CM Robert Oakeshott Lecture
Friday 20 March 2015

Thank you Iain for that kind introduction. It's great to be with you all and I'm delighted to be speaking to you today.

The Oakeshott Lecture has become an important milestone, and each year it allows us to reflect on the progress we've made as a sector in the 36 years since Robert founded JOL, now the Employee Ownership Association.

Throughout his lifetime, Robert made the case for employee ownership as a way to share the proceeds of growth more widely. A way of doing business that he often contrasted with the capital maximisation he saw in many companies.

Robert’s approach is still very relevant today.

His driving passion was to help create more sustainable businesses, where the benefits of success are shared more equitably. And his leadership in unashamedly making the case that this approach can contribute to a better performing economy, still speaks to our ambitions today.

In fact I hope Robert would be beaming today that his conviction is shared by many and more join him in that every day.

But I am not here today for a pat on the back. Instead my message to you is that the importance of this movement in employee ownership is more important than ever.

But it is still not mainstream. And nor is it a panacea for the issues we face. But as I look at how the workplace and society are developing, my conviction grows daily that it can make a huge difference to those it touches…

So how does that world look? We are in the fastest growing economy among the developed nations. Employment has just hit a record high. So has the stock market (of non-employee owned businesses!). Oil prices are low, so are interest rates, both almost unbelievably so… and the predictions are they will stay that way for quite some time.

What's not to like about all of that? Surely this is a time when confidence in society at large and in our economy should be riding high. Is this not evidence that the ‘system’ is working?

And yet, it just doesn't feel like that. We have recently narrowly avoided the break-up of the UK. Politically, I've never know it to be so restive. We are approaching the most uncertain election for decades. We are perhaps seeing the fragmentation of our system of representative democracy and we can't yet see how the pieces will reform to create a new approach going forward.

Something's changing.

And there are changes afoot in the economy and workplace too.

I'll start with some fairly dry economics and then try to spice it up! Lots of people are talking about productivity right now. By productivity I mean output over each hour worked.

Everyone seems to agree there's a problem – and there is. It's also unusual compared to previous recessions.

84 months after the start of the recession in the early 80s, productivity was 20% higher than it had been at the start of that recession. In the early 90s, it was 18% higher. It is now 84 months since the start of the recession in 2007/8, and productivity is 2-3% lower than it was then. That's a big difference.

Employment on the other hand is much better. In each of those previous recessions, by this stage, employment was still 2-3% below where it was at the start of the recession. Now it is 2-3% higher.

In fact, employment has been something of a success story, but wages have not grown. In real terms, wages are still below where they were in 2007, and for young people the disparity is much greater. As the Bank of England described it, it has so far been a ‘jobs rich and pay poor recovery’.

Productivity, employment and pay are all linked. Without productivity we will not sustain wage increases. Without productivity we will fall further behind in global competitiveness. And without that and without real growth in wages, employment won't grow and nor will the economy.

And to understand what's going on I believe you have to look at the workplace and how that's changing.

The good news is there is today a greater diversity of jobs in our country than ever before. And indeed as I have said we have done well at creating them since 2007. In fact, in the UK there are now over 2 million more ‘high value’ jobs than there were 6 years ago. There are also around 2 million more lower skill, often service related jobs. Unfortunately there are around 1 million fewer middle skill jobs.

And this matters because it's changing, and challenging, the social purpose of the workplace. We spend more of our waking hours at work than in any other past time. The workplace is the vector along which we travel for much of our lives. It's where we find out what we're good at and what we're not. It's where we gain recognition (or don't). For some of us, 9 to 5 isn't enough and it's where we meet the people we decide to live with as well as work with!

It's all underpinned by the notion that it's where you get in and on in life. That’s a core construct at the heart of a meritocratic society.

And yet what I have told you about where jobs have been created and lost in the workplace has implications for this.

I can see them in our business.

In JL, our main distribution centre is at Magna Park near Milton Keynes. It has become the single most important place in JL in the run up to peak trading, especially with new peaks like Black Friday. It's an extraordinary place. For a start it’s huge – 600,000 square feet - that's equivalent to 8 football pitches. It is stuffed full of technology, and, at Christmas with around 500 people. Without it we would never have been able to manage the volume of customer orders or shop deliveries. It only opened in 2010 and wasn't really fully operational until 2012. Without Magna Park, conservatively we estimate we would have needed at least 5000 people to cope and probably 3 to 5 times the space.

Within the 500, though, there are some doing jobs that didn't exist 5 years ago. They're among the most advanced in any logistics operation worldwide. But there are others where the technology is doing a lot of the work. The operation is 10 times more productive than the one it replaced. But truthfully it's not really the people who have become more productive but the machines. And because there aren't 5000 people working there, there aren't as many supervisors or shift managers as there used to be.

Here, in microcosm we have the picture I've described - we've created some great high value jobs. We've created some good lower skill jobs. And we have fewer in between.
And this has implications for the social purpose of work. Much as I would like to tell you otherwise, the uncomfortable truth is it must have become harder for a young person starting out in our distribution operations to make it to those higher skilled roles at the top. They may get into the career ladder but that ladder is changing. On the one hand it has got longer - it reaches higher at the top – and that's good news. But on the other there are fewer middle rungs and there are bigger gaps between them. The ladder is harder to climb.

And although the situations will differ, if you think about other workplaces I bet you'll start to see a similar pattern. It's been called the ‘hourglass’ or ‘two economies’. People who are able to use technology to add value are contributing more than ever before and being paid for it. But for others technology isn’t making the same difference to their personal contribution. They're at serious risk of becoming stuck in low pay for longer. This is why we're seeing a recovery in jobs but pay is proving harder.

And this isn't just affecting young people. 9 out of 10 of the people who will be in work in 10 years time are already working. This is affecting people who have been in the workplace for years.

And this is relevant to today's political context. The burgeoning support for nationalist political parties is less to do with ‘nationalism’, even though that's how it manifests itself. Instead it is driven by a sense of alienation, which is a result of changes in the workplace caused by technology more than globalisation. It's much less to do with immigration or, for example, the EU.

I've taken some time to describe the ‘problem’ because it is serious and it is not well understood, and the wrong part of the problem is often prioritised.

I hope that's struck a chord with you, even if it's uncomfortable, because it's something that we need to consider as employee owned firms. We certainly won't solve it, but I do believe that employee ownership can do better than most forms of ownership in responding. It's a further reason why it's so important that we see employee ownership accounting for a greater share of ownership in our economy. And as I will explain, it's completely aligned with Robert’s vision and his passion for employee ownership.

Here's what Spedan Lewis said in 1954 about what it should mean to be a Partner in the John Lewis Partnership:

“True happiness requires a sense of honest service to the general community, a sense of being some use in the world. But, subject to those claims of conscience, happiness depends upon quite other things. Work and fellow-workers must be congenial. There must be peace of mind. Income must be sufficient and so on.

Those are the aims of a young man or woman starting life with a desire to be self-supporting. The supreme purpose of the John Lewis Partnership is that its members shall feel that by their membership they are achieving those aims at least as well and in most cases better than otherwise they would.”

Most companies don't think this way. Most conventionally owned companies will pursue returns to capital ahead of returns to labour. And in some ways there are greater opportunities now to do this faster than ever. On a narrow view there will be good returns to be made to shareholders, at least for a while.

But, the tensions will rise faster too, economically, socially and politically. It's no accident that we are seeing a re-polarisation in politics.

And yet, in amongst all of this, we - that's employee owned companies - do think this way. We are, in our different ways, all about labour employing capital. We are all about a fairer form of capitalism that seeks to achieve good returns to labour, rather than maximising the returns to capital. I feel very confident that we can and will, make a key and increasing difference to the social purpose of work and its role in sustaining a fair, prosperous and meritocratic society.

Three reasons.

The first is very simply that we see it. Others won't or won't want to. But seeing it doesn't make it easy. I see this simultaneously as our greatest challenge and our greatest opportunity. It is not straightforward. There is no doubt in my mind that we need to invest in capital in places like Magna Park. If we fail to do so, we would quickly become a very unsuccessful employee owned business. But I'm also optimistic that this is a huge opportunity and that we will take it.

Why? Because our shareholders will hold us accountable for how well we, the leaders of employee owned businesses, do that – grow the returns to labour and capital. And that's my second reason for believing employee owned firms will make this difference.

Next week we have a meeting of our Partnership Council. I will certainly be asked why our Partnership Bonus was only 6 weeks pay versus nearly 8 weeks the year before. Having explained that this was to do with lower profits in Waitrose, where we're fighting, quite successfully, in fact in a vicious price war, I will go on to explain that I am determined that we place more emphasis than ever on what we are paying people. That's not because we've gone soft. On the contrary it is because a conversation that starts on pay quickly becomes one about performance, and then moves on to productivity. That's key to higher pay, it's key to progression, it's key to the behaviours I want to see. And ultimately it's key to delivering what Spedan described as '*the aims of a young man or woman starting out in life…'.* It's key to ensuring we deliver a good return to labour in a business that will inevitably become more capital intensive.

And finally, and perhaps most importantly, I am confident employee owned businesses will lead the way here, because, quite simply they are already doing so. Recent data has shown that the top 50 employee owned businesses have delivered a 4.5% improvement in productivity. They've been shown to be better at job creation. At job retention. At job development. That's why they've outperformed conventionally owned companies on hard financial metrics. And in the workplace that I've described they will, I believe, continue to do so.

In conclusion, there are big changes afoot in the economy and in the workplace. We're in for a turbulent time. And while employee ownership will never be a panacea, it can make a difference and one that I believe is set to become more important than ever in the context I've described to you.

Thank you.