

NewStatesman



SHOULD BUSINESS PLAY A ROLE IN ADDRESSING POVERTY IN THE UK?

Webb Memorial Trust

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Business and poverty

Business and society are often portrayed as being unlikely bedfellows. The general belief is that, in order to provide societal benefits, companies must temper their economic success. This report challenges that belief.

Businesses provide many of our employment opportunities, create the goods and services we need, and pay taxes that support public services.

However, research suggests that low wages, poor recruitment and contractual practices, and a lack of professional development opportunities, combined with the high costs attached to housing, transport and goods, are having a detrimental impact on many people in the UK.

There is a broad range of ways in which business

could potentially alleviate these problems – for example, by improving employee benefits, increasing wages and ensuring worker representation on remuneration committees. Many of these may feel like a burden or a drag on profits, but in fact, much research suggests that addressing poverty is good for business as well as for those in poverty. The key is finding the approaches that carry this dual purpose.

More needs to be done to connect company success with social progress. Business and society are closely intertwined and interdependent, each requiring the other to be healthy and effective in order to achieve its own objectives. Working more closely together, however, is not something

that governments can enforce from the top.

From government to business, trade unions to charities and consumer groups, everyone must work together to identify opportunities for change and to help shape society. The joint aim should be to improve people’s lives – not least through job creation, training and professional development opportunities, as well as distribution of wealth.

More thought is needed about precisely what the requisite strategies should involve. However, this special supplement and the report on which it is based, both of which are supported by the Webb Memorial Trust, represent a starting point for that discussion.

We welcome your contribution to the debate. ●

This, and other policy reports, can be downloaded from the NS website at newstatesman.com/page/supplements

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Positive action in the workplace

By Barry Knight

The business of business is more than just money

Who should solve the problem of poverty in the UK? This is a central question posed by the Webb Memorial Trust in its latest research to define a good society. Our answer is: everyone.

This answer contrasts with the current polarised debate about poverty. Some think that the government is responsible, while others say that it is down to the individual. This is a false dichotomy because both have a part to play – as do many agencies.

In this special supplement, we examine the role of business, previously a neglected area. Companies are in the spotlight because the UK government is vigorously seeking work-based solutions to poverty and at the same time moving people off welfare.

So what is the role of business in reducing poverty? To explore this, the Webb Memorial Trust commissioned Slack Communications to talk to a range of employers. Here we give the results.

Time and again, the researchers encountered an attitude based on Milton Friedman's dictum: "The business of business is business." People said that the first priority had to be finance – the balance between the money coming in and the money going out. Until that relationship was right, nothing much else counted. Keeping focused on the goals of the business is, as any management guru will tell you, the key to success. Doing anything outside of that frame – for example, helping the local community – is usually seen as a cost and a diversion from the main objective.



With firms under pressure from consumers, there's a business case for paying your staff more

And yet, as the campaign for the Living Wage has shown, there are growing expectations that businesses should fulfil social responsibilities. Firms are under increasing pressure to justify zero-hour contracts, high levels of executive remuneration and questionable tax practices.

Companies depend on goodwill from the public; without it, they have no licence to trade. The growing number of consumer boycotts is undoubtedly bad for those businesses.

It need not be like this. As this supplement shows, there are good examples of companies taking positive action on poverty and doing well as a result.

Indeed, there is a business case for taking action on poverty in the UK. The benefits are in three main areas: productivity, reputation and new opportunities.

Anti-poverty campaigners who want employers to become involved in their cause can gain more influence by emphasising the positive benefits. Business people say that harsh criticism makes them retreat into their shell. The critical conclusion is: "If you want business to be involved, ask not what business can do to reduce poverty. Ask what reducing poverty can do for business." ●

Barry Knight is principal adviser to the Webb Memorial Trust

Good for business, good for people

Becky Slack

Reducing poverty in the UK has benefits for the bottom line as well as for the individual

Anne Bond* works an average of 60 hours a week as a carer but brings home only about £200. Out of that money, she has to top up her rent (since the removal of the spare room subsidy her housing benefit no longer covers it), run her car and support her two teenage children. Given the long hours she works, she has little capacity to help her boys with their homework or provide them with the time and energy they deserve. Leisure or relaxation activities are out of the question. It's hand to mouth every month.

Anne isn't the only one in this position. In total there are about 13 million people in the UK living in poverty. Carers get a particularly raw deal, with most not being paid for the time they spend travelling between clients, resulting in them bringing home less than the minimum wage. People who work in retail, hospitality, cleaning services and unskilled factory jobs (and sometimes even journalism) can also find themselves working long hours and taking more than one job in order to make ends meet.

The impact of all this on individuals and their families can be disastrous. To live in poverty often entails living in housing that is likely to be damp, cold and overcrowded. It means being unable to eat nutritious food. It means not having warm clothing to wear in winter. It means being more likely to suffer mental health problems, and running a greater risk of being a victim of crime, family breakdown or substance abuse. People living in poverty and in deprived areas also often have

limited access to employment, particularly well-paying jobs, so curbing ambition and expectations. Spending energy on making ends meet reduces the time they have to retrain, learn skills and get access to new opportunities, and prevents them from making a full contribution to society and the wider economy.

Why should business care about this? After all, its role is to make money, not provide charity. Business is a powerful force for good. The lifeblood of our economy, businesses provide employment opportunities for our citizens, create the

Worrying about finances
made 22 per cent of people
less productive at work

goods and services we need and want, and pay taxes that support our public services. Business and society are closely intertwined and interdependent, each requiring the other to be healthy and effective in order to achieve its own objectives.

From wages and contracts to supply chains and procurement through to pricing, business has a direct impact on levels of poverty in the UK. A cursory glance over these issues might suggest that to address poverty would be an expensive – unaffordable – activity for any company. However, there is enormous potential for firms to reduce poverty.

For this to be realised, more needs to be done to connect corporate success with social progress, from government

to business, trade unions to charities and consumer groups. Everyone must work together to identify and secure opportunities for change.

Introducing measures to help reduce poverty in the UK can have multiple benefits for businesses. From an internal perspective, it can result in increased productivity, more motivated staff and reduced costs. Externally, it can improve corporate reputation, make customers more loyal and increase sales.

The productivity puzzle

Britain is experiencing something of a productivity crisis. The gap between our productivity and that of other G7 nations is at its widest since 1992, the Office for National Statistics (ONS) reported recently. ONS data shows that the output per hour from UK workers in 2013 fell to 17 percentage points below the average of other leading industrialised nations.

The country's productivity levels have major implications for our economy. In fact, they are one of the main determinants of growth and standards of living; between 1998 and 2007, for example, improvements in labour productivity accounted for almost three-quarters of our economic growth. Indeed, if the UK were to raise its productivity to the same levels seen in the US, our GDP could grow by 9 per cent, or £14.4bn, according to the Confederation of British Industry.

The fall in labour productivity during the recent downturn has been larger than in any other postwar recession, and the recovery has been more protracted. Even



Research into the Living Wage in London found that 80 per cent of employers believed it had improved productivity in the workplace

six years after the initial downturn, productivity lies at roughly 4 per cent below its pre-crisis peak – in contrast to output, which data from the Bank of England shows has broadly recovered to its pre-crisis level.

Why is our productivity so low? There are several hypotheses, ranging from it being cyclical, and the poor figures therefore temporary, to the view that slowing growth is the fault of regulation. Another answer might lie in the impact of poverty on employee health and well-being.

A report by Barclays Wealth found that one in ten employees was struggling financially. Those with financial worries said their work was being affected adversely; they were distracted and productivity was suffering. Almost half (46 per cent) of the more than 2,000 employees surveyed said they worried about their finances, and one in five lost sleep over it. Among those who were “struggling to make ends meet”, about 22 per cent said that worrying about their finances had made them less productive at work.

This loss of productivity has consequences for a company’s own financial

health. Barclays Wealth estimates the impact on the bottom line as a fall of 4 per cent, “as a result of the effect on [their] work of employees worrying about their finances”.

There are, of course, many valid arguments for not increasing the wages of the lower-paid, including the view that this will reduce the number of jobs available. However, Barclays Wealth isn’t alone in suggesting that higher wages can lead to improved workplace productivity.

Other surveys have shown similar results. Independent research into the impact of the Living Wage in London, for example, found more than 80 per cent of employers believed that it had enhanced the quality of their staff’s work; at the same time, absenteeism had also fallen by approximately 25 per cent. Two-thirds of employers reported a significant boost to recruitment and retention within their organisation.

As already noted, people in poverty are more likely to suffer mental health problems than those who are better off. This is playing out in the workplace. The Chartered Institute of Personnel and

Development estimates the cost of mental health to the economy at £70bn a year.

Meanwhile, data from the ONS shows that absence caused by stress, anxiety or depression increased to 15.2 million days lost in 2013, up from 11.8 million in 2010, costing roughly £29bn. Poverty, with its associated physical, mental and emotional distress, contributes to reduced productivity. Addressing poverty will have a direct impact on the bottom line.

The cost of low-paid jobs

Arguments against pay rises for low-income workers are also weakened considerably by the high salaries that many executives earn. Although it is only fair that people should be rewarded for their efforts and skill, independent think tanks, including the High Pay Centre and the New Economics Foundation, argue that wide income disparities are destabilising for society as a whole and undermining the economy’s ability to grow sustainably.

Analysis by the High Pay Centre suggests that the pay of a FTSE-100 chief executive is now at least 130 times that of the average full-time UK worker, in ▶

► contrast to a multiple of about 60 in the late 1990s.

Some argue that large bonuses and performance incentives motivate executives to perform better. However, doubt has been cast on this assertion – again by the High Pay Centre, which highlights how the value of the FTSE-100 Index has fallen more often than it grew over the past decade, despite executive pay increasing consistently over the same period. If executive pay determines results, surely the value of the FTSE 100 should have risen, it says.

The argument that this great wealth trickles down to the rest of society is also debatable. The ever-widening gap between rich and poor has been the focus of concern in recent years and it shows no sign of slowing. Economists such as Stewart Lansley, a financial journalist and visiting fellow at Bristol University's Townsend Centre for International Poverty Research, have argued that the increasing concentration of wealth within a super-rich elite is economically destructive. Those at the top of the scale are unable to spend enough of their income on goods and services, and so use it for non-productive investments instead: say, in property or shares. By contrast, an increase in incomes for low- to middle-income earners is likely to result in an increase in consumption, thus having benefits for businesses' bottom line.

Zero-hours contracts

Unemployment is often cited as the main driver of poverty. The rise in the number of people in work over the past year should be a positive story. However, the picture does not look quite as rosy when low wages and poor contractual arrangements are factored in.

Despite the National Minimum Wage, the UK has bigger low-pay problems than many other developed nations. More than half of the 13 million people who live in poverty in the UK are working, meaning they earn £13,920 or less a year for their labour. Of these, 236,000 will be earning less than the minimum wage, while 4.9 million earn less than the Living Wage (calculated according to the basic cost of living in the UK, and currently set at £9.15 an hour for London and £7.85 for the rest of the UK).

In addition, there are about 1.4 million people on zero-hours contracts, under



Cridland stresses the need for public confidence

which the employer is not obligated to offer them a consistent number of hours of work each week, or any work at all. Many of these contracts also contain exclusivity clauses, preventing the employee from taking work anywhere else.

Although zero-hours contracts can be helpful to some employees, such as students and the semi-retired, precarious

There are 4.9 million
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working conditions, repeated interruptions of employment and working irregular hours are creating obvious financial challenges for working people.

As the Resolution Foundation, another independent think tank, has noted: "While we cannot say with any certainty, this increase in the number of people employed on poorly paid zero-hours contracts may partly explain the ability of the UK labour market in recent years to combine high employment levels with an unprecedented squeeze on real wages."

We know that acquiring the right kind of skills plays a huge role in increasing opportunities, improving life chances and social mobility, and ultimately lifting people out of poverty. We also know that the UK's ability to increase productivity rests on skills.

"If we are creating a society that is not making best use of everyone's abilities,

we are simply storing up problems and extra costs to public finance for years to come," says Nicola Smith, head of economic and social affairs at the TUC.

Training for older workers

Parties of all colours have been focusing on apprenticeships as a means by which to address the skills challenge. However, access to better-paid jobs should not be limited to young people. Helping someone return to work after unemployment or caring duties, or to progress up the career ladder, can be an effective tool for lifting them out of poverty. Training for older workers matters, too – be this in the form of apprenticeships, online courses, on-the-job training or other professional development opportunities.

One way to tackle poverty in specific areas is to make better use of public service delivery contracts. Delivery partners could and should be obliged to recruit from the local population and offer training opportunities as part of the contract.

One way to tackle poverty in specific areas is to make better use of public service delivery contracts. Delivery partners could and should be obliged to recruit from the local population and offer training opportunities as part of the contract. The Joseph Rowntree Foundation has argued that targeted recruitment and training requirements can be delivered at little or no extra cost.

Indeed, the foundation's research suggests that a significant impact on poverty and social mobility would be achieved if the public sector in the UK committed to generating one year of work for one person from within the community for each £1m in contract value. This would be the case particularly if a strong focus was placed on targeting those who are the most disadvantaged in the labour market.

For example, Birmingham City Council included jobs and skills requirements as conditions of the £193m library contract. This resulted in 306 jobs for Birmingham residents, including 82 apprenticeships. Residents of priority areas took 54 per cent of these opportunities.

Equally, progression policies have a role to play in helping people of all ages find better-paid jobs. However, a study of large employers undertaken by the Resolution Foundation in 2014 found that although most had a progression policy in place, many managers considered this

merely a box-ticking exercise. The focus was on meeting sales targets rather than ensuring staff well-being, and managers were given little or no training in how to develop their teams. To boost productivity and pay, management development must take place across businesses of all sizes, and the skills system must be positioned to deliver the courses required.

Paid internships, structured volunteer programmes and apprenticeships could allow more people to compete for valuable experience, and support the social mobility necessary to stem the flow of poverty from one generation to the next. This is not something that any one organisation can achieve by itself. It requires government, business, education and parents to work together over the long term.

Low pay and poor contractual arrangements can be found throughout the supply chain as stronger, larger organisations drive down prices – particularly when it comes to public-sector procurement and outsourcing, where the need to provide more services for less money is also driving the worsening of working conditions.

Pressure in the supply chain

It can be tough for individual businesses to address either wages or skills when they face pressure from their suppliers and/or clients to increase efficiency and reduce prices or costs. The level of interdependence in the supply chain needs to be taken into account when considering how to boost the overall health of the business ecosystem.

As the CBI's report *Pulling Together: Strengthening the UK's Supply Chains* highlights, strong supply chains help to guarantee security of provisioning, make it easier to advance technology through collaborative innovation, and enable a faster response to changing market conditions as well as customer needs. The CBI has identified a number of factors, such as supply of skills, levels of investment and regulatory frameworks, which it believes are vital for both an effective supply chain and a sustainable economy.

There are other areas that should be considered when reviewing supply-chain efficiency and its role within the economy. These include ensuring that suppliers are paid appropriately and in a timely manner for their services, and also enabling them to make the most of local recruitment opportunities.

The business case: why the private sector should do more to tackle poverty

Productivity Poverty, with its associated physical, mental and emotional problems, contributes to reduced productivity. Addressing poverty can therefore have a direct impact on the bottom line.

Reputation Attitudes towards the role of business in society are shifting, and an increasing number of people, particularly millennials, have high expectations that a business will do good as well as make money. Failing to respond to this will impair reputations and hurt sales.

New opportunities The challenging financial climate, coupled with an increasing awareness of environmental issues, is opening up new markets and revenue streams, predicted soon to be worth £335bn. Businesses that fail to respond to these market changes will be left behind.

Attempts to make cost savings have resulted in suppliers frequently being forced to accept pay cuts. The public sector offers a case in point. Research in 2013 by the New Economics Foundation found that as the public sector broadens its supply chain by outsourcing services to the private sector, wages have fallen as a result of competition for services. Meanwhile, in the private sector, price wars between supermarkets have driven down payments to suppliers. The dairy industry is often cited as one of those worst affected, with farmers frequently paid less per litre than it costs to produce the milk.

Late payment is another issue. Figures published in February 2015 by the payment services provider Bacs showed that small and medium-sized enterprises (SMEs) were owed roughly £32.6bn while large corporates were owed £9.1bn, bringing the total owed to companies in late payments to £41.7bn.

The knock-on effect is that business owners have to take tough decisions in order to make it through the month. About 20 per cent of directors in companies that experience late payments say they have taken a cut in salary in order to keep cash inside their businesses. More than a quarter (26 per cent) are having to use their overdraft to make ends meet and one in ten is experiencing difficulties in one or more of the following areas every month: paying staff on time, factoring invoices and paying regular bills.

Scandals and shortcomings

Attitudes towards the role of business in society are shifting. Increasing numbers

of people – particularly those in their twenties and early thirties – expect a business to do good as well as make money. Failing to respond to this shift in public attitude could impair reputations and hurt sales. Scandals and shortcomings have taken their toll on the business sector, and levels of public trust and confidence have declined in recent years.

Companies have not always responded quickly enough to the concerns many people express, and polls have shown how this failure is altering perceptions. In research by the CBI, about half of the people surveyed thought business didn't make a positive contribution to society, and only 32 per cent thought the majority of British businesses behaved ethically. Meanwhile, 68 per cent believed that industry scandals had reduced their confidence in business as a whole, while 72 per cent said they would not buy from businesses they did not trust.

Which?, the largest consumer organisation in Europe, has tracked consumer trust across a wide range of sectors and seen first-hand how it has been undermined by scandals, systemic misselling and customer service failures, particularly in the financial industry, as well as among energy and food producers. For example, Which? polling consistently shows that only two in ten people now trust energy companies to act in the best interest of the consumer.

This clearly presents a challenge to business, which cannot realise its full potential if it is losing or failing to reach customers because of poor ethical credentials. As John Cridland, director general ▶

► of the CBI, wrote in the *Times* in 2013: “The critical point is that businesses can only realise their full potential when they command the confidence of the public – the individuals that companies employ and the customers who buy their goods and services. And people rightly expect companies to clearly show that they are holding themselves to ever higher standards when it comes to payment of tax, executive pay, transparency, customer services, how they treat their staff, sustainability and diversity in business.”

Ethical consumerism

Many companies have a corporate social responsibility (CSR) programme, which usually takes the form of donating to charities and initiatives in partnership with communities. However, the Joseph Rowntree Foundation says that CSR activities do not always include a focus on the company’s own staff.

“Over the past 20 years or so, a lot of effort has been put into CSR by companies. Interestingly it doesn’t always extend back to their own workforce,” says the foundation’s chief operating officer, Shaun Rafferty. And yet this is all part of a company’s ethical reputation.

Ethical consumerism is a growing market, worth £32.2bn and up by 9 per cent between 2012 and 2013, according to the *Ethical Consumer Markets Report* from the Co-operative Group. The public has an appetite for businesses that do good.

Successful businesses need to be mindful of the rising number of customers who can and do demand better standards through social media. Just one example is the Greenpeace-led Facebook protest at deforestation caused by producers of palm oil used in products made by Nestlé. As a result, the food group announced plans to stop using non-sustainable palm oil in Kit Kat chocolate bars.

Social media can also be used by brands themselves to do good – Pepsi, for instance, asks consumers online to help it decide how it should target its charitable donations.

Just as importantly, perhaps, a significant proportion of the public is choosing to vote with its feet when it does not trust or approve of business operations. The *Ethical Consumer Markets Report* also found that roughly 20 per cent of the UK population boycotts specific products or outlets, with corporate practices,



The value of the FTSE 100 has fallen as executive pay has increased, lending weight to the argument

labour standards and tax avoidance high on the list of reasons.

The threat of a customer boycott can be so significant that it can force businesses to re-evaluate their behaviour. Starbucks is a case in point; it voluntarily offered to pay corporation tax in response to pressure from customers. This kind of action can play a critical role in influencing corporate shareholders, too. Investors are acutely aware of the value of positive and negative PR, and business practices that result in a drop in the share price will not be looked on favourably.

Roughly one-fifth (22 per cent) of those who engage in personal boycotts are young people. Indeed, “millennials” (those born between the early 1980s and early 2000s) are a generation that places great importance on “good” business.

Tired of corporate greed and still feeling the effects of the 2008 financial crash, approximately 75 per cent of this age group believes that businesses are too fixated on their own agenda and not focused enough on helping to improve society, according to Deloitte’s fourth annual millennial survey.

Barry Salzberg, global chief executive of Deloitte Touche Tohmatsu, writes: “The message is clear: when looking at their career goals, today’s millennials are just as interested in how a business develops its people and its contribution to society as they are in its products and profits. These findings should be viewed as a valuable alarm to the business community, particularly in developed markets, that they need to change the way they engage millennial talent or risk being left behind.”



that the concentration of wealth in the hands of a super-rich elite is economically destructive

Businesses do recognise that public attitudes have an impact on their bottom line, and many of them are working to address this through a range of initiatives, including Trading for Good and the Great Business Debate. The latter is the CBI's attempt to build public confidence in business by encouraging people to express their views and allowing businesses the opportunity to discuss what they do and how they do it.

Feedback suggests that business leaders are very aware of the need to become more socially conscious and know that they must do much more to speak up about issues such as tax, pay and corporate practices.

Lower-income households frequently find that they either cannot afford market prices, or indeed they have to pay

more for goods and services. There are a number of reasons for this, ranging from lack of access to online offers to not having a bank account to use for direct debits (which can often attract discounts).

The frugal economy

One way of addressing the poverty premium may be through the “frugal economy”. This approach focuses on doing more with less – developing high-quality products and services, and creating more business and social value, while at the same time minimising or leveraging the use of diminishing and limited resources such as financial capital, energy, water and time. Products and services of this type are not only low-cost, but frequently outperform the familiar alternatives. They can usually be made on a large scale

and, more often than not, contribute in a positive way to wider society.

So-called “frugal innovation” is driven by new, cheap technologies and widening access to the internet. It used to be the preserve of developing countries, but is now slowly being adopted around the world, often by multinationals. One instance, from the car industry, is the Renault Logan. Created for the Indian market, the model was modern, reliable and affordable, at a cost of less than \$6,000. Initially there were no plans to sell it in western Europe but demand was so great that this decision was reversed.

Peer-to-peer sharing and lending is another such development. This includes swapping, exchanging, co-creation, upcycling, microfinancing, crowdfunding and crowdsourcing, as well as open-source, open-data and user-generated content, among others. It is hugely popular. Bla-BlaCar, Europe's leading car-sharing service, transports more passengers monthly than Eurostar. And Airbnb allows people to rent more room nights annually than the entire Hilton hotel chain.

Overall, the value of the frugal economy is expected to grow to roughly £335bn by 2025 – without any major investment. It is predicted that the idea will evolve into a disruptive economic force that will revolutionise business and reshape management thinking. It could therefore be a valuable tool to alleviate poverty, in particular by creating affordable products and services for people on low wages. Further research is needed to help direct efforts to produce the greatest benefits.

Reducing poverty in the UK requires everyone to work together. This is not something that governments can enforce from the top, or that charities can do alone from the grass roots. Business buys in to society and therefore needs to be a willing passenger in this journey. By placing an increased emphasis on the financial health of employees and customers, the private sector can help to shape society in a way that improves lives – and boosts the bottom line. ●

Becky Slack is a journalist and the managing director of Slack Communications. Her team was recently commissioned by the Webb Memorial Trust to conduct a scoping study into the potential role of business in reducing poverty in the UK

** Name has been changed*

Invest in people, not salaries

By Katja Hall

Not all businesses can afford to pay the new National Living Wage. We need a solution that works for everyone

The best way out of poverty is through work. Sounds simple, doesn't it? But if creating jobs were all that mattered then we could ignore the squeeze we have witnessed on household budgets over the past few years.

We've seen record numbers of people in work, and business should rightly be applauded for that success. But at the same time, families have found their pay packets being stretched. So it's right that people want business to do more.

If business wants to command public trust and confidence it needs to have a positive vision for answering these questions. That's why last September the CBI set up the Great Business Debate, to discuss issues of just like sort.

We have seen phenomenal increases in the numbers of people in work. Much of the growth in employment over the past year has been driven by people finding full-time work. This year, 50 per cent of businesses expect to increase the size of their workforce. These extra jobs will put money into people's pockets. But should business be doing even more?

It is understandable that when people see stories about business profits they ask the question: "Why don't businesses pay higher wages?" The public enthusiasm for the new National Living Wage has encapsulated this feeling. Yet the reality is that not all businesses can afford to increase the wages they pay. Simply legislating for a National Living Wage doesn't change this.

Many firms will have to change their business model to deliver the National Living Wage. That could mean fewer jobs and opportunities to move up the career ladder. The independence of the Low Pay Commission needs to be protected, so that decisions about pay are based on the evidence. If it isn't, we risk undermining the jobs success story we have seen over the past few years. The end result of trying to get business to contribute more to tackling poverty could well be that business contributes less.

Businesses understand that they thrive when their staff are motivated

Business is at its best when it is making the most of its people. Leaders need to commit to helping people develop their careers, and work with training providers, colleges and universities to create higher-skilled opportunities with higher pay. Asda has partnered with Middlesex University to deliver work-based degree programmes designed to develop the retailer's future leaders. Giving employers greater control over decisions about training will help create these ladders.

Businesses understand that they thrive when their staff are motivated. Key to that is helping their staff to view their work as a career, and not just a job. We are starting to see more board-level commitment

to career progression within firms, and for companies to prioritise discussions about career prospects with their employees. Companies such as Midcounties Co-operative and L'Oréal are coming up with fresh ideas to help employees understand and engage with all their options – such as game-style development boards and careers workshops.

Flexible working is another way for businesses to help boost employee motivation, attract people to work, and support working families. More than 80 per cent of companies now allow work outside the office, but 42 per cent of staff still say they feel uncomfortable asking their boss about flexible working. The onus should be on business to presume in favour wherever possible, challenge outdated assumptions and give employees more confidence to ask about the options.

Business wants to help build a more prosperous Britain where everyone has the chance to get on in life. We have achieved a lot already: record numbers of jobs, more women in work than ever before, and more highly skilled and better-paid jobs. Yet our ambitions must be greater if we are to ensure that our economy works for more people. Through the Great Business Debate, we want companies to speak up about the contribution they are making to society and to show how business is helping build that more prosperous Britain. ●

Katja Hall is the deputy director general of the Confederation of British Industry

Cold, hard facts

By *Becky Slack*

Does the low-wage economy contribute to the UK's poor productivity performance?

If we are to address the productivity challenge, the Confederation of British Industry says, we need better and more nuanced data to enable better understanding of which levers could make the most difference.

Cold, hard facts about external factors such as productivity trends, challenges and sectoral patterns, gathered by a body such as the Office for Budget Responsibility, will raise understanding and build consensus, the employers' group believes.

Quite right, too. However, rather than placing responsibility for this at the feet of government, businesses themselves could collect data. This could particularly relate to internal influences that may be reducing productivity, such as stress and ill-health among employees, financial worries, or difficulties travelling to and from work. Understanding all the drivers of productivity will help build a much more useful picture.

Some organisations are already beginning to appreciate the value of collecting this type of information.

Business in the Community (BitC), for instance, is working to raise awareness among its members of the importance of understanding their employee profile. Such information can be crucial in tackling in-work poverty and can indicate where changes could and should be made.

Previous surveys have thrown up surprising results, BitC says. One financial services provider assumed that, because all of its staff earned the Living Wage or more, the in-work poverty agenda did not apply in its case. However, an employee survey showed that about 40 per cent of its workforce was struggling to pay the first month's mortgage or rent, because of the general need for upfront payment



Finding a job may not solve debt problems

and deposits. Staff were having to take out loans in order to raise the money, and were getting into debt.

"The survey results showed that the company didn't actually know anything about their employees' financial circumstances," explains BitC's London director, Poorvi Patel. "As a consequence, they decided to review their benefits package.

"What they saw was a package of initiatives structured around loans – loans for a bike, loans for travel, et cetera – that simply served to perpetuate the problem. The benefit scheme has since been adjusted, and steps taken to appropriately address the financial challenges their staff face."

Similar work is being undertaken by Professions for Good, a collaboration between many of the bodies responsible for setting standards within sectors, such

as accountancy, insurance, management and surveying. It has developed the Social Mobility Toolkit, a four-question survey that allows for data collection within their members' workforce, such as detail about educational background and career progression. The aim is to understand trends in social mobility, identify weak spots and enable the development of measures that will encourage improvement.

One member of Professions for Good is the Association of Chartered Certified Accountants (ACCA). As a committed collector of data, it has already begun to reap the rewards of using such tools. In its 2014 report *Who Accounts for Social Mobility?*, the association said: "It is only by understanding our members and their journey more completely that we will know where we have succeeded and what we can improve."

So convinced is the ACCA of the benefits that it is calling for the government to make implementation of the Social Mobility Toolkit a mandatory requirement of the Social Mobility Business Compact.

Launched by the government in 2011, the Compact has the specific goal of ensuring that all young people have fair and open access to employment opportunities. Not only would adoption of the Toolkit help create best practice, says the ACCA, but signatories to the Compact could then choose to publish the information in their annual report, helping to put social mobility at the heart of their corporate strategies.

The pooling of structured and regular data collection on both external and internal factors could enable governments and business to assess trends, challenges and opportunities, and allow appropriate policy to be developed in response. ●

The young person's view

By *Richard Rawes*

Here's what the under-25s think about the role of business in reducing poverty

As Beatrice Webb herself put it: "Unfettered bargaining between capitalist and workman inevitably tends to result, not in the highest wage that the industry can afford but the lowest on which the workman and his family can subsist." Although this statement was made more than a hundred years ago, the sentiment is still as relevant today.

The important role that business can play in reducing poverty became the focus of the essay competition for young people sponsored by the Webb Memorial Trust this year. We had an excellent response, and the winning essay, by Adam Ludlow, was published in the *New Statesman* on 23 January.

There was a high standard of entries, and the judging panel had a tricky task in trying to weigh up the variety of approaches and a plethora of ideas for how businesses could address poverty. This article attempts to bring together some of the best ideas from the five finalists into a coherent whole. While I have listed the names of the finalists at the end, I have not attempted to attribute each of the ideas, although I can confirm that the solutions are all theirs, not mine!

Not what you do, but how you do it

Improved business employment practices were believed to have much to offer, particularly in relation to wages – the Living Wage Campaign was frequently cited as a means by which to attract the best staff, aid retention and boost productivity. Elsewhere, flexible working hours were seen as crucial to enabling parents to plan their childcare while maximising income, as were other schemes, too, to enable people to return to the workforce

after having a child, such as affordable childcare and an innovative German scheme that allows employees to reduce their working time over a fixed period in order to care for a dependant, and to make up the income difference on their return to full-time work.

In the case of those firms that offer zero-hours contracts, it was felt that more should be done to provide certainty about working hours. It was noted that late decisions by employers around hours of attendance played havoc both with earnings and with childcare arrangements.

Key to enabling employees to move to better-paid roles is staff training. To avoid staff moving on and taking their skills with them, our authors suggested that incentive- or insurance-based schemes

Progressive thinkers shouldn't enter politics but go into business instead

would help with retention for a reasonable period afterwards. One writer focused particularly on training staff in a way that takes into account future business requirements and the changing geography of the job market.

This would offer benefits not only for the employer, but also for the employee, helping to prevent "sticky poverty", such as is seen after deindustrialisation, when many people struggle to find work due to a lack of appropriate skills.

The essays raised the question of how many company boards are fully aware of the real working and living conditions of their employees. Britain offers little

opportunity for its mostly non-unionised workforce to take part in making decisions, in comparison to the rest of western Europe. Worker participation on boards has long been established in Germany, where staff are given the chance to contribute to issues such as employment rights, gender distribution and executive pay. There are few UK companies that use this model, although the transport company First Group was cited as one example, having had an employee director on its board for more than 20 years. However, examples are few and far between, and our authors felt that more representation of this kind would enable workers to contribute to key company decisions, including remuneration.

The supply chain was also considered. One writer felt that companies should hold their suppliers to account and ensure they treated employees with a high standard of care, something that could be enforced within the terms of their contract. Equally, larger companies should ensure prompt payment for their suppliers; public-sector contractors, for instance, could sign up to the government's Prompt Payment Code. This would reduce uncertainty for small businesses and enable them to invest in their own staff.

Things we make and do

The products offered and services carried out by businesses can equally directly influence levels of poverty, positively and negatively. Much publicity has been given recently to the exorbitant interest rates charged by payday lenders to families that are already struggling to make ends meet. One writer argued that businesses should use a "poverty test" to examine

the impact of their operations on the wider community. Likewise, it was felt that UK businesses could learn from others around the world and develop products aimed specifically at meeting the needs of people living in poverty. Among examples of “cheap and useful” products on the international stage are solar-powered lights, water filtration devices and contraceptives; possible extensions of these ideas to the UK could include products to reduce energy costs for poorer families.

Business in the community

Is the sole aim of businesses to maximise profits for their shareholders or do they have wider obligations to society? In general, our authors concluded that, particularly given the growing impact of climate change and scarce resources, social and economic aims should be placed at the core of modern business models.

The significant increase in signatories to the United Nations Principles for Responsible Investment was cited as an example of investors looking beyond pure profit maximisation.

One well-established way in which businesses can reduce poverty is through giving directly to charities working in the field. The UK has a long history of charitable giving by companies and individuals, from the founding of the Peabody Trust in 1862 to Richard Branson’s recent pledge to commit \$3bn of profits from his transport companies to the reduction of global warming.

Authors felt that charitable giving should not only be encouraged but also publicised to enhance the organisation’s reputation and encourage others. This can be extended to formal collaborations between corporations and charities. Unilever and Oxfam, say, carried out a study to examine the impact of the company’s activities in Vietnam on levels of poverty and labour standards, leading to changes in its practices.

Many small and medium-sized businesses have a natural interdependence with their localities, while the scale of many large corporations can mitigate against their local engagement. The UK’s Social Value Act 2012 is an attempt to encourage corporations to focus on local issues and sustainable communities, and early results were seen as encouraging. One specific idea raised was to set up “social investment funds”, where a pot



Should business work more closely with schools on skills development and career opportunities?

of money from businesses, government and/or third-sector organisations would be partnered with an investment firm that would manage and invest it on behalf of a specific area or community in need. This could provide a means of continuing investment in local projects, using the knowledge of those living in poverty as well as developing their skills.

Two authors emphasised the education system as the most promising way for businesses to work with communities to reduce poverty. One pointed out that a third of low-paid workers do not have recognised qualifications and are therefore likely to be trapped in poorly paid jobs. This was seen as a major concern for businesses, and several current initiatives were cited under which businesses work with young people to provide guidance and develop their ambitions. Examples given were SEO London and Rare Recruitment, which target individuals from under-represented communities and bring them into contact with employers.

There is also great potential for an increased business presence in schools, including corporate mentoring. Given the estimated 10 per cent shortfall in school governors, encouraging business leaders to act as governors was seen as helping to provide a fresh source of support for schools, enabling them to innovate and raise student aspirations.

Furthermore, the insight the business leaders gained would help enhance their

understanding of student needs, knowledge that could be put to good use when creating apprenticeships and other work experience opportunities.

Finally, some authors were unable to resist indicating what the government should also be doing in this area. A common view was that business tax avoidance should be tackled more effectively so that central government has more resources to assist the less well off. Tax breaks were also suggested as a means of enabling companies to innovate, develop hi-tech jobs and support their employees in developing the required skills. Policies that increase uncertainty for business were seen as very unhelpful – the renegotiation of the UK’s EU membership and the referendum on Scottish independence being two such examples.

Meanwhile, other ideas came from around the world, one very positive suggestion being that the UK should adopt the Indian government’s stipulation that large companies dedicate 2 per cent of their profits to addressing social responsibility issues. Finally, it was suggested that progressive thinkers should not enter politics but go into business instead. Our leaders may wish to give some serious thought to this. ●

Richard Rawes is the chair of the Webb Memorial Trust. The shortlisted essayists were Harry Booty, Adam Ludlow, Oliver MacArthur, Anirudh Mandagere and Alexander Sendall

A step in the right direction

There are some businesses already working to reduce poverty in the UK

To reduce poverty, reduce debt

By Mark Hodges

British Gas provides financial support for those in debt, leading to better health and increased ability to work

British Gas believes the business community has an important role to play in tackling poverty. We know that many of our customers struggle to heat their homes, which can have a negative impact on their physical and mental health. Because of this, we have a range of programmes to support customers who need help.

Last year, we spent over £400m to help 1.8 million vulnerable households in the UK heat their homes. Many received direct financial support from the independent charity that we set up in 2004, the British Gas Energy Trust, to help them clear their debts.

Independent analysis carried out by Oxford Economics into the impact of the trust showed that the £78m British Gas invested in it over the past decade created benefits to society worth almost £121m – benefits measurable in reduced health problems for individuals, savings for the NHS, increased productivity and fewer demands on the public purse as people get back into work.

These contributions really do change people's lives for the better. Ninety per cent of the people helped by the trust said it had made a positive difference to their mental health and 65 per cent said they were physically healthier as a result. Nearly two-thirds said their personal relationships had improved as a result.

However, we know the long-term answer lies in finding ways to enable customers who are struggling financially to get out of poverty for good. To address this, we help customers choose more energy-efficient appliances for their homes, fit loft insulation, new boilers and other energy efficiency measures to help reduce their bills. We also refer customers to charity partners such as the debt advice agency StepChange, which can help people get out of debt permanently.

Mark Hodges is the managing director of British Gas

It's not just about pay – other benefits help, too

By Alison Robb

Providing fair pay, benefits and support for those facing personal difficulties can help people out of poverty

Last year at Nationwide we decided to pay our employees the Living Wage and become a principal partner of the Living Wage Foundation. This involves not just a pay rise for our 800-plus employees – including apprentices and directly employed temps and contractors – it's a commitment to help drive the fair pay movement.

The difference between the Living Wage – which is £7.85 per hour and £9.15 in London – and the National Minimum Wage, which rose to £6.70 for over-21s from the start of this month, is significant and so is the positive knock-on effect on employees, their families, their communities and their respective local economies. It's easy to sign up to the Living Wage,

but of course, as with any policy change, there are challenges when it comes to actually enacting it. As well as increasing the pay of people who were directly employed by us, we also had to work with contractors to ensure that their employees who work on Nationwide sites also receive the uplift.

The Living Wage Foundation understands that change on this scale cannot happen overnight, which is why it agreed to a period of transition that makes the commitment achievable for employers and their contractors.

Responsible employers need to consider their employees' future through their pension schemes – this isn't just about providing a competitive pension but making sure that information on the benefits and the necessity of saving for the future is readily available.

Making sure we have the right level of support available to employees who are dealing with difficulties at home or at work is important. Without this, an employee could find him or herself leaving work prematurely and facing poverty. We are currently launching an employee well-being scheme that focuses on four areas: body, finances, mind and family, to make sure we have the right help on offer and so that the chances of this happening are greatly reduced.

There is a great deal that employers can do to help combat poverty externally. However, we must always remember that supporting our own workforce through fair pay and benefits is just as important, and simple things can make a significant difference to individual employees and their families.

Alison Robb is the group director at Nationwide Building Society

Reducing costs can make income go further

By Steve Johnson

By advising people and giving them incentives to reduce their energy consumption, communities and companies can save money

Electricity demand is growing. The Department of Energy and Climate Change predicts demand could double by 2050. This growth demands a growth in the infrastructure needed to deliver electricity. But investing in more infrastructure is costly and disruptive.

To meet this demand using conventional approaches could cost up to £9bn in the north-west of England alone. So, we tried a new approach – we invested in challenging the demand rather than trying to keep up with it.

We launched “Power Saver Challenge” last year, a scheme designed to deliver mutual benefit for business and customers alike through community engagement. It started as a trial project that aimed to see if customers would respond to incentives to reduce their electricity demand, which would reduce pressure on the grid and take away the need for costly additional infrastructure.

The local network benefited as the costs involved in this engagement project were less than that of building more infrastructure. Customers, including those living in fuel poverty, also benefited directly from lower bills by becoming more energy-efficient.

Out of a target area of 1,000 homes in Stockport, 261 households signed up. They were challenged to reduce their consumption by 10 per cent over four months and were separated into ten teams of homes to help build cohesion and add an element of friendly competition. All households that signed up got £80 worth of gadgets, including an energy monitor to help them reduce their consumption. They also got advice on how to be more energy-efficient, with tips on lighting, cooking and heating.

Of the ten teams, seven managed to meet the 10 per cent target, some saying they saved up to £59 on their bills in the course of the challenge. It was the first time we’d run a project working directly with customers to change their behaviour,



Assistance with childcare costs is one way businesses can enable employees to move out of poverty

rather than looking to an engineering solution. And it was a resounding success.

Steve Johnson is the chief executive of Electricity North West

Councils can help companies pay the Living Wage

By Roxanne Mashari

Brent Council helps employers pay the Living Wage by awarding business rate relief five times the cost of signing up

Brent in north London is among the top four London boroughs with the highest proportion of low-paid workers, with some 32 per cent of residents earning less than the London Living Wage.

The challenges to address this are many, but one solution we are testing is awarding Living Wage employers with business-rate relief – an initiative that has so far been very well received.

We still need to find savings of over £52m and so we are looking very hard at where the council has points of contact with the private sector and how we can use these levers to maximise social value, through areas such as licensing, the regeneration team and business rates.

I’ve spent time with staff who work on the benefits counters and have seen how a good bulk of the cases relate to low pay and insecure pay. We wanted to address this, but in a way that didn’t just send businesses the bill. We wanted to engage more proactively with local employers and enable them to feel more like they are part of the community. Trying to create a critical mass of Living Wage employers seemed like a sensible way to do this.

Working with the Living Wage Foundation, we developed an initiative that will award five times the cost of Living Wage accreditation to employers in business-rate relief. For the largest businesses, that could lead to as much as a £5,000 discount.

Also included in the package of incentives are discounts for events, support from the council’s communications team and advertising across our website. This latter benefit can be very advantageous to a business’s SEO, which improves as a result of the back-link to the council’s site.

We’re really hoping that this will be a way for the council to engage more effectively with local businesses, while at the same time offering a productive and sustainable way to address the challenges presented by the low-wage economy. ●
Roxanne Mashari is Brent Council’s lead member for employment and skills

THE WEBB MEMORIAL TRUST IS FOCUSING ON POVERTY AND INEQUALITY IN THE UK



The Trust was founded in 1944 as a memorial to the great social reformer Beatrice Webb, who with her husband Sidney founded the London School of Economics – and the New Statesman.

She is particularly remembered for submitting a Minority Report to the Royal Commission on the Poor Laws, stressing that poverty was not the fault of the individual but of economic mismanagement and lack of strong social structures.

The Trust is marking Beatrice's concerns with poverty by supporting the work of think-tanks, charities and academics in this area, as well as commissioning its own work, to determine a range of solutions, which if implemented will help remove poverty in the UK.

It intends to publish its "legacy to Beatrice Webb" in late 2016.

FOR FURTHER INFORMATION ON THE TRUST AND ITS WORK GO TO
WWW.WEBBMEMORIALTRUST.ORG.UK

Webb Memorial Trust