

WORKFORCE ACTIVISM PREDICTED TO RISE OVER NEXT 5 YEARS, COSTING COMPANIES 25% OF GLOBAL REVENUE

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Firm news

Large corporates expect an annual hit to revenue of up to 25% as a result of workforce activism. In real terms this could mean costs equating to £177 million per year.

According to a new report, published by Herbert Smith Freehills, senior executives in some of the world's largest companies now believe workforce activism is one of the top three risks to their organisation's reputation. Called 'The Future of Work', the report is based on interviews undertaken with the C-suite, in companies reporting annual sales in excess of £250 million. The findings reveal that:

- more than 80% of companies expect to see a rise in workforce activism over the next 3 to 5 years
- 57% expect fears around automation replacing human workers to be a key trigger for activism, topping pay and benefits (47%) and environmental concerns (46%) as key drivers for employees wanting their voices to be heard
- activism is no longer limited to permanent employees, with respondents suggesting that agency and contract workers are increasingly confident about sharing their views – a development felt particularly in the real estate, pharmaceutical and healthcare sectors.

The findings underpinning Herbert Smith Freehills' report suggest that there is growing recognition in the Boardroom about the value of increasing dialogue with employees. A significant proportion (55%) name workforce issues as a significant risk to corporate reputation – a risk only exceeded by cyber threats (65%) and fears of a new global economic slowdown (62%).

"Increasingly, employees are becoming vocal on issues that go beyond their immediate personal concerns about pay and workplace culture. Our research suggests that they are willing to voice opinions internally and externally about topics ranging from strategic corporate decisions to ethical business conduct. Employers must balance the potential damage to reputation this creates with the reality of creating value for shareholders," says Emma Rohsler, partner in Herbert Smith Freehills' employment, pensions & incentives practice.

Although the research indicates that almost 80% have works councils or some form of board representation for employees, respondents expect growth in the use of alternative channels for employees raising their concerns. 94% expect an increase in the use of public social media channels and 77% say crowdfunded legal challenges will rise. Almost two-thirds (63%) suggest the use of digital petitions will increase over the next 5 years.

At the same time, 86% of those interviewed think they will receive more internal complaints from employees. Respondents focused on the use of intranets, anonymous hotlines and internal complaint procedures as key channels for workers to share their concerns.

"Digital technology provides an increasingly convenient way for employees to express their views as, where once there were several steps to take, concerns can be aired at the touch of a button. How they do this is up to individuals, but employers should adopt a transparent approach about the channels their employees are advised to use and the manner in which they use them. It's about having guidelines in place to create a forum for debate without simultaneously stifling it," adds Rohsler.

Employers also clearly understand the importance of engaging with their employees in a transparent manner. Only 7% of respondents said they choose not to engage with the 'employee voice', yet 48% will do so solely on external channels rather than internal forums, despite the greater reputational risk.

The report can be downloaded via www.hsf.com/futureofwork.

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