

“The World of Work”

**Rt. Hon. Alan Johnson MP,
Secretary of State for Trade and Industry**

WARWICK PAPERS IN INDUSTRIAL RELATIONS

NUMBER 81

April 2006

**Industrial Relations Research Unit
University of Warwick
Coventry
CV4 7AL
UK**

Preface

This Warwick Paper publishes the text of the fifth Warwick-Acas Lowry Lecture given by the Rt Hon Alan Johnson MP, Secretary of State for Industry, to an invited audience at the University of Warwick on 21st March 2006. Unforeseen circumstances led to the speech itself being delivered on behalf of the Secretary of State by Mr John Alty, Director General of Fair Markets at the Department of Trade and Industry. The lecture prompted an informed and wide-ranging discussion.

The annual Lecture is organised in honour of Sir Part Lowry by the Industrial Relations Research Unit together with Acas. A former Chair of Acas, Sir Pat was for many years an honorary Professor at Warwick, a long standing member of the Business School's Advisory Board and a source of valued counsel to IRRU in its work. His outstanding contribution to the practice of industrial relations commenced when he joined the EEF in 1938. He went on to become the Federation's Director of Industrial Relations. He left in 1970 to join British Leyland as Director of Industrial Relations. In 1981 Sir Pat was appointed as Chair of Acas. He stepped down six years later with Acas's reputation for impartial and constructive engagement with problems enhanced in the face of an, at times, turbulent industrial relations landscape.

The 2006 lecture was given against the context of the anticipated publication of a Government policy paper on labour market strategy, setting out the main directions and priorities for policy during the current Parliament. In the lecture, Alan Johnson reflects on the achievements of the Government in fashioning a new framework of individual employment rights for workers in the UK, underpinned by an approach which aims to combine social justice and economic efficiency. The Secretary of State sets out the key priorities for the coming period, and argues that addressing these calls for a change in approach towards employment law.

Jim Arrowsmith Paul Marginson

It's a privilege to give this year's Lowry Lecture, following in the footsteps of my distinguished friends and colleagues, John Monks and Rita Donaghy. I would like to thank the University of Warwick for hosting the lecture and ACAS for supporting it. (When I was General Secretary of the UCW, I broke the unenviable record for taking part in the longest unbroken stint of negotiations ever held at ACAS - 27 hours. Having used all of my negotiating skills, polished and honed over many years experience, I took the resultant deal to my executive where it was rejected unanimously!) I also knew, admired and worked with Pat Lowry who made a huge contribution to employment relations in this country.

There could be no better *time* for this lecture – as we put the finishing touches to our strategy, setting out how we will meet our employment relations manifesto commitments for this term. And no better *place* than Warwick – where the policy that drives this programme was determined by the Labour Party's National Policy Forum two years ago, before being included in last year's manifesto. Today, I want to *reflect* on Government's record since 1997 and explore how we *renew and refresh* our approach today, as we face the challenge of globalisation. I will also say a little about regulation, Europe and the role of free, independent trade unions.

When we came into office, Britain's industrial landscape was still scarred by the effects of mass unemployment – which had twice peaked at 3 million in the 80s and 90s and had left behind incalculable social and emotional damage to the communities, families and people affected. But those in work had little to celebrate. The Conservative Government actively marketed the UK as if it was the sweatshop of Europe where companies could be free of the kind of social protection found in other parts of Europe. There was no minimum wage, no right to paid holidays, no right to rest breaks or even a day off every week. Part time workers and those in temporary contracts could be easily exploited. Maternity leave totalled just 16 weeks, there was no paternity leave and no help at all for adopting couples. Protection against unfair dismissal only applied after two years and there was no ceiling on the number of hours an employee could be forced to work. We all remember those days and the arguments that to give British workers any kind of protection would price them out of jobs.

You may also recall that there was no right to union recognition under any circumstances. Progressively more spiteful legislation left trade unions effectively having to re-recruit their members every three years, and employers free to pay union members higher wages in exchange for giving up their rights to representation. The party of Government in Britain was the only mainstream right of centre political party in Europe that was opposed to independent free, trade unionism.

In nine years, we've transformed that bleak landscape. We *helped people back to work by making work pay*, breaking down the barriers from welfare to work. We introduced the minimum wage, new tax credits, extra childcare provision and the New Deal. We *signed the European social chapter*, and implemented the part time work, parental leave and fixed term work directives. We also implemented the Working Time Directive. And we set about creating a new model of social partnership in Britain. Together, these measures constituted the most radical shake up of employment relations ever.

Younger colleagues find it hard to appreciate that that the reason previous Labour Governments had not introduced a minimum wage was because the trade union movement opposed it. The whole concept of minimum standards and a social Europe were an anathema to the unions in the Seventies who believed rights at work should only come with a union

card. Whilst European unions pursued industrial democracy, a minimum wage and a maximum working week, we followed the holy trinity of the closed shop, free collective bargaining, and endemic overtime. If ever there was a watershed for Britain's trade union movement, it came with Jacques Delors' speech to the TUC at Blackpool in 1988. But trade unionists should not forget that part of the reason why British workers had no basic, minimum, civilised standards protecting them at work was because of the attitude they adopted in their glam-rock era of the 1970s.

Our approach in 1997 was to combine social justice and economic efficiency. We valued free markets and their power to promote innovation and competition. But we recognised too that the market has to have a social conscience. We rejected the view that Government's role was to stand aside. It was for Government to make sure those markets incentivised success – both for individuals and for companies. We had to simultaneously get people back into work and provide decent minimum standards to protect them once they were there.

Of course, our approach was underpinned by caution. We wanted to ensure that these new rights took root. That they became a non-controversial part of our industrial landscape. That we proved the doubters, of whom there were many, wrong. We needed to show, not only that we could have rights at work without losing jobs, but that we could create jobs at the same time. We were right to withstand the political flak from our own side by rejecting a minimum wage set immediately at £5 an hour and to ditch a mechanistic formula in favour of the rates being advised by the Low Pay Commission. We wanted a settlement that would stick. Not a few pieces of symbolic legislation which would be repealed a few years later by a hostile Tory Government. The Low Pay Commission embodied our new industrial consensus. Critics said the minimum wage would cost a million jobs. In fact, two million jobs were created.

This consensus we forged provided the foundation for our second term document on "Full and Fulfilling Employment" – which put high performance workplaces at the centre of the productivity drive. Again, the emphasis was *not* on the minute details of industrial relations law, but on the big issues of balancing work and life which workers care most about. We introduced the Employment Bill, helping working families by *boosting* maternity pay and maternity leave, *creating* a new right to request flexible working and *introducing* paid paternity leave for the first time ever.

Today, in 2006, our industrial climate is very different to the one we inherited. It is worth pausing to reflect on what has changed. Over 2 million more people are in work. Employment is at record highs, whilst unemployment has been cut by a third and is at its lowest level in a generation. Earnings are up by a quarter – over and above inflation - the lowest paid having gained the most. A million people have benefited from the minimum wage. More women are working than ever before. 5 million people are now working flexibly. And the proportion of workers working more than 48 hours a week has fallen. Last year, just 157,000 days were lost to strikes – less than 0.1% of days at work. That's the lowest since records began and compares to 1.3 million in 1996 and 11 million in the 1970s.

The question now is how do we protect those achievements; how do we build on what we've achieved over the last nine years to prepare for the decades to come? Globalisation, technological and social change are moving at hyper-speed. Europe has already expanded eastwards, bringing in cheaper labour; and, with rapid growth and new openness in parts of Asia, many British workers are finding themselves in direct competition with Chinese workers who earn 5% what they do. Technology is also moving rapidly. And the good news

that we're living longer, means we also have to manage the effects of an ageing population. When the first state pension was introduced almost 100 years ago, there were 14 workers for every retiree. Now there's 4. By 2050, there'll be 2.

We won't succeed through poverty pay or protectionism. Britain's future does not lie in the past. It lies in nurturing a highly skilled, quality workforce. Innovation is central. **So my first priority for our labour market is to embed innovation in our employment relations, and help business move up the "ladder of opportunity"**. At the top of the ladder, you get innovative companies sourcing *from* every corner of the world and selling *to* every corner of the world. Investing in their staff - the kind of companies that appeared in the Sunday Times Top 100 companies to work for list earlier this month. At the bottom, you get unsuccessful companies with poor equipment and stale ideas. Squeezing ever decreasing profits from an ever diminishing pool of customers. The two ends of the ladder are polar opposites. Innovation versus stagnation. Motivation or exploitation. Success or failure.

Getting to the top of the ladder depends on unleashing the talents of all of our people. We all know that high performing companies don't come from just having that sentiment expressed in a company mission statement. Neither do they come from prescriptive laws. They come from a state of mind – so the state has to mind the extent of its intervention. Our object is not to change laws, but to change attitudes and behaviour. We need to encourage and incentivise more companies up the ladder of opportunity; to harness the ingenuity, creativity and inventiveness of their employees.

My second priority is to bring an end to the scourge of discrimination. This agenda is wide. Last month has seen the publication of new age discrimination laws; and steps to outlaw discrimination in the provision of services on the grounds of sexual orientation; but we've also seen the Women and Work Commission report, showing that gender inequality costs us up to £23bn a year. We are considering how to deal with the deep rooted problem of gender inequality. But the fact that five million full time employees now work flexibly as well as 2 million part time workers is testimony to how barriers which prevented women with family responsibilities are being removed. My last DTI permanent secretary worked part time. So does my current Principal Private Secretary. These are two of the most demanding jobs in Whitehall - the Sir Humphrey and Bernard of Yes Minister, if you like – except *neither* are obstructive, *neither* speak in riddles, and *both* are women.

We need to widen opportunities and tackle discrimination on grounds of gender, race, age, sexual orientation, religion or disability. This is not just a social issue, but an economic one as well. Our employment rate is already one of the highest in Europe at just under 75%. But our ambition is to move to 80% - a level which has only been achieved by one country in the world – Iceland.

With the demographic challenges that we face, employers cannot ignore the enormous talent that is still under utilised. Afro-Caribbeans are four times more likely to be unemployed than the rest of the population. One million active over 55s aren't working. We're committed to wiping out all discrimination. A person's worth should only be assessed by their value, nothing else. New age discrimination laws come on line this year. We are reviewing the body of discrimination law. And we will also come forward with a Single Equality Act.

My third priority is to shine a light into the darkest corners of our labour market. Millions have benefited from minimum standards. But there is a small minority of rogue

employers who operate in the shadows, preying on vulnerable workers who may be unable to speak English, worried about their legal status or unaware of their rights. Often, they work in conditions that are inhumane, dangerous and, in the worst cases, life threatening. Modern Britain is no place for this kind of exploitation. The Gangmasters legislation will make an important contribution. We have to go further. I want to focus enforcement against persistently bad offenders. I want to look at whether there is more we can do to identify them; if we can better share information between enforcement agencies and close gaps in our enforcement capability.

For honest employers – the vast majority of businesses who inadvertently fall foul of the law – I want to focus on helping them comply by enabling them to better understand their rights and responsibilities. For vulnerable workers – I want to make sure they get the information they need to benefit from their rights. We will tackle sharp practices by agencies such as add on charges, unfair loans, and excessive fees. And I am delighted to report the announcement that, on the advice of the Low Pay Commission, we will increase the minimum wage for adults to £5.35 this October. This will benefit 1.3 million low paid workers, most of them women.

So our focus has moved substantially from 1997. Our new focus on innovation means change in the way we go about employment law in three vital respects.

First, regulation. As far as employment relations are concerned, I want to make it clear that the bulk of regulation is behind us. There *has* been a lot in recent years for the reasons I've described. I make no apology for this. On the contrary, I'm extremely proud that this Labour government has helped get 2 million people back to work, reduce the pay gap, introduce minimum standards and create the best industrial relations climate since records began. There is no need to repeat the radical reshape of employment relations that we carried out in our first two terms. Our labour market strategy will set out our regulatory intentions for the rest of this parliament, giving business certainty and fulfilling our manifesto commitments. Our strategy will also set out a number of possible simplification measures. Whether we should create an "employment standard" to help business understand and comply with their responsibilities. Whether the right to time off for public duties should become a right to request. It will also set out a number of further measures, including draft proposals to simplify the redundancy law framework, the maternity pay and leave regime and a review of dispute resolution procedures.

Second, Europe. The EU plays a vital role in helping British business meet the challenge of globalisation. It gives us the discipline of competitive markets. It provides a forum for sharing best practice on innovation, enterprise and competition. It is also our largest market by far – accounting for half our trade and millions of jobs. Where Europe will find few solutions is in regulation. We need to end the curious perception that Europe's virility should be judged by the amount of legislation it produces. Europe's success should now be judged by how little regulation it produces, not how much; and how much it adapts to globalisation by freeing up its markets. I welcome Baroso's commitment to better regulation; the decision to withdraw 68 proposals for new legislation; and the fresh focus on robust competitiveness testing in Europe.

Third, trade unions. The trade union movement has a vital role to play in raising skills, promoting innovation and encouraging change. Today there are nearly 12,000 trained Union Learning Reps. We want more. And I'm excited by the emergence of a new type of

workplace activist – equality representatives – who will help find practical ways to achieve equal opportunities at work. Where there is no place for trade unions is in the past. We didn't go through the eighties and nineties to come out in the seventies. We reject calls for a so called Trade Union Freedom Bill or a loosening of the laws on secondary action. They won't help us meet the challenge of globalisation.

New economic challenges mean new unionism. Today, I'm delighted to announce the winners of the first round of the Union Modernisation Fund. We have committed approximately £3 million on 32 projects. Projects which address the challenges of a diverse workforce, of gender equality and of disadvantaged and vulnerable workers. And projects which help unions test new and innovative ways of working. Modern workplaces are a vital part of the modern economy, and unions must operate in a way which reflects modern practices. This money will help them achieve that aim. The fund will also help unions prepare for a broader and deeper dialogue with employers. Our information and consultation laws were greeted by John Monks and union leaders as a major breakthrough in the world of work. I want unions to fully embrace the opportunities provided by the legislation to develop new ways of representing employees at work.

In closing, much has changed since 1997. What hasn't changed is our commitment to fairness at work, our belief in opportunity for all and our conviction that social justice and economic efficiency go hand in hand. With nine years of sustained growth, record employment and decent minimum standards, these are values that more and more people now share.

Thank you.