

Future of the Corporation |

BRIEFING NOTE OCTOBER 2017

The Path to Good Work Business Breakfast

Output of a Breakfast Briefing held 5th October

BY MATTHEW TAYLOR

INTRODUCTION FROM ALUN EVANS CEO

On 5th October 2017, leaders in business and academia joined Matthew Taylor at a business breakfast, where he discussed the Taylor Review of modern working practices, and suggested how to lay out the 'Path to Good Work'. Guests were welcomed by Alun Evans, CEO of the British Academy, and Professor Colin Mayer FBA, Academic Lead for the Future of the Corporation programme. The breakfast came just weeks after the official launch of Future of the Corporation. It provided an opportunity for sector leaders to come together and discuss the problems of 'bad work', and share strategies to improve work, security, and productivity in Britain. Another breakfast follows on 9th November, focussing on social enterprises, with more events and a full research programme to be unveiled across the new year.

THOUGHTS FROM PROF COLIN MAYER FBA

We have this breakfast just days after the Future of the Corporation launch, from which I made three observations relevant to all of us today. First, the issues raised through this programme, from trust through to climate

change, are critical to business leaders across sectors. Second, it is becoming clear that changing the shape of business is not a question of whether, but how. Third, we need academic input for this process, right across the humanities. This is the comparative advantage of the British Academy in such a project – to look at the future of the corporation not just from an economic perspective, but with serious interdisciplinarity. One of the key issues here is the future of work, and how businesses respond to these changing patterns.

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'THE PATH TO GOOD WORK' FROM MATTHEW TAYLOR

The Taylor Review, which I chaired, has been available for three months, and is rather readable. So I will not take you through the entire review today, but rather cover three areas arising from it: first, why good work is important. Second, how corporate responsibility comes into play in this question. Third: how does change happen, and is this report going to make a difference?

WHY GOOD WORK?

In the review, we suggested **five reasons** why good work matters.

1. *The collapse of the social contract*: the implicit social contract between peoples in the post-war period was that you could expect a job, with a level of dignity, and the capacity to progress. Yet that contract has collapsed, and in its place, we must offer dignity. In the review, we stated it as an ambition that every job is fair, decent, and has scope for fulfilment and progression.
2. *Good work is good for you*: Whilst good work is good for you, bad work is bad for you. Work that is controlling, overly stressful, where you are denied any dignity or voice or security, affects your health and wellbeing. This presents problems not only for workers and firms, but necessitates expensive public service intervention.
3. *Technology*: I do not sign up to the lurid headlines which say that 30% of jobs will go in the next five years – such projections are often economically illiterate, and we should learn from previous eras of great technological change that the reality never quite lives up to these fantasies. Nevertheless, there is going to be a great amount of change. We must look away from headline figures, and look at the labour market in a granular way – at how tasks and business models will change. (One fascinating thing is that in retail, the number of jobs has increased. They have just moved from the shop floor to the distribution centres.) The goal of artificial intelligence in this story should be to improve the quality of people's working lives, and this is possible. I worry there is a similarity between the hubristic, reductive accounts of globalisation - which in some ways have led us to where we are politically now - and similarly reductive accounts of technology.
4. *Productivity*: As you know, there is a productivity crisis in Britain, which all the major parties seem reluctant to tackle. There is a mass of theories surrounding this productivity puzzle – for example, at least in part, productivity may be the price we pay for our high participation rates. It is also a reasonable assumption – and some people go much further than this - that part of this crisis is to do with poor people management. If people had more scope to be creative and autonomous and 'bring their whole selves to work', as is now popularly said, we might well have a more productive economy.
If people had more scope to bring their whole selves to work, we might well have a more productive economy.
5. *Citizenship*: a popular political and democratic concern is that we want citizens to be heard, to engage, to participate, to 'take back control'. But this notion seems still to stop at the door of the factory and the shop. If we want people to participate and be heard and to be citizens, there is no good reason for this. We should want citizenship at work.

WHAT SHOULD BUSINESS DO?

First, what we do not think they should do. We argued that the 'employment wedge' – the costs of bringing somebody on as a full employee – are already high enough. Part of the reason for people being pushed into precarious forms of work, or bogus self-employment, is precisely because of those costs, increased by the rise in the Living Wage, or by the Apprenticeship Levy. (By the way, one of the most interesting and welcoming factors of our labour market is not only that we enjoy low unemployment and high participation, but that the bottom deciles in the income distribution range are enjoying the highest growth in their incomes, because of the tightness of the labour market, and the introduction of the National Living Wage).

There are two things we want every company to think hard about.

1. *Greater responsibility for labour supply chains*: There is nothing inherently wrong with complex systems of labour supply, but there needs to be a rationale for them. In many sectors, you have a lead employer who subcontracts to others, who then subcontract to agencies, and them to umbrella companies. The people at the bottom of that chain are not having a good time, and it is not clear where responsibility lies. There is a great deal of suggestions as to how one might go about making firms more responsible for their supply chains. The Taylor Review did not go as far as calling for joint liability for those in the supply chain, but it did argue that companies of a certain size should be transparent about who is in theirs.
2. *Information and consultation of employees (ICE)*: The Review called for there to be a dramatic reduction in the threshold for ICE regulations. These regulations give employees the right to independent representation, and to information about company matters that are of relevance to them. Yet such a process can only be initiated on the will of 10% of employees. Moreover, this should apply to all workers, and not just employees. The review called for this threshold to move down to 2%. If I had to choose one of our fifty-five recommendations, consider that my Desert Island Disc. Many workplaces are now rapidly developing their human resource management, from working spaces to away days, and this should be welcomed. Yet people need rights as well as resources at work.

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HOW TO MAKE CHANGE

What I brought to the Taylor Review was the central question – how do we achieve change? This requires asking: why does public policy overwhelmingly fail? The Royal Society of Arts (RSA), where I am CEO, says that we need to 'think like a system and act like an entrepreneur'. This is to say, we must understand problems systemically and react to them in an agile, opportunistic, experimental way.

We must think like a system and act like an entrepreneur – we must understand problems systemically, and react to them in an agile way.

Moreover, this is not just about the regulation of gig work but the concept of good work as a whole. Yes, we need a new regulatory category to deal with people working via on-demand platforms, but we also must think about industrial strategy in other low-paid and low-skill sectors.

We must be granular not just in our analysis of the labour market, but in our analysis of how to make change. We must roam widely. We call for local government to take a more proactive role in promoting health and well-being where bad work has caused problems. The Low Pay Commission should take on a more proactive role in those sectors which do not pay the Living Wage. We should build industrial strategy not just around automation, but around more human factors.

We must roam widely in where we try to make change – from local government, to the Low Pay Commission.

When it came to our recommendations, we argued for more of a ‘nudge than shove’ approach which incentivises people to exercise their rights. For example, when it comes to zero-hours contracts, where people are then expected to work 30 hours a week – we argued not that these should be banned, but that people get a higher wage for non-contracted hours. We might think of this as mandatory overtime for those in zero hours contracts, similar to rules now being introduced in New York. This would nudge employers to think

twice about giving extra hours, and put money in the pockets of our lowest paid. This combination of thinking broadly about the system, and taking a nudge-based approach, is not because I’m a lily-livered Blairite afraid to do anything radical, but because that is how change happens.

QUESTIONS/OBSERVATIONS

Matthew Taylor then fielded questions from the audience on a range of topics, with rich discussion to follow. The topics included:

- How to engage business leaders in issues such as automation, particularly SMEs.
- The need for a sectoral approach to studying the labour market, with Taylor singling out the music industry as a reminder of how radically and rapidly business models can change.
- The role of gender in the labour market, with massive imbalances in the industries of care and distribution.
- How to foment good working practices in culture and principle as well as by law, ‘where people come to work as equals’.
- Sleep and working hours as an upcoming ‘meme’ in studying welfare and productivity.

SPEAKER PROFILES

Colin Mayer is the Peter Moores Professor of Management Studies at the Saïd Business School at the University of Oxford. He is a Professorial Fellow of Wadham College, Oxford and an Honorary Fellow of Oriel College and St Anne’s College, Oxford. He is a member of the UK Competition Appeal Tribunal, the UK Government Natural Capital Committee and the International Advisory Board of the Securities and Exchange Board of India. He is the Academic Lead on the British Academy’s Future of the Corporation programme.

Matthew Taylor is the Chief Executive of the Royal Society for the Encouragement of Arts, Manufactures, and Commerce (RSA). He chaired the Review of Modern Employment, with the Taylor Review on modern employment practices launched in 2016. Previously he was head of the Number 10 Policy Unit under Tony Blair.

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