

# Economic citizenship and the new capitalism

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If social democratic parties are to successfully address the big challenges at the turn of the 21st century – from growing global inequality to climate change – the workplace and collective organisation cannot be ignored. Work isn't just a destination to be reached from welfare, something to be juggled with family commitments or a necessary staging post on the way to the shopping centre. For most people work is important in its own right – as a source of purpose, companionship, individual expression and collective identity as well as, of course, income. While the government deserves credit for progress made towards full employment and recognition of the need to balance work with 'life', improving life while at work must become an aspiration worth striving for.

It may seem self-evident that progressive governments should prioritise making work a better place. But as globalisation makes government more complex and business more powerful, so strengthening a neo-liberal consensus that brooks little dissent, political appetite to shape the market or corporate behaviour in line with egalitarian values has receded. Yet work is important to people's lives and governments that have little to say about it risk fuelling the sense of disengagement too many voters already feel.

As the countdown to the next general election begins, there is an opportunity to assert, refresh and re-think how social democratic values should apply to the world of work, by putting the aspirations and anxieties of working people at its heart. That vision should include a new agenda for economic citizenship that would give people more say over work, create better jobs and stronger workplace communities – and make the economy more productive into the bargain.

## **Workers and unions in the new capitalism**

Today's workforce looks very different to that of a generation ago – more young mothers working full-time, increasingly international, an ageing profile – which, in turn, gives rise to new needs and challenges. The so-called iPod generation's tendency to have fewer babies, later, may be seen as a bid for greater personal freedom but also reflects the harsh reality of high cost housing, childcare and paying off student debt. The typical British employee is now as likely to be a Starbucks 'barista' as a car production worker but they share aspirations for better pay and opportunities, more job satisfaction and control over their working lives.

The modern trade union movement has changed too with, for the first time in its

history, a membership of fifty-fifty, men and women. While membership stands at around 6.5 million, the launch of new organising campaigns and new bargaining agendas, including progression through learning and skills, shows promise. And trade unionism is still by far the biggest democratic movement in Britain, with the number of its elected workplace representatives alone outstripping the entire membership claimed by any political party.

At a time when the political class has struggled to find solutions to disengagement from democratic politics, the potential of trade union organisation is too often overlooked. Trade unions' significance in Britain's democratic life stretches beyond the Labour Party constitutional link or its track record in beating back the BNP in local communities, vital though that is. Crucially, unions are a force for a degree of democratisation within workplaces, and acting as a vehicle for independent voice, representation and change with consent. Fundamentally trade unionism helps to humanise work, creating a fairer balance of power between the employer and individual employees. With the right policy framework, unions have the potential to develop a new economic citizenship that can empower working people and strengthen social democracy.

Through membership of global unions, the ETUC, the newly launched International Trade Union Confederation, and now the prospect of union mergers across borders, British trade unionists are well placed to develop direct links with workers around the world; and to match their organisation with that of multinational corporations, international financial institutions and governmental organisations. By forging alliances with a range of community campaigns, faith groups and social movements, from the World Trade Justice Movement to the National Union of Students, the trade union movement is increasingly at the heart of progressive movements seeking a social dimension to globalisation.

This task has become more urgent as the pace of globalisation accelerates. While politicians of all parties extol the virtues of open versus managed markets, workers in both developed and developing countries remain to be convinced. The scale of change is indisputable. The Treasury is fond of pointing out that today China produces half the world's computers, half the world's clothes, and more than half the world's digital electronics, and India is home to three quarters of the world's outsourced services. However, we hear less about the consequences of human supply chains – including the Filipino women who leave their children to take minimum wage jobs caring for the UK's elderly, or the young Chinese women flocking from the countryside to new enterprise zones where independent unions are banned and exploitation rife.

The benefits of globalisation are not shared equally between countries or within them, as the shift in the distribution of wealth from pay to profit testifies. Industrial restructuring, the occupational pension schemes crash and pressure on public services has transferred the risk of modern working life to individuals and adds to a growing sense of unease. Globalisation has created some clear winners – not least the new 'kerching' class of super-rich that shops around the world to maximise their tax breaks and spending power. But there are clear losers too. And while globalisation may raise living standards overall, global action is needed to ensure that the benefits are shared more fairly.

Big city hotels, building sites, food factories and farms may be host to some of the worst forms of exploitation in the UK, pitting migrant labour against the indigenous working poor, but anxiety is not confined to the sharp end of the jobs market. Increasingly individualised pay packages, rising personal debt and heavier workloads leave many more professional workers feeling that they're only as good as their last performance appraisal. Britain's long working hours may have declined slightly but work intensity has been ratcheted up. Despite hiring a growing army of *au pairs* and cleaners, even the most comfortably off feel under pressure; and children have yet to fully buy into the concept of 'quality time' as a substitute for family weekends spent together.

So how well has Labour done so far and what lessons can be learned?

## **Labour's record**

Labour started well with the fulfilment of promises in the first term stretching back to John Smith's leadership and the recommendations of his Commission on Social Justice. The introduction of a National Minimum Wage, enactment of family friendly rights drawn from the European Social Charter and new union recognition rights where a majority of workers voted for them, added up to a distinctive agenda designed to re-shape people's experience of work under the new Labour government.

But by the second term, policies to improve the quality of people's working lives no longer featured in government headlines. Despite most of us spending the majority of our waking hours at work, Labour was ready to address voters variously as public service customers, private consumers and community members but rarely, it seemed, as workers. While it was recognised that minimum standards were essential to 'dignity and self esteem', regulation was seen as running counter to the greater goal of labour market flexibility. Business interests were promised a bonfire of 'red tape' and reassured that legislation would only be a 'light touch' last resort. Rumours of dirty deals on the Services Directive that would have torpedoed labour standards added to the mistrust.

Relations with unions became more strained as EU initiatives designed to manage the threats and share the benefits of globalisation – from maximum working hours to equal treatment for agency workers – were persistently blocked by the UK government. While the Warwick agreement that formed part of the 2005 manifesto set out a package of reforms, from bank holidays to corporate killing, implementation of some has been perceived to be sluggish and the Trade Union Freedom Bill was given short shrift.

While arguably unions have set too much store by winning new individual statutory rights, government has displayed limited appetite for strengthening the role of trade unionism as an alternative route to promoting greater fairness at work. Despite evidence that unionised workplaces enjoy higher levels of performance and productivity, and offer more training, better hours and more equal pay, there are no significant new measures on the cards to enhance the union role; and social partnership has all but disappeared from Labour's lexicon.

Instead faith has been placed in free and flexible markets to deliver jobs and prosperity, while the minimum wage, tax credits and public services are seen as the main vehicles for redistribution and protection. But banking on the old theory that all boats float on a rising tide is destined to disappoint, as evidence of Britain's increasing inequality and declining social mobility demonstrates.

The Treasury estimates that while there are currently about six million unskilled workers in the economy today, by 2020 we will need only half a million. But that is difficult to square with growing demand for service jobs in care, leisure and hospitality – lower paid work performed by women in the main that is often systemically under-valued. Poorly rewarded, boring and repetitive jobs have far from disappeared. And the chance of escaping low wage ghettos has declined in Britain, with a 2005 study showing that those born in 1970 were less likely to move into higher paid work compared with their parents, than those born in 1958.

Government efforts to boost the supply of better-educated, higher-skilled workers are important but there is no guarantee that this will be automatically matched by employer demand. Without a more active industrial policy to push British business up the value chain and so create more satisfying work, one of the boldest and most progressive proposals of the third term so far – raising the age for compulsory education or training to 18 – risks seeing the gap between worker aspiration and workplace reality widen still further.

## **A new agenda**

If more employment was the great goal of Labour's first ten years, then better employment must become the great ambition for the next. So what should be the priorities for a new agenda for work and working people?

### *Rectifying inequality*

First, we need to address how to narrow the wealth gap. While the National Minimum Wage rate is far from lavish, it remains Labour's biggest work success story. Together with Tax Credits, there is no doubt that the minimum wage has lifted millions of people – especially women workers and children – out of poverty and, contrary to initial fears, has done so without damaging jobs or business. The challenge must be to stamp out exploitation by extending enforcement agencies and provide resources and sanctions that allow them to do the job. It makes no sense, for example, that the Gangmaster Licensing Agency must confine its activities to food production and farms when the construction industry is a key culprit of the kind of bad behaviour it seeks to control. Nor does it make any sense that there is no national register for agencies, so all a gangmaster has to do is re-brand to escape scrutiny.

And while rehabilitation is generally preferable to punishment, even those employers who are repeat offenders have had little cause to tremble when the authorities knock at their door. Revenue and Customs has conducted nearly 45,000 investigations into

employers paying less than the minimum wage since the legislation was introduced in 1999 but has started only one criminal prosecution to date. If communities are to be recruited to new policing projects designed to target some of our toughest neighbourhoods, why not offer a new enhanced role for unions to target law enforcement at Britain's most exploitative employers?

Of course, tackling low pay will not of itself increase equality. The average hourly rate of women part-timers is still 40 pence in the pound short of that for full-time male workers. While not everyone would want a forty-hour week, even if there was affordable child and elder care, a pay cut of that order is a high price to pay. Rights to take representative actions, together with action to tackle segregation in jobs and industries, could go some way to close what remains a very stubborn, old-fashioned gender pay gap. The discrimination law review provides an opportunity to strengthen and simplify the equality legislative framework but the government must also lead by example, not least as an employer and by deploying its procurement power too.

Cracking down on plain old prejudice, whether conscious or unconscious, must play a part too. The new language of diversity doesn't mean that discrimination has disappeared. The poverty rate among ethnic minority groups in Britain is 40 per cent – twice as much as for white people, according to a study by the Joseph Rowntree Foundation. Those in minority ethnic communities are often passed over for promotion and have lower wages, despite good qualifications. If the House of Commons would devote a fraction of the time to tackling racism in the workplace that was spent debating racism in the Big Brother house, it could instil confidence that it aims to deliver real change.

And so to the second part of the greater equality equation – tackling greed at the top. While the lead-up to the 1997 election saw Labour politicians launch blistering attacks on top directors who paid themselves excessive pay awards, recent City bumper bonuses have barely raised a murmur. Some Labour leaders have questioned whether eye watering hikes for a minority at the top really matter, but a check against core social democratic values and hard analysis of social trends would suggest that they do. While some admire the productivity record of the USA, it has been won in no small measure on the back of long hours, few holidays and zero wage increases. Other countries achieve comparable levels of economic success at less social cost; on the contrary, strong social provision and employment rights can encourage businesses to think, invest and plan long-term, and encourages workers to adapt to change confident that they will be consulted, involved and protected.

There is now incontrovertible evidence that social mobility is radically reduced the more unequal a society becomes: in the United States, someone who is born poor is likely to die poor, much more so than a citizen of Sweden, Denmark or – still the world's biggest exporter – Germany. As any survivor of a job evaluation process knows, assigning reward to status is a notoriously hard thing to get right. We each believe that we deserve more than our peers and hate the idea of them getting more than us. But what is clear is that the more unequal that a workplace or society becomes the more discontent, disengaged and demoralised people feel. Extreme social inequality is associ-

ated with higher levels of mental ill health, drugs use, crime and family breakdown. Even high levels of public service investment, alone, cannot cope with the strain that places on our social fabric.

The recent shenanigans of private equity firms have brought some of the sources and solutions to excessive wealth and power into sharper focus. The Treasury's review into private equity tax arrangements is to be welcomed but few will be satisfied if it results in private equity chiefs continuing to pay less tax on their rewards than a fire-fighter or a nurse. Similarly, more people are questioning why the UK government appears to have resisted the current EU President, Angela Merkel's, efforts to secure more transparency and accountability from these new captains of capital. And a growing number of business leaders are adding their voices to those of trade unions arguing that the levels of debt leverage associated with private equity takeovers risks serious consequences, not just for the workforce – now numbering around three million – but for the wider economy too.

### *Transforming work*

A second priority for a new agenda requires Labour setting Britain a challenge to make work better. As companies become ever more promiscuous 'partners', with takeovers, mergers and constant restructuring the norm, workers identify more closely with the particular job they do, where they work and the team they work with, rather than the logo of the company that employs them. For example, a cleaner is more likely prefer to describe herself as working for the NHS or the local hospital – not Rentokill Initial. New research by YouGov into the British workforce has surveyed 40,000 employees working at all levels in all sections of the economy and found that only half (51 per cent) feel fully engaged by the company they work for (*Financial Times*, 15.05.07).

These shifting identities, expectations and allegiances puts the onus on creating new kinds of minimum standards that give people a stronger voice and protect them through changes of ownership, organisation or employment status, and which promote opportunities for progression and more interesting work.

The quality of relationships at work matters too. When William Morris declared that no man is good enough to be another man's master he must have had foresight of the latest research showing that, while top British management is among the best educated in the world, our frontline managers are among the least trained and worst supported. People today increasingly want to be motivated, developed and coached at work – not just instructed or supervised. The ability to show initiative, volunteer ideas and take decisions is key to improving business performance. But there is nothing more de-motivating than having a boss who will only promote those made in his own image, who withholds training for fear of being out-shone by those below him, or whose preferred management style is command and control.

Far from the paranoid imaginings of some who perceive unions as a rival to the employer, a 'third party' interloper or a barrier to change, workers are more likely to trust and participate in employers' own consultative arrangements in workplaces where they

are secure in the knowledge that there is an independent recognised union negotiating for them. People increasingly want the right to be managed well, to be heard and to progress to their full potential.

The government's greatest efforts on this front have focused on improving Britain's skills base, rightly prioritising public investment from the skills budget on those who lack basic skills. Government has also recognised the strength of unions to engage workers in training courses, from literacy through to higher education, vocational training and professional development, not least through the creation of the Union Learning Fund and by giving statutory rights to workplace union learning representatives (ULRs).

The union movement's brainchild *unionlearn* now has a nationwide network of learning centres in every kind of workplace, including: supermarkets, factories, universities, refuse depots, telecommunications centres, hospitals, banks, offices and railway stations. Every week, over 15,000 trained and accredited ULRs give advice to workers and do deals with employers to put on training programmes, in partnership with education providers and often open to communities, in a way that both meets business needs and helps realise personal aspirations. Watching workmates encourage each other to stick at learning to read, or build friendships because the union organised English lessons for those with a different mother tongue, or enrol on professional training because they want to take more pride in their jobs, or gain the confidence to learn something new just for the pleasure of it is inspiring stuff. If ever there was a work-based model for putting values of equality, solidarity and opportunity into action, then this is it.

The Treasury commissioned Leitch report set ambitious targets for employers to raise skills levels by 2010 or face the introduction of a right to workplace training. But the opportunity to create a new social partnership, alongside the Health and Safety and the Low Pay Commissions, to meet that national challenge was passed up. Instead the report has been used to justify the mantra that every quango and every initiative must be 'employer-led'. It is hard to envisage a similar approach in other areas of policy where the very group whose collective failure is recognised as responsible for causing a problem should be handed the controls for fixing it.

### *Greening the economy*

Thirdly and finally, Labour should set out a clear vision for how the transition towards a low carbon economy will be managed in a way that benefits working people and how the workplace can become a key site for combating climate change. While precise figures are still sketchy it is clear that reducing carbon emissions will result in significant job change, potentially creating more new jobs in our renewable energy, recycling and waste management industries and, where business cannot adapt, losing jobs too. While the development of a new green skills strategy will have a key part to play, there is no natural law that guarantees that jobs will be created where and when those facing redundancy need them.

Labour has been coy about industrial strategy to date, associating government intervention with bailing out lame ducks and subsidising failure. But the green agenda opens

up political space to develop a new kind of intelligent industrial strategy – one that is about accelerating success. Governments have real power to set standards and send signals that can have a profound effect on investment decisions. Crucially, this impacts not only on the capacity to develop technology such as clean coal, which the British tend to be good at, but to encourage its transfer and application to production, which we are not.

The announcement promising 100,000 ‘eco-homes’ is a case in point. It is good news but it will be even better news if we can extract maximum economic and social value from the initiative – not just by getting more energy efficient homes built on time to budget but, for example, sourcing materials in a way that could provide a welcome boost to Britain’s manufacturing, maximising the number of apprenticeships (and giving girls a chance to win them), and making sure that an integrated public transport approach is built into the plan.

As governments set higher standards and tougher targets, and the trading emissions schemes roll out, business will begin to change. The best will aim to be ahead of the game but in some cases green CSR statements over state business reality. As with many other areas, it is easier to hold companies to account from the inside than protest outside the workplace door. But more than this, unions provide a vehicle for harnessing the ideas, expertise and enthusiasm of the workforce from the grass roots, in a way that purely top down initiatives rarely succeed.

The TUC and union ‘greening the workplace’ programme aims to do for climate change what we have tried to do with learning and skills. Unions have an interest in making the companies and organisations that they work for more efficient in green terms because it’s good for the planet – and a growing number of our members care passionately about that, because it can make for cleaner and healthier working and because, where significant productivity savings are made, workers should be entitled to a fair share. A series of Carbon Trust supported union led workplace initiatives, with trained union environmental reps winning agreements with employers on everything from switching energy sources to recycling and green transport to work plans, have already taken root in organisations as diverse as Corus and the British Museum. In the same way that Labour has cleverly combined green concerns with the demand for more housing, a green workplace agenda provides opportunities for creative thinking too: for example, extending a strengthened right to request flexible working to a universal entitlement could make a big contribution to easing congestion and cutting carbon emissions, as well as potentially radically improving work-life balance too.

## **Conclusion**

This contribution has outlined just three areas of public policy where a vision for improving working lives can be revitalised and progressed – it is certainly not an exhaustive list. But underpinning all of these areas is the need to engage, involve and inspire working people and their unions with a new vision of economic citizenship at work.

Whether the goal is to help claimants find a job, deliver better health care, build new homes, or even stage the Olympics, success crucially depends on the goodwill and hard work of working people. As their representatives, the trade union movement is an agent of progressive values and change, in the UK and internationally. Social democrats should take note. A new progressive alliance involving trade unions is possible, and can make both the workplace and the world a better place.

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