

Case study
November 2011

Employee relations at Capgemini UK

It's partnership, but not
as we know it

A study of employee relations practice at Capgemini UK

Background

What do employers get out of recognising trade unions? With the industrial relations climate looking more unsettled than for many years, what is the business case for recognition? And how can employers squeeze long-term commercial value out of consultation machinery such as works councils? These are some of the questions discussed earlier this year at a meeting of the CIPD senior ER network at which Debra Cadman, Head of Employee Relations at Capgemini UK, suggested that the CIPD might like to talk to senior management and union officials at the company to find out some answers.¹

Capgemini UK is part of a global IT services company providing management consulting, outsourcing and professional services, with 112,000 employees across the world and 9,000 employees in the UK. Capgemini UK has a number of sites, including its head office in Woking, and other locations determined often by the location of its clients. A significant part of its operations is Aspire, headquartered at Telford, where 4,000 Capgemini and partner staff work on providing IT services to HM Revenue and Customs (HMRC). The Aspire contract was signed with the Inland Revenue and extended to cover HM Customs & Excise when the two organisations merged to form HMRC.

Capgemini's relationship with its trade unions is an essential element in the process of attracting new business. When Capgemini was bidding for the Aspire contract in 2004, two of its senior executives met senior people at the Public and Commercial Services (PCS) union. They said that, if they got the contract, they would like to formally recognise PCS as the union they would consult with. They went on to present the union with a draft document explaining how they

would behave towards employees and they invited the union to let their members know. In response, the lead representative for PCS said that the union had spent more time with senior management at Capgemini that day than they had with the existing IT contractor in the past ten years.

Capgemini's principal consultative mechanism is the 'forum', which includes both union and non-union representatives. The forum approach was established in 1999 using the works council model adopted by Capgemini in the Netherlands. This is seen as a problem-solving model encouraging two-way communication, as opposed to the more adversarial approach characteristic of consultation in France. Local forums have been established covering individual business areas; the UK National Works Council (NWC) is made up of nominated representatives from each of the local forums and an international works council operates from the global company headquarters in Paris.²

How does the consultation process at Capgemini work?

Within business units, forum representatives are elected by their fellow employees and represent specific geographies or skill groups. Union representatives sit on the forum for the business area in which they have large membership numbers, for example PCS in Aspire and Unite in Infrastructure Services. The NWC has no union members nominated as such but includes PCS representatives who have been nominated for other reasons.

Since the company established consultation forums in 1999, their structure has changed to reflect changing business needs. For example, the forum for technology services recently merged with applications development

¹ Discussions were held at the Capgemini offices in Woking and Telford during June 2011. CIPD is most grateful to the company and to the managers and union officials who talked to us about how employee relations at the company are managed.

² For a useful description of the forum structure at Capgemini UK, see the IPA report on *The high performance workplace* number 9 (February 2007) by Lisa Connellan and Robert Stevens.

to create a new forum following an internal reorganisation. There is currently no nominated trade union representative on this forum as union membership in that forum is very low. Union representation can go up or down to reflect changes in the number of members employed by Capgemini; for example, when Unite membership at the firm shrank significantly following a business transfer, their representation on the forum went down from two to one.

The consultation process is underpinned by the company's values. The company is committed to non-adversarial relationships and to building open and transparent relationships built on trust. The company considers all ideas put forward and believes that constructive problem-solving leads to better solutions. Robert Ingram, VP HR for the Capgemini Global Application Services Business, describes the company's approach towards its relationship with trade unions – which he says is now part of the company's genetic make-up – as 'meet early, share priorities, don't hide, and create a win-win'.

The NWC is not directly involved in pay bargaining. However, each forum can ask about the pay budget in its area and comment on how forum members believe it should be distributed – for example between high- and low-performers – and management will take this on board. The NWC might also discuss the timetable for implementing pay increases and other 'high level' issues. For example, a workshop attended by all NWC members modelled the pay planning tools used by the company and discussed the ways in which a 2% budget could be used across a range of different grades and salaries. The company is keen to see that consultation representatives are given training to undertake their role.

The NWC has an identity independent of management and is capable, when required, of delivering tough messages. But there is no assumption that the NWC stance on specific issues will reflect that of either of the two unions represented on the council. NWC Chairman Kevin Masters says:

'I like to think I have a good relationship with trade unions but I don't go out of my way to achieve this. I will disagree with union representatives when

I have to but I have no unpleasant dealings with them at all. But I don't care if representatives are associated with a trade union or not, or if they are militant or not. Trade union representatives have negotiating experience that the NWC doesn't have. Individual union representatives do a great job and we benefit from the time they put in to scrutinise the detail of proposals.'

Kevin is not part of the HR function but gets on well with senior people in the function and receives regular updates from the company on business and HR issues at national and local level. In order to understand the business better he has a strong relationship with the heads of the individual business areas. Stand-offs with the company are rare 'but people know where I stand'. He believes that people in the company are 'fair and open' with him.

HR Director Ann Brown says:

'The NWC has a profile that employees can see. If there is an issue the NWC is unhappy about, notices go up on notice boards.'

CIPD research suggests that this visibility is likely to be critical to reinforcing the link between consultation machinery and employee engagement.

Chris Morrison, full-time Public and Commercial Services (PCS) union representative at Aspire, pays the company a slightly back-handed compliment when he says:

'The company manages the NWC quite well: [you could say] they manipulate it.'

He has reservations about the scale of PCS representation on the Aspire forum and about the 'heavy involvement' of the HR function, which provides the secretariat. Chris also has fears that the union may be talking in an 'HR ghetto' and would like more contact with senior business managers. At the same time he recognises that PCS and HR have a symbiotic relationship:

'We want a powerful HR function and HR wants the PCS to be effective.'

More generally, he compares the consultation process at Capgemini favourably with that at another IT company operating in the UK, where the works council collapsed under the stresses placed on it.

Several examples can be quoted of the contribution that effective consultation has made to the business:

- The company decided to close its defined benefit pension scheme to existing members because the scheme had become unaffordable. It held a special meeting of the NWC to explain how it proposed to tackle the problem and ensure that members understood the complex issues involved. It also held a number of off-site workshops including NWC representatives and others. In the event, a situation that could have caused widespread unrest was resolved without arousing any media interest. NWC members made an extremely useful contribution and assisted in reaching a significantly better outcome than could have been achieved in the absence of consultation.
- Trade unions and employees reported low morale on the Aspire site at Telford. The company held 'morale events', with 50 or 60 people at each, over a two-day period during which they discussed what concerns employees had about work and ranked their priorities for dealing with them. It turned out that the buildings in which employees worked were their biggest concern – not, as might have been predicted, pay. The CEO Nigel Martin responded to the suggestions made at the meeting and the company subsequently undertook a programme of significant investment to refurbish the buildings.
- In 2007, Aspire had to make 450 employees redundant. They held full consultations and were entirely open with the workforce. This produced lots of suggestions for managing the problem and the exercise was carried out smoothly, including voluntary redundancy, outplacement support and identifying opportunities elsewhere in Capgemini Group.

Chris attributes the success of consultation at Capgemini in part to the fact that the union has a parallel relationship with the company and can exert influence not only through consultation but also through collective bargaining and by direct contact with the CEO, who attends forum meetings. He sees

collective bargaining as a route to setting up forum meetings on contentious issues; the union can also go off-line and meet HR management in seeking to reach an agreement. He also makes clear that the union prefers negotiation to consultation:

'Because the union understands how to get agreement, our aim is to get a document that gives us a commitment – we're not just looking for an "understanding".'

However, although the relationship between Capgemini and the union was originally focused on collective bargaining, 'it's now more and more about the relationship – sounding the company out, having a dialogue'. This reflects the fact that only about one-third of current employees that transferred in 2004 are covered by collective bargaining rights retained as part of civil service terms and conditions.

Still, Chris believes the dialogue is worth having. The company consults extensively on a wide range of issues (including pay) and dialogue takes place on both a formal and an informal basis. They want to know what employee representatives think and employee views influence their actions. The company wants to be able to take the initiative to deal with emerging issues. Chris recognises that:

'Capgemini see consultation as something they do: it's not a chore. They allow access and are gluttons for information. They want to know what you think about things.'

As for PCS:

'We don't pull our punches: we will give the company our opinion.'

Why does the company engage with the trade unions?

There is a strong commercial driver behind the company's interest in having a good working relationship with trade unions. This commercial driver can also be seen in the public service 'concordat' signed by a number of IT contractors, including Capgemini and the PCS. The contracting sector generally is well aware of the value of adopting good

employment practices in helping to attract public sector business.

By the nature of the outsourcing business, employees don't choose their employer; similarly, the employer has to embrace a range of cultures. There is a risk that not enough existing staff will transfer across to the new employer following a TUPE transfer. Capgemini aims to make all prospective new employees feel welcome. The client relationship is critical. Ann Brown says:

'Clients want to see a smooth transition so that service levels can be maintained.'

Aspire CEO Nigel Martin says that, when Capgemini was bidding for the Aspire contract, holding on to only 50% of experienced staff would have been a concern to the client. Capgemini aimed to retain 90% and in the event some 96% came across to Capgemini or one of its partners.

Robert Ingram explains that when a business is up for acquisition or being outsourced, this inevitably has a destabilising effect on the affected employees. They will fear for their futures, speculate about how things will change for the worse and have no one to reassure them. Capgemini sees this as a major risk to its ability to take over and run a successful business and sets out to mitigate employees' anxieties through engaging with trade unions and works councils.

In practice the company's approach is that, once they have been identified as a serious bidder, they hold a series of meetings with the unions or other workplace representatives at which they get to know one another, outline Capgemini's approach and culture and seek to create a rapport. They do this by seeking to show a human rather than a corporate face and developing strong relationships. In cases where there are formal union arrangements, this stage may be concluded with a recognition or consultation agreement between the company and the union, prior to the deal being awarded.

This approach was successfully followed in the run-up to setting up Aspire in 2004. It was also crucial to the transfer between 1996 and 1998 of more than 1,000 former British Steel workers who were members of three

traditional steel unions. There were serious concerns that the whole deal could collapse because of union opposition, but within a week of Capgemini entering into discussion they won the contract. In March 2011 Capgemini signed a major five-year outsourcing deal with airport operator BAA following discussions in which they were able to reassure BAA and its unions about their experience of managing industrial relations.

The company's pitch targets employees and their representatives directly and the business value is built on the resulting relationship. Nigel Martin at Aspire says:

'Persuasion has to be evidence-based – if the reality differs, it won't work. There has to be no gap between the sales pitch and the execution.'

This kind of strategic approach to union relationships is designed to appeal to clients, who value the prospect of a smooth transition and good employee relations thereafter. Nigel Martin believes that the impact on attitudes within the client when Capgemini was bidding for its IT business was limited.

'Our approach to the unions was visible to the client but not necessarily valued. However, the opposite would definitely not have been valued.'

It might be imagined that an important driver of the company's strategy would be its need to comply with the TUPE regulations which require that, where employees are transferred from one employer to another, their existing terms and conditions are protected. Similarly, where the transferring employer recognised a trade union, and the transferred employees form a grouping separate from the rest of the new employer's business, the new employer is required to recognise the union.

But Capgemini could have complied fully with the regulations without setting up consultation forums, or seeking so determinedly to win the trust of the unions. The fact that the transferring workforce is quite heavily unionised clearly figures in the business case, but the legislation itself does not seem to be a major driver. This was not a defensive measure forced upon a reluctant company but a deliberate and positive choice.

Support for winning outsourcing contracts is clearly an important part of the business case for consulting and engaging with trade unions but it is not the only one. Capgemini makes a clear link between consultation and employee engagement: they are not seen as being in separate boxes. The company wants to embed elements of the collective relationship in its relationship with individual employees, and consults individual employees on everyday business such as staff changes and redundancies. Ann Brown says:

'Why wouldn't we want to consult our employees? We don't actually make anything: people skills are all we have. Having a highly engaged, motivated and enthusiastic workforce is critical to our business.'

How does the relationship with unions work?

Nigel Martin believes the benefits of the consultation process are quite intangible but has no doubt there is a substantial return on the investment through having a workforce that will deliver the job required. At the same time, the company wishes to engage with all its employees rather than dealing exclusively with unions. Forums are not dominated by trade union representatives and the company shows equal respect to union and non-union representatives.

The relationship between company and trade unions is conducted largely through the forum machinery and formal recognition for collective bargaining purposes is not central to the relationship. When the company was bidding for the Aspire contract, it offered to sign a recognition agreement with the trade unions four weeks before the commercial contract was concluded. This gave full recognition rights to the unions in relation to the terms and conditions of people to be transferred across, who would be recognised as a bargaining unit. Some of these employees have retained their old terms and conditions. Others, however, have transferred onto Capgemini conditions, which offer flexible benefits but mean individuals lose their right to have their conditions determined by collective bargaining.

Is the relationship between company and trade unions one of 'partnership'? Neither company nor PCS see it this way. Ann Brown doesn't use the partnership word and sees the relationship as having deeper,

cultural roots than that term might suggest. She emphasises that the company treats union officials no differently from how it treats other stakeholders, in an 'empowered and respectful' way.

Chris Morrison is more scathing and rejects the term 'partnership' out of hand:

'It would be ridiculous to talk of a partnership with the employer – this would mean working together with them.'

But he welcomes the constant access that the relationship offers the union and sees the good aspects of it as outweighing the bad:

'The fact that I can have a row with the company can help to preserve the relationship. My members understand we have made clear to the company that there are "lines in the sand" that they cross at their own risk – for example, on civil service pensions, off-shoring and job losses. This is helpful to both sides.'

Andy Harrison, Unite workplace representative who worked for British Steel in Rotherham until he was transferred across to Capgemini under the TUPE regulations in 1997, is less positive:

'Half the time, the company don't know what to do with us [trade unions]. They recognise us: that's about it.'

However, Andy recognises that there is an established relationship between company and trade unions and says:

'They are keen to work with us: they seek ideas. They are willing to take on board what the forum says. When the forum meets, we don't just listen: we challenge their decisions and ask why? What are the figures?'

What lessons does Capgemini's experience hold for other companies?

The company's approach is underpinned by a hard-headed and explicit commercial logic. As has been seen, the company takes a proactive approach to dealing with unions: it is not reactive or defensive. Its approach is born of an appreciation of how the union relationship can contribute in a major way to the company achieving its business objectives. These

objectives relate to acquiring new business, which is fundamental to its growth strategy: the company's employee relations strategy is an integral part of its business strategy.

So is the Capgemini story *sui generis*, or does it hold lessons for other companies? Within the IT contracting sector, some other companies clearly accept the logic underpinning its approach, since they have signed up to a concordat that commits them to dialogue with the PCS. Whether they get from this commitment the kind of return that is evident at Capgemini, further research would be needed to ascertain. But in any case it can be argued that there is a business case that is unique to the sector.

However, it would be to miss the point simply to dismiss Capgemini's experience as irrelevant on that account. A number of companies – not only in the UK – are keen to demonstrate good employment practice, including their willingness to recognise trade unions. For example, support for corporate responsibility and concern to protect their reputation is helping to drive a number of multinational companies to sign international framework agreements (IFAs). What makes Capgemini's experience stand out is not simply their recognition of the value of the union relationship in protecting their reputation but their determination to turn it into a positive asset.

Many companies still see trade unions as a threat and are reluctant to get too close or to recognise them. On the consultancy side of Capgemini's business, Gerry Miles offers words of caution about how other companies might want to manage the union relationship. He is not involved in the outsourcing business but is responsible for advising companies on transforming the HR function and the people management aspects of managing change.

Gerry recognises that trade unions can provide a safety net to protect employees from weak managers. However, he believes that in order to secure employee engagement there needs to be a direct line of communication from the CEO to all employees, and the opportunity for confidential discussions between line managers and their team. This can be damaged if employees hear bad news from union officials first.

He is conscious of a major paradigm shift in the nature of the employment relationship as talent has become more marketable and less in need of protection; he sees employer–union partnerships as more appropriate for a blue-collar workforce.

The relationship the company has with its unions is certainly not 'cosy'. There is no sense in which PCS or Unite could be accused of being 'company' unions, nor is this what the company is aiming for. Capgemini has a tough-minded approach to managing the relationship, which it sees as a 'win-win' for both business and employees. Both sides recognise that the company calls the shots. Chris Morrison rather ruefully reflects that, with 30% union density among grades he represents in Capgemini:

'The union is probably about the right weight for the company to deal with: big enough to have a useful influence but not too big.'

So arguably the relationship between Capgemini and its trade unions is both more and less than 'partnership'. It is not a passive 'default' option adopted because both sides see it is preferable to get by without confrontation if possible. Nor does it represent a commitment to move forward only by agreement. The relationship is collaborative, not adversarial. It lays the foundation for the company to maintain the kind of relations with its employees that will appeal to the widest range of stakeholders. It recognises the risks that are endemic to outsourcing and the reality that bad industrial relations could do long-term damage to the company's reputation.

The outstanding feature of the business case is that Capgemini operates in the outsourcing business. Under the TUPE regulations, the company 'inherits' trade unions alongside its new workforce. In a sense, as the company recognises, neither side chooses the other and there is clear potential for employee unhappiness and industrial unrest. Capgemini's stance ensures that there is a better than even chance of establishing successful relationships between the company and its employees.

This case study offers strong support for the proposition that there is such a thing as an employee

relations strategy, and that the strategy needs to be determined by the commercial context within which the company operates. The consultation process at Capgemini is at the heart of the strategy and so is the company's relationship with its trade unions. The company's experience would also support the proposition that execution is not the least important aspect of the strategy process.

In two important ways, however, there are wider lessons for employers from the Capgemini story. One is about the emerging significance of corporate reputation as an influence on the employment relationship. Trade unions have increasingly recognised that they need to look to tools other than industrial action if they want to bring more effective pressure to bear on employers. This can be seen, for example, in unions' willingness to join in protest action with other community groups and in the number of international framework agreements being adopted between global corporations and union federations.

Public sector contracting is at the heart of a political debate about the best way of delivering public services. The CBI has consistently emphasised the contribution of good people management to reforming public services and has published case studies demonstrating the value to public sector contractors of having an engaged workforce. What is of particular interest is the significance attached to the union relationship as an element of good employment practice, no doubt reflecting the fact that union density in the public sector continues to be much higher than in the private sector.

Nigel Martin comments on the importance of being seen as a good employer of IT talent for Capgemini's ability to attract people to work for the company, and he recognises its impact on the company's wider reputation. He says, *'We've never lost an outsourcing deal because of our ability to attract people.'* But the wider interest by organisations in corporate responsibility, and in talent management, means that the adoption of good employment practices is important for employers in other sectors too, not just those that have the Government as a client.

The second message from Capgemini's experience relates to the nature of the consultation process at the company. The make-up of the NWC and other forum machinery means that although senior managers attend forum meetings, they do not 'own' it and importantly the chair has an independent role. Similarly, trade union representatives are not in a majority. The consultation process provides a framework that both employer and trade unions value as creating opportunities for dialogue. This allows for robust exchanges but helps to discourage the kind of head-to-head confrontation that can sometimes undermine consultation processes. The NWC acts instead as a shock-absorber, transmitting messages between employer and employees and seeking to expand the area of agreement.

Unlike some other companies, Capgemini does not distinguish sharply between its IR and its wider ER policies – between the collective and individual dimensions. Both are based on building respectful personal relationships and being open and transparent. The consultation methodology at Capgemini does not exist for its own sake but is an opportunity for dialogue between the company and its workforce, and for the resolution of emerging differences. It has a job to do that the company values and has an important role in helping to identify and resolve differences; in a number of high-profile cases, it has clearly succeeded and has contributed significantly to the company's continuing financial performance.

Is this a new model for employee relations?

The contracting sector as a whole has recognised the commercial benefits to be gained from recognising trade unions. What if anything is different about the Capgemini case? Hannah Jameson, research manager at the Involvement and Participation Association (IPA),³ widens the debate when she says:

'For me, the question this case raises is about the impact of continental European companies on UK industrial relations. The separation of consultation and collective bargaining, the instinctive acceptance of the place of a trade union, mixed union and non-union consultative forums, etc, are all characteristic of

³ Hannah undertook the research on which the IPA's report *Ensuring High Quality Public Services: Recognising the role of the workforce in the future of outsourcing* is based (<http://www.ipa-involve.com/resources/research/>).

western and northern European companies, and it is interesting to see them transposing their approaches to a UK context.'

Capgemini emphasises that trade union representatives don't get special treatment but are given the same respect as other employee representatives. The company is happy to recognise trade unions where their membership justifies this and they acknowledge the skills and experience which union representatives bring to the consultation process. This is a pragmatic approach that downplays any idea that union representatives should have a privileged status.

Historically trade union recognition has been a major fault-line in UK employer attitudes, with many employers adopting a line of principled resistance to it on the grounds that unions bring an agenda into the workplace that is implicitly at odds with that of the employer. Capgemini seems to have ignored this line of thinking, recognising and making successful relationships with trade unions – including PCS, with its reputation for militancy – and using this to leverage commercial performance. However, collective bargaining – the primary focus of the recognition process – is a decreasingly important component of the relationship, which turns on consultation despite the PCS preference for negotiating agreements.

It is perhaps the company's enthusiasm for working with trade union representatives, combined with the lack of special treatment they are given, that makes the Capgemini case somewhat unusual, at least in the UK. The consultation process at the heart of the relationship offers some kind of parallel with what is sometimes referred to as the 'European social model', which is also based on consultation. However, the legal, social and political underpinnings that give that model its identity and its strength are wholly absent in the UK. Trade unions in the UK do not, for example, have a place on company boards and play only a limited role in the political process.

What the Capgemini case does establish is the value of consultation with both union and non-union representatives in accommodating major change and – particularly in a sector such as contracting, where structural change is built in to the business

model – that has to be a major plus for both company and employees. The company's approach to dealing with unions is a key element in making that consultation process effective. In the end, it is the company's willingness to think its situation through and adopt a pragmatic but strategic approach that is the distinguishing feature of its employee relations strategy. Capgemini has neither ignored the unions nor adopted a damage limitation exercise but has turned the union relationship into a strategic asset.

If you would like to comment on any of the issues raised by this case study, please contact Mike Emmott, Adviser, Employee Relations.

m.emmott@cipd.co.uk

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Chartered Institute of Personnel and Development
151 The Broadway London SW19 1JQ
Tel: 020 8612 6200 Fax: 020 8612 6201
Email: cipd@cipd.co.uk Website: cipd.co.uk

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