

JustShare debate, 23 September 2008

Speech by Ian Tew, Head of Workplace at KPMG

Can Capitalism Deliver A Living Wage For All?

Thank you Madam Chairman and good afternoon everyone.

I've heard more references to "capitalism" in the last few days than I ever did in the student common room, a long time ago. Indeed in recent days, I've begun to wonder if capitalism can deliver *any* wage for much longer!

So, whilst capitalism has negative connotations for some, I know from my experience at KPMG that we and other businesses can deliver a Living Wage in this market economy, and I will tell you this afternoon why we do so, why other businesses would benefit from paying the Living Wage and how, with ethical leadership, defined values and an effective corporate responsibility programme, business can deliver the Living Wage to all.

To me, capitalism means working for a profit, to create wealth, investment, jobs and so on. It doesn't have to mean blind and excessive pursuit of short-term gain, ignoring the long-term shareholder value. Companies need to produce results today but they will not survive the longer term without wise investment.

We need strong leadership with sound values. Businesses are essentially groups of people - human beings with a common purpose who are expected to behave in a way consistent with the business's values. Embedded in everything we do at KPMG, our values (including leading by example, respect for the individual, and commitment to our communities) create a sense of shared identity and define what we stand for. However, whether defined or not, a company's true values come from its leadership. Its leaders are the role models of acceptable behaviour. I think most of us would agree that the parental role model influences a child's behaviour. Similarly, the people within a business will care about those same things that their leaders care about. [And let's be honest, unethical behaviour: lying, stealing, cheating, is not the sole preserve of capitalism or capitalists]. So, shared values are essential to provide cohesion in any business. Values provide the bedrock upon which our behaviour is based.

At the heart of KPMG's values, is our people strategy, which has resulted in our being named Best Big Company to work for, by the Sunday Times, twice in the last three years. So we really do live the maxim "people are our greatest asset." We are a people business. We are dependent on our people. It is not possible to separate employees from a business; they are the business, increasingly so in a knowledge economy. Understanding and aligning employee values with those of the business is critical to success, and we must recognise and reward accordingly.

Hand-in-hand with our people strategy and sound economic management is our commitment to corporate social responsibility, or "creative capitalism" as some now call it. Ethical behaviour and a commitment to those beyond the shareholders, our people and communities, relies on strong leadership. Paying the Living Wage, and

related employment benefits, to our contract cleaners and caterers is part of that commitment - from the top.

This isn't just about altruism. Corporate Responsibility contributes to more efficient business. It offers a means by which companies can manage and influence the attitudes and perceptions of their stakeholders, building their trust and enabling the benefits of positive relationships to deliver business advantage.

Research suggests that most people want to work for a company whose values are consistent with their own and that a majority of young people believe in the power of responsible business practice to improve profitability. Thus corporate responsibility is increasingly a key factor in attracting and retaining a talented and diverse workforce. Our last annual People Survey showed that almost all of our people believe KPMG is socially responsible and makes a positive contribution to the communities in which we operate.

So, for KPMG, paying the Living Wage is not just an important part of our values, our people strategy and our award winning corporate responsibility agenda: it's critical.

As Head of Workplace, I have about 700 in-house and outsourced staff in our UK offices, many of whom are directly serving our clients. So, their calibre, motivation and loyalty are extremely important to us. Paying the Living Wage and improving other benefits, like holidays, sick pay and insurance have contributed significantly to our success. Here's how:

- Turnover amongst our cleaning staff has more than halved.
- Morale has been raised.
- Despite improved sick pay potential abuse has not materialised
- Productivity has improved; attitudes are more flexible and positive
- Service has improved: our help desk gets far fewer complaints

OK, here's the management speak: 'by taking an output focused and 'whole life costing' perspective we've incorporated economic, social and environmental factors into the decision making process.' In plain English, we focus on achieving a clean workplace at best value, not on how little we can get away with paying the cleaners.

On top of this our suppliers, the cleaning and catering companies, have reduced training and other overhead costs as employee loyalty has grown. So, in our experience, "capitalism" doesn't just enable us to pay the Living Wage, it actually incentivises us to do so.

So, ethical values, intelligent and courageous leadership, an inspiring corporate responsibility programme and a genuine and demonstrable recognition of everyone's contribution to the business can transform attitudes towards greater respect for our fellow human beings. Paying the Living Wage should be one element of this broad strategy.

It's also about alleviating poverty. Over three quarters of the world's population struggles to meet basic needs. The role of business in providing the wherewithal to tackle such challenges was highlighted by Kofi Annan. He told the business

community directly that they have the finance, the resources and the technology to bring about the changes that are needed to address the world's major social and environmental problems. His rationale is clear and relevant. Business is the primary source of investment in productive capacity and the main employer in most societies. Many companies are leading the way, driven by their belief that Corporate Responsibility is essential to their business, and the business case for this action is compelling.

It is possible to behave ethically, and pay the Living Wage, while working to earn a profit. It makes sense as a business strategy since it creates goodwill among customers, employees and the community. Trying to increase profits by being unethical or ignoring such concerns will eventually result in increased cost and zero short-term benefit. We see it now in the credit crunch: the damage caused by irresponsible business practices far outweighs the cost of corporate social responsibility and, unlike the latter, brings no long-term benefits. Behaving ethically may mean taking a longer view, sacrificing some profit today to build goodwill and a strong reputation. Such investment is entirely consistent with capitalism.

I read recently the FT's Business Editor's comments: *"The companies that will be most resilient in this downturn will have talented and committed workforces, deep roots in their communities and environmentally sustainable business models. Those that emerge the strongest when the economy turns up again will be those that have understood the social and environmental challenges facing them – and stuck to their strategies for dealing with them."*

And, whilst Jonathan Porritt questions: *"Whether capitalism really is capable of delivering a genuinely sustainable, equitable economy"*, he goes on to say *"But it had better be. It is the only game in town, and will be for many years to come...this means working with the grain of markets and free choice, not against it. It means embracing capitalism as the only overarching system capable of achieving any kind of reconciliation between ecological sustainability, on the one hand, and the pursuit of prosperity and personal wellbeing on the other."*

In other words, if the business of business stops being business, we all lose. I want to be a highly effective part of the solution. I can help KPMG make the right choice...and you can help your business. The good part is that we do this by doing exactly what we're paid to do - making the business more successful. A business-led movement for social responsibility is our best chance and we can increase the momentum by encouraging others to pay the Living Wage.

I would like to think that we are now in a new era where community, humanity and, yes, morality really matter. I think Gandhi said it best: *"...destruction of the capitalist must mean destruction in the end of the worker..... Either is dependent on the other. Immediately the worker realises his strength, he is in a position to become co-sharer with the capitalist instead of remaining his slave."*

Ladies and gentlemen, capitalism can, and is our best chance, of delivering a Living Wage for all.

Thank you.