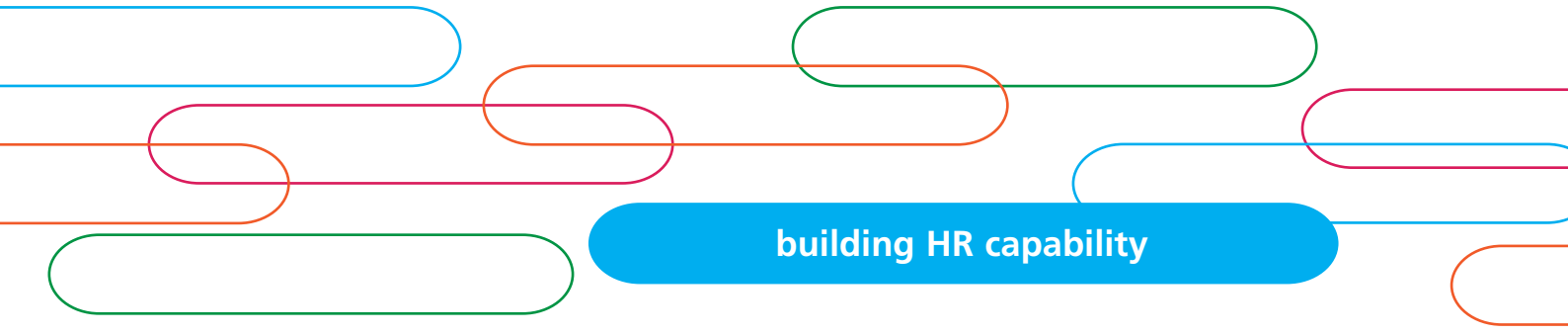


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Research report
November 2012

Managing employee relations in difficult times



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Introduction

This report was born out of a sense that the world is changing and that there is a need to review what we think we know about managing work and workplaces. Employee relations (ER) is a broad church and could be expected to be directly affected by significant shifts in the social, economic and political environment. What are the ER challenges facing HR professionals in the aftermath of the global financial crisis? As jobs and living standards are under threat to a degree not experienced in most people's lifetimes, is industrial conflict getting worse? And where does ER fit today in the spectrum of activities that make up HR practice?

To provide some answers to these questions, the CIPD conducted face-to-face and phone interviews with a score of senior HR professionals in the UK, across a range of industry sectors, in July and August 2012. The result is a series of snapshots of ER in practice. Although not necessarily representative of the economy as a whole, the interviews were quite wide-ranging and give some indication of the content, texture and tone of today's ER in the public, private and voluntary sectors.

The conclusions to be drawn from this research are perhaps more muted than we might have anticipated. The research suggests that the challenges most senior HR professionals and ER specialists are facing today are recognisably similar to those they were facing five or even ten years ago. Where pressures have increased, this often feels to those directly involved in managing them to be more a continuation of long-term trends than the result of a one-off disturbance.

Nevertheless the background is one of relentless commercial and financial pressures, and the focus of attention continues to shift – from machinery to culture, from negotiation to consultation, from pay to motivation and from collective to individual relationships. And the politics of austerity continue to play out across the public sector.

The report is not an attempt to contribute to academic analysis of ER. Its main aim has been to paint a picture of ER in practice and the outcome has been to reassert the value of employee relations as a driver of business performance and employee well-being. There is no sense that ER is no longer needed or that its significance has been reduced – quite the reverse.

The CIPD is extremely grateful to all those whose experience and commitment have informed this report, and whose frank comments have helped to give it life. Thanks are due in particular to the following:

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1 How has the recession impacted on employee relations?

One issue this study obviously needed to address is the impact of recession on ER. It might have been expected that the global financial crisis would seriously damage the employment relationship. It has certainly produced an environment in which cost pressures in all sectors have become more acute and this has inevitably affected both employee attitudes and organisational strategies on employee relations. It is still too early to judge how important this might be in the longer term, but one conclusion to be drawn from this study is that the global financial crisis has so far had less of an impact than might have been expected on the employment relationship and how it is managed.

The evidence suggests that employers coped with major recession in the late 1970s by cutting back on employee involvement and participation, in the face of short-term operational pressures and the felt need to make quick decisions. Employers also abandoned or downgraded existing consultative machinery (Marchington and Kynighou 2012). However, no similar response by employers has been visible in the current recession. Where trade unions are recognised, collective consultation machinery continues to be the norm. None of the interviews revealed evidence of employers withdrawing from the use of collective processes.

A key difference from the earlier recession is the growth of direct communication and consultation over the last two decades. There is evidence that employers have given this area more emphasis recently, precisely because they are aware of the heightened need to keep employees on board in tough times. Commenting on the findings of an employment trends survey in July 2012, the CBI said: *'With two-thirds of businesses reporting high levels of co-operation in their workplace, employers clearly understand the value of engaging their employees and keeping them informed about business challenges being faced.'*

For many employers, the recession has made little practical difference to the way they conduct ER, since their agenda is essentially unchanged since before the recession hit:

The recession hasn't produced a sea-change for BT. We are one of a small number of businesses of our size that is talking about a growth agenda. This still means driving both cost-efficiencies and performance. Both have been focused by the recession, but we have driven such an agenda for some years now. We've had great success in redeploying large numbers of people, or where we have had to let people go, doing so through purely voluntary means. The last few years have been tough and we've had to tighten our belts but we ask how we can build on the cost savings we have achieved, and also, now drive top-line revenue. (Dave Fitzgerald, BT)

Schaeffler (UK) is heavily unionised. Trade union relationships in the 1990s were confrontational. Then in 2000 significant production capability began to be transferred to plants in Eastern Europe. We talked to Unite about the need to change the culture and get them on board for up-skilling the workforce in order to increase job security. We improved our communication and training and harmonised terms and conditions. We're happy to call it a 'partnership' relationship: we don't see it as 'them and us'. But this shift has not been brought about by the recession: the recession marked the continuation of a process that had started much earlier. For us the process was prompted by the need to compete in a global marketplace. (Adrian Roberts, Schaeffler UK)

What about the impact on employee engagement?

Movements in levels of employee engagement depend on what exactly is being measured. CIPD surveys showed understandable falls in employee satisfaction and job security following the onset of the financial crisis in 2008–09, reflecting its severely negative impact on job security and employment conditions. More recent surveys have shown movement both up and down: job satisfaction, for example, has increased in each of the four quarters to spring 2012 despite consistently disappointing economic outcomes and forecasts. However, CIPD data on employee attitudes show that trust in senior leaders has deteriorated since spring 2009.



None of the people interviewed for this study suggested that employee engagement had taken a major hit as a result of the recession. When asked what changes had taken place in the last five or ten years, they tended to refer to more fundamental and longer-term trends:

We are living in a more transparent, faster world and employees are more informed about the wider business environment. But the recession has had only a limited impact on the attitudes of our employees. People know that Centrica is a 'good employer' and that we have a sustainable business model. (Jim Devine, Centrica)

Nonetheless, the global economic crisis might be said to have finally undermined the traditional psychological contract, which has been under threat since the early 1990s recession but is now seen to be undeliverable. It has reinforced cost pressures that have inhibited employers' ability to use pay to motivate employees and underlined that employee engagement is the only route to effective motivation.

What about industrial action?

Some recent headlines have suggested that industrial action by workers is becoming 'increasingly routine'. This is on the basis of ONS data, which showed 1.389 million days lost in the UK in 2011 owing to industrial action. Particularly given that the 'mass day of action' sponsored by the TUC in November 2011 accounted for 90% of the total days lost, this reaction looks seriously overstated.

ONS figures for the last 20 years show that the number of days lost to industrial action have mostly been below 1 million, with occasional spikes such as in 2011. This compares with 131 million days lost due to sickness absence in the same year. The trend in terms of number of work stoppages over the same period has been steadily downwards. The great majority of days lost each year have been in the public sector (92% in 2011) and over half of all days lost have been for one day only. Understandably, the relatively few employers interviewed for this study who spoke about being affected by industrial action did not suggest it had caused them serious problems.

So as memories of the 'winter of discontent' in 1979 finally fade, there is no evidence the UK is ever going back there. The world has changed and competitive pressures mean that there is not the opportunity for most employees to take industrial action against their employer without damaging their own interests. The CIPD has commented on the way in which employers and trade unions worked together to agree alternatives to redundancy following the onset of recession in 2008–09. In other words, the harsh economic climate can be seen to have prompted more positive relationships between employers and trade unions – as the 'burning deck' hypothesis might have predicted.

Managing conflict

This doesn't mean that collective conflict has gone away: it hasn't. But it has changed its shape and taken on new forms, including:

- ballots, and threats of ballots, for industrial action, used as a tool to persuade employers to negotiate: ONS figures show that in 2011 there were almost 1,000 ballots, of which only 149 were followed by stoppages of work, but this doesn't necessarily mean they had no impact on management behaviour
- street demonstrations, with trade unions making common cause with other community or political groups, such as on the national 'day of action' organised by the TUC in September 2011
- threats to damage an employer's reputation or brand, which can be quite powerful: in some cases, simply being affected by industrial action can be seen as damaging by the employer (see *Corporate social responsibility* below).

The evidence suggests that these forms of industrial conflict are more prevalent now than formerly. It is hard to judge whether or not the total level of conflict has increased in recent years, but this is not the impression from



the interviews for this study. In any case the costs to employers of these somewhat more subtle forms of conflict will almost certainly be significantly less than those associated with industrial action.

Employers' emphasis on policies to promote employee engagement, welcome as it is, may have to some extent distracted attention from the continuing need to manage workplace conflict. There is a clear negative link between workplace conflict and employee engagement. Both reflect directly on the quality of line management. People who are thinking of leaving the organisation, perhaps as a result of issues that have not been recognised or effectively tackled, are unlikely to be advocates for their organisation, or to go the extra mile. Improving the way that conflict is handled can increase employees' trust and confidence in the organisation.

So what has changed over the last five or ten years?

The answer to the question 'what has changed?' in employee relations is not entirely straightforward. The global economic context has changed for the worse and the UK is now in an indefinite period of no or low growth. However, the overall impression from this study is one of relative stability in the management of ER and shifts in context and emphasis feel to be incremental rather than dramatic.

Some more specific conclusions around conflict management are:

- Although conflict now takes a greater variety of forms, there is little evidence that it has become more extensive or harder for employers to deal with.
- Most ER practitioners today focus more on *preventing* than on managing conflict.
- It is more difficult for employers to use increased pay as an incentive, so they need to look for other ways of motivating employees.
- Pay and reward do not figure high on the list of challenges presented by ER practitioners (see below). From an ER standpoint, the main concern in this area is the need for organisations to have flexibility to adjust working patterns or employment conditions to reflect changing commercial realities.
- Most (not all) employers have embraced the mantra of employee engagement and see it as the framework for their wider ER strategies.
- There is general recognition of the role of line managers in driving performance, and ongoing efforts to drive this message across organisations.



2 The challenge of managing employee relations

We sought to establish, within this wider context of apparent stability, what are the key challenges for HR professionals today. Do they look the same as those identified in the CIPD report *What is Employee Relations?* published in 2005? Key themes to emerge from this study are the need for employers to manage:

- trade union relationships
- cost pressures
- communications
- corporate social responsibility
- employee engagement
- compliance with employment regulations
- employee expectations and diversity
- organisational culture.

Managing trade union relationships

Most of the organisations interviewed recognise one or more trade unions. In most cases relationships between management and unions were described as positive, in line with national ER surveys undertaken by the CIPD (2011):

We have a good relationship with the trade unions. We have daily contact. I wouldn't resist use of the term 'partnership': we try to move forward in agreement, so far as that's possible. We give them lots of information; we involve them in everything we're doing; we aim to have 'no surprises'. It makes for a more effective change process and avoids a good deal of frustration. We refer to the trade unions more as key stakeholders than partners now, but, overall, it's the strength of the relationship that determines how well we do business together rather than the label we attach to it. (Dave Fitzgerald, BT)

Even in the rail sector, where industrial action continues to be more prevalent than in most other sectors, positive relations are also reported by one organisation:

Some people might prefer to keep the trade unions at arm's length, but I want to maintain a constant relationship that we can call upon if things do get a bit sticky. We will go into a cafe for breakfast together, even if there's no urgent business to deal with. I will nurture the relationship. (Darren Hockaday, LORL)

But in other sectors, particularly where union membership has declined significantly, the relationship is more ambivalent:

Trade unions don't command the respect they used to. The business has moved on but the unions are lagging behind. People are not afraid to challenge the status quo. Trade union agreements used to be the letter of the law: now commercial pressures mean we ask how we can reconcile the content of agreements with what we need to do. (HR director, manufacturing)

There is also recognition that some trade unions have political agendas that can be a distraction from their effectiveness in the workplace:

Trade unions realise the political climate has changed. The RMT feel that Labour has sold out and they have no time for the Tories. They know they have no backing from any political party so they have become more political themselves. They still lobby government on political issues, but it's largely a formality. The unions want



to attract political activists in order to get their message across and they look for wider sympathy among the general public. I would have expected more collaboration between the unions but it hasn't happened. They are in a cut-throat struggle for members. (Darren Hockaday, LORL)

Trade unions have retained a higher membership in the public sector, but they are under pressure to deliver for their members. The impact of government policies on public sector pay, pensions and jobs presents a challenging backdrop for all public sector employers, but nowhere more so than in central government. One HR director says:

I've seen a resurgence of old-style IR [industrial relations]. The union knows it can't win but for them it's not about winning. It is a last hurrah for old-style union militancy though it's taking a long time to play out. (HR director, government department)

Management has geared up to deal with the difficulties to which poor union relationships can give rise:

One trade union has lost touch with reality. We support those managers who have to deal with the union, so as to ensure they understand the bigger picture and to defuse any 'personal' issues, in order to get the job done and deliver our change agenda. As far as possible, we give credit to those union officials who behave responsibly. We focus on the employment relationship, which is basically about people getting on together and having respect for each other.

We also work with our staff in a more deeply collaborative way than in the past. We now discuss terms and conditions, both contractual and non-contractual, except for pay and pensions, with all our staff. Talking directly to our staff in this way would have been unheard of a year ago. Although it doesn't replace collective bargaining, the unions find it quite threatening.

We are making the effort to listen to staff and take their views into account. We're also changing how we deal with threats to industrial harmony. We make clear we recognise the right of our employees to take industrial action, but we ask them to consider the facts in an unemotional way. As a result we've seen a gradual reduction in the numbers prepared to take industrial action. (HR director, government department)

Elsewhere in central government, union relationships can be less fraught, though problems can arise in relation to national issues such as pensions, over which the employer has no control:

I have informal discussions with local officials – no agenda, just to chew things over. I have quarterly meetings with trade union executives, in which I'm very open with them about the Government's reform agenda. But there is liable to be confrontation where the unions are looking for issues on which to pick a fight with the Government. We've been involved in a number of strikes, including one of just two hours in length, though they've attracted only minimal support from our employees. The unions' target is government, and their aim is to demonstrate a lack of support for government policies. (HR director, government agency)

Cost pressures

Cost pressures are evident in all sectors and the economic context is currently seen as the biggest single driver of change in ER. Many employers are looking to renegotiate employee relations arrangements that limit their ability to respond to business opportunities. Where companies are faced with challenging business circumstances, they have to think about how they can succeed going forward, and that may mean thinking how can they do things differently. Where businesses are sold or restructured, they want to do this in a way that is effective and efficient. As the economic waters have become choppy, they may have to ask whether their employee relations machinery enables them to make changes where, and at the pace, required.

The impact of cost pressures on ER is evident in the retail sector, alongside a number of other factors that give ER in retail its particular flavour.



Four major factors shape our employee relations in store:

- *geography – most of our stores employ small numbers of people and are widely dispersed across towns and cities across the UK*
- *trade unions find it difficult to attract members in retail*
- *demographics – most of our employees are young women*
- *margins in retail are tight – generally speaking wages are not high across the whole of the retail sector.*

We consult employee representatives when we have business transfers or collective redundancies, but we don't have any standing machinery for consulting employees. We don't see a business case for wider consultation. The routine issues we deal with day to day are not about pay but about employee theft, refund fraud and attendance. (Paul Forrest, Arcadia)

Employers in all sectors have either restructured or are moving towards restructuring their HR activities along the lines recommended by Dave Ulrich. This generally means moving HR processes online and expecting line managers to take responsibility for managing the performance of their people, with a reduced level of support from specialist functions such as ER.

One or two respondents felt that, with costs under renewed pressure from recession, this can translate into poor management practices at the local level. This may be a particular threat where activities are outsourced, sometimes repeatedly. In such cases, HR managers and directors may be particularly vulnerable. This can put a lot of pressure on front-line managers, at a time when training budgets are also being cut back:

HR is an obvious area to cut. Outsourcing can mean the HR function is hollowed out and line managers are required to take on more responsibility, without necessarily knowing anything about managing people. In Acas we tend to see many examples of bad management, though many small businesses want to do the right thing. (Peter Lockyer, Acas)

Communications

One consistent message from this research is that employers are putting more effort into the process of communicating with employees. This includes creating messages, getting them across and ensuring consistency.

In its heyday, industrial relations (IR) was characterised as being about the theatre and 'black arts' of negotiation. This cannot be said of ER today, even at the collective level. Negotiating skills are certainly important but maintaining credibility and trust is critical. So the transparent quality of communication espoused by HR professionals at the individual level is today seen to apply at the collective level too. There appears to have been a reconciliation of the approaches adopted for managing individual and collective relationships:

Like all good stakeholder management, I believe relationships are everything. When we tell the trade unions we've made our final offer, they know we mean it. It's not theatre. We've genuinely nowhere else to go. That is the nature of an adult relationship. (Dave Newborough, EON)

Talking to individual work units and planning how 'we take the people with us' is becoming more important. Once upon a time, if we were planning a change to attendance patterns, for example, we'd take our plans to the trade unions and end up with something that was agreeable to both sides, but perhaps not totally fit for purpose. Then we'd agree how we would communicate the outcome to employees.

Now we discuss with employees where the business is going, what success might look like and how attendance patterns might fit in with that. Our employee relations agenda means we engage with employees first and consult the trade unions in parallel with this.

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We talk about growth. We need to have a compelling story so our senior managers can explain what it means for their business. We try to reinforce with them what it means to have a leadership role. Some understand what we're saying; others are more dubious, but it's important that they are not simply paying lip-service to their leadership role. (Dave Fitzgerald, BT)

The strengthening of employers' communications processes has begun to shift perceptions of the meaning of the 'psychological contract' between employer and employee. There is a suggestion that employees are more 'distanced' and that there may be no 'agreement' as such between employer and employees, possibly over an indefinitely long period. This could conceivably lead to a kind of cognitive dissonance on the part of employees, where they are able to maintain a belief in two different interpretations of what is happening, one reflecting the employer narrative and the other a more sceptical starting point of their own:

We are looking to develop an 'adult to adult' style of relationship. Employees have to believe you're being straight with them and not throwing your weight around. Management communication needs to be respectful and authentic. If you're authentic, employees might not agree with what you're saying but they will understand why you're doing what you're doing. It could be seen as patronising to expect people to agree.

People know that business is more volatile but that doesn't mean they will necessarily be willing to commit themselves to not going on strike. Employees are more demanding of the organisations they work for. You need to renew their buy-in to the organisation every few years. (Jim Devine, Centrica)

One consistent challenge in managing collective communications with employees is that of ensuring they are congruent with messages to external stakeholders:

You will always have cost pressures. You might not want to focus on them when you are talking to the stock market but you still need to ensure congruence with what you're saying to the workforce. The answer is to make sure all employees understand how the business works and the case for long-term investment. That way you can resist arguments that you are profiteering. (Jim Devine, Centrica)

Corporate social responsibility (CSR)

As industrial action is seen to be less attractive to their members (and to the wider public), trade unions have discovered new methods of getting across their message to employers. One is by joining with other groups in street protest or demonstrations to draw attention to policy differences. Such tactics have been evident recently in protests organised by the TUC about the impact of public spending cuts, where trade unions drew attention to the effects on service users, not just members' pay and jobs – though these were clearly in the frame too.

Trade unions have also helped to organise consumer boycotts of products from global brands such as Nike to protest about employment conditions in the company's supply chain. Such action trades on companies' realisation that their reputation has a major impact on their long-term commercial performance and can be damaged by suggestions they are engaged in unlawful or unethical behaviour. The John Lewis Partnership, whose ownership model and employment practices are exemplary, was threatened with a strike in July in protest at the pay of cleaners hired through a contractor and belonging to an independent union, Industrial Workers of the World. The cleaners were seeking to be paid the London Living Wage of £8.30 per hour with no reduction in jobs or hours.

A recent report by IPPR and the Resolution Foundation found that relatively few workers had secured a higher wage as a result of a living wage campaign. In London in 2010, an estimated 652,000 workers were earning less than the London Living Wage, yet only around 10,000 workers won a living wage in the six years between 2005 and 2011. The number of accredited living wage employers – primarily high-profile financial and legal firms, including prominent names such as KPMG and Barclays, and public sector bodies – remains small. Few companies in retail, food service or the travel and tourism sectors, which account for the bulk of low-wage jobs, have become living wage employers:

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We have major issues about compliance with labour rights and basic standards. HR has to own these issues or human rights people will. Our suppliers pay the minimum wage in the countries where they are located. However, in some countries the minimum wage is not enough for a family to live on and there are problems with child labour. CSR pressures continue to grow and we have to balance managing our costs with the need to discharge our responsibilities. (Nick Dalton, Unilever)

At Arcadia, the employee engagement work stream is seen as one of the four 'pillars' of corporate social responsibility identified by Business in the Community (BITC) and managed under the banner of CSR:

Staff tell us they want Arcadia to be an ethical employer so they will be more engaged. Managing employee engagement is the responsibility of HR in each of our brands, such as Topshop and Topman. We practise ethical trading and encourage volunteering by our staff. We're sending highlights from this year's CSR report to our employees. Amongst other things they want to know where we source our stock. (Paul Forrest, Arcadia)

The psychological contract under pressure

Interview with Chris Haselden, Director of People and Leadership, Devon and Cornwall Police, and Chair, CIPD Police Forum

What's new in ER for you? All the things that managers have had to do in the name of ER still need to be done. However, 'employee relations' is something of an old-fashioned term: perhaps we need to think of another one?

Does ER now feel more like the old IR? Yes in the police, for two reasons. One, because we have a fundamental review by Tom Winsor of police terms and conditions; and two, budgetary pressures on the police service mean that reduced numbers of officers and staff can be afforded. The Police Federation is a strong trade union. They have statutory rights and they have to agree before management can do certain things. They have continued to operate largely in an IR way, and more so of late: *'You tell us what you want, we'll tell you what we think.'* In contrast, the police staff trade unions adopt a more partnership approach.

Employee engagement has traditionally been the default assumption in the police service: officers in the main see their job as a vocation, not just employment. But police officers see the two Winsor reviews as an attack on them, not as modernisation or some kind of quid pro quo.

Coupled with what is happening on pensions, the **old psychological contract has gone**. We used to tell people that they wouldn't get rich in the police but they would get a decent wage and a good pension. Now the value of their pension will be less, the number of jobs is reducing and we are forcing officers to retire in order to reduce the workforce.

What about partnership? Three to five years ago, we were increasing employee engagement and partnership working. We set up a partnership group in our force in order to get away from adversarial relationships and come up with solutions to practical issues. We were asking, *'how do we, together, make things better?'* We never actually got to true partnership but we used the word and were on the road.

Now there is more **resistance to change**, less acceptance of new ways and more protective attitudes. Police officers have always shown goodwill by putting in extra hours, helping their local community in their own time, finishing off paperwork after their shift has ended and generally going the extra mile for the public. Now this discretionary effort has been undermined. While many officers are still doing these things, others are reacting to changes and quick to find fault. Their negativity is noticeable.



How do you deal with that? By good leadership and people management and by **engaging at a humanistic level**: in other words, the opposite to where ER has been going in recent years. HR started out as welfare, became 'personnel' and getting the best out of people, then became more business-focused as 'HR', finally seeking to produce organisation benefit through 'human resources'.

How different is a humanistic relationship from 'welfare'? There is a parallel but the two are different. Under a welfare or health regime, professionals focus on individuals as clients, or patients. There isn't always enough consideration of the business. For example, a doctor might tell an injured person 'don't work nights for six weeks', whereas the business might need the individual to get back to their normal shift pattern sooner. Welfare is one dimension of how we deal with people, and we also do have to focus on the needs of the business. But neither should take precedence at the cost of the other. We need to remember we are dealing with people, human beings. For example, my job title as of earlier this year is 'director of people and leadership', not 'HR director'. This was in part to reflect a new emphasis on managing people in the round, not just as functionaries and with all our personal foibles. In that way individuals make a bigger contribution to the business.

The label 'HR' is taken by many to refer to the procedures and processes needed to employ people, with the emphasis on 'resources', not 'human'. The HR function then does the complex procedures and takes on staffing problems referred to them. Now budget pressures mean that more than ever **managers have to do it for themselves**. So we need to treat our people as people. Police officers are citizen-focused: quite good at deciding who needs extra protection and adjusting our delivery to meet that need. We need to translate that into how we manage ourselves.

This is about **leadership and management**. Management is about doing the right thing; leadership is about communicating and engaging with individuals and about followership. Every person is different from their neighbour; some are very different. This is a diversity issue that parallels the diversity angle with the public outside. Do managers accept it? They have to accept it, even if they don't all believe it.

Managers will manage ER. We've said it before but not fully done it. Some senior people still want HR to do it, but we're making an overt effort to persuade all managers, from sergeant upwards, that it's not an add-on, it's their primary responsibility. *'You volunteered to take on this rank so you're a supervisor.'* This also applies for police staff.

Some managers are sceptical and see this as cost-cutting. They say someone else is determining priorities and ask how good is their line manager. But other managers, who may have less seniority and possibly have management experience outside the police service, are happy to take on this responsibility. They are more ready to **manage sickness and performance** and to accept that with freedom comes the responsibility to manage.

When something goes wrong, historically we take steps to prevent it ever happening again. We say it's our fault and we put in place checks and procedures to stop it. However, this is not necessarily a proportionate response when you're talking about managing the skills base or filling in forms and no one's life is at stake. Given the budget cuts, we can't take this kind of approach all the time and line managers will have to take the strain. The deal is we have chosen to have fewer HR people to support managers, so we need to take a **proportionate approach to managing risk**.

What about the future? The Winsor recommendations are very wide-ranging and will take some years to implement. HR units in the police service will be stretched to take on additional work at an organisational level of the kind that line managers can't do. Some of this work on terms and conditions could be done at national level and the results handed to individual forces to implement. Otherwise, how is the pared-down ER bit of HR going to cope? But the introduction of elected police and crime commissioners in November could increase local influence. These issues remain to be sorted.



Lifting levels of employee engagement

As employee engagement risks becoming assimilated into simply 'good management', Professor Katie Truss has drawn attention to the many different ways of interpreting it in practice (CIPD 2012). What does the present research have to say about how engagement works?

One interesting and still most unusual example of engagement 'architecture' is to be found at the United Welsh Housing Association, where David Williams is both full-time partnership manager and senior trade union representative. Although appointed and paid by the employer, David is not a member of the HR department. In this respect his post parallels that of the works council chairman at Capgemini. The position acts, in effect, as an independent 'buffer-zone' between management and trade unions, offering similar commitment to both.

David says:

At UWHA we have a joint approach whereby management and trade union representatives approach employees jointly to discuss proposals. Having layers of management makes it harder for employees to embrace the idea of engagement: hierarchy can get in the way of people taking ownership. Employee engagement is part of our lives: our consultation model starts with a conversation.

Clearly this kind of relationship between management and trade unions, and between management and employees, relies on a level of mutual trust that not all organisations can realistically hope to attain. It is instructive that when David says 'we', it can often be hard to know for sure if he is talking about management, trade unions or the organisation as a whole. But there seems to be a link between the values and the 'architecture' or machinery on which employee relations at UWHA rests.

Head of HR Donna Howells underlines the strength of concern at UWHA to protect the quality of relationships across the organisation:

Late in 2010 we consulted with staff with a view to withdrawing from the National Joint Council (NJC), which determines pay for the sector. This was a big departure for us as some of the past reluctance to undertake annual pay discussions in-house had been based on concerns about the impact negotiation might have on the relationship. The critical factors in deciding to move away from the NJC were:

- *the strength of the partnership and the trust amongst the parties*
- *agreement that the process would use the principles of partnership and there would be no negotiation*
- *that United Welsh would share all relevant data on performance, trends and benchmarking*
- *that the partnership group would decide as a group the level and shape of the award.*

We are also in the middle of a project to set up a wholly owned subsidiary to manage our property maintenance, which will improve services for our customers and cut out waste from the process. Our staff have been involved since inception in:

- *defining the issues with the current processes and systems*
- *helping to shape the options*
- *agreeing the way forward*
- *engaging in the procurement process, acting on behalf of their team and United Welsh and representing their personal views.*

This is an alternative approach to option-based consultation, which we believe demonstrates a greater degree of engagement and ultimately ownership.



More generally, the evidence from these interviews suggests that employee engagement scores have held up remarkably well, though there is also recognition that it's not easy to get another job, so people hang on to the one they've got:

There have been quite consistent patterns in our scores for employee engagement and trust. We have to look to equip our managers to be front and centre as we continue to have a more inclusive engagement relationship with our employees, and help them to understand and act on their leadership responsibilities. (Dave Fitzgerald, BT)

Our employee engagement score has gone through the roof: it's 89.5%. (Darren Hockaday, LORL)

Legal compliance

It is evident that, where there are differences between employer and employee, employment law can be used as a tool to put pressure on the employer and reinforce an 'entitlement' culture among employees (see *Partnership under pressure* below).

It is sometimes suggested that responsibility for implementing employment regulation means that HR is confined to taking a passive or defensive role within the business, helping to protect its reputation but doing little to help the business grow. Clearly that depends on the particular business model and the degree to which the business is risk-averse. Judgement can be critical in determining how to implement employment regulation, so as to strike the best balance between compliance and the operational requirements of the business:

We had a big challenge when we had to introduce the statutory minimum 5.6 weeks' annual holiday entitlement in order to comply with changes to the Working Time Regulations. This change was difficult to reconcile with a seven-day retail operation and the need to keep the additional costs arising out of the changes to a minimum. We were determined to comply with the law but if necessary we are not risk-averse to pushing the boundaries as far as they will give if the circumstances dictate. In the end we made the necessary changes to our annual leave and bank holiday rules and had a tiny number of grievances lodged against us, which were quickly resolved through our internal problem-solving procedures. (Paul Forrest, Arcadia)

Partnership under pressure

by Julie Liggett, Deputy Director of Human Resources, NHS Direct

NHS Direct provides phone healthcare services on a national basis with two tiers of staff: health advisers, who are non-clinical, and nurses, who are clinically qualified. We straddle two different cultures: a 'contact-centre' culture focusing on call volumes and speed of response, and an 'NHS' culture dedicated to a personal service and close clinical relationship.

In recent years our financial situation has become increasingly challenging with pressure for more efficiency savings. This has forced us to review our flexible working arrangements. In the early years we were able to accommodate a high degree of flexibility and gave line managers discretion to agree individual working patterns with staff to meet disability, caring, childcare and other needs. However, the resulting working 'restrictions' took up a significant amount of scheduling time and were affecting the efficiency of the trust. Around half of staff had their own individualised working arrangements, within a shift structure supporting a service that had to be delivered 24/7.

In line with other NHS bodies, we have a partnership relationship with our trade unions. Under this we consult with internal representatives who are supported by experienced full-time officers from Unison and the Royal



College of Nursing (RCN). Although the concept of partnership is not tightly defined, it is expected that in most aspects of the management of the trust we will consult *'with a view to reaching agreement'*.

So two years ago after lengthy negotiations with the staff side, to align staff working patterns more closely with patient demand, we reached a deal. We identified ten 'lifestyles' to match broad staff preferences and invited staff to choose which one they would like to work. However, many employees with existing individualised working arrangements were not willing to give these up, so when we introduced the new options, we allowed staff to keep their old bespoke flexibilities as well.

A year later the service was becoming still more challenged. Staff were still not being deployed in sufficiently close alignment to patient demand, financial penalties being applied to the organisation for not hitting performance targets were increasing and, most significantly, a new '111' non-emergency healthcare phone service was being commissioned, which would replace NHS Direct's '0845' service. The new number was being introduced by individual PCT areas through a bidding process, with NHS Direct facing competition from other providers to operate the service. NHS Direct was at that time very expensive compared with the expected costs of a 111 service.

To meet these challenges we re-entered consultation with our staff side on a proposal to review the individual rosters, some of which had become untenable, and to remove staff working restrictions which were unsustainable.

This led to difficult negotiations with the trade unions who, while agreeing that a review was required and that existing restrictions needed to be removed, believed that some restrictions should be reinstated under the new rosters. In the absence of full agreement from the staff side, we invited staff individually to agree to a variation of their employment contract. Of the 1,600 or so staff, more than half accepted the variation to work their new rosters without restrictions. However, the remainder were unwilling to agree, so we opted to dismiss them and offer to re-engage them on new terms.

This process was tough for our first-line managers, most of whom had no experience of having to dismiss staff. Equally, the prospect of 'dismissal', even though accompanied by re-engagement, seriously upset many staff. A further complication was that some staff sought to qualify their acceptance and the RCN argued that, if we failed to re-introduce restrictions on request, we would be in breach of our duty to avoid discrimination on the grounds of disability and gender, and they threatened to seek a judicial review.

Through the process of equality impact assessment we had tried to mitigate against any negative impact in relation to religion/belief, socio-economic status, gender and disability by ensuring that the design of the rosters had different available variations of shift patterns. This included choice of part-time or full-time hours, early or late shifts, and working a greater or smaller number of weekend shifts. We allowed staff to choose their preferred roster, from those available. Four-fifths of staff were allocated to one of their choices, including all staff with disabilities. The other fifth, which included 104 carers/childcarers, were slotted into the remaining roster gaps.

However, still unhappy that we had not re-instated bespoke individual shift patterns, the unions informed us that they were advising staff to put in formal flexible working requests to achieve this. We asked the unions not to encourage the submission of flexible working requests en masse since it was bound to disrupt the implementation phase of our new rosters. We suggested their members attempt to work their new roster in the first instance and make use of the internal shift-swap process where they had difficulty in doing so. However, by the implementation date, 228 individuals had lodged flexible working requests.

Following an estimation from our occupational health department on the likely numbers involved, the trust board concluded that we could re-introduce restrictions as an adjustment for people with disabilities where



the efficiency of the service was not compromised by more than 1%. Where the impact was greater than 1%, the chief executive would make a decision as to whether he believed it was reasonable for the organisation's efficiency to be further adversely affected. The proposal did not extend to automatically allowing restrictions for carers or childcarers except in the most exceptional circumstances.

Following the board's decision, we referred all the disability-related flexible working requests to our occupational health team, who concluded that significantly higher numbers than previously expected either definitely or possibly needed to be able to work flexibly. Rather than cause delay by carrying out efficiency-modelling, the chief executive decided to approve the requests and, to date, 42 restricted rosters have been agreed, with over 26 still awaiting consideration. The agreed restrictions cannot be generated automatically by our roster system and will require manual intervention at each roster build. We have yet to identify the percentage impact on our efficiency, but we are in effect almost back to square one, albeit with smaller numbers.

On the positive side, the majority of our staff have appreciated the urgent need to make the service cost-effective and have accepted management's right to remove historic bespoke working arrangements where there was no longer justification. This can only be a good platform for our future employee relations in the world of 111.

Employee expectations and diversity

The concept of 'individualism' in ER has sometimes been taken to refer basically to reward systems, but it's clear from this study that it is also central to management of relationships. Moreover, the concept of 'diversity' has now become embedded in the thinking of ER managers, who use it to focus, not on the legal or equalities agenda as such, but on the quality and depth of individual relationships between managers and their teams.

The composition of the UK workforce has shifted and there are now increasing numbers of women and ethnic minorities. This means that managers may have to revise their assumptions about what their employees want. Employers have for some years been conducting employee attitude surveys, but there is more awareness now of the value of refining survey results so as to differentiate between key groups of staff:

Employees are different now. The young generation expect to take more decisions in their personal lives and to be treated like individuals at work. They want to be managed better. Employees are more aware of the global context and, if one employer doesn't meet their expectations, they will have no hesitation in looking elsewhere.
(David Yeandle, European Employers Group)

The UK has an ageing workforce. It's a huge issue for employers. Many high-performing employees are now in their 40s and 50s. Employers increasingly need to think about issues such as health, stress and well-being.
(Peter Lockyer, Acas)

Culture

The ER function in Cisco has a major focus on culture and organisational sustainability. Cisco's Global Director, Employee Relations and Compliance, Diane Sinclair says:

ER's charter at Cisco covers the three Cs – compliance, culture and business continuity. We ensure the law is followed, but it's not enough to behave lawfully, we need to be champions of the corporate culture. Managers' behaviour needs to be aligned with that culture. Our job is also to ensure minimal disruption to the business through managing risk when issues arise.



The global organisational structure of the company emphasises the strong focus on a single set of corporate values, while respecting the wide range of national differences in areas of HR:

HR is strongly influenced by the law and practice of the country where it's situated but global companies need a global approach to corporate culture, and a scalable and effective way of delivering ER services. So we've centralised the ER function and the job is done by ER experts, not HR generalists.

In the UK, it has been difficult to find employers who have espoused the 'employee champion' or 'advocate' role in the Ulrich HR model, but Cisco has done exactly that:

We don't act on behalf of either employer or employees as such: we work to support a long-term sustainable organisation. Part of our skill-set is to be objective and ensure fair and consistent treatment for everybody, in whichever country we're operating in.

Sinclair doesn't buy into the idea that ER is only about managing discipline and grievances. She sees case data on discipline and grievances as a source of intelligence to help the organisation better understand what is going on. She sees 'change' within the function primarily in terms of consistent pressure to improve ER services.

Our job is to sustain and maintain the organisational culture. We're always evolving our ER model, meaning how can we best deliver ER services and maximise our value to the organisation?

Despite the differences in focus and language, ER at Cisco has a clear resemblance to traditional UK perceptions of what ER is all about. It's about supporting line managers and ensuring the observance of 'good practice' in terms of fairness, objectivity and consistency:

Operational managers need to be running the business. It's unrealistic to expect them to understand employment law in detail – by the time they need it they've forgotten it. We coach managers to manage better, so legal issues don't come up. I believe you can make good managers great managers, and that's a key value-add of ER.

Public/private sector differences

There are some obvious differences between the public and private sectors when it comes to ER. Despite continuing falls in membership, the public sector remains more heavily unionised. National cross-sector bargaining, though under pressure, remains influential in the NHS and local government but has almost disappeared from the private sector.

Employee relations in the public sector is more directly influenced by the austerity agenda, which has undermined the reward package and put at risk job security across the sector. However, a period of low economic growth is exerting similar pressures in the private sector too.

What more do our case studies tell us about differences between the sectors? Too much weight cannot be placed on the evidence from such a small sample of employers. Nevertheless, the evidence suggests that:

- Relations between employers and trade unions in the public sector can feel like a throwback to a former period, from which the bulk of the private sector emerged some time ago. There is a sense of a traditional trade union mentality on the part of some union members, particularly the activists, which contrasts with experience in the private sector where there is a greater acceptance that employer and employees sink or swim together.
- There remains a stronger sense of entitlement in the public sector. There is a history of the public sector wanting to be a 'good employer' and, despite high levels of redundancies, many staff expect this aspiration to be met. The old psychological contract may have gone, but that doesn't mean that employees are indifferent to the way they are treated. And unions may use the political framework in which public services operate to



appeal to the public or politicians to give disproportionate weight to employee interests at the expense of efficiency or organisational performance.

This sense of entitlement is not unique to the public sector, but seems largely on its way out elsewhere. One HR director in a commercial organisation with a manufacturing workforce suggested that:

Trade unions used to assume it was their job to get out of the organisation what they could for their members. Employees assumed they were entitled to what other people had in the past. But what they used to regard as their right, now in the twenty-first century seems simply greedy.

So on the face of it employees in the public sector appear to have been rather slower than their private sector counterparts in coming to terms with the new realities of permanent change and cost reduction.

- Public sector employers are giving more attention than formerly to managing performance. The use of staff appraisals is being more systematically applied so as to distinguish between good and bad performers. There is less tolerance of poor performance and more willingness to remove staff who don't or can't improve. One public sector employer commented that poor performers can now be dismissed within six months, rather than two years as previously, and this has been agreed with the unions. Again, continuing pressure for significant cost reductions seems to have had more impact than exhortation.
- Employers in both sectors seek to develop strategies to engage their employees. But a number of public sector employers go further and aim to develop a 'humanistic' culture in which people are treated as individuals. Devon and Cornwall Police is clearly one such employer (see box) and there are parallels in local government (see the forthcoming CIPD report, *Transformation, Leadership and Employee Engagement*). This is reinforced by an increased focus in the public sector on diversity, interpreted not simply in terms of equalities but as showing respect and respecting individual difference.



3 What is employee relations?

The study has reinforced the conclusion in a recent Acas policy paper (2011) that *'traditional frameworks and assumptions surrounding employment relations are now becoming increasingly outdated and in need of renewal'*. These assumptions tend to reflect the traditional picture of a large workplace where employees work under permanent employment contacts with a single employer, and employee relations are mediated by negotiation with trade unions. Across large parts of the UK economy, many of these assumptions no longer hold good.

The research also supports the finding in the Acas paper that two major changes in employee relations over the last ten years have been:

- the shift in the balance from collective to individual models of employee relations
- the ongoing fragmentation of workplaces.

ER will look rather different depending on the scale and structure of the organisation and the environment within which it operates. The traditional 'workplace' model of ER does not do much to illuminate the particular challenges facing ER in:

- global corporates, where managing an international supply chain brings ER managers up against issues of social responsibility and human rights
- contracted-out activities, where the ability to manage employment conditions may be constrained by the TUPE regulations and there is no employment relationship between the end-user or client and the front-line worker
- SMEs and micro-businesses, where there may be little or no formality in the employment relationship.

From IR to ER

Within HR, we sometimes talk about the 'ER function', just as we talk about an 'HR function'. But if we want to understand what ER is about, it's best not thought of as a function, in the sense of a team responsible for managing it, but as a series of activities or things to be done. Some organisations are still organised on traditional lines, with a team of ER specialists; other large organisations may have a single senior manager responsible for ER. So in management terms ER can be best seen as a skill-set within HR, focused on managing the employment relationship, or even – more widely – on managing and developing people.

Several interviewees describe their organisation as 'on a journey from IR to ER'. However, from the standpoint of the CIPD's HR Profession Map, which breaks down HR into its constituent parts, ER increasingly looks to be a Cinderella activity. Separated from employee engagement, and in the face of a continued decline in union membership and influence, its focus appears to be on managing individual conflict. Until recently, collective issues have been regarded as of mainly historical significance. The issue of individual discipline and grievances abuts closely onto the specialist issue of employment law. The question is increasingly heard whether ER should be seen as a significant and distinct area of HR any longer:

ER now feels like an old-fashioned term – it's more like IR: perhaps we should think of a new word for it?
(Chris Haselden, Devon and Cornwall Police)

If ER is simply about managing conflict, it might as well be called IR, which has a longer pedigree and is probably still better understood. It belongs to a period in time when the employment relationship was mediated by formal machinery for collective bargaining, and interrupted periodically by industrial disputes. ER as a term was created to reflect the decline of trade unions and the increased importance of the relationship with individual employees. The core of ER was increasingly seen to lie in securing employee commitment. If employee engagement now has a separate existence, ER is once more pushed back onto its collectivist roots in IR:

Leadership is about ER or what is it about? (Nick Dalton, Unilever)

sustainable organisation performance

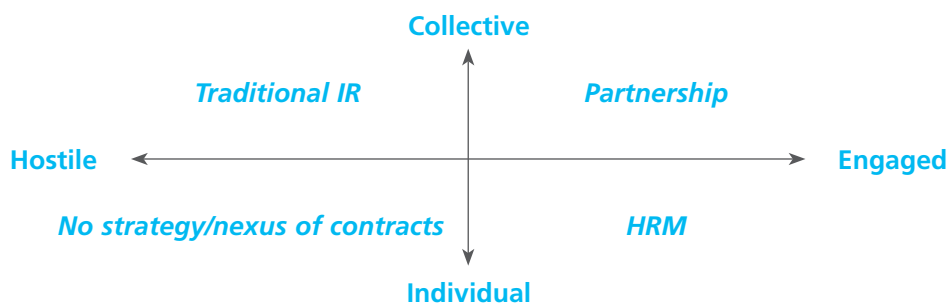


But many practitioners have a wider perspective of ER. They see it as being about managing and developing employees so as to release their potential and drive performance. In this case it is mainly the job of the line manager, who needs leadership skills. The job of ER professionals is to support line managers in their leadership role. Building on this, ER can be seen as:

- a lens through which to look at managing people
- a series of tools and techniques to drive higher performance
- the heart, or core, of HR.

Employee engagement is the measure of ER: it's the ultimate metric for HR. But ER is the relationship between the employee and their line manager. I see ER as closely related to employee engagement. You need to start from first principles: what are you trying to achieve? If you have to enact change, it's downstream of ER. How you get there will depend on your culture and values, and whether or not you have trade unions. (Jim Devine, Centrica)

If engagement is the measure of ER effectiveness, ER is the toolkit for achieving it. The choice of tools and techniques will depend on the particular context. Nick Dalton at Unilever uses a simple diagram to highlight the choices managers face in deciding what ER environment they are operating in, or are looking to create.



This diagram offers a useful framework for thinking about the different ER strategies organisations might choose to employ. Managers want HR to help identify what levers to pull to drive performance. An ER perspective will offer a series of different lenses for approaching employee engagement:

The global financial crisis means that effective ER is more important than ever. (Nick Dalton, Unilever)

Continuing the move from IR to ER: the BT approach

BT has been adapting its approach to help embed its aspiration that everyone in the business should know what's expected of them, and messages and practices are aligned, into the bloodstream of the organisation. The approach consists of the following stages:

- building the credibility to be partners in strategy and business planning
- involved early in the planning cycle to inform, guide and test rationale for change
- setting the context for change and drawing up plans for employee engagement
- corralling the management teams around key messages and expectations
- planning the appropriate union consultation – formal and informal
- direct support on the ground in executing the agreed strategy
- now looking to encourage this thinking much more with our operations and HR colleagues.



From employee relations to employee engagement

Although use of language is not consistent, and there is no absolute consensus among practitioners, the broad picture emerging from these interviews is that:

- *employee engagement* is a measure of the individual's relationship with the organisation and its internal brand alignment
- *employee relations* is a generic term but focuses on the relationship between employee and line manager
- *industrial relations* is about the relationship with trade unions or employees collectively.

It seemed worth exploring the extent to which the term 'employee engagement' has displaced 'employee relations' as a term used at the top of organisations. Engagement strategies are ubiquitous these days: most organisations included in this study either have an employee engagement strategy or have in place business and people strategies that drive a more positive employee engagement approach.

The evidence suggests that, where organisations have embraced employee engagement, boards are happy to use the term and may use it interchangeably with 'employee relations'. Taking the helicopter view, such organisations might be seen as being on a journey 'from ER to employee engagement':

I think employee engagement has replaced the term employee relations. I see the two as interchangeable.
(Nick Dalton, Unilever)

However, others continue to see a useful distinction between the two:

We see an effective employee relations strategy as one which builds effective relations with recognised unions while also strengthening the direct employer–employee relationship – not just at the first line manager level, important though that is.... We would not see the terms employee engagement and employee relations as the same thing, although they are clearly linked. (Jonathan Donovan, HMRC)

In general, there seems to be little sharp differentiation between the different terms, and usage will depend on the context. For example, where the relationship with trade unions gives rise to discussion, executive boards may still talk about 'industrial' relations despite having a broader preoccupation with increasing engagement. Boards may equally be inclined to see any distinction between the terms as matters of detail, of concern mainly to HR.

What is distinctive about ER?

ER is about managing workplace relationships. That has to include both preventing and managing conflict. This is reflected in an appetite among HR professionals to learn how to manage 'difficult conversations'. Respondents were clear that employee engagement and conflict are two sides of the same coin:

Employee engagement is a measure of ER: it's the ultimate metric for HR. But engagement is wider than simply focusing on survey findings. ER and employee engagement are not distinct items. (Jim Devine, Centrica)

There is an aspiration for managers to become more sensitive to issues about diversity and more adept at recognising and taking account of individual difference. We might say that 'diversity' has become part of the mainstream language and behaviour of HR professionals. In some cases this is part of an explicitly 'humanistic' philosophy, based on treating employees as human beings. This has parallels with the emphasis on authenticity in 'next generation' HR.

A recurrent theme in seeking to define ER is that of 'enabling change':

ER is essentially about enabling change. How you go about it will depend on the context, but an ER lens should be put on the whole process. If you have to enact change, it has to be downstream of ER. It's about how to put in place the right culture and values. You might need to adopt a different approach depending on whether you're dealing with a trade union or not, but the end result is the same. People put too much emphasis on 'how' to do things: we need to focus on 'what' we're trying to achieve. (Jim Devine, Centrica)



The outstanding quality which senior HR professionals continue to insist is required to practise ER successfully – and which they see as the hallmark of an effective ER professional – is the courage to take responsibility for difficult decisions. This needs to be combined with good judgement, including the ability to decide whether to act now or do nothing:

As a young trainee manager in the car plant at Dagenham, I knew that if I made a mistake it might stop the production line and that would cost the company a lot of money. It was a good discipline. It's not the same as giving advice: there were serious consequences both for the organisation and for the individual manager. (Jim Devine, Centrica)

How do we breed IR competence? In my experience not too many people feel comfortable with it, both in the trade union space but also with business partners. We need people who will fight their corner, stand up and be counted in the context of seeing the big picture. (Dave Newborough, EON)

Supporting line managers

The main responsibility for managing ER rests with the line. CIPD research into leadership and management has focused on 'distributed' and 'relational' leadership and the need for HR professionals to bring together the emerging strands into a coherent approach for their own organisation. Interviews for the current study with senior HR and ER people suggest that this message has been received and is being acted on in a number of organisations.

Most respondents agreed that significant efforts are being made to encourage managers to manage their people:

In the parts of BT which I look after, we currently have an ER team of four people to support an organisation of around 25,000 employees. As a team, we're working on ways of getting away from parachuting in to sort out problems and then parachuting back out again. That does not transfer the knowledge and experience into the business, and we need to give managers and our HR colleagues the skills and confidence to handle such issues for themselves. (Dave Fitzgerald, BT)

However, in many cases this seems to be primarily in response to cost and/or staffing reductions. It is not always evident that additional resources are being transferred to support the learning and development of line managers. HR support for the line is often seen to be largely in the areas of performance and conflict management. But the distributed leadership agenda means that line managers have a much wider role than this in relation to managing and developing their people. The diversity agenda, in terms of treating people differently and showing them respect, is also increasingly important.

Managing the global dimension

For a number of organisations with a global presence, balancing corporate and national cultures and frameworks is an ongoing challenge. Companies accept the need to respect local legislation and institutions but seek as far as possible to standardise management processes. Some respondents in this study have responsibilities for managing ER policies across the world. In such companies, there are inevitably tensions about where the balance should be struck between local and global needs, and ER policies and structures can appear to be in a state of almost constant evolution:

We are using the Ulrich model to develop global 'centres of competence' and we are transiting to having a single global centre of competence on ER based in Germany. This will be responsible for HR policy and overseeing a framework for country activities, including, for example, contracts of employment, legislation, consultation and pay bargaining. We need to accommodate differences in local legislation and practice – for example, issues about discipline and grievances tend to be handed to lawyers sooner in Germany. And there are differences in national perspectives about the balance between consultation and negotiation in handling redundancies, for example. (Dave Newborough, EON)



ER supporting the business

by Darren Hockaday, HR Director, LORL

What is our ER strategy? It's to deliver what the head of department wants. Our business partners need to understand the business. So, for example, if we have good occupational health, we can get people back to work faster and manage sickness absence better. We aim for 100% attendance and to get the best out of the time people spend at work. We need our managers to have the skills to follow the process for issuing letters to staff, for example in response to requests for flexible working. It's basic stuff: our ER strategy is our people strategy.

ER is where business partners come in to their own. They are the front line for ER. What they do for the business is improve performance and productivity. ER is exactly that – we call it employee engagement (EE) now; we're always looking to foster better EE.

People say that ER is about discipline and grievance, but there is always something that causes discipline and grievance problems. We get managers to work through it as economically as possible. They need to remove the de-motivating factors so that employees will feel that they're being treated fairly, the company has acted in good faith and they're happy to contribute.

If we have good ER, there will be less propensity for things to escalate. Business partners are an early warning radar for possible ER problems. If we have discipline or grievance issues, trade union representatives will be involved at an early stage. So the distinction between individual and collective becomes fairly meaningless – they will tend to blur into one.

I see discipline and grievances as a distraction from the change stuff you want to do with the unions. I will get involved in discipline and grievances with the union official where necessary, but I'm using time and goodwill that could be used to better effect. I want to talk about things that have more business impact. I want to keep traditional ER issues to a minimum. That's what I believe my role is: it's not to stop strikes. We need to get agreement in order to improve performance.

If there is trading of some employee relations issues with the union to reach a compromise, it could affect how future agreements pan out, which could be more important to the wider business. It is therefore often necessary for the HR director to be involved as a last resort on some ER issues when engaging with the unions – which in turn allows the business partners to develop their relationship with the union officials and create their own level of trading with the union to reach agreement. Once again, this highlights the importance of the business partner role – to deal with issues quickly and expedite conclusions with minimal impact on motivation, engagement and trade union relationships – all while getting the right result for the line manager and their department.

I take a pragmatic approach. I let trade union rhetoric wash over me. I see them as like anybody else I have to do business with: I have to be that bit smarter than them sometimes. For example, if I keep talking long enough, they will believe me. It's a long-term strategy: you may have to lose the odd battle if you want to win the war.

Trade unions realise the political climate has changed. The RMT feel that Labour has sold out and they have no time for the Tories. They know they have no backing from any political party, so they have become more political themselves. They still lobby government on political issues, but it's largely a formality. The unions want to attract political activists in order to get their message across and they look for wider sympathy among the general public. I would have expected more collaboration between the unions, but it hasn't happened. They are in a cut-throat struggle for members.

Trade unions still have clout in the rail sector. Some people might prefer to keep them at arm's length, but I want to maintain a constant relationship that we can call upon if things do get a bit sticky. We will go into a cafe for breakfast together, even if there's no urgent business to deal with. I will nurture the relationship.



Future of ER

Dave Ulrich might feel reassured by these interviews that his central message – that HR exists to support the business – has been whole-heartedly taken on board in many UK organisations.

This raises the question: where should support for line managers sit within the CIPD's HR Profession Map? The answer seems to be that it can come from any of the ten different professional areas, including for example learning and development, service delivery and organisation development. The hands-on contribution by ER to supporting the line may be quite modest if, following Ulrich, ER increasingly becomes a strategic activity, providing tools and frameworks for others to apply.

The paradox is that, although line managers are critical to delivering effective ER, ER specialists in some organisations will have only a limited contribution to make to helping them do it. The strategic or specialist ER content may have closer links with the central core of the Map, which deals with 'insights, strategy and solutions'. But in several of the organisations spoken to, there is a clear preference for ER to keep its feet firmly on the ground and ensure that the basics of good line management are in place.

This study supports no single forecast for the future role of ER. In Ulrich terms, it can currently be seen as a specialism within HR, as a core focus for business partners, and the next stage on the line after shared services for dealing with discipline and grievances. We have however seen that, in some organisations, ER is seen as a framework for managing the employment relationship and analysing what model is appropriate for different geographies. Many large corporates see ER as a strategic issue:

ER needs to stop being seen as a niche specialism, something that only 'experts' can do. As the need for employee engagement in large organisations grows, ER in the wider sense needs to be delivered as part of the core competence framework of the HR generalist. (Dave Fitzgerald, BT)

Others feel there is a risk that employee engagement will be seen as being a matter for communications specialists, rather than as a development of employee relations. In this sense, defining the core and future role of ER might best be seen as a work in progress:

I feel that employee engagement and relations are waiting for proper integration. This is the new territory for HR professionals. (Nick Dalton, Unilever)



Conclusions

Some key messages to be drawn from this research about the nature of the challenges facing ER professionals today are as follows:

- Managing ER is context-specific: the job is to support the objectives of the particular business. ER models or frameworks have to be adapted to the needs of the specific organisation.
- Many respondents recognise that they are on a journey 'from IR to ER', reflecting the primacy of the individual relationship and the general acceptance of employee engagement as a framework for managing that relationship.
- There is, however, widespread recognition by HR professionals that the shift in focus to managing individual relationships has not displaced the collective dimension, whether or not this is mediated by trade unions.
- The need to communicate better is a consistent backdrop to all discussion of contemporary ER. This is not mainly about technique, but about involving employees in discussion at an early stage and about the credibility and consistency of messages. It is also about ensuring that line managers understand they are a critical element in the communications process.
- Dealing with the trade union relationship remains an issue in many workplaces but is not widely seen as problematic. Trade union influence, though not clearly visible from official data about industrial action, is still an everyday reality for some, but continues to decline across the wider economy.
- Relationships with trade unions are generally described as good. The outliers in this respect are central government and rail transport, where ongoing efforts are being made by HR managers – with a significant degree of success – to maintain meaningful and productive relationships. However, these can be threatened or undermined by political agendas on the part of a few full-time officers.
- The default model of ER in those private sector organisations that recognise trade unions is one of 'partnership', or at least a willingness to treat the unions as stakeholders. Unions themselves are less likely to characterise the relationship in terms of partnership.
- The management–union relationship is primarily seen in terms of either its positive or negative influence on management's ability to manage major change, including restructuring.
- The main focus of ER is not, however, on collective machinery but on individual relationships. In the face of tough economic conditions, there is a new emphasis on helping line managers to establish trust-based relationships with employees. Some employers have adopted an explicitly 'humanistic' agenda.
- The ongoing influence of earlier 'IR' patterns of behaviour can be seen in the emphasis on ER managers having to be prepared to 'stand up and be counted'. This is perhaps most obviously the case in relation to dealing with trade unions, but the need for courage and independent judgement is seen to apply in a wide range of situations.
- Cost pressures pose ongoing challenges in all sectors and can lead to conflict between management and employees. However, several interviewees made clear that, although managing conflict – including discipline and grievances – is part of the ER agenda, they still see the main focus of ER as the more positive one of managing the employment relationship in the round.
- Diversity has been 'mainstreamed' into the ER agenda, in terms of respect for difference and a focus on individual relationships.
- There is a question mark over whether organisations have developed a new psychological contract with employees. Several employers recognise that the old contract offering security is dead, though they continue to expect commitment from employees in return for supporting their employability. But some employers are unclear whether employees 'buy into' this new contract.

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- Some organisations see ER as a strategic issue, while others prefer to emphasise its 'service' role, for example in securing good behaviour at shop-floor level. This is not simply a reflection of organisation size. But ER can be an element across the whole range of HR roles identified by Dave Ulrich, including specialist and business partner.
- Some organisations have made an explicit link between ER and culture and see ER as the main vehicle for ensuring adherence to functional behaviours across the organisation. These organisations perhaps come closest to displaying an 'embedded' model of employee engagement. Others see engagement more as a measure of ER performance.

Finally, it's worth replaying the key conclusion of *What is Employee Relations?* (CIPD 2005), which remains equally valid today:

What does [employee engagement] mean for employee relations specialists? It means being more strategic and seeing the 'bigger picture'. It means being familiar with a wide range of techniques and skills, including mediation and communications. But, ultimately, it may also mean asserting more strongly the employee interest and agenda.



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Building HR capability is one of the three themes in our Sustainable Organisation Performance research programme. The other two themes are future-fit organisations and stewardship, leadership and governance. Within each of these themes we will research a range of topics and draw on a variety of perspectives to enable us to provide insight-led thought leadership that can be used to drive organisation performance for the long term.

insights from Asia



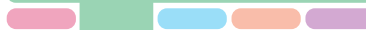
building
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