Employer-employee relations of the future

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ADDRESSING THE CHANGING DEMANDS OF THE WORKPLACE

Challenging the power dynamic

The power dynamics between employer and employee are unequal, with many employers holding significant power over their employees. This inequality has been so naturalised that most individuals' sense of purpose – with the exception of those who have a heightened entrepreneurial spirit – is often linked to the ability to find a job. The vast majority of people derive joy from the ability to find a job because having a job is considered to be character-building, and work represents security and a possibility for us to demonstrate our potential[1]. This attitude becomes problematic because we are unable to imagine what a full life could look like without a job.

An even more interesting debate is the role that employee benefits should play. Currently, full-time employment carries with it the promise of a social security net: income protection, medical aid and retirement savings. In the absence of full-time employment, these protections are spotty at best in terms of their cover or duration of cover. If South Africa wants to genuinely stimulate employment through every available means – entrepreneurship, SMMEs, gig work and other part-time models – these basic protections would have to be more widely available.

In this rapidly changing world of work, we will need a framework that allows workers to take risks in the pursuit of creating a more dynamic and responsive economy. Our existing employment convention is concerning because it's difficult for many employees to give up these benefits to take the risky route of setting up small businesses. As a result, entrepreneurial spirit is dampened because longer-term employment becomes more palatable than the unpredictable world of starting and growing a business. Under this scenario, a world of a few employers and many employees is sustained, and the unequal power dynamic between the employer and employee is perpetuated.

In this segment, we look at how this power cycle between the employer and the employee is being disrupted by global changes in the form of technological advancements and a new generation of employees who are demanding a new way of being. We argue that the only solution is for all parties involved to change in order to address the challenges this presents. But first we take a look at the choices that employers appear to be making both globally and locally as they tackle the changing demands of the workplace.

The impact of technology and globalisation

What factors are having the greatest impact on changing the power balance between employee and employer? The answer begins with the introduction of communication applications such as Facebook, Twitter and WhatsApp. Connectivity means ideas can be shared across the globe instantaneously and are no longer filtered through a specific corporate lens. New insights and knowledge are now within reach for all of us. Indeed, those who can navigate this global treasure trove of information become valuable assets, and these employees are not necessarily the corporate's most senior management.
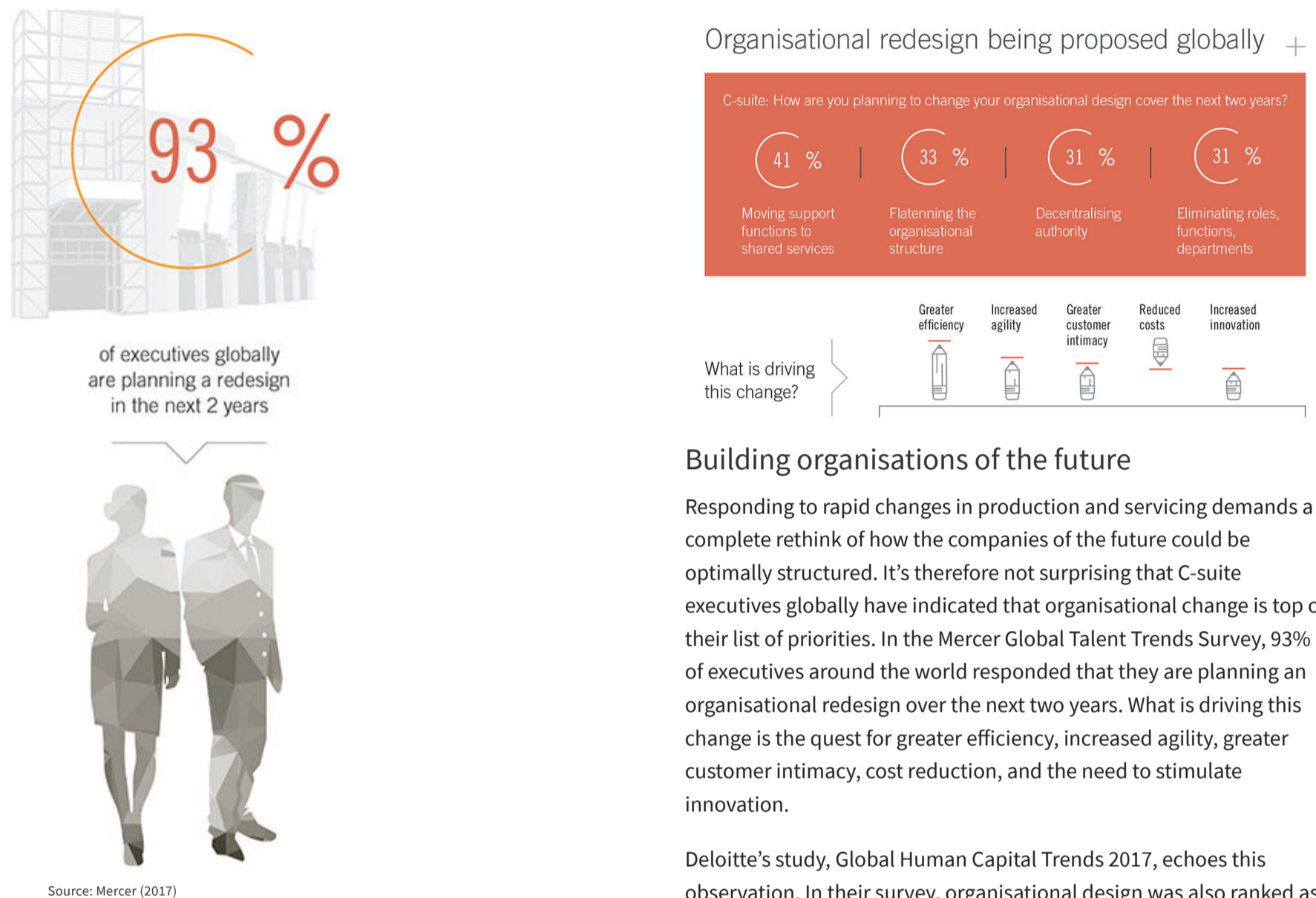
This also means that resourcing, production and talent no longer need to be locked into one geographic location. Companies that develop the best models for collaboration and partnerships with either the most innovative or cost-effective array of suppliers, producers and creators will rise to the top in this new environment.

While automation, machine learning, 3D printing, digitalisation and biotechnology will fundamentally change which jobs will be performed by machines and which by human beings, it is becoming increasingly apparent that the skill sets most likely to be valued in this new work world will be those that capitalise on what it is that makes us most human.

These developments all suggest that responding to these changing opportunities will demand a new mode of employer-employee interaction, to say nothing of farreaching implications for labour organisations and policymakers[2]. In essence, the workplace of the future will be the one that is most responsive to these new demands[3].

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Figure 1: Organisational design: drivers of change and plans to change

93 %

of executives globally
are planning a redesign
in the next 2 years

Source: Mercer (2017)

Organisational redesign being proposed globally +

C-suite: How are you planning to change your organisational design cover the next two years?

41 %	33 %	31 %	31 %
Moving support functions to shared services	Flatenning the organisational structure	Decentralising authority	Eliminating roles, functions, departments

What is driving this change?

Greater efficiency · Increased agility · Greater customer intimacy · Reduced costs · Increased innovation

Building organisations of the future

Responding to rapid changes in production and servicing demands a complete rethink of how the companies of the future could be optimally structured. It's therefore not surprising that C-suite executives globally have indicated that organisational change is top of their list of priorities. In the Mercer Global Talent Trends Survey, 93% of executives around the world responded that they are planning an organisational redesign over the next two years. What is driving this change is the quest for greater efficiency, increased agility, greater customer intimacy, cost reduction, and the need to stimulate innovation.
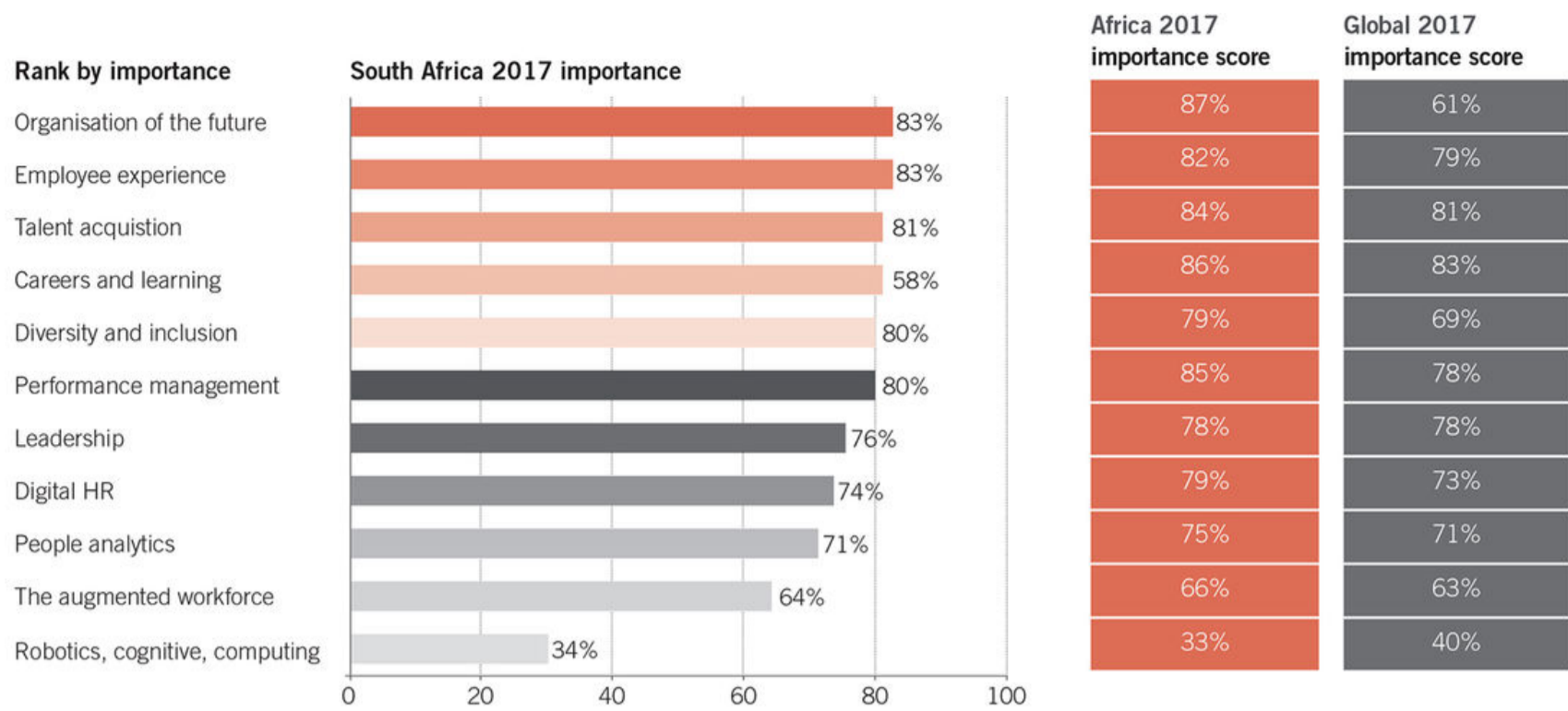
Deloitte's study, Global Human Capital Trends 2017, echoes this observation. In their survey, organisational design was also ranked as the top place of the global trend, with 88% of executives responding that they saw this as their top priority[5].

By contrast, South African executives have a slightly more muted response to the issue of restructuring their organisations to meet the demands of the future world of work. Although organisational design remained the most popular of all the global trends, only 83% of the respondents to the Deloitte survey ranked this as 'very important'.

Why is organisational restructuring such an imperative in these times? In the changing world of work, it is becoming increasingly evident that successful organisations will be characterised by networks of teams rather than hierarchies. If organisations are to create conditions for teams to function in a more natural and interconnected way, then information sharing and real-time monitoring of results are the order of the day.

These new network structures can be formulated to tackle one set of problems at one point in time, and then be reformulated another way at another point in time to tackle a different set of problems. The idea is to break down artificial structures and simplify complex structures to enable collaboration across multiple functions and multiple company boundaries. What is wanted is flexibility, agility, and the power for these teams to make their own decisions as and when needed.
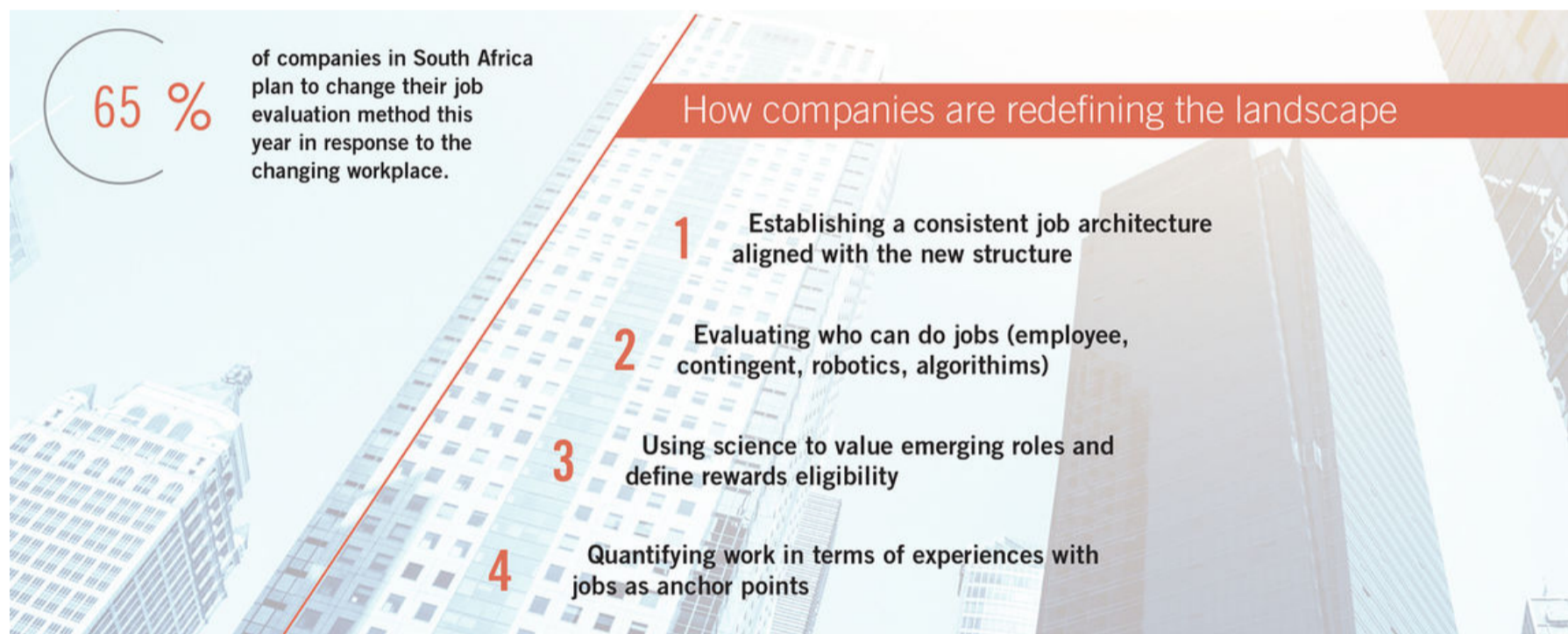
This focus on organisational change means that companies will need to redefine the job landscape. According to the Mercer Global Talent Trend study for South Africa, 65% of South African companies have indicated that they plan on changing their job evaluation method in response. This would entail establishing a consistent job architecture that is aligned with this new organisational structure, determining who can do what job best (human or otherwise), formulating new forms of leadership roles, using more sophisticated HR analytics to value emerging roles and define reward eligibility and quantifying work in terms of experiences, with jobs as anchor points.

Rank by importance	South Africa 2017 importance	Africa 2017 importance score	Global 2017 importance score
Organisation of the future	83%	87%	61%
Employee experience	83%	82%	79%
Talent acquistion	81%	84%	81%
Careers and learning	58%	86%	83%
Diversity and inclusion	80%	79%	69%
Performance management	80%	85%	78%
Leadership	76%	78%	78%
Digital HR	74%	79%	73%
People analytics	71%	75%	71%
The augmented workforce	64%	66%	63%
Robotics, cognitive, computing	34%	33%	40%

Source: Deloitte (2017)

What, then, does this suggest about the future of jobs in South Africa? The same study found HR professionals believed that, over the next three years, we would see:

> a broader span for management control,
> more focus on sales and delivery (and less on management),
> higher values placed on design and innovation, and
> an increase in jobs that would now be done virtually.

65 % of companies in South Africa plan to change their job evaluation method this year in response to the changing workplace.

How companies are redefining the landscape

1 Establishing a consistent job architecture aligned with the new structure

2 Evaluating who can do jobs (employee, contingent, robotics, algorithims)

3 Using science to value emerging roles and define rewards eligibility

4 Quantifying work in terms of experiences with jobs as anchor points

Changing priorities: a focus on the employee experience

What is particularly interesting to note is that, at the same time, South African executives are also seeing employee experience as one of the important talent trends for the future. Organisational redesign alone will not prepare a corporate for the future world of work. Getting employees to genuinely engage, though, provides the glue. For many corporates this means thinking of their employees as another form of client or consumer – and a critical one at that! This would seem to indicate that how we manage them, the thought and care that we give to developing our employees' skills, talents and careers, and the consideration we give to attracting and retaining top talent will prove to be an important competitive edge in this rapidly changing work environment.

One has only to look at the way different generations of workers have identified their priorities to sense how those changing attitudes are evolving. These classifications of different generations of workers can be hugely over-simplistic in that they fail to recognise the extent to which these characteristics can cut across generations, particularly when the generations work shoulder to shoulder in the workplace.

Still, they are useful for indicating a general shifting in priorities.

> **Traditionalists** – born before 1946. They are distinguished by their loyalty to the company. They often work for a single company for their entire lives.
> **Baby boomers** – born between 1946 and 1963. Their attitude that one lives for work is what distinguishes them. They prefer being physically at the office during specified working hours.
> **Generation X** – born between 1964 and 1979. They are distinguished by their attitude that work should not define life. They work to live rather than live to work.
> **Millennials** – born between 1980 and 1995. They want to work on their own terms. They own their careers and seek meaningful work.

What the general trend suggests is that with each subsequent generation, the role of the company seems less important in people's lives, while the role of the employee, and accommodating their needs, is becoming a higher priority for employers. **Unless companies focus on adding meaning to employees' lives and not just money in their pockets, getting a commitment to a common future will be difficult.**

The unique challenges of South Africa

In South Africa, employers face further challenges. On the one hand they have to reconceptualise organisational structures to be responsive to the changing demands of a globally competitive workplace. On the other, they need to redress a legacy of unequal treatment across and between race, gender and income groups. To some extent, these goals are compatible to each other. Transformative workplaces that promote diverse work groups and decision-making bodies appear to be better environments for fostering good governance, integrated thinking and sustainable work practices. According to an article in Harvard Business Review by David Rock and Heidi Grant, diverse work groups are just plain smarter. They cite a 2015 McKinsey report on 366 public companies which found that "companies in the top quartile for ethnic and racial diversity in management were 35% more likely to have financial returns above their industry mean, and those in the top quartile for gender diversity were 15% more likely to have returns above the industry mean"[6].

For a transformative work environment to really succeed, though, two points must gain traction. The first is greater transparency and fairness around pay. This is a non-negotiable if inequality is going to be addressed with integrity. The second is recognising that getting employees to be engaged demands that compensation needs to be more than just an absolute number.

Social exchange: from paternalism to partnership

Social exchange is one way to respond to a changing workplace landscape which calls for designing organisations of the future that are less hierarchical and highly productive. Social exchange theory[7] maintains there are two types of exchange that characterise employee behaviour: economic and social exchange.

> Economic exchange is the formal transactional contract which details the conditions of employment and the precise nature of what is exchanged, on a justifiable basis.

> Social exchange is based on relationships that encompass unspecified future obligations. The exact nature of future returns for contributions is based on the individual trusting that the exchange parties will fairly distribute their obligations in the long run. This allows exchange parties to reciprocate through discretionary exchange acts[8].

Social exchange relationships are based on goodwill and reciprocity, which implies that organisations need to enter into mutually beneficial partnerships with employees. These partnerships will cease to view employees as dependants but rather see them as enabled individuals who are following their human instinct to be productive and add value, while employers meet their need to produce and be profitable.

Research has shown that employees prefer to define their relationships with employers through social exchange, and thriving organisations are often those that leverage social exchange principles[9]. In a social exchange relationship, when efforts are fairly rewarded employees are willing to reciprocate with discretionary behaviour, such as getting involved in activities beyond their contractual obligations.

Policymakers and employers may wish to explore the social exchange concept to adapt to changing workplace needs and create work environments that are based less on authoritative power dynamics and more on partnerships that develop inherent individual talents and interests to solve the problems of the future. This is essential if organisations are to build for an unknown future, attract and retain tomorrow's talent, and cultivate a thriving workforce[10].

Economic exchange is fairly easy to police because it's formalised in specific contractual obligations. Social exchange, on the other hand, asks for sincerity and reciprocated goodwill, which may be harder to police but yield the best results. The inability to police social exchange relationships is good because, as shown, the future workplace requires less controlling of and more collaboration between employers and employees.

Remuneration packages and benefits will have to respond to this structure and reflect the partnership nature of the relationships. Policymakers will need to play their part by introducing programmes that allow individuals to provide for their basic needs outside employer-provided benefits, thus transforming the paternalistic relationship that exists between employer and employee into one that is more equal.

This arrangement may give more individuals the option to be entrepreneurial instead of relying on an employer for survival and a sense of identity.

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Renegotiating the concepts of 'employer' and 'employee'

In order to design workplaces that are led by social exchange relationships, the very concepts of employer and employee may have to be renegotiated. A more neutral way of defining workplace relationships may be adopted, incorporating what psychologists have termed positive organisational behaviour (POB) and perceived organisational support (POS).

POB is defined as individual behaviours that are positive and life-giving in the organisation – that is, the positive mental and emotional state and talents of individuals[11]. POS is defined as the positive aspects of the organisational context that make employees believe the organisation values their contribution and cares for their general well-being, which in turn influences them to thrive[12].

Emerging studies in this field suggest that a strong correlation between POS and POB yields reciprocal relationships which result in harmonious and successful organisations[13]. In other words, the concept of workplace relationships needs to recognise the human need to produce and contribute meaningfully while being valued and cared for, and the business needs to maximise production through motivated and productive individuals.
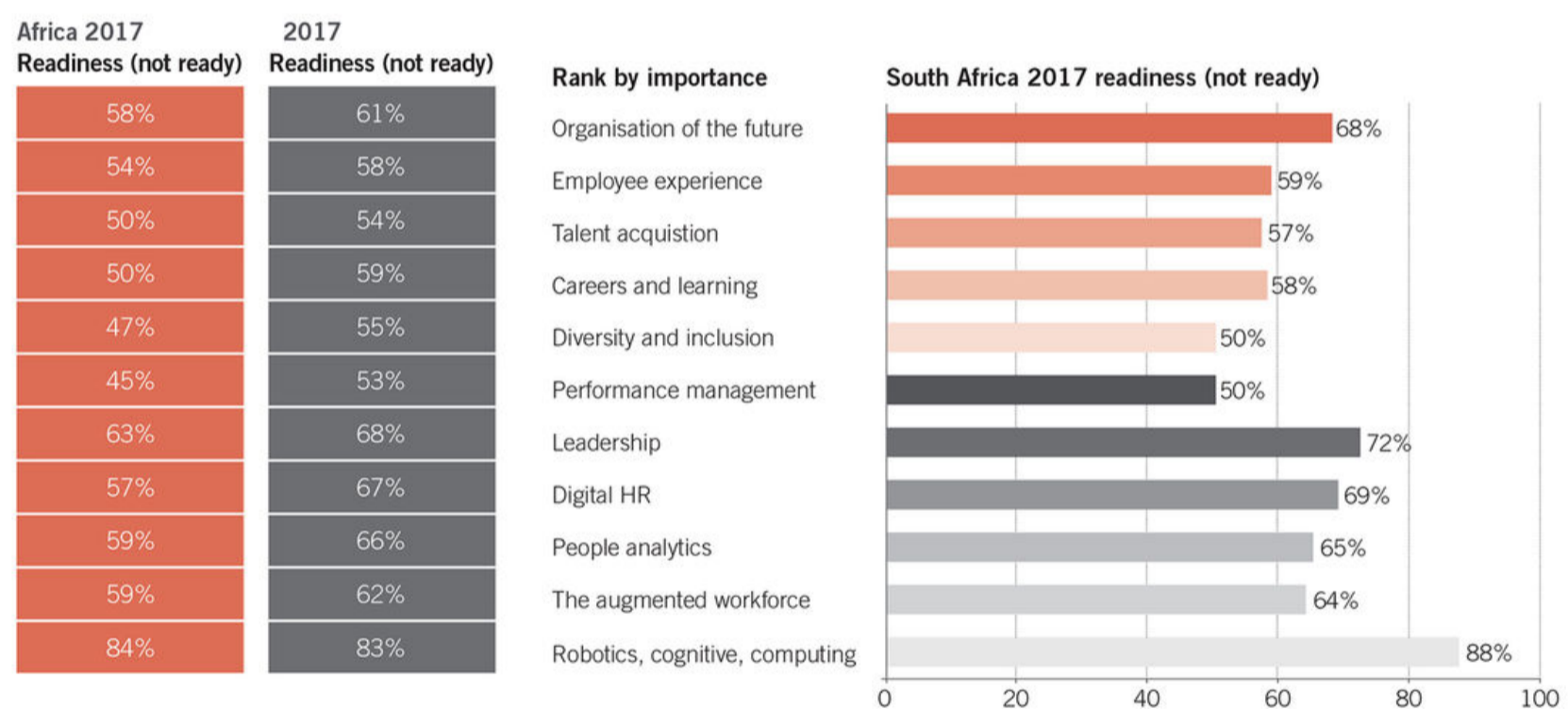
In addition, government will have to be enabled to create an environment that disrupts the employer–employee power dynamic. This will be achieved when there is equal access to all to benefits, such as savings pools, income protection and medical schemes, which are currently provided primarily through larger employers. Important decisions will need to be made, legislated and enforced to create the impetus for change.

How ready are South African companies for meeting this future?

Just how ready are South African companies for meeting these challenges of the future? The 2017 Deloitte Human Capital Trends report noted that organisational ecosystems and networks may be influenced by the nature of the industry or sector. There is no single business approach suitable for all organisations, industries or sectors; rather, different approaches may be required for each type of organisation. However, the goal is the same: to unlock organisational flexibility so organisations can transform to meet the needs of the future workplace. Yet, despite ranking organisational structure and employee experience as the highest priorities for addressing a changing workforce, South Africa companies appear to feel more confident about their readiness to address advances in IT and robotics than they are about their ability to deal effectively with that most precious commodity, their human capital.

In the modern organisation we will come back to this management challenge and consider ways in which the company of the future might provide a more effective response.

Figure 3: Readiness of organisations for the future world of work

Africa 2017 Readiness (not ready)	2017 Readiness (not ready)	Rank by importance	South Africa 2017 readiness (not ready)
58%	61%	Organisation of the future	68%
54%	58%	Employee experience	59%
50%	54%	Talent acquistion	57%
50%	59%	Careers and learning	58%
47%	55%	Diversity and inclusion	50%
45%	53%	Performance management	50%
63%	68%	Leadership	72%
57%	67%	Digital HR	69%
59%	66%	People analytics	65%
59%	62%	The augmented workforce	64%
84%	83%	Robotics, cognitive, computing	88%

Source: Deloitte (2017)

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