MEGATRENDS

The trends shaping work and working lives

Are organisations losing the trust of their workers?
Championing better work and working lives

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To increase our impact, in service of our purpose, we’re focusing our research agenda on three core themes: the future of work, the diverse and changing nature of the workforce, and the culture and organisation of the workplace.

WORK
Our focus on work includes what work is and where, when and how work takes place, as well as trends and changes in skills and job needs, changing career patterns, global mobility, technological developments and new ways of working.

WORKFORCE
Our focus on the workforce includes demographics, generational shifts, attitudes and expectations, the changing skills base and trends in learning and education.

WORKPLACE
Our focus on the workplace includes how organisations are evolving and adapting, understanding of culture, trust and engagement, and how people are best organised, developed, managed, motivated and rewarded to perform at their best.

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The CIPD is the professional body for HR and people development. We have over 130,000 members internationally – working in HR, learning and development, people management and consulting across private businesses and organisations in the public and voluntary sectors. We are an independent and not-for-profit organisation, guided in our work by the evidence and the front-line experience of our members.

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Are organisations losing the trust of their workers?

Foreword

In our recent Megatrends publication, we set out some of the big economic and social trends that have helped to shape work and working life in recent decades, such as de-industrialisation and demographic change. While the future is uncertain, it seems likely that many of these trends will continue to have an impact for years or even decades to come. Equally, past trends can stop having an impact – or even go into reverse – and new trends will emerge.

In this turbulent and changing environment, organisations need to be agile – to spot changing trends affecting them, work out how to respond to them and by doing so make them work to their benefit and thus maintain an advantage on the competition.

In Megatrends, we identified four potential emerging trends – issues where the data suggest there might have been a shift in practice, attitudes or outcomes that would have a significant impact on work and working lives. However, precisely because these are relatively new developments, it is still unclear whether these really are new trends or whether they are short-term disturbances to established patterns due to factors such as the economic difficulties that the UK and many other countries have faced in recent years.

In this series of publications, we take each of these four potential emerging trends and review the relevant evidence, discuss the potential explanations and explore the potential implications for work and working lives – including for business, for HR practice and for policy-makers. The aim is to draw the attention of our stakeholders to these issues, present the relevant facts and provide a platform for further discussion.

This second publication in the series asks whether we are seeing a breakdown in trust between organisations and the people who work for them. Trust in many organisations is weak – the latest survey findings show that just 29% of employees think trust in senior management is strong at their workplace. Trust is particularly lacking in the public sector. The recession and its aftermath damaged trust and the improvement in measures of trust that we have seen recently in both public and private sectors may be due to economic recovery.

A lack of trust is costly. Managers and employees spend time making sure they cover their own backs. More checking is needed because people feel nervous about relying on someone else. Employees are much less likely to be engaged and go the extra mile for their employer. Many will be looking to move on.

The world takes notice of how employees are treated – just ask Apple about the scrutiny given to working conditions and employee well-being in its supply chain. Discontent and distrust in the workforce can erode public trust with potentially catastrophic effects.

Precisely how employers maintain and improve trust among the workforce will depend on the organisation and the context in which it operates. However, there are some common steps involved in repairing trust. In particular, regular and honest communication and a culture that encourages behaviour in line with corporate values and holds senior leaders to account as much as those on the shop floor.

In this publication, we provide more evidence on these issues as the basis for a strategic conversation. We encourage every reader to say what you think.

Chief Executive, CIPD
Summary of key findings

• The latest CIPD data for autumn 2013 show that 37% of employees say they trust their organisation’s senior management and 31% say they do not trust senior management.

• Similarly, 29% of employees think trust is strong between employees and senior managers in their workplace and 33% of employees think trust is weak.

• A tracking measure collected since 2009 shows that trust levels fell between 2009 and 2011, with some recovery during 2012 and 2013.

• Weaknesses in trust appear to pre-date the recession.

• Employees working in smaller organisations and in management positions tend to have more trust in senior managers. Public sector employees have much less trust in senior managers than their counterparts in the private sector. Union members have lower trust levels. The vast majority of employees who are disengaged from their employer and/or dissatisfied with their job do not trust their employer.

• Trust in general may be in decline. Public trust in big business has been falling for some time and this has implications for the trust employees place in their leaders.

• The recession damaged employee trust, especially where the workplace was affected by the recession or its aftermath (for example, through closures, redundancies or cuts in funding). Recent improvements in measures of trust may in part be due to economic recovery. The damage to trust is especially marked in the public sector.

• Employees are more likely to trust senior managers when they feel they are listened to and when their views are taken into account when decisions are made. The evidence suggests employers have made modest improvements over the last 10–15 years in keeping their employees informed and listening to their views.

• Leadership, culture and behaviour make a big difference to trust. Trust is stronger when management and ‘the system’ are seen to treat people fairly, when people (including senior leaders) behave in line with corporate values and when leaders also show trust in their employees. Across most of these issues, the majority of employees appear to have positive views about management, but this leaves substantial room for improvement.

• When trust is lacking, this affects productivity and organisation performance. Employees spend more time watching out for management and covering their own backs. Managers spend more time checking up on employees. Employees who do not trust their employer are more likely to want to leave.

• Employees in low-trust environments are discouraged from sharing knowledge and taking risks – wasting innovation potential. Employees may also be reluctant to challenge the behaviour of leaders or colleagues – creating risks for both an organisation’s performance and its reputation.

• How a business treats its employees is one of the most important factors the public consider in deciding whether to trust a business. Employees are sometimes seen as more credible sources of information about a business than CEOs.

• Rebuilding trust can take time. The first step is to acknowledge trust as an issue – in autumn 2013, 38% of employees said trust is a word often used within their organisation.

• Employee surveys suggest key elements in rebuilding trust include improved communication, a stronger employee voice, more meaningful consultation and ensuring that systems and individual behaviour reinforce corporate values.

• Economic recovery might see further improvement in measures of trust in the short term. The longer-term outlook is likely to remain challenging and requires an approach based on the elements of trust-building identified above.
1 What does the evidence say?

Trust is fundamental to sustainable and effective relationships. In this report, we ask whether organisations are losing the trust of those who work for them. If the degree of trust underpinning the employment relationship is indeed weakening, why has it happened and what are the implications?

The focus is on whether individuals trust those responsible for leading their organisation – senior management – rather than trust in the person who directly supervises the employee or in colleagues more generally. We do this for two reasons. First, the evidence shows clearly that employees have much greater trust in colleagues and line managers. Second, the evidence suggests that trust in the organisation’s leadership – or a lack of it – has quite distinct and important consequences both for the individual and for their employer.

What do we mean by trust?

A definition commonly used in academic research is: ‘Trust is a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviour of another.’ Employees who place their trust in their employer are taking a risk – to their well-being as well as their current and future livelihood. They do this in the expectation that their employer will have regard to their interests and welfare – as well as the organisation’s goals – in how it conducts its business and how it treats them personally. Similarly, employers who trust their workforce take risks – that employees will not abuse the discretion they are granted to pursue individual goals that conflict with corporate objectives or indeed to engage in activities that endanger the financial health or reputation of the organisation (such as treating customers inappropriately, failing to follow procedures, stealing or disclosing commercially sensitive information).

In order for someone to place trust in another, there are some common requirements on the person/organisation in whom trust is being placed that feature repeatedly in the research literature: ability – demonstrable competence at doing their job; benevolence – a concern for others beyond their own needs and having benign motives; integrity – adherence to a set of principles acceptable to others encompassing fairness and honesty; and predictability – a regularity of behaviour over time. When employees lose trust in their employers, this tends to be because one or more of these requirements are seen to be lacking.

What is the current state of employee trust?

Since its inception in 2009, the CIPD Employee Outlook survey has included a tracker question measuring employees’ trust in their senior leadership. The latest data using this question, collected in a special CIPD Employee Outlook Focus survey in autumn 2013, found that 37% of employees expressed a degree of trust in their senior management and 31% expressed a degree of distrust, with the remainder neutral or in the ‘don’t know’ category (see Figure 1). For every employee who says they trust their senior managers, there is another one who does not trust them, with roughly as many waiting to be convinced one way or the other. Alternative survey questions expose how fragile trust can be. In the autumn 2012 survey, when presented with the statement ‘I am not sure I can fully trust my employer’, 15% of employees agreed with it to ‘a great extent’ and 40% of employees agreed with it ‘to some extent’. This suggests that many people who are neutral according to the tracker question still have misgivings about the trustworthiness of their employer.

The autumn 2013 Employee Outlook Focus survey also found that 29% of employees rated the overall level of trust between employees and senior managers in their organisation as strong or very strong – but a higher proportion (33%) rated it weak or very weak.

What has happened to employee trust over time?

The tracker question can be used to assess how trust in organisations has changed since 2009. A summary measure of trust – the net difference between the proportion of employees saying they trust their senior managers and the proportion of employees saying they do not trust their senior managers – has varied between plus and minus 10% for most of the period since 2009 (see Figure 2).
Figure 1: Employee trust in senior management by sector, autumn 2013

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<th>All employees</th>
<th>Private sector</th>
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<th>Voluntary sector</th>
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<td>Strong distrust</td>
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<td>Strong trust</td>
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% of employees

Totals do not add up to 100% because of small numbers of ‘don’t know/not applicable’ responses.
Source: CIPD Employee Outlook Focus survey, autumn 2013.

Figure 2: Employee trust in senior management by sector, 2009–13

Net balance (% expressing trust minus % expressing distrust)

Total
Private sector
Public sector
Voluntary sector

* This is a bespoke Employee Outlook Focus survey using a larger sample than usual but with the identical tracker question.
Source: CIPD Employee Outlook surveys.
The data show significant differences between public and private sectors.\(^7\) Trust among private sector employees edged down slightly between 2009 and 2011 before it started to improve in early 2012. The private sector net balance in autumn 2013 – at +12% – exceeds the net balance when the survey commenced in spring 2009.

Public sector employees are much less likely to profess trust in their senior leaders. This appears to be a long-standing trend.\(^8\) Nevertheless, the deterioration of trust in the sector between 2009 and 2011 was especially sharp. By winter 2011/12, three-fifths (61\%) of public sector employees said they did not trust their leaders. This finding is consistent with the Institute for Leadership and Management’s (ILM) Index of Leadership Trust, which found that employees in the public sector had lower levels of trust in their CEO than employees in the private and voluntary sectors, with the gap widening between 2009 and 2011.\(^9\) Trust measures in the public sector also improved during 2012 and 2013 although the net balance remains negative.

Previous research has suggested that weakening employee trust is an issue that pre-dates the recession.\(^10\) Over the period between 2004 and 2010, the British Social Attitudes Survey found that just over half of employees thought the management at their workplace dealt with them sincerely and honestly, although a somewhat smaller proportion agreed they could be relied upon to keep their promises (see Figure 3).

**Who trusts the most – and who trusts the least?**

Trust in senior management varies greatly across the workforce (see Figure 4). While gender makes little difference, employees are more likely to trust management if they are under 35, as are those with higher qualification levels (up to honours degree level) and those with relatively short length of service with their current employer. The relationship between trust and earnings is ambiguous. Union membership is associated with distrust. The public–private sector difference shows itself in the strong negative net balances for public administration, education and healthcare with trust levels greatest in hotels and catering and in real estate and business services. There is also a clear relationship between organisation size and trust. Employees in small organisations are much more likely to trust their leaders, possibly because they tend to have much closer personal contact with them than their counterparts in large organisations. Greater personal contact may also explain why senior managers are more likely to trust their leaders than those in more junior positions.
Figure 4: Employee trust in senior management by personal and workplace characteristics, spring 2013

Personal characteristics

- 20+ years
- 15–20 years
- 10–15 years
- 5–10 years
- 2–5 years
- 1–2 years
- 6–12 months
- <6 months’ service
- Never union member**
- Former union member**
- Union member**

- Master’s/PhD*
- Honours*
- A-level equivalent*
- GCSE equivalent*
- Other/vocational*
- No qualifications*

- Scotland
- Wales
- South-west
- South-east
- London
- East
- W Midlands
- E Midlands
- Yorks & Humber
- North-west
- North-east

- Part-time
- Full-time

- 55+
- 45–54
- 35–44
- 25–34
- 18–24

- Women
- Men
- Total

Measure of trust is net percentage balance between those expressing trust in senior management and those expressing distrust.

Source: CIPD Employee Outlook survey, spring 2013, except * taken from winter 2012 survey and ** taken from autumn 2011 survey.
Figure 4 continued: Employee trust in senior management by personal and workplace characteristics, spring 2013

Workplace characteristics

Disengaged
Neutral
Engaged

Dissatisfied with job
Neutral
Satisfied with job

£60k++
£45–60k*
£35–45k*
£25–35k*
£15–25k*
<£15k*

No management role
Junior manager
Middle manager
Senior manager

Large organisation
Medium organisation
Small organisation
Micro organisation

Public admin
Social & personal services
Health
Education
Real estate etc
Financial intermediation
Transport
Hotels & restaurants
Wholesale and retail
Construction
Manufacturing

Voluntary sector
Public sector
Private sector
Total

Measure of trust is net percentage balance between those expressing trust in senior management and those expressing distrust.

Source: CIPD Employee Outlook survey, spring 2013, except * taken from winter 2012 survey and ** taken from autumn 2011 survey.
Most noticeable, however, is that nearly all employees who are disengaged from their work also distrust senior management. The majority of employees dissatisfied with their job are also in this position.

What about other countries?

We do not have internationally comparable measures of employee trust along the lines of those in the CIPD Employee Outlook survey. One proxy measure might be the perceived state of management–employee relations at the workplace, which is included periodically in the International Social Survey Programme (ISSP) (see Figure 5). One presumes that employees who describe management–employee relations as ‘very good’ are likely to trust management (although employees could, for other reasons, reach a negative assessment even if they did trust management).

Data are available for six countries that participated in all three ISSP waves that collected this data. Employees in Israel and the USA were more likely to describe management–employee relations as very good than those in Britain, Germany, Hungary and Norway. With the exception of Norway, positive ratings increased over this period, especially in Israel and the USA. Britain showed a modest improvement – from 22% in 1989 to 28% by 2005.

From this data, one can reach limited conclusions – perhaps that UK management–employee relations are not the best, but by no means the worst, compared with other advanced economies. From this, one could reach the inference (or assumption) that employee trust in the UK is again neither the best nor the worst. The lack of consistent data on developments from 2008 onwards is a weakness in the evidence base.

Conclusions

CIPD surveys suggest that employees who trust their senior managers are in the minority. The majority of employees are either distrustful or neutral (and thus need to be convinced of their employer’s trustworthiness). The CIPD tracker measure showed a sharp decline in trust between 2009 and 2011, although this pattern began to reverse itself during 2012 and 2013.

Trust varies across the workforce and between different organisations. In particular, trust is lacking among public sector workers – where the proportion of employees distrustful of senior management is still considerably greater than the proportion trusting their leaders. In contrast, trust is more widespread in small organisations where leaders have greater visibility and establish personal relationships with employees. There is little evidence available that allows us to judge whether similar developments are taking place in other countries.
2 What are the potential explanations?

The evidence reviewed in the previous section suggests that employee trust in senior leaders is fragile and deteriorated between 2009 and 2011, although with signs of improvement more recently. In this section we discuss a number of explanations why trust might be weak and consider their validity.

Is there a broader crisis of trust?

Fragile employee trust may reflect a broader lack of trust across society and in institutions of all kinds.11 If the general public sees an organisation as untrustworthy, this can often affect how it is perceived by employees. Employees are also consumers and may often be direct customers of the organisation they work for, so accusations of malpractice or mis-selling, for example, may affect them directly. Employees holding shares in their employer might see a drop in their value. Crises of trust may reveal information about the organisation – for example, through a criminal, regulatory or parliamentary investigation – that was not widely known to the people working for it and the information (and/or its concealment) might shake employees’ faith in the integrity of their employer. Public perceptions of the value to society of a business or a sector can shift and this can in turn lead employees to question the competence and integrity of their leaders (see box opposite). And how leaders respond to a lack of public trust may strengthen or weaken the trust held in them by workers.

Who wants to be ‘socially useless’?

Following the financial crisis, there was widespread questioning of the value of the financial services industry. Lord Adair Turner famously stated that some banking activity was ‘socially useless’. There is evidence that a sense of purpose, and making a contribution to the greater good, are important ingredients in job satisfaction and employee well-being. So this sharp deterioration in esteem might have affected employees in those parts of the sector ‘tainted’ by criticism of banking and finance regardless of their personal association with any of the behaviours and scandals that had beset the sector. This in turn will have led them to question the competence and integrity of their leaders: ‘how did we end up here?’

The evidence suggests that trust in general could be weakening. In 2011 and 2012, 39% of British adults thought ‘most people can be trusted’, whereas 61% thought ‘you can’t be too careful in dealing with people’ – the lowest (trusting) proportion since this question was first asked in 1997 (see Figure 6).

Figure 6: General perceptions of trust in people, 1997–2012

Respondents who agreed that ‘most people can be trusted’. Source: British Social Attitudes Survey.
The public’s trust in big business may also be on the wane. The European Values Survey found that 50% of British adults surveyed in 1981 said they had confidence in major companies. This proportion fell to 40% by 1999 and stood at 38% in 2008 (see Figure 7).

Eurobarometer surveys show that the proportion of the British population saying they tend to trust big business fell from 37% in 1997 to 28% by 2010 (see Figure 8). Similar changes were seen in France, Spain and Italy. Trust in big business in Germany fell by less – but from a lower starting base.

The financial crisis and the post-2008 recession damaged trust in business.12 The Edelman Trust Barometer – an international survey of trust in business and other institutions held each year in a wide range of developed and emerging economies – showed reduced trust in most advanced economies, although the figures for 2012 suggest something of a rebound.13

Public trust in the banking and financial services industry has proved particularly fragile because of its perceived responsibility for the financial crisis and the ensuing recession, the need for taxpayer-backed bailouts and evidence of misconduct and poor leadership at individual institutions (for example, the LIBOR scandal). The proportion of the ‘informed public’ in the UK expressing trust in banking and financial services fell from 47% in 2007 to 22% in 2012. Only Spain and Ireland – which also suffered banking crises – had lower figures. This was not a general trend because trust in the technology and automotive sectors increased between 2007 and 2010. When asked why troubles in the banks had arisen, the majority of the global sample (59%) ascribed this to failures in corporate culture and behaviour (conflicts of interest, a compensation culture and corporate corruption) rather than to wider economic factors or a failure of regulation. This is one illustration of how the values and culture of a business and the behaviour of its staff – especially its senior leadership – shape public trust and reputation. These factors also shape the trust placed in an organisation by its staff.

![Figure 7: Public confidence in major companies, 1981–2008](image)

Respondents answering ‘a great deal’ or ‘quite a lot’ to the question: ‘How much confidence do you have in major companies?’ Source: European Values Survey.
Is it due to the recession?

Tough business conditions have forced many organisations to take steps to reduce costs, including redundancies, reduced working hours, cuts or freezes in pay and other benefits and restrictions on recruitment and promotion. Changes that were unexpected or broke the terms of previous agreements (such as long-term pay deals or redundancy agreements) may be seen by employees as evidence of unpredictability or of a lack of integrity.

There is also clear evidence of rising job insecurity. The Workplace Employment Relations Study (WERS) found that the percentage of employees satisfied or very satisfied with their job security fell from 64% in 2004 to 59% in 2011. The drop was greatest in workplaces affected the most by the recession. Insecurity can lead to wariness and distrust. Issues of trust can also spill over from one organisation to another. If one employer loses the trust of its workforce, employees working elsewhere – especially in the same industry or the same locality – may think it’s their turn next.

Job insecurity is associated with distrust. The autumn 2013 CIPD Employee Outlook Focus survey found that 18% of employees thought they might lose their jobs within the next six months due to the economic climate. Just 11% of these employees trusted senior management. In contrast, among the 50% of employees who thought it unlikely they would lose their jobs within the next six months, 62% trusted senior management. The CIPD Employee Outlook survey asked employees direct questions on whether the recession had affected their relationships with colleagues and managers. In winter 2011/12, the last time these questions were asked, 19% of employees who said their workplace had been affected by the recession said it had made them trust colleagues less and 31% said it had made them trust managers less. However, more employees said the recession had not affected their trust in colleagues and managers (see Figure 9).

The 2010 edition of the ILM Index of Leadership Trust found that employees who said their organisations had been affected by the recession had significantly lower levels of trust in their CEO, especially when the recession had led to office or site closures or to involuntary redundancies. Nevertheless, some organisations have maintained high levels of employee trust despite very challenging business conditions. For example, GKN managed to maintain the trust of their workforce despite going through a very difficult restructuring programme, and Norton Rose, a law firm, managed a loss of business by reducing hours and pay rather than through redundancies, the response more typical of the sector.

![Figure 8: Public trust in big companies, 1997–2010](image_url)
Is this really a public sector issue?

Employees in the public sector are far more likely to distrust their employer – and the decline in trust since 2009 has been much greater in the public sector. However, trust measures also went up and down in the private sector.

In trying to understand why trust in leaders has weakened so much in the public sector, there are a number of factors that may need to be taken into account. First, there are some important contextual differences. In most public sector organisations, the impact of the recession has been seen through cuts in funding rather than direct effects on business revenues. These funding cuts have in turn led to redundancies and pay and recruitment freezes. Public sector employees may feel they are being penalised for a recession caused by others.

Second, ILM research showed public sector employees were especially critical of their leaders’ ability to do their job. It may be that various factors mean that the leadership skills of top management in the public sector are different from those of top management in the private sector. Leadership in the public sector is typically a more complex role than leadership in the private sector – arguably making it more difficult for anyone to convince the workforce of their ability and integrity (see box on page 13).

Most employees in all sectors say they trust their colleagues and their immediate line manager but employees in the public sector are more likely to trust colleagues and line managers than their private sector counterparts – yet they trust senior managers less. This suggests there may be a ‘them and us’ culture that increases further the distance between public sector workers and their leaders.
Is it a failure to communicate?
Trust relies on honest communication with a frequency and scope sufficient to reassure both parties that the other is listening as well as making its point of view known. Trust in senior management can disappear rapidly if employees believe that senior managers have a hidden agenda or if they suspect that important information is being held back or manipulated. Trust will also be greater if communication is meaningful and the views of employees – sincerely expressed – are seen as having made an impact on decision-making within the organisation.

Employees who feel well informed about what is happening within their organisation and who are satisfied with opportunities to make their views known to their leaders are much more likely to trust them (see Figure 10). An American study also found that the use of employee involvement procedures was associated with high employee trust ratings.21

The channels of communication and discussion between management and employees have changed greatly in the last 30 years. Trade unions are much less common now as a conduit for employee voice in the private sector. Even where trade unions remain, the scope of discussions with management and the context in which they take place – information, consultation or negotiation – have changed in many workplaces. Many employers have instigated direct forms of communication with employees alongside indirect channels such as a trade union or staff council. The means of communication and interaction also evolve. Team briefings and newsletters may nowadays be supplemented (or even, for some types of information, replaced) by use of intranets and social media.

How have these changes affected employee perceptions of how well they are listened to and of their impact on decision-making? According to the British Social Attitudes Survey, employees appear to feel better informed than in the past – the percentage who agreed that ‘people at my workplace usually feel well-informed about what is happening there’ increased from 44% in 1998 to 56% in 2009.

Who wants to be a public sector CEO?
There are a number of features of leadership in the public sector – compared with the private sector – that could make it more difficult for the typical public sector CEO to build trust among the workforce.

Governance and accountability structures are different. Most public sector organisations operate within operational and budget constraints typically influenced – if not determined – by politicians. The senior management may have little or no influence over some crucial decisions – such as the size of the budget or the pay settlement. In recent years, public sector workers have faced direct criticism of their loyalty and competence from elected politicians. While employees might expect their leader to speak up for them and to argue their case, there may be formal or informal limits on the leader’s ability to speak freely in public (because of requirements for political neutrality) and, indeed, to the workforce. The CEO also needs to gain the trust of their supervisors (including politicians).

Performance management may be complicated by the lack of profit–loss-type success measures in many public sector organisations. While profit and loss by themselves do not provide a complete guide for private sector leaders on how to manage their business – trade-offs between short-term profitability and long-term value-creation may not be resolved easily – they provide a more comprehensive means of comparing the relative value of different choices than is usually found in a large and complex public sector organisation.

Public sector CEOs also face constraints on their actions that are typically absent in the private sector. A private sector company can choose which markets to compete in and which customers to serve – if a market or a customer segment is unprofitable, it can exit. Most public sector organisations do not have these options. For example, a private company could decide to only deal with customers online. This may be seen as politically unacceptable for a public service provider.
Figure 10: Employee trust in senior management and employee involvement, spring 2013

Employees informed about what is happening in the organisation

- Hear very little
- Receive limited information
- Fairly well informed
- Fully informed

Employee satisfaction with opportunities to feed views upwards

- Very dissatisfied
- Dissatisfied
- Neutral
- Satisfied
- Very satisfied

Measure of trust is net percentage balance between those expressing trust in senior management and those expressing distrust in senior management.
Source: CIPD Employee Outlook survey, spring 2013.

Figure 11: Employee perceptions of their influence on workplace decision-making, 1996–2010

The chart shows the percentage of employees stating that they had ‘a good deal’ or ‘quite a lot’ of say over decisions that affected the way they did their job.
Source: British Social Attitudes Survey.
In 2010, 61% of employees thought they would have ‘a good deal’ or ‘quite a lot’ of chance to influence a decision affecting the way they did their job and this proportion has varied little since the mid-1990s (see Figure 11).

Data from the 2011 WERS show small improvements since 2004 in the proportions of employees who thought management sought the views of employees and representatives, responded to suggestions from them and allowed them to influence decisions. The proportion who said they were satisfied with the amount of involvement in decision-making at their workplace increased from 40% in 2004 to 43% in 2011. Satisfaction with employee involvement in the UK is also above the average for the EU as a whole (see Figure 12).

Communication matters for trust. Employees who feel left in the dark or without the opportunity to make their views known – or who feel their views are not taken seriously – are much less likely to trust their employer. Less than half of employees think they have sufficient influence on important decisions affecting them. However, there is no evidence that employee satisfaction with communication and involvement has dropped over time. Indeed, some of the data suggest improvements – especially in keeping employees informed.

Is it a failure of leadership?
The strength of trust also depends upon the values, culture and behaviour of the organisation and its employees – at all levels.

The autumn 2012 CIPD Employee Outlook asked employees about characteristics affecting the trustworthiness of their ‘employer’ and of their organisation’s ‘leadership’ (see Figure 13).

In many ways, this is quite a positive assessment. Both organisations and leaders scored well for integrity, consistency and for being open and up front/straight-talking. Leaders scored well for their competence and for being led by a sense of values. But, interestingly, whereas 82% of employees saw their employers as well intentioned to some extent, just 63% thought their leaders displayed a degree of concern for others.

The question here, of course, is how do employees interpret the term ‘employer’? It probably includes the senior leadership as well as how the organisation behaves as a whole – in terms of the operation of systems and processes as well as people. It is also possible that some employees may include line managers – in whom they have far more trust – when they are thinking about ‘the employer’.

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**Figure 12: Employee perceptions of their involvement in decision-making, 2010**

The percentage score is the mean of the percentages of respondents stating they were ‘always or often’: a) able to affect or influence decisions important for their work; and b) were involved in improving the work organisation or processes.

Employees are more likely to trust their leaders if they think their leaders trust them and most employees do think their employers place trust in them. However, employees were less likely to say their employers take steps to punish those who act against corporate values or actively seek to rebuild trust. And as we saw in the previous section, if one reverses the question, the results suggest that about half of employees have some doubts about the trustworthiness of their employer: 54% of employees think their employer is not always honest and truthful and 42% think their employer does not always act fairly.

The 2011 WERS asked employees whether they think management are sincere in attempting to understand their views and 57% agreed with this statement, an increase from 55% in 2004. Again, though, ‘management’ was not defined more closely.

Fair treatment is important for trust. Especially important is an expectation that organisation-wide processes, such as pay-setting, promotion decisions or appraisal, operate efficiently and fairly. In 2008, 68% of employees agreed that management at their workplace treated employees fairly and, in 2010, 70% of employees agreed that management at their workplace had the skills to deal with employees fairly.

Trust implies that those being trusted have a set of values and behaviours they will adhere to, as otherwise it is difficult for them to be seen to be acting with integrity, consistency or predictability. The autumn 2012 CIPD Employee Outlook found that just 5% of employees said there are no corporate values at their workplace and that 76% of employees said they are aware of their corporate values to ‘a great extent’ or to ‘some extent’.

Two aspects of corporate values appear to affect employee trust in senior management (see Figure 14). One is the fit between corporate values and personal values. Employees who see conflict between the two are less likely to trust their employer. The other is the extent to which employees think corporate values have an effect on the behaviour of employees. Employees who think values have little impact on behaviour again have less trust in their employer.

More detailed questioning revealed that employees think values are most effective in influencing behaviour when they are simple and easy to translate into day-to-day practice and when they are backed up through performance appraisals and other corporate procedures. In contrast, inconsistency is often seen as the reason why employees doubt the effectiveness of corporate values – in particular, where there is a perception of one set of rules for some employees and another set of rules for others.
The available evidence from recent surveys suggests that – across many of the relevant attributes of leadership and organisational behaviour – the majority of employees hold positive assessments of their managers and employers. It is, to an extent, unclear from the available data whether there are gaps between the perceived behaviour of senior managers, management in general and the organisation (in terms of how systems and processes affect individuals). Of course, even where a majority of employees have positive assessments of leadership capability, that leaves a minority (sometimes a significant minority) who think their leaders need to improve, and it is primarily among these employees where trust is lacking. In contrast, trust is usually high among employees who think they are treated fairly and who think that corporate values are both in tune with their own values and shape the behaviour of everyone in the organisation.

**Conclusions**

Both organisations and those who work for them are affected by the economic and societal climate. Public trust in business appears to have been declining in most Western economies for some time. The post-2008 recession – and how organisations reacted to it – appears to have negatively affected both public trust in business and employee trust. This has been particularly noticeable in the financial services sector – both severely affected by the recession and held by many to be responsible for it – and in the public sector, which has been affected greatly because of reductions in government expenditure. As labour market conditions have started to improve in 2012 and 2013, the tracker measure of trust has increased in all sectors.

Communications and involvement in decision-making are important ingredients in building employee trust. The decline in the prevalence of traditional collective mechanisms that facilitate employee voice does not appear to have damaged trust – indeed, there is some evidence of increased satisfaction with information provision.

Many of the most high-profile losses of trust have originated with shortcomings in organisational culture and the link between behaviour and values – where responsibility ultimately lies with senior leadership.
3 What are the implications?

The previous section showed that weakening employee trust appears to be the result of a combination of factors both internal and external to the organisation. In this section, we consider the potential effects that a lack of trust can have on organisations before illustrating the steps that management can take to maintain the trust of the workforce (or repair it where it has been lost).

What are the consequences of losing employee trust?

A lack of trust has direct consequences on the behaviour and productivity of both managers and employees. Employees who do not trust their employer are likely to spend more of their time ‘covering their back’, monitoring the actions of managers and attempting to second-guess their intentions. This means employees spend more time searching for external intelligence on the activities of the organisation (such as analyst reports, customer or employee chat rooms), more time dissecting the actions of senior managers and more time monitoring outside job opportunities. Managers in turn spend more of their time on systems to monitor and check the activities of employees – which are likely to erode trust in management further because they are visible signs of a lack of trust in employees.

As well as the time lost, these activities divert energy and attention away from the strategic purpose of the organisation. Figure 4 showed that employees who lack trust in their leaders are usually disengaged and dissatisfied with their job. They are unlikely to be ‘good citizens’ of the organisation.

Employees lacking trust in their employer are more likely to be looking to change job and they are much less likely to be an advocate for their employer (see Figure 15).26

A lack of trust is likely to hamper innovation. Knowledge-sharing is a cornerstone of innovation and trust facilitates knowledge-sharing.27 Turning new combinations of knowledge into new products, services or processes involves personal risks for the employees concerned – risks they are unlikely to take if they lack trust in their employers.

Employees lacking trust in their senior leaders may be reluctant to speak out about things that concern them – such as unsafe working practices, breaches of ethics or illegal behaviour – for fear of being seen as troublemakers. If their concerns relate to the actions of their line managers or other superiors, they may believe they are unlikely to receive a fair hearing, with senior

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Figure 15: Employee trust in senior management and implications for recruitment and retention, spring 2013

Source: CIPD Employee Outlook survey, spring 2013.
managers inclined to accept the accounts of those closer to them in the hierarchy. And even if they do think their concerns would be taken seriously, they may believe their leaders lack the competence to take meaningful action. This can mean that actions go unchallenged at a stage when the consequences might be manageable or the employee takes their concerns to external bodies such as regulators or the media.

Paradoxically, while a lack of trust can inhibit the healthy and necessary process of internal challenge, so can too much trust in leaders. This becomes obvious in cults, where individuals can place their material well-being and even their lives at the disposal of the leader. But even more benign echoes – such as the cult of the ‘heroic CEO’ – can create risks for organisations. High trust needs to be combined with a willingness to challenge and be challenged.

Treatment of employees also feeds through into public trust and the reputation of an organisation. The Edelman Trust Barometer has consistently found that the way businesses treat their employees is one of the most important factors influencing public trust. It is also an area where most global businesses are seen as failing to deliver (see Figure 16).

The public see employees as one of the most important and credible sources of information on a business. Indeed, employees are often seen as more credible sources of information than the CEO – not just on how well the business treats its employees but also on how well it meets customer needs and on its performance in times of crisis (see Figure 17).

The implication is that public expressions of distrust by employees are likely to be seen as credible by the public and affect trust in the organisation more generally. Compared with companies they do not trust, the public are much less likely to believe negative information about companies they trust and much more likely to believe positive information about them. Hence a loss of trust by employees can have much wider effects on the reputation, revenues and perceived legitimacy of an organisation.

Figure 16: Trust-building attributes, 2012

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Importance</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offers high-quality products or services</td>
<td>70%</td>
<td>80%</td>
</tr>
<tr>
<td>Listens to customer needs and feedback</td>
<td>80%</td>
<td>90%</td>
</tr>
<tr>
<td>Treats employees well</td>
<td>80%</td>
<td>90%</td>
</tr>
<tr>
<td>Places customers ahead of profits</td>
<td>80%</td>
<td>90%</td>
</tr>
<tr>
<td>Has ethical business practices</td>
<td>70%</td>
<td>80%</td>
</tr>
<tr>
<td>Takes responsible action to address an issue or a crisis</td>
<td>60%</td>
<td>70%</td>
</tr>
<tr>
<td>Has transparent and open business practices</td>
<td>70%</td>
<td>80%</td>
</tr>
<tr>
<td>Communicates frequently and honestly on the state of its business</td>
<td>70%</td>
<td>80%</td>
</tr>
<tr>
<td>Works to protect and improve the environment</td>
<td>60%</td>
<td>70%</td>
</tr>
<tr>
<td>Addresses society’s needs in its everyday business</td>
<td>50%</td>
<td>60%</td>
</tr>
<tr>
<td>Positively impacts the local community</td>
<td>40%</td>
<td>50%</td>
</tr>
<tr>
<td>Is an innovator of new products, services or ideas</td>
<td>30%</td>
<td>40%</td>
</tr>
<tr>
<td>Highly regarded and widely admired top leadership</td>
<td>20%</td>
<td>30%</td>
</tr>
<tr>
<td>Ranks on global list of top companies</td>
<td>10%</td>
<td>20%</td>
</tr>
<tr>
<td>Delivers consistent financial returns to investors</td>
<td>0%</td>
<td>10%</td>
</tr>
<tr>
<td>Partners with NGOs and government to address societal issues</td>
<td>0%</td>
<td>10%</td>
</tr>
</tbody>
</table>

‘Importance’ is measured by the percentage of respondents stating the attribute was important or very important in building trust in a company; ‘performance’ was measured by the percentage of respondents stating that a given company was performing well or very well on this attribute. General public global sample.

How can organisations maintain or repair employee trust?

Rebuilding public trust and rebuilding employee trust can often be mutually reinforcing. The Edelman Trust Barometers suggest that being seen to treat employees well is one of the most important elements in maintaining or repairing public trust. In doing this, the research emphasises transparency and speaking to employees first. But there might be situations where the two trust relationships might need to be carefully managed. For example, if an organisation’s reputation has been damaged because of perceived employee misconduct, the response might include new processes to minimise the possibility of repetition. But employees may see these as unnecessary and evidence that the organisation does not trust them. The answer seems to be communication – explaining the importance of public reputation and the necessity of trust-rebuilding measures.

The first step to maintaining or regaining workforce trust might be to acknowledge trust as an issue important to both senior management and the workforce – ‘putting trust on the table’. Unless this is done, organisations might not be aware of any shortcoming in trust and may find it difficult to devise effective ways of addressing it. According to the autumn 2013 CIPD Employee Outlook Focus survey, 38% of employees said trust is a word often used within their organisation, whereas 47% of employees said this is not the case.

The summer 2009 CIPD Employee Outlook asked employees how trust could be maintained or improved. The most common responses were better communication, a stronger employee voice and more meaningful consultation (see Figure 18).

There were significant differences by organisation size. Those in the smallest organisations, with fewer than ten employees, were much less likely to see any need to improve trust and were much less likely to see changes to senior leaders’ incentives as an answer. Employees in large organisations were much more likely to focus on employee voice and senior leaders’ incentives.

New CIPD research reveals that trustworthiness and the capabilities that enable trust are among the leadership attributes most often identified by employees as ones that their senior leaders should possess. The three attributes most commonly mentioned by employees were competence (53%), being a good communicator (45%) and being trustworthy (41%). In contrast, attributes one might associate with a ‘visionary’ or ‘heroic’ leadership style, such as being ‘committed’ (15%), ‘driven’ (8%) or ‘assertive’ (6%) received much lower ratings.
There are some interesting undercurrents in the data. Those who are engaged with their employer and trust senior management are more likely to value commitment – they subscribe to the purpose of the organisation and are more likely to want leaders with a similar zeal to push it further in the direction those employees already want it to go. In contrast, employees who were neutral or distrustful are less likely to value commitment and more likely to value competence. Public sector employees were also more likely to mention competence. And, compared with men, female employees were more likely to value communication skills and less likely to value competence.

The CIPD is conducting research with the University of Bath on how organisations can select and develop trustworthy leaders.

Other themes emphasised by previous CIPD research include the importance of connecting senior managers with middle layers in the organisation, developing notions of trustworthy followership (alongside leadership) and in developing both formal and psychological contracts that are likely to be achievable for current and future circumstances.  

What about the future?

The evidence in this report suggests that trust is weak in many organisations. About a third of employees say they trust their senior managers – with nearly as many not trusting senior managers and the remainder sitting on the fence. The position is much worse in the public sector.

Operating in a low-trust environment is costly. Both managers and employees spend valuable time and energy monitoring each other. Employees lack commitment, are less likely to take risks and are more likely to be looking to move on. There is the additional risk of this building at some stage into a more fundamental challenge to the reputation and legitimacy of the organisation. These are costs that organisations cannot afford.

If the UK economy continues to recover, this should strengthen both business and employee confidence. We may therefore see further improvement in measures of trust in the short term. However, it seems possible that maintaining – never mind rebuilding – employee trust may become even more challenging in the medium to long term.
The operating environment in both the private and public sectors is – due to global competition and tight constraints on public expenditure – likely to require continued focus on reducing cost and improving efficiency. This in turn will put pressure on the perceived ability of employers to meet the expectations of their workforce. Explicit and implicit promises may need to be re-formulated. Trust can be maintained and improved in such an environment – but it requires frank discussion between leaders and the workforce about change and its implications.

Another challenge is likely to come from an increasingly diverse workforce. People can find it easier to build trust with people from a similar cultural background. Technology means that, on average, information is now much easier and cheaper to assemble and share than in the past and it is difficult to see a change in this trend. More information from different sources becomes accessible all the time. It becomes increasingly difficult for anyone – either an individual or an organisation – to know what information about them is held by others, who has accessed the information and, as a consequence, the conclusions they may reach about trustworthiness. For example, a careless remark by a leader exposing a gap between stated values and personal behaviour could, through social media, have been seen by most of the workforce in a day (or an hour) and have more impact than a carefully crafted corporate email announcing the results of the annual staff survey. While communications will remain important in managing trust and reputation, it seems likely that even more emphasis will need to be given to leadership behaviour, its alignment with stated values and what it is seen to say about the integrity, honesty and consistency of leaders.

It is unclear how long a shadow might be cast by current weaknesses in trust. If an employee loses trust in an employer, what effect does that have on their trust in future employers? On starting a new job, will they ‘wipe the slate clean’ and start from a default position of trust? Or will previous experiences mean the starting point is neutrality or scepticism?

This does not mean that trust-building becomes impossible. But it could mean subtle shifts in how it is achieved. Organisations might have to invest more time in understanding the concerns of their employees. Both explicit and psychological contracts may need to be redrawn – perhaps with a narrower focus and greater recognition of inherent uncertainties and how the parties can be expected to respond to them – so that employees maintain confidence in their leaders’ ability to deliver, even if to a more limited agenda. If this can be combined with corporate behaviours supporting fairness and integrity that are lived out – and seen to be lived out – on a day-to-day basis, employers have a fighting chance of building more resilient and successful organisations.
ENDNOTES


3 The precise survey question is: ‘Now we would like you to tell us about your senior management, that is, the directors, senior management team or equivalent group who lead your organisation. To what extent do you agree or disagree with each of the following statements? I trust the directors/senior management team of my organisation.’ Respondents are given a choice of ‘strongly agree’, ‘agree’, ‘neither agree nor disagree’, ‘disagree’ and ‘strongly disagree’ as responses. In this report, strongly agree/agree responses are taken as expressions of trust in senior management, strongly disagree/disagree responses are taken as expressions of distrust, while ‘neither agree nor disagree’ responses are taken as expressions of neutrality.


5 Of the 25% of employees who provided a neutral answer to the tracker question, 63% agreed with the statement that they could not fully trust their employer to a great extent or to some extent.

6 There is a very strong correlation between how people answered the tracker question – about their personal level of trust in senior managers – and how they answered the additional question in the Employee Outlook Focus survey about the state of trust within the organisation.

7 The small sample size for the voluntary sector explains the variability from quarter to quarter.


13 Edelman Trust Barometer, 2013. In this publication, we refer to results from this study according to the year in which the survey was conducted. Thus we refer to the results of the 2013 Barometer as the results for 2012, which is in line with how we describe other survey data. Note that the Edelman research materials use, instead, the year of publication.


15 CIPD. (2013), op cit.


17 CIPD. (2012), op cit.


19 The selection criteria for public sector leaders may require a wider range of skills than equivalent positions in the private sector (with a greater stress, for example, on political awareness). As numerous Pay Review Body reports have pointed out, salaries for senior leaders in much of the public sector lag behind their private sector counterparts, and this may mean those with the greatest leadership potential move elsewhere.

20 CIPD. (2013), op cit.


23 According to the September 2013 CIPD Employee Outlook Focus survey, 63% of employees who distrust senior management according to the tracker question said they trust their line manager to a great or to some degree.

25  British Social Attitudes Surveys.

26  COSTIGAN et al (2011) *op cit.*, in their study of employees in the USA, Poland and Russia, also found that lack of trust in the CEO was associated with a higher propensity to be looking for another job.


31  *CIPD Employee Outlook Focus*, autumn 2013. Respondents could choose three leadership attributes.

32  CIPD. (2012), *op cit.*