse
Clive Memmott, Greater Manchester Chamber of Commerce

As human beings, we are naturally drawn to the concept of devolution. There is something fundamentally attractive in the idea of being governed more locally, by people closer to us, both in locality and in the understanding of our needs and desires. Here in the UK, we live currently in the most centralised state in the developed world; the overwhelming majority of our public services and economic development budgets are controlled by Westminster and Whitehall. It has been like this for decades, and the governments of the 1980s and 1990s and beyond continued to grow the reach and control of central government and the civil service. But, since then, there has been a change of tone.

Set in motion by the Blair Government's referenda for the establishment of parliaments and assemblies in Scotland, Wales and Northern Ireland, England became the ugly sister: left on the sidelines at the ball of greater autonomy in which the smaller nations danced energetically. John Prescott's short-lived vision of assemblies for the regions was given short shrift by the people of the north-east, but the dream didn't die. The concept of English regions, designed as they were by Europe, has never caught the imagination of the public. No surprise there, as arbitrarily designed governance structures never do. For devolution to succeed, the structures and geographies at play must have two key components: they must reflect the economic areas and local identifiers that people truly recognise and, crucially, the solution proposed must be at least as efficient as that which went before.

Here in Greater Manchester, the geography is clear and well recognised. Since the creation of the Greater Manchester Council in the local government reforms of the 1970s through to the creation of the Greater Manchester Combined Authority in 2011, the arguments for the functional area have been long made. Indeed, as the only area in the UK with local government, Local Enterprise Partnership, transport authority, investment agency and a single Chamber of Commerce covering exactly the same footprint, the concept of Greater Manchester successfully matches the reality.

In terms of efficiency, for the business community this is vital. We are well versed in the concept of reorganisations, although sometimes structural tinkering is dressed up as strategy: we understand the need to reshape our organisations to enable a better and more efficient way of delivering our goods and services to our customers. If the public see only an additional tier of politicians and bureaucrats, it is doomed to fail (this is a key reason why Prescott's North-East Regional Assembly was unsuccessful).

The recent Greater Manchester Agreement does not seek to reinvent an additional tier. Unlike the London model, there is no separately elected body to scrutinise the mayor's work; instead, the existing ten leaders will perform that role in a cabinet-style model with the mayor sitting as a first amongst equals, that is, you build on the strong foundations already in place. This may yet bring its own challenges: though the cabinet may reject the mayor's proposals, the infinitely stronger democratic mandate that the mayor will have may mean that challenges from leaders, elected only within their own ward rather than by the whole city region, may end up suffering from their own democratic deficit. We shouldn't get hung up on structures, but they are important: only when these key things are correctly in place can we begin to move forward to engagement and delivery. We must focus on efficiency.

Delivery may not be without its difficulties. Greater Manchester may shortly be in receipt of billions of pounds but, at the city region level, does not yet have a civil service infrastructure with which to deliver it. It is here that the question of efficiency again becomes crucial. It will be all too easy to replicate and duplicate existing functions. There will be opportunities for key partnerships and successful collaboration with existing bodies, both public and private, that will be able to advise on, support and even deliver the future projects. However, the creation of both capacity and competence to lead and manage these processes will be key, and we must firmly hold to account any solutions which simply mirror existing teams and organisations. Devolution and public sector reform must be seen as key to one another. Only by working more flexibly, more collaboratively and more efficiently will the true benefits of devolution be seen: the ability to actually change the experiences, lives and opportunities of the people, charities and businesses of Greater Manchester.

The vision for devolution in my city and beyond is centred on the Chancellor's image of a 'northern powerhouse'. The phrase all too easily conjures up thoughts of heavy industry: factories, manufacturing, road and bridge building. Certainly, we need to have appropriate infrastructure for growth, but the long-term ambition must have its aim set wider than this. The success of Greater Manchester in the decades to come will not be realised by reinventing the past, but by driving the future.

The Armitt Review's recommendation for a cross-party body responsible for long-term infrastructure has to be a major priority. We cannot continue with a system where it takes longer to make a decision than it does to deliver it. We must remove critical infrastructure decisions from the mercy of political cycles: it must be planned for the needs of decades, not years. The northern cities of Leeds, Liverpool, Manchester and Sheffield have a combined population larger than Greater London yet share a creaking road and rail infrastructure which prohibits the labour and business markets of these places from truly interacting. Better, and world-class, digital infrastructure could overcome some of these challenges (Manchester has, after all, the second largest digital cluster in Europe), but there is no substitute for allowing the population of the north to freely intermingle in the way that London's businesses and employees can take for granted.

But if employees are to be truly empowered to seek opportunities in other cities, they must have access to the skills that our businesses need. Our skills team here at Greater Manchester Chamber has recently delivered the UK's most successful Employer Ownership of Skills (EOS) pilot. This allowed us to act as an intermediary between our businesses and the still labyrinthine skills and education infrastructure. By utilising our skills in engaging with local employers and bringing them together in clusters, alongside having strong connections to the training providers, we connected employers to skills and training that is a tangible benefit to their businesses. But intervening at 18 is not early enough. We must also work more closely with schools, enabling a better integration between education, teachers and employers, supporting them to realise each other's needs and better prepare our young people for the workplace.

Underpinning all of the above is intelligence. Business intelligence and big data has rightly been taken up and driven by business to better understand the needs and wants of its customers. The public sector has been slower in getting to grips with the opportunities that this offers, but is now moving more quickly into this space. The current government's open data initiatives are gathering pace, and more and more intelligence is now available to both agencies and the public. We're investing heavily in this space ourselves, both to direct our own services and support mechanisms, but also to make a genuinely significant offer to partner bodies. We have the capacity to aggregate large sources of data and support others to do the same. Our vision is that in an increasingly complex market we have to customise our offer to members based on our understanding. It has the ability to truly transform an organisation's understanding of its market, whether public or private, manufacturing or social services.

Ultimately, the success or failure of devolution will be measured on its ability to solve problems more quickly and more efficiently. This will mean the creation of the right structures, but more importantly a genuine and open collaboration between all aspects of our society. We need a strong business environment to deliver economic success for the region, but business will only thrive within a successful society. That means us all working together for our own future.

How to make it easier for growing start-ups to attract the talent they need to scale up and succeed

Albert Bravo-Biosca, Nesta

Building a more entrepreneurial economy is a widely shared policy goal. Most governments have developed a plethora of support schemes to help individuals set up new businesses. Many have also simplified their business registration regimes, making it possible to create a new company in less than 24 hours. And the digital revolution has provided both tools and opportunities for setting up new businesses. As a result, entrepreneurship is thriving.

But having lots of start-ups is not enough, unless they grow. In other words, quality matters more than quantity. Or to put it in Sherry Coutu's words, we need more scale-ups rather than start-ups. Here the picture is much less rosy, with very substantial consequences for UK economic performance. Some research that we published recently shows that UK GDP could have been £100 billion higher if it had been easier for the most productive firms to scale up.

So what can we do? There is a long list of policies that would help. Some are at a very 'macro' level, such as creating a new European single market for entrepreneurs that makes it much easier for new start-ups to scale up throughout Europe. Others are at a more 'micro' level, such as experimenting with new business support schemes and making sure we learn what works and what doesn't. This is precisely what we are doing at the Innovation Growth Lab, the new global laboratory for innovation and growth policy that we recently launched in partnership with several governments around the world.

But here I would like to focus on another policy lever that we should consider: reforming labour regulation to make it easier for growing start-ups to attract the talent they need to scale up and succeed. This is not only good for start-ups, but also for the wider economy. Productivity grows when employees move from low-productivity firms to high-productivity firms. This is one the most important drivers of productivity growth, and becomes even more important when the speed of change of economies accelerates (since it is more difficult for incumbents to sustain their competitive advantage in front of younger, smaller, more innovative and faster-moving competitors).

Starting a company involves many challenges. Growing a company to hundreds (or more) employees is even more challenging. Many start-ups fail not because the idea is bad, but because the execution is poor (or simply not good enough). This is why building a strong team that knows how to scale up companies and has experience managing large operations is crucial.

Unfortunately, attracting the experienced professionals that they need can be very difficult for start-ups (in fact, surveys in the UK and Europe show that recruiting staff is, after the macro-economy, the most important obstacle for high-growth firms). Leaving a well-paid and secure corporate career to join a growing start-up with uncertain success is a risky move (even if also an attractive one). And the current labour regulatory regime makes it unnecessarily more risky, to the benefit of large corporations and detriment of start-ups.

An example can illustrate why. Consider an experienced manager who has been working for ten years in the same company, with an apparently secure job and the entitlement to significant severance pay in case of redundancy. He is approached by a start-up to join their team and decides to take the risk. Unfortunately the start-up fails a few months later and he loses his job. If he had stayed with the large corporation he would most likely still have a job, and if not, he would have received a substantial redundancy payment. Having moved to the start-up, he is now unemployed and receives no redundancy payment (but still has a mortgage to pay).

Redundancy payment is just one example, but many other employment rights are also conditional on an employee's tenure with a particular firm (either as statutory benefits or as a result of the social and contractual norms that these seed). Is there a good reason why employment protection legislation should penalise precisely the employees that are already taking the risk to change jobs?

Fortunately, it is easy to solve. Rather than making employment rights grow with an employee's tenure in a particular firm, make them dependent on the total time in employment (regardless of whether this was in one firm or in multiple firms). In other words, make redundancy payment entitlements portable across companies when people switch jobs (note that this does not mean that the start-up would be responsible for paying the cost). This may sound like a radical proposal that is theoretically sound but impossible to apply in practice. While there is not enough space here to elaborate on the details, there are different ways to put it in practice. Countries such as Austria have already transitioned towards this model, and much can be learned from its experience.

A reform along these lines would benefit start-ups, but not only them. Workers would also benefit, making it easier for them to switch to better-paying jobs, and as a result also giving them a stronger bargaining position when negotiating salaries with their current employers. Established businesses could also benefit, if it helps them fill the skills gaps in their workforce. And the wider economy would ultimately benefit, not only because high-productivity firms would grow faster as a result, but because the flow of employees across companies brings with it a flow of ideas and practices that can also help firms to improve their productivity.

This is why it is worth doing, on its own or as part of a wider labour regulation reform that tackles other important aspects that are already discussed more regularly, such as moving towards the Danish flexi-security model and introducing a clear distinction between what employers have to pay (and to whom) in case of redundancy and what employees are entitled to receive (and from whom). We need to make it easier for new companies (particularly start-ups) to hire the employees they need to experiment with new business models and product offerings, but also make it easier to dismiss them if these don't work out as hoped (while still offering a strong safety net for individuals who lose their job).

The next government will enjoy a country with full employment (or close to). This is when it is easier to implement major reforms to labour market regulation. Moreover, with full employment, the UK's economic growth will ultimately depend on the UK's ability to increase productivity growth, so now is the time to implement productivity-enhancing reforms.

Flexibility and expertise
Duncan O'Leary, Demos

A major question for the UK economy in the coming years is how we strike the right balance between two competing pressures: the need for flexible labour markets, which allow people to move between jobs in different industries, to the value of knowledge and expertise within particular occupations.

These two goals are not, of course, necessarily in conflict with one another, but they can come into tension. The UK's economic model tends towards flexibility: we have lightly regulated labour markets by international standards, designed to minimise disincentives to job creation and to allow people to take up jobs quickly when they need them. Other European countries, meanwhile, have adopted a different approach, with less labour market flexibility (for example through more extensive use of licences to practise), alongside more emphasis on long-term skill development.

One thing that UK policymakers are agreed upon is that apprenticeships can help deliver the best of both worlds. All major political parties agree that the next government should set itself stretching targets to increase the number of apprenticeships, whilst there is a growing emphasis not just on quantity, but also the quality of training on offer. The length of apprenticeships symbolises this problem, with most UK apprenticeships lasting between one and two years – about half as long as in Germany, where skill development and consolidation is taken more seriously.

Apprenticeship reforms

The framework for current policymaking on apprenticeships is provided by the Richard Review into Apprenticeships, which published its final report in 2012. In his report, entrepreneur Doug Richard sought to revive the idea of apprenticeships as a route to mastery of a particular occupation, learned through a combination of on-the-job and off-the-job training.

The focus on occupational mastery moves apprenticeships away from the recent tendency to treat them as if they are academic qualifications, which teach people transferable skills and can be compared easily with one another. If the purpose of an apprenticeship is to help people acquire broad competency within a particular occupation, the course and qualification need not have anything in common with learning for other disciplines. As Richard put it in his report:

'The skill level of the standard and qualification should be driven by what is required to do a real and specific job well, not by a desire to fit with level definitions – or because we "need a Level 3 framework in this sector".'

There is a degree of flexibility built into apprenticeships in that they train people for whole occupations, rather than specific job roles, but they represent a focus on developing particular expertise nevertheless.

The question is how far apprenticeships should go down this road. Despite his focus on occupational mastery, Richard was clear that achieving a good level of maths and English should be a prerequisite for completing an apprenticeship. His rationale for this was that these are skills which predicate success in modern societies. However, if the logic of occupational mastery is taken to its conclusion, this recommendation ought to have been obsolete. If an occupation really requires a high level of English or maths, the relevant apprenticeship framework ought to reflect that anyway.

In this respect, Richard was unwilling to follow through his own framework, opting for flexibility through transferrable skills, rather than on occupational expertise. Recent Demos work in this area suggests he was mistaken. In our research, apprentices reported finding English and maths tests not only a barrier to progression, but an unnecessary one. Many found the lessons and the tests superfluous to their jobs. An emphasis on functional or applied maths and English, relevant to their work, would have been better.

Occupational standards

In other respects, the apprenticeship reforms initiated by the Richard Review risk developing skills that are too narrowly framed. Richard was right to focus on developing occupational competence – but who defines this matters. Following his proposals, groups of employers can now come together to set the apprenticeship standards around particular occupations. This process is designed to ensure that the apprenticeships remain relevant to employers' needs.

The danger is that groups of individual employers define occupations and occupational standards around their own specific requirements – for people doing particular jobs – rather than around the broad occupational competencies that allow people to grow, develop and move around within an occupation. As such, the missing piece in the jigsaw is some reassurance that occupational bodies will be involved in the setting of standards wherever possible. This has happened in some of the early trailblazers but needs to be replicated more widely as more standards are developed.

This approach would move the UK closer to the model adopted in Germany and Switzerland. Both countries have a definitive list of between 300 and 400 occupations that are approved for publicly funded apprenticeships. As Richard envisaged, each occupation has its own apprenticeship standard but, crucially, the content of that standard is agreed upon by individual employers, occupational bodies and institutions reflecting the interests of whole sectors.

There are other ways in which policy can help encourage longer-term development of occupational expertise. The current wave of reforms are designed to change the funding regime for apprenticeships, with employers being asked to contribute to off-the-job training for the first time. Demos has recommended that, as part of this process, the Government should trial a new 'mutual guarantee' arrangement at the start of an apprenticeship.

Under this mutual guarantee the employer would specify how much will be invested by the employer in off-the-job training, whilst making clear exactly how the apprenticeship will work. The apprentice, meanwhile, would commit to completing the apprenticeship, agreeing to repay the employer for the cost of their off-the-job training should they not complete it. The arrangement would build on precedent from other parts of the economy, such as law firms, where employers routinely fund training with the agreement that employees will remain with the firm employing them for a given period of time – or repay some of the costs of their training.

The effect of this mutual guarantee would be to create an incentive for employers to move towards longer-duration apprenticeships, under which their investments would be protected for longer. In Germany apprenticeships involve phases of skill consolidation, during which time training is gradually scaled down and apprentices hone what they have learned before passing their final qualification. By this time apprentices are able to work more productively, allowing employers to recoup some of their investment. A mutual guarantee scheme could see more of this in the UK, providing protection for employers and the chance for apprentices to develop occupational expertise over longer periods.

Conclusion

This balancing act between transferrable skills and expertise with a particular application is a longstanding one, but is no less important in a globalised, hyper-competitive age. In one sense, transferrable skills remain attractive: labour markets are more flexible and jobs less secure than they once were, meaning that the ability to move smoothly between jobs is important. On the other hand, real expertise is one of the few things that can help provide individuals with a sense of job security in a competitive marketplace.

The renewed focus on occupations in apprenticeships policy helps navigate a way through this. Expertise can be built up and expanded upon over time, but not just for particular jobs in particular firms but as part of developing a vocation. Meanwhile, developing broad occupational competency does not rule out specialisation for individuals later in their careers when individuals are more established. The Richard Review was vital in helping build this intellectual framework but, as ever, getting the reforms right in practice is everything.

Work: a view from 100 years hence

Professor Danny Dorling,
Oxford University

Imagining the future and then looking back at the recent past from that place can create a clearer image of where we are today. Today, more of us are working at older and older ages. Usually elderly people would rather not undertake the mundane jobs that increasingly they have to apply for. Suicide rates among the elderly are highest in those towns and cities of Britain where more of the elderly are in paid work after age 65. If current trends continue, more of us will live to work as employees in our old age and fewer and fewer of us will be happy with the work we are offered.

Only a few very affluent people are likely to have pensions large enough to enable them to avoid paid employment in part of their old age. More and more of today's young adults have no pension provision other than the state pension. Of any age group, the greatest wealth inequalities of all are found between groups of pensioners. By pensionable age people have either amassed very little wealth, or have great savings including a pension and own valuable property. Among the affluent only the very rich have no pension. It is a form of insurance they do not need.

As the riches of the best-off 1% of people grow and grow, more jobs in future will be focused on serving their needs. Today that small group secure about 15% of all income in Britain, about 10% after income tax is taken. If top income tax rates in the future are to fall, as they have mostly fallen over current lifetimes, there will be fewer jobs provided by the state and more people directly employed by the very richest minority. More cleaners, cooks, nannies, gardeners, personal accountants, housekeepers, drivers, personal shoppers, trainers and more employed in jobs which currently don't exist but which will be created to pander for new tastes and fashions among those who believe they are most worth it.

In the future people near the very top may well work longer hours than they do today. Those at the very top can choose their hours, but those just beneath them cannot. The need to beat the morning commute may lead to greater numbers starting paid work earlier and earlier in the morning. Even if this is not through physically being at the office, scanning emails and reminders every waking hour can easily turn what used to be an eight-hour working day into something much longer. In Britain in 2014/15, millions in part-time employment said they would prefer to have a full-time job, yet we had never collectively worked as many paid hours. Part-time work simply did not pay enough.

People don't really want to work longer and longer hours. They are given little choice as hourly wage rates fall and the cost of living rises. In areas where the jobs are better paid, the cost of living rises faster than salaries. You can, if paid enough, live a long way out, work long hours and get a nanny or two to cover for never being home before the children go to bed. But to make all the finances work you have to ensure you do not pay the nannies too much. High-paid and low-paid jobs in the future will increase in number. There will be fewer 'average' occupations.

In 2114/15 more people than ever before believe they are average, while fewer than ever are. Leading up to 2114/15, the Government subsidised mass childcare to ensure that having small children to look after was not an excuse against taking paid employment. They reduced benefit levels year on year to make the punishment for not working for someone else a more grinding poverty than each year before. Numerous sanctions were imposed, cutting all welfare benefits for a time if a 'claimant' – as people came to be called – transgressed and missed a meeting.

Out of desperation more people took jobs on zero-hours contracts, or started their own business. The Royal Society of Arts (and Commerce) reported that people who started their own business were less well paid but happier than those with direct employers. They could have put it the other way round and said that for most employees, the experience of having a boss was so bad that despite the slightly greater job security they were more miserable than even self-employed taxi drivers.

Taxi drivers were a case in point. More and more people took to driving around in their cars, having paid for taxi plates and a radio, looking for someone who wants a lift. As more people became drivers, all the drivers had to drive for longer and longer each day to pick up the same number of fares. They became more tired, more irritable, less safe drivers, but the overall numbers in employment rose. When bus subsidies were removed, more people without cars had to use taxis. Fewer buses meant more private sector employment, more cars, more congestion and more pollution. However, more employment is not necessarily better employment. Few taxi drivers talk of the great enjoyment they got from ferrying passengers along the clogged roads.

As the state was pulled out of subsidising areas such as transport, education and health care, wages in each area fell. People move from job to job more often than they had in the past. Those taxi drivers who could no longer endure 14- or 15-hour days gave up when they could find another job, often caring for the elderly, the mentally ill or young children. Driving a taxi only required a driving licence. Many of these jobs did not require any qualifications or much experience. You need qualifications to be promoted but not to do the basic job.

There were also more and more guest workers to carry out the menial work. A very economically unequal country tends to generate a lot of opportunities for poorer migrants. Even in 2014/15 most young women in England by age 19 were going to university to try to avoid having to take menial work later in life. Childcare had become menial work. A qualifications bonanza bloomed. But that first degree would not guarantee you good employment, you needed a postgraduate qualification, and an internship you paid for the privilege of undertaking, or an apprenticeship where you were paid far less than the minimum wage.

Looking back, of course many people in 2014/15 enjoyed their work. Many had worked in the same institution for some time and had got good at what they did. Their customers, colleagues, patients, claimants, fares and students got to know them. It wasn't all about making money and the bottom line. But such relationships became seen as quaint in time. And younger employees were not taken on with the idea of keeping them on for that long. The young knew that and so jumped from firm to firm almost as fast as they were pushed. The idea of having any loyalty to an enterprise, a school, a hairdressing business, a garage, a construction plant or a building firm went out of fashion.

As wealth polarised further, those who wanted to start their own business increasingly had to borrow to do so. Algorithms, not people, ran banks. At any sign of default they quickly moved to seize the assets of the business, the home that had been mortgaged to finance it. Even before the financial crash of 2008, some 99% of businesses newly registered to pay VAT folded within ten years. Otherwise the UK would have been awash with antique shops and other ventures that so many people had dreamt so long of starting up. As many firms have to die as are born. The more that are born, the more that must die.

Big corporations grew larger but almost all also eventually folded. The majority of the largest firms in the UK in 2014/15 had not existed a hundred years earlier, almost all were gone a hundred years later, and yet they exuded an air of permanence. Young graduates fought to get places in their 'starter streams', greedy for the high salaries promised later, desperate for some security and unaware that every year their intake would be decimated. Within eight years less than half of those who started with such fanfare were still employed; just a seventh managed twenty years in the firm of all those selected as being so promising. But it had to be that way: almost every firm in London employed hundreds of people aged below 35, and just a few dozen aged over 40. Those who didn't make the grade could drive taxis, manage guest-worker cleaners or stack shelves in their non-retirement.

In 2114/15, no one is surprised. All that has happened is a continuation of what had already been in play by 2014/15. Every year (for a hundred years) the trends continued onwards with only the occasional blip. By 2114/15 most people know they are poor and insecure, more are working longer for less than their parents or grandparents had, but a tiny few – now much less than 1% – are taking more than the best-off ever had. They tell those below them that if only they, or their parents, or grandparents or great-grandparents had tried hard enough – had been good enough – they too would have got what they deserved. And in a way they are right. If we'd all just tried, tried harder in 2014/15, all of this could have been different. But we'd already been taught only to worry about just ourselves.

Notes

Note this essay was first published as "Work: A view from one hundred years hence", in *Strike Magazine* 8, November/December 2014, 10–11.
Danny Dorling is the Halford Mackinder Professor of Geography at Oxford University.

Welcome to the era of boiling frogs
Matt Alder, Metashift

With all the change digital technologies have brought to the world of work in the last 15 years, it is very easy for employers to think that they now fully understand how they are being affected and that they are planning well for the future. Over the next few years, however, the labour market faces further dramatic technology-driven disruption which will make the changes of the last decade and a half seem slow and sedate by comparison.

The biggest danger for business leaders is the fact that even the most extreme of workplace revolutions can seem to be imperceptible while they are actually happening. Even if they are noticed it is also often very easy to dismiss the changes as a fad or something that is only relevant in another industry sector. This is the classic boiling frog business metaphor. If you drop a frog into hot water the frog will jump out; if you put it in cold water and slowly heat it up, the frog won't notice the temperature increase and will boil to death.

To illustrate just how much things are changing, here are two examples of disruptive workplace trends in the labour market with wide-reaching influence:

The first example is remote working, something that cloud computing, ubiquitous broadband and the mobile revolution has enabled in ways that just didn't exist a few years ago. A lot of employers already embrace this and a small but growing number of companies now have completely remote workforces.

The wider implications of the normalisation of remote working are interesting. First of all it broadens labour markets significantly. With proximity to a single physical place of work no longer necessary, a genuinely global labour market is opening up. This is very much a double-edged sword for employers. More flexible companies that are able to embrace remote working can benefit from this global talent pool, while those with more traditional workplace structures or beliefs are increasingly limited in their ability to hire the best available talent.

Talent itself is also becoming more empowered thanks to the rise of skills markets such as Odesk and Elance, where all types of project-based work can be bought and sold. When these platforms first emerged they were squarely aimed at freelance technology professionals, but the skill base of their users is growing tremendously in scope and now encompasses areas such as sales and marketing, administrative support as well as writing and translation. This is a trend that is only going to continue growing and its implications for the whole notion of full-time employment are certainly interesting.

The second example of a disruptive workplace trend is that of automation. In a growing number of areas robots and algorithms are now commonly replacing humans in both intellectual and manual tasks. The implications of this are so wide ranging that it is impossible to cover them in the confines of a short article, but a quick look at transport platform Uber clearly illustrates the possibilities here.

Uber currently uses mobile technology to match drivers with passengers in many of the world's major cities. Despite the uniformity in the customer experience of the service, Uber are always clear that they don't directly employ these drivers and argue they are just operating a specialised skills marketplace. Customers rate drivers via the mobile app and drivers whose ratings drop below a contractual minimum are no longer allowed on the platform. In doing this Uber has effectively replaced traditional management with an algorithm.

Rumour has it they are not going to stop there, either, and many commentators are already considering the intriguing possibility of Uber dispensing with human drivers altogether by bringing driverless cars into our city streets in huge numbers. This would effectively represent a complete redefinition of the global labour market in Uber's sector.

Unsurprisingly, opinion towards Uber is polarised. Many of their customers are delighted to have access to cheap and 'uber' convenient transportation, while the traditional licensed taxi trade is protesting vehemently that this is unfair competition. Despite this opposition the company continues to grow and expand into new global markets at great pace, illustrating clearly that digitally driven disruption operates at a speed that can quickly overwhelm the traditional approaches it is disrupting.

The lessons here for business leaders are key. Technology is redefining the labour market at lightning speed and this disruption is only going to get bigger and move faster in the next few years. Every company in every industry has the opportunity to either benefit or be damaged, and very often a positive or negative outcome will be down to speed of realisation and adaptation. The world is changing quickly and being a boiling frog is not a viable business strategy.

07
BIOGRAPHIES

Matt Alder, Digital, Social and Mobile Marketing Strategist, MetaShift – Ever since he first worked with the web back in 1997, Matt Alder has been fascinated by the emerging technologies that change the way companies go about recruiting people. Today, some 18 years later, he's recognised as a leading digital, social and mobile strategist within the recruitment industry.

Dr Ros Altmann, CBE – Ros Altmann is an independent expert on later-life issues. She is an economist by training and worked in fund management in the City for many years. Before becoming Director-General of over-50s specialist Saga Group from 2010 to 2013.

Ros was appointed a CBE for services to pensioners and pension provision and is the UK Government's Business Champion for Older Workers. Ros is also a governor of the Pensions Policy Institute, and chairs the Lord Chancellor's Strategic Investment Board for the Ministry of Justice. She is a Fellow of the Royal Society of Arts, being an adviser to the International Longevity Centre and was recently appointed as a Non-Executive Director of the Independent Press Standards Organisation.

Sir Brendan Barber, Chair, Advisory, Conciliation and Arbitration Service (Acas) – Sir Brendan has been Chair of Acas since January 2014. He was formerly General Secretary of the Trades Union Congress (TUC) (2003–12). He is a board member of Transport for London and a council member of the Council of City University London.

Sir Brendan is a Visiting Fellow at the Said Business School, Oxford University, and a Visiting Fellow at Nuffield College, Oxford. In 2007 he received an honorary doctorate from the City University. Sir Brendan was knighted in the 2013 Birthday Honours for services to employment relations.

Baroness Floella Benjamin, OBE – Baroness Floella Benjamin OBE DL, Hon DLitt (Exeter) is the University of Exeter's Chancellor, the ceremonial head of the university.

Floella is a broadcaster, actress, writer, producer and an activist for the welfare, care and education of children throughout the world. She is also an honorary graduate of the University of Exeter.

Professor David Blanchflower, CBE, Dartmouth College – David Blanchflower is the Bruce V. Rauner '78 Professor of Economics at Dartmouth College, New Hampshire, University of Stirling, and a former member of the Bank of England's Monetary Policy Committee.

Albert Bravo-Biosca, Senior Economist, Nesta – Albert leads Nesta's work on innovation and entrepreneurship experiments. Since joining the organisation in 2007, his work has been at the intersection of innovation, growth and finance, leading two of Nesta's major research programmes.

Albert holds a PhD in economics from Harvard University, an MSc in economics from the London School of Economics, and a BA in economics from Universitat Pompeu Fabra. He is guest professor at the Barcelona Graduate School of Economics and has also been visiting economist at the OECD and a consultant for the World Bank.

Ian Brinkley, Work Foundation – Ian is Chief Economist at The Work Foundation, having joined the organisation in June 2006. He was formerly Director of the Knowledge Economy Programme and Director of Socio-Economic Programmes.

Ian's previous appointments include the TUC (1980–2006), where he was Head of the Economic and Social Affairs Department (2004–06) and its Chief Economist (1996–2006). Prior to 1980, he worked as a researcher at the University of Kent and the Centre for Environmental Studies. He was a member of the Low Pay Commission from 2004–06.

Peter Cheese, Chief Executive, CIPD – Peter Cheese joined the CIPD as Chief Executive in July 2012. He previously had a long career at Accenture, including a seven-year spell as Global Managing Director. After leaving Accenture in 2009, and before joining the CIPD, Peter became Chairman of the Institute of Leadership and Management, and was an Executive Fellow at London Business School.

Peter is a member of the advisory board of the Open University Business School, a member of the board at BPP University and a member of the council of City & Guilds. He is the author of *The Talent-Powered Organisation*. He holds an honorary doctorate from Kingston University, is a Fellow of the CIPD and a Fellow of the AHRI, the Australian HR Institute, and a Companion of the Institute of Leadership and Management.

Professor Danny Dorling, Oxford University – Danny Dorling joined Oxford's School of Geography and the Environment in September 2013 to take up the Halford Mackinder Professorship in Geography. He was previously a professor of geography at the University of Sheffield. He has also worked in Newcastle, Bristol, Leeds and New Zealand.

Brian Groom, editorial consultant and writer
Brian Groom was the *Financial Times* UK Business and Employment Editor. He has held a number of senior posts at the FT, including political editor and Europe edition editor, and is a former editor of *Scotland on Sunday*.

Paul Hackett, Director, Smith Institute – Before becoming a Director at the Smith Institute, Paul was previously special adviser to the Deputy Prime Minister, John Prescott MP, and other ministers at the Department of Communities and Local Government (1997–2005). Paul previously worked for the FT, the Economist Group, TUC, and the Parliamentary Labour Party under the late John Smith. He was also adviser to the House of Commons Trade & Industry Select Committee, and has held positions with the EU, OECD, ILO, UN, PricewaterhouseCoopers, and Dun & Bradstreet International.

Katja Hall, Deputy Director-General, CBI – Katja is the CBI's Deputy Director-General, leading much of the CBI's lobbying work with politicians and in the media. She works in the UK, through the CBI's international offices around the world, and in Brussels and capitals across Europe to help political parties and governments of all colours create the conditions for business to flourish.

Steve Hughes, Head of Economic and Social Policy, Policy Exchange – Before joining Policy Exchange, Steve worked at the Bank of England in its Banking Services Directorate, where he conducted research into the circulation of banknotes and helped manage the regulatory system that governs cash distribution in the UK. Prior to this, Steve worked at the British Chambers of Commerce, producing economic indicators and advising on tax, international trade and SME finance policy. He has also worked in Parliament, researching HM Treasury legislation as it passed through the House of Commons.

Sir Charlie Mayfield, Chairman, John Lewis Partnership – Sir Charlie Mayfield became the Partnership's fifth chairman in March 2007. He joined the Partnership in 2000 as Head of Business Development. Sir Charlie joined the board as Development Director in 2001 and was responsible for developing the Partnership's online strategy. He became Managing Director of John Lewis in January 2005 prior to taking up his appointment as Chairman of the Partnership in March 2007.

Charlie is the Government-appointed Chair of the UK Commission for Employment and Skills, President of the Employee Ownership Association, a Director of Central Surrey Health Trustee Limited and Chairman of the British Retail Consortium (BRC).

Charlie was knighted in June 2013 for services to business.

Clive Memmott, Chief Executive, Greater Manchester Chamber of Commerce – Clive took up his appointment as Chief Executive of Greater Manchester Chamber of Commerce in September 2010. Prior to this he was a Director of Robinson Keane, the executive recruitment consultancy. He is Chairman of Enworks, a business support programme to help SMEs in the north-west improve their environmental and economic performance and is a Non-Executive Director of Brockholes Enterprises Ltd, the commercial company of the Wildlife Trust for Lancashire Ltd, and a trustee of the National Football Museum.

He is an Honorary Research Fellow of Lancaster University Management School and has co-authored a book on improving business performance through effective and practical employee engagement – *Growing your own Heroes*.

Frances O'Grady, General Secretary, TUC – Frances became TUC General Secretary in January 2013, the first woman ever to hold this post.

Before the TUC, Frances worked for the Transport and General Workers Union, where she worked on successful campaigns to stop the abolition of the Agricultural Wages Board and for the introduction of a national minimum wage, equal pay for women, and on a range of industrial wage claims.

Duncan O'Leary, Research Director, Demos – Duncan is a former adviser to David Lammy MP, for whom he helped draft and edit *Out of the Ashes: Britain after the riots*. He worked for Demos between 2005 and 2008, before taking a role in the Strategic Policy Team at the Home Office. He has written widely, including for the *Guardian*, the *Daily Telegraph*, *The Times Educational Supplement* and *Prospect*.

Jonathan Portes, Director, National Institute of Economic and Social Research – Previously, Jonathan was Chief Economist at the Cabinet Office, where he advised the Cabinet Secretary, Gus O'Donnell, and Number 10 Downing Street on economic and financial issues. Before that he held a number of other senior economic policy posts in the UK Government, focusing on immigration labour markets and poverty.

Baroness Prosser, OBE – Margaret Prosser was appointed to the House of Lords in 2004. A former trade unionist and current Deputy Chair of the Equality and Human Rights Commission, she is particularly interested in work, equalities and equal pay. In recent years, Prosser has chaired the Women's National Commission (2002–07), been a member of the Employment Appeal Tribunal (1995–2007) and served on the

Low Pay Commission (2000–05). In 2004, she was also asked by Tony Blair to chair the Women and Work Commission, which investigated the reasons for the enduring gender pay and opportunities gap. During the two decades prior to this, Prosser worked for the Transport and General Workers' Union, latterly as Deputy General Secretary (1999–2002). Whilst at the Union, she also spent a year as President of the TUC (1995–96), and several years as a national organiser and secretary.

Vicky Pryce, Chief Economic Adviser, Centre for Economic and Business Research – Vicky was previously Senior Managing Director at FTI Consulting (2010–13), Director General for Economics at the Department of Business, Innovation and Skills (2002–10) and Joint Head of the UK Government Economic Service. Before that she was Partner at London Economics and Partner and Chief Economist at KPMG after holding senior economic positions in banking and the oil sector.

She is currently a Fellow of the Society of Business Economists, an Academician of the Academy of Social Sciences, on the Council of the Institute for Fiscal Studies, on the BIS's Panel for Monitoring the Economy, on City AM's Shadow Monetary Policy Committee and on the advisory board of the central banking think-tank OMFIF. She also co-founded Good Corporation, a company set up to promote corporate social responsibility, and in 2010–11 became the first female Master for the Worshipful Company of Management Consultants in the City of London.

Vicky Pryce is co-author with Andy Ross and Peter Urwin of: '*It's the Economy, Stupid: Economics for Voters*', (Biteback Publishing 2015).

Shaun Rafferty, Chief Operating Officer, Joseph Rowntree Foundation – Shaun started his working life in local government in Leeds in 1989 as a housing benefits officer before moving into a range of senior human resources roles with Leeds. Since then he has worked as Strategic Head of HR at the London Borough of Brent and Head of Human Resources at Brighton and Hove City Council.

Dean Royles, Director of HR and OD, Leeds Teaching Hospitals NHS Trust – Before taking up the role of Director of HR and OD, Dean Royles was Chief Executive of NHS Employers. His previous roles also include Director of Workforce and Education at NHS North West and Deputy Director of Workforce for the NHS at the Department of Health. Dean was the first HR Director at East Midlands Ambulance Service following its creation in 1999.

Dean is a member of Sheffield Business School's advisory board, also a Visiting Fellow at Newcastle Business School, Chair of the Board of the Chartered Institute of Personnel and Development and a Chartered Fellow for the same organisation. He was awarded an Honorary Doctorate from the University of Bradford for his contribution to health services management.

Dean was voted the UK's Most Influential HR Practitioner in 2012, 2013 and 2014.

David Smith, Economics Editor, Sunday Times – David Smith has been Economics Editor of the *Sunday Times* since 1989, where he writes a weekly column. He is an assistant editor and policy adviser. David writes monthly columns for *Professional Investor*, *British Industry* and the *Manufacturer*, and is also a regular contributor to the CBI's *Business Voice* and other publications. Prior to joining the *Sunday Times*, he worked for *The Times*, *Financial Weekly*, *Now! Magazine*, the Henley Centre for Forecasting and Lloyds Bank.

Charlotte Sweeney, Sweeney Associates – Charlotte worked for blue chip companies in the financial services sector for 25 years (Barclays, Barclays Capital, HBOS and Nomura International) before creating her own consultancy.

Charlotte is a non-executive director at the Mid Yorkshire NHS Trust. She conducted an independent review on the Voluntary Code for Executive Search firms in relation to getting more women onto boards for the Secretary of State Dr Vince Cable, which is now referred to as 'The Sweeney Report'. She is Vice-Chair of the Department of Business, Innovation and Skills' external Diversity and Inclusion Advisory Panel and is leading the Lord Mayor of the City of London's Diversity Programme, 'The Power of Diversity', on behalf of Dame Fiona Woolf CBE.

Charlotte holds a number of non-executive roles in companies and charities, including the City HR Association and Carers UK. In 2014 she became a Liveryman of the Worshipful Company of Management Consultants and gained the Freedom of the City of London. She is a Fellow of the Chartered Management Institute, the RSA and the CIPD.

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Recruitment & Employment Confederation
Dorset House
First Floor
27–45 Stamford Street
London SE1 9NT

Tel: 020 7009 2100
Fax: 020 7935 4112
Email: info@rec.uk.com

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