Change agenda

cipd

# WHAT IS EMPLOYEE RELATIONS?

# Introduction

This Change Agenda summarises the changing nature of employee relations work in UK organisations. It is based on a series of interviews and discussions with HR executives and leading UK organisations, and on recent research by leading academics in the field.

The aim of the report is to:

- profile the decline in formal industrial relations work in organisations
- describe some of the current work that HR professionals carry out under the heading of employee relations
- stimulate debate about some key issues for HR professionals.

Union membership and traditional union-related personnel management work has declined enormously in the last 30 years, with no prospect of a sustained re-emergence, though the reregulation of employment and the new Employee Information and Consultation Regulations are pushing employee relations back up the management agenda.

However, interest in the employment relationship and work for HR professionals has been reinvigorated by:

- management philosophies of engagement, commitment, high involvement and empowerment
- evidence of continuing failings in this area and line management styles in practice
- the growth of alternative communications vehicles and forums.

The work HR professionals carry out today in connection with employee engagement and the employment relationship includes:

- managing the employment contract eg its legal basis, pay and conditions, discipline, absence, health and safety
- ensuring compliance with employment law eg redundancies, unfair dismissal, minimum wage, working time, discrimination
- direct communication through eg team briefings and employee surveys
- promoting retention, involvement and engagement through eg 'partnership', teamworking and work–life balance policies
- the collective processes of negotiation and consultation, with and without trade unions.

The underlying theme of this report is that managing the employment relationship remains central to good HR practice. The emphasis of employee relations continues to shift from institutions to relationships, but employee relations skills and competencies are still critical to achieving performance benefits. The focus now needs to be on gaining and retaining employee commitment and engagement.

### Invitation
The CIPD would welcome comments on any of the issues discussed in this Change Agenda. Comments should be addressed to Mike Emmott, Employee Relations Adviser (email m.emmott@cipd.co.uk)

# Part 1: An employer perspective

CIPD research has underlined the business significance of good employee relations:

- Employee attitudes and commitment are strongly associated with business performance, and managers see employee voice as contributing to performance via better employee contributions and productivity gains.
- The informal climate of involvement and consultation appears to be more strongly associated with employee satisfaction and commitment than the collective machinery for negotiation and consultation.
- Mechanisms in use for employee voice include two-way communications, project teams and joint consultation, but there is growing interest in electronic media, attitude surveys and partnership schemes.
- The major constraints on employee voice are lack of skills and enthusiasm by managers and employees.
- The psychological contract model, validated by successive employee attitude surveys, suggests that HR practices strongly affect the way people feel about their work. Employees' trust in the organisation, their sense of being fairly treated and the extent to which they believe their employer has delivered on the implicit deal between them, affects their attitudes towards job satisfaction, commitment, work–life balance and the state of employee relations.

However, relatively little has been written about the everyday management processes involved in managing the contemporary relationship. Therefore, over the last couple of years, the CIPD has undertaken a series of interviews with senior HR professionals that were designed to establish what significance the term 'employee relations' has for them and their organisations.

**What does employee relations mean for employers?**
Face-to-face interviews were conducted with a small sample of HR/employee relations managers in finance, manufacturing, and local government. The result is a snapshot of current attitudes and practice. Although

no claim can be made that the findings are necessarily representative of UK workplaces generally, some common themes emerge. The questions were straightforwardly designed to explore the following issues:

- How is employee relations organised?
- Why do employers need employee relations?
- What do employee relations people need to know?
- How is employee relations changing?
- How does employee relations impact on performance?
- Is employee relations in practice more reactive or proactive?
- Should an employee relations practitioner be an 'employee champion'?

**How is employee relations organised?**
None of the senior HR managers interviewed had any problem agreeing that they were interested in and concerned about 'employee relations'. Interestingly, however, few said that they used the term with colleagues. And even large commercial organisations had no employee relations function as such, but identified a number of specialist posts such as 'partnership co-ordinator' or 'employee communications' as having important employee relations responsibilities. Several respondents pointed out that line managers had key responsibilities in this area.

Many people had difficulty explaining clearly how employee relations differed in practice from the whole field of HR: the two can hardly be entirely synonymous but the boundaries are fluid and, particularly in smaller organisations, employee relations is essentially seen as a facet of/perspective within the total HR function. Some claimed that employee relations has a more strategic role than other parts of the HR function and that 'achieving strategy through people' distinguishes it from routine personnel work. So, in organisational terms, employee relations often suffers from a degree of 'invisibility' in that its boundaries are unclear and no single function or individual has specific responsibility for managing it.

## Why do employers need employee relations?

Nevertheless, there appears to be a consensus that employee relations continues to be a critical area for HR to manage. Some respondents claimed that large employers need representative structures in order to be able to communicate effectively with their employees. Though not a universal belief, research and other evidence suggests that many larger employers in both the public and private sectors accept this and are concerned to maintain or, if necessary, establish effective machinery for consulting employees. Within the public sector, some respondents displayed a strong commitment to working in partnership with their trade unions and this was reflected in both formal and informal contacts and committee structures.

The general view was that organisations needed to be capable of dealing with employees on both an individual and a representative basis. In terms of what actually needs to be managed, the emphasis was not so much on pay but on issues such as recruitment, retention, and pensions. Many respondents also underlined the need to be able to anticipate as well as respond to employment law. And finally, there was strong endorsement from several respondents of the belief that employee relations is about seeing the 'big picture' and helping the organisation to take appropriate action. The most detailed and persuasive responses reflected a view that effective employee relations practitioners were strong at storytelling and making sense of situations: ensuring that organisations told a consistent and credible story. This could be seen as one interpretation of 'strategic HR'.

## What do people with employee relations responsibilities need to know?

Given the wide scope of the term, it's unsurprising that answers about the skillset required of employee relations practitioners ranged quite widely too. The skills included:

- understanding collective labour law
- knowing how representative structures work
- awareness of general employment law
- facilitation and communication skills
- negotiation skills
- understanding how to develop trust and respect
- personal qualities: objectivity, robustness, confidence to tell senior people what they think
- awareness of employee attitudes/feelings
- business knowledge.

Many of these relate to personal competencies and behaviours. Some respondents commented specifically on negotiation skills. In manufacturing, for example, not only senior managers but also line managers need training in how to conduct relationships with trade union stewards. Many managers who have no responsibility for conducting pay negotiations may still have to negotiate with unions on a range of issues. On the other hand, employee relations is now seen to be more about building relationships and developing trust. In this respect, the relationship with trade unions doesn't necessarily differ in kind from relationships with management colleagues and/or with employees generally, and negotiation skills are equally relevant to a wide range of relationships.

## Is employee relations changing?

Since 1997, trade unions have been somewhat more institutionalised than formerly, with membership, for example, of the Low Pay Commission. The climate of employee relations has changed significantly since the 1990s. Many companies want to build a new relationship with employees and, where relevant, also with trade unions. It may be useful to distinguish between three different groups of employers:

- some who are vehemently anti-trade union – often publicly
- some who have no strong opinions, and no practical experience of dealing with trade unions, but could be persuaded to recognise them if they believed the union was able to add business value
- others who have a long-standing relationship with trade unions but would like to establish a new, more progressive relationship.

Public sector respondents were more likely to describe a recognisable 'industrial relations' environment. However, employers who continue to deal with unions are largely adopting a flexible partnership-style model, with less emphasis on 'managing the frontier'. The substantial expansion of employment legislation post-1997 has also changed the employee relations climate and affected management thinking.

Respondents emphasised that employee relations is now about managing in a more complex, fast-moving environment: the political, trade union and legislative climates are all shifting. In general, the agenda is no longer about trade unions. There is more emphasis on

direct communication, managing organisational change and involving and motivating staff. Issues about work–life balance and the war for talent reflect a changing workforce with changing expectations. Employers have to come to terms with these changes in managing the employment relationship.

## How does employee relations impact on business performance?

There was no disagreement among our interviewees about the significance of employee relations as a critical element of people management policies that has a positive impact on performance. Even those who were clearest about the shift towards 'softer' skills believed that the philosophy underpinning traditional approaches to industrial relations 'applies more now than before'. Some pointed to the need to manage major change projects, often involving redundancies; others to fallout from major legislation and the influence of employment law on business issues (eg TUPE transfers). These were offered as the kind of situations where employee relations issues needed to be discussed by boards of directors. It was also widely recognised that organisations needed to engage and involve employees and to build and maintain a positive psychological contract.

## Is employee relations in practice more reactive or proactive?

Despite their insistence on the performance link, many of those interviewed admitted that, in managing employee relations, organisations tended to be basically reactive, not least since business is often short-term in nature and managers often need to think on their feet. However, many also suggested that employee relations is now less reactive than it was, with more organisations engaged in scenario planning and addressing 'what if ...?' questions. They asserted that employee relations practitioners have to be proactive, for example, in seeking genuine partnership with trade unions, anticipating change and knowing what is happening in the wider world of work. Others placed emphasis on managing the change process and teambuilding and constantly looking to answer the question 'how can we deliver positive benefits to our organisation?'

## Should an employee relations practitioner be an 'employee champion'?

This question went down badly with almost all respondents, who denied any interest in adopting the role identified by Dave Ulrich (1997) as 'employee champion' (or more recently 'employee advocate'). Some saw the term as paternalistic while others thought it might be appropriate in a non-union context. In the last analysis, people felt that employee relations was there for the company and they clearly hesitated to accept a role that might appear to isolate them from other managers or possibly place their own loyalties in doubt. However, some pointed out that it wasn't in the employer's interest to upset employees and that the HR department might need to play the part of 'honest broker'. Similarly, others felt that employee relations practitioners can be the 'conscience' of the organisation, and the custodian of its culture and values. This issue is discussed further on page 10.

## So what can we learn from what practitioners say about employee relations?

Some key messages from the interviews reported above are:

- Employee relations today can be seen primarily as a skillset or a philosophy, rather than as a management function or well-defined area of activity.
- The emphasis of employee relations continues to shift from institutions to relationships.
- Lessons from research into employee voice and the psychological contract have been absorbed by employers and reflected in their employee relations policies and aspirations.
- While line managers and board members have roles and responsibilities in practising these policies, there remains a need for specialists with a strategic perspective and particular expertise in areas such as negotiation.
- Employee relations skills and competencies are still seen as critical to achieving performance benefits through a focus on employee involvement and commitment.
- Employee relations is seen as strategic in terms of managing business risk: both the downside risk of non-compliance with an expanded body of employment law, and the upside risk of failing to deliver maximum business performance.
- Organisations would like to be more proactive in managing the employment relationship.

# Part 2: What does research suggest should be at the heart of 'employee relations'?

## The decline of 'industrial relations'

'Industrial relations' is generally understood to refer to the relationship between employers and employees collectively. The term is no longer widely used by employers. The CIPD's Professional Standards include a module called Employee Relations, but the two are not synonymous. The term 'industrial relations' summons up today a set of employment relationships that no longer widely exist, except in specific sectors and, even there, in modified form.

The world of industrial relations in the decades immediately following the end of the Second World War was one of widespread union membership, industry-level agreements on pay and conditions, the 'closed shop', industrial action, and inflationary pay settlements. Employers struggled to assert their authority and in many sectors collective bargaining was accepted as a form of 'joint regulation' that gave trade unions a say in many key management decisions. That picture of the employment relationship is almost completely unrecognisable today.

The change can be measured on a number of different dimensions. Critical among these is union membership. From a peak of some 12 million plus, union membership has fallen to around 7 million today. The number of independent unions has also contracted dramatically, with about three-quarters of union members currently concentrated in 11 trade unions, each of which has a quarter of a million or more employees. With the projected merger of three of the largest unions – AMICUS, TGWU and GMB – the consolidation of a majority of union members into a small number of 'super unions' is coming increasingly closer.

## What accounts for the decline in union membership?

One frequently quoted explanation for the continued fall in union membership is the decline in the size of heavy industries such as coalmining, shipbuilding and steel, which once employed millions of manual workers. Conservative governments in the 1980s outlawed the closed shop and introduced strike ballots. Subsequent waves of privatisation and contracting out have limited the size of the public sector, where trade union membership continues to be relatively strong. However, this shift in industrial and occupational structures is responsible for only about a quarter of the decline in union membership (Fernie and Metcalf 2005).

The main factors underlying the decline are to be found in product markets and employee attitudes. Global competitive pressures mean that industrial action can destroy jobs. This fact has not been lost on UK employees. About one in every two have never belonged to a trade union (down from about one in four 20 years ago). Younger people are particularly unlikely to belong to trade unions, many saying that they don't see the point. Employers themselves have generally adopted a pragmatic attitude to trade unions, with no large-scale derecognition and little or none of the aggressive anti-union activities adopted by some employers in the United States.

## What has happened to collective bargaining?

By 1950, when trade unions had significantly enhanced their status by playing a constructive war-time role, three-quarters of the workforce were covered either by national agreements or by statutory wages councils which determined pay rates, working hours and other conditions. But this apparently stable system was steadily undermined by workplace bargaining in the 1960s, followed in the 1970s by an upsurge of strike action. This was the heyday for local union activists who engaged in bargaining over the 'micro-management' of work. Management efforts to reassert control through so-called 'productivity agreements' had at this stage only limited success. A significant proportion of the work of many personnel departments was engagement in union and industrial relations work.

But all that changed in the 1980s. Falling inflation and rising unemployment enabled the Government to legislate to outlaw the closed shop and require ballots before industrial action could lawfully be taken. Between 1980 and 2000, the coverage of collective agreements contracted from over three-quarters to under a third of the employed workforce. At the same time, the range of issues over which bargaining took place decreased massively. The Workplace Employment Relations Survey (WERS) 1998 (Cully et al 1999) showed that union officials spent most of their time not on negotiating pay and conditions but in supporting grievances on behalf of individual members. Even where collective bargaining continued, its impact on the exercise of management discretion was greatly diminished. A corresponding trend could be observed in the focus of HR staff faced with new employment legislation and the adoption of a more business-focused agenda.

This shift in the coverage and content of collective bargaining has been reflected in a dramatic reduction in industrial action since 1980. The number of working days lost per 1,000 union members decreased from an annual average of 1,163 in the 1970s to 76 in the 1990s. And the incidence of strike action seems unlikely to increase substantially in future, certainly in the private sector. The scope for effective industrial action in the public sector depends critically on relationships between Government and trade unions and the political leverage that unions may hope to exert on employers if they can win public support.

> 'Unions are confronted with apparently insuperable difficulties of international organisation and with widespread competition from, and outsourcing to, non-unionised firms. It has for most become irreversibly more difficult to mobilise the credible strength that might alter employer attitudes.'
> William Brown, Montague Burton Professor of Industrial Relations, Cambridge University

The result is the growth of a generation of HR professionals in the private sector in the UK and Ireland with no experience of unions and traditional industrial relations.

## What is the future of collectivism?
We are forced to conclude that the outlook is for a continued decline in union membership. Those sectors where membership is still relatively strong – public services, utilities, and transport – are unlikely to see significant continuing increases in the level of employment. Some 14 million employees – more than half the working population – are not union members and work in places where there is no collective bargaining.

The statutory union recognition provisions introduced in 1999 have had only a small impact, with some 20,000 employees affected directly and 170,000 indirectly ie where their employer has conceded recognition on a voluntary basis. In 2003, some 53 per cent of public sector employees and 21 per cent of those employed in the private sector were union members. For the future, Professor David Metcalf at the London School of Economics has estimated a 'steady state' density of union membership at some 20 per cent overall, implying a density in the private sector of around 12 per cent (Fernie and Metcalf 2005). It is, however, unclear on what grounds unions can expect to maintain a 'steady state' at this or any other level, and these estimates may be on the generous side.

These changes in union membership and collective bargaining parallel changes in HR and management philosophies: from a European- to US-orientation, from welfare/employee protection to business-driven HR strategies, and from hierarchical organisations and structured staff relationships to fluid, fit and flexible organisations practising direct communications and based on individualistic philosophies and practices such as performance-related pay.

With declining union resources and membership, trade unions will be largely dependent on others – particularly governments – if they're to find a new role. A number of scenarios are possible:

* *workplace support for individual members*. WERS 1998 (Cully et al 1999) suggested that union officials spent most of their time supporting grievances on behalf of individual members. Unions currently play an important role in helping individual members bring claims to employment tribunals, for example. But this imposes significant costs on

unions without necessarily benefiting the majority of employees. And other bodies, including citizens advice bureaux, may be equally or more effective in fulfilling this role.

- *providing services*. Unions can offer a wide range of services to their members, including, for example, insurance, health, and travel, building on the 'friendly society' role which many once fulfilled. But there is competition from commercial and other providers, and, in any case, such services can hardly be heartland territory for unions if their concern is to increase their influence.

- *partnership*. Implementation of the Employee Information and Consultation Regulations may reinforce the increased interest among employers and unions in 'partnership' arrangements. Many unions have developed co-operative relationships with employers and sought to promote a business agenda in the interests of their members. There may be scope for some unions to use the Regulations to extend their access to and influence on management decisions. On the other hand, an increased emphasis on consultation may further erode collective bargaining.

- *new alliances*. US academic Tom Kochan sees scope for trade unions to enter into alliances with local bodies in support of broader social and environmental objectives (Kochan 2003). An example in the UK is the campaign for a 'living wage' in East London. But any extension of activity on these wider fronts is likely to represent some dilution in unions' historical workplace focus.

- *political influence*. In recent years, unions have been involved in machinery for advising the present UK Government on issues such as the minimum wage, employee information and consultation, and company reporting. The EU social dialogue also gives a key role to unions in promoting social change, and unions have been effective in co-ordinating their agendas in Brussels. As governments across Europe seek to enhance their legitimacy and take effective action on labour market issues, they're likely to continue to rely to a greater or lesser extent on the experience and networks of trade unions.

The third Labour term may see more experiment in the area of social partnership, for example, by the implementation of the 'Warwick' agenda. This is unlikely to take the form of full-blooded consultation rights for trade unions on economic and other issues. But any new machinery for enforcing employment regulation might be expected to involve employer and union representatives. Similarly, if the Government chose to set up some kind of advisory machinery to improve working conditions in low-paid sectors and promote good management practice, unions might expect to be involved in some way. Under the current Government, they retain a level of political influence that belies their membership decline and have been an important influence on the recent 'reregulation' of employment. Developments in equal pay, trade union learning representatives, pensions, and information and consultation have helped to push traditional industrial relations issues back up the management agenda.

**What is the state of the employment relationship?**
The CIPD has for some years monitored the state of the employment relationship by conducting national surveys of employee attitudes. The model developed and used for interpreting the findings has been that of the psychological contract, which places at the centre of the relationship employee trust, a sense of fairness and belief that their employer has delivered on the implicit 'deal' between them. These three factors – trust, fairness and delivery – are strongly associated with behavioural and performance outcomes such as employee commitment and intention to leave.

The most recent survey of employee attitudes, reported in Guest and Conway (2004), suggests that levels of fairness and trust are both quite low. For example, 40 per cent of employees believe they are not fairly paid for the work they do, and 31 per cent believe their rewards are unfair compared with those of others doing similar work. Trust in senior management remains low. Only 25 per cent of workers place a lot of trust in senior management to look after their interests, while 41 per cent place little or no trust in them to do so. Views on the quality of leadership provided by the immediate boss are mixed, with fewer than half saying that he or she regularly provides motivation or regular feedback and only one in three saying they usually or frequently receive praise. About a quarter say that each of these occurs rarely or never.

The early findings of WERS 2004 (the first WERS since 1998) give a mixed picture of the state of employee

relations (Kersley et al 2005). Managers in 30 per cent of workplaces report that relations have improved a lot since 1998. However, employees' views have changed little over the period. Despite the introduction in April 2005 of the Employee Information and Consultation Regulations, the current survey records a decline in the incidence of joint consultative committees. Interestingly, mutual trust between managers and employee representatives is reported to be twice as high in workplaces where managers deal with non-union representatives as in those where they deal with union representatives.

These findings present something of a challenge for employers. If we look primarily at employee motivation and commitment, there seems no immediate cause for alarm. However, levels of trust and the sense of fairness are low, implying that the psychological contract could be much more positive and performance outcomes correspondingly higher. This is a major competitiveness issue for organisations. Despite the significant growth in direct methods of communicating with employees, there has been only limited development in levels of commitment and engagement, which our work shows are critical to sustained high performance in a knowledge-based economy.

### Has the decline in industrial relations left a gap that organisations need to fill?

The importance of managing and developing people to support business outcomes has probably never been more explicitly recognised by business leaders than it is today. The contribution of 'intangibles' to profitability has been fully taken on board by analysts. The model of business organisation is increasingly seen as one turning on the capability of its people, with physical assets often of less significance, reflecting the shift from a manufacturing to service economy. The evidence that effective people management practices translate into improved business performance is highly persuasive. Global interest in sustainability and corporate social responsibility has underlined the significant contribution to business performance of managing stakeholder relationships, not least those with employees.

But it's one thing for organisations to recognise the link with performance and another to manage it effectively. There may be a substantial gap between what managers know and what they do (Pfeffer's

'knowing–doing' gap (Pfeffer and Sutton 2000)). The range of issues business managers have to face from day to day is wide, and getting the employment relationship right can be very demanding of time and effort at many levels. Trust is increasingly conditional, and engaging employees' hearts and minds – critical as it is to managing the employment relationship – can be a major challenge for organisations. In an increasingly competitive global marketplace, 'good practice' in terms of enlightened employment practices is no longer enough. Unique combinations of human and other resources are critical to sustained business performance. More organisations now see that the key to adopting high-performance work practices is through 'engaging' employees. It's also a highly competitive market for 'talent', with employees and potential employees increasingly aware of their own value, being prepared to move if their current employer fails to recognise it.

A recent article in *People Management* (Francis and Keegan 2005) commented that the focus on HR practitioners adopting 'business partner' roles might risk damaging the traditional 'employee champion' function. In her inaugural lecture in 2005, Professor Lynette Harris has pointed out the difficulty in identifying who in modern work organisations is responsible for 'employee well-being'. Is it the responsibility of the HR function or the line manager? Or of the state through individual employment rights? Or, if it is accepted that responsibility is shared, do we have a shared understanding of who is responsible for what? Reflecting evidence from the 'black box' research by Professor John Purcell (Purcell et al 2003), she sees line managers as facilitators, playing the crucial role in turning HR strategies into reality through employee commitment. But there is an observed lack of commitment and insufficient value placed on managers' people management responsibilities and skills, compared to performance objectives that are seen to be more important.

## Employee relations at Dell

Dell is a US company that has grown rapidly since its formation 20 years ago and currently ranks number three on *Fortune*'s Global Most Admired Companies list. It seeks to deliver value to customers through its direct business model, by focusing on the customer experience and taking out cost from the production process.

The company is data-driven. Managers report on the achievement of targets on a daily basis. Its employee relations climate is strongly influenced by its aspiration to be a 'great company and a great place to work' through the adoption of a 'winning culture'.

The focus is on the team and on individual contributions to the team. People/line managers are expected to interact with individuals, and their performance in this area is closely monitored. Both people managers and individual contributors are measured on the way in which they deal with people as well as on their technical proficiency. There's a consistent emphasis on how people do their job, not just what they do, including, for example, support for colleagues and behaving ethically.

The company makes a conscious effort to recruit people who will have a good 'fit' with its values – people who are open, direct and who focus on getting the job done rather than engaging in office politics. The company runs a leadership programme each year, which in 2005 is focusing on personal development planning.

Employee engagement is driven by the relationship between individuals and their manager. The expectations of people managers are clearly defined:

- Set a performance plan.
- Work in each team on individual development plans.
- Undertake mid-year review.
- Undertake end-year review.
- Undertake monthly review with each individual (30 minutes to 1 hour)
- Give feedback to improve performance.

Dell measures people managers' compliance with their performance management targets, tracking what has been done at each stage. In addition, senior managers are expected to take regular opportunities to engage with more junior staff, for example, at 'brown bag' lunches with different groups, or while visiting operations in other countries, to help embed a common culture.

Other methods of encouraging dialogue include quarterly results meetings across the business at which senior managers take questions. 'Tell Dell' surveys every six months cover core areas suggested by statements such as 'Management is doing a good job positioning the company to win in the marketplace,' 'My manager is effective at managing people,' 'I receive ongoing feedback that helps me to improve my performance,' 'My manager sets a good example of ethical business behaviour,' 'I would recommend Dell as a great place to work' etc. The surveys provide a broad measure of employee engagement.

The data is analysed to identify trends. Managers are then tasked with sharing their results with their teams and developing team action plans to address issues and drive improvements.

### Employee relations today: building employee engagement

A key issue for managers is *focus*. Are they directing their attention to the issues that will make a real difference to business performance? There's strong evidence that a positive psychological contract with employees will lead to superior economic performance, but where does managing the psychological contract figure in the list of management – and specifically of the HR function's – priorities?

Responses to the CIPD's *HR Survey: Where we are, where we're heading* in 2003 suggest that managing the relationship between organisation and employees doesn't come near the top of the list. Only one in two respondents placed employee involvement among the top five priorities for the HR function in their organisation. This modest rating is reinforced by the tiny proportion of respondents to the survey (one in eight) who said that they either were, or aspired to be, 'employee champions'. There is some ambiguity about what people understand by this term, but evidence from our interviews with practitioners (page 5) confirms that few HR professionals feel comfortable identifying in this way with employees. Clearly being an employee champion must imply a measure of concern for employee needs and aspirations, so the low level of support for this role tends to confirm that, in practice, such concerns come quite low on the list of the HR function's priorities.

Further indications of employer priorities can be found in the research evidence about the use of employee involvement practices. WERS 1998 (Cully et al 1999) showed that a range of 'new' management practices and employee involvement schemes were fairly widespread, with well over half of workplaces having 5 or more of the 16 practices identified, including working in formally designated teams, having team briefings, undertaking performance appraisals and using problem-solving groups. Such practices might be regarded as a model of direct employee participation in decision-making but, although two-thirds of managers reported that most employees worked in formally designated teams, only 5 per cent said that team members had to work together, were given responsibility for specific products or service, jointly decided how work was to be done and appointed their own team leaders. And WERS

2004 finds that there has been no increase since 1998 in the proportion of workplaces with such 'high commitment' practices (Kersley et al 2005).

The CIPD employee attitudes survey (Guest and Conway 2004) shows the proportion of employees saying that they feel involved in workplace decision-making has fallen from two in four in 1996 to two in five in 2004. There is anecdotal evidence to suggest that the current insistence that HR should demonstrate its business value may further distract practitioners from paying attention to employees, which would of course be a wholly unintended and unfortunate outcome. The issue is how can organisations be more effectively encouraged to place the employment relationship at the centre of their management agenda? HR and line managers have a key role to play but the balance between them will vary. Where line managers are doing their job properly, HR will generally have a more strategic role, but they may need to offer more active, hands-on support where line managers are less competent.

Despite the increased reliance on direct communications, including use of employee attitudes surveys, and the fact that more than one in three respondents to the HR survey said they were responsible for employee communications, there is clearly still a huge role for HR in most workplaces to assert the engagement agenda at senior levels and help translate it into everyday reality. The link between HR practices and business performance is not automatic. It operates through employee perceptions and attitudes. High-performance practices cannot simply be 'imposed'.

### What is employee engagement?

The achievement of business goals and financial returns is increasingly dependent on delivery by front-line employees. This emerges from the operation of a mix of HR/high-performance work practices in the context of a supportive management. It can't be imposed from the top but depends on developing employee security, trust and buy-in to the goals and values of the organisation.

In his 2004 CIPD publication, *The New Rules of Engagement,* Mike Johnson describes 'engagement' as a combination of commitment and organisational

citizenship. These are both shown by CIPD surveys to be routine outcomes of a positive psychological contract. In his recent book, *The Enthusiastic Employee*, David Sirota uses attitude survey data to produce a theory of motivation based on equity, achievement and camaraderie (Sirota et al 2005). Despite differences in language and emphasis, these factors are highly consistent with those tracked by CIPD surveys of the employment relationship. The recipe for success is recognisably similar. Job security, respect, organisation purpose, feedback, recognition and teamworking are all there. What managers need most is advice and help in translating these aspirations into practice.

Employers' increasing interest in engagement is reflected in their increased concern to measure employee behaviour and its impact on the business. Engagement focuses attention on the 'outcomes' side of the model of the psychological contract. Engaged employees show commitment, make a willing contribution, help others, are absent less often and are less inclined to leave. Human capital management provides a framework within which more organisations are likely to rediscover the significance of employee inputs to business effectiveness. An excessive focus on short-term financial performance has been shown to be counterproductive. The HR function is critical to asserting that directors and managers need to focus more on employees and customers, not just shareholders.

### What is the link between employee relations and engagement?

There is no shortage of evidence about people management policies and practices that contribute to building employee engagement. They include:

- *employee voice*. Research for the CIPD by Professor Mick Marchington (Marchington et al 2001) shows that managers are much more convinced than they were a decade ago that involvement produces business benefits. This is confirmed by the range of methods for direct communication and recognising individual employee contribution that HR departments now implement and operate.
- *teamworking*. WERS 1998 (Cully et al 1999) commented that 'training, teamworking, supervisors trained in employee relation matters and problem-

solving groups are all associated with one another. In combination, this group of practices might be construed as a model of direct employee participation in decision-making.'
- *work–life balance*. Policies on work–life balance are being used by employers to underpin positive workplace behaviours. The CIPD's surveys of employee attitudes (see for example Guest and Conway 2004) have underlined the link between work–life balance, commitment and performance, and there is strong support by employers for the current legislation giving employees the right to request flexible working.

It is evident that a wide range of people management and development activities, including job design, training and careers, can contribute to engaging employees. Drawing on the evidence in WERS 1998, David Guest (Guest et al 2000) found no evidence of a link between collective machinery (whether collective bargaining or employee consultation) and business performance. Using the same basic data, however, Beaumont and Hunter (2003) concluded that a combination of direct and indirect methods was most likely to be effective. The consensus among managers who have made extensive use of employee information, consultation and involvement schemes suggests that, in general, the more methods adopted, the more positive the likely impact. But effectiveness is mediated by the quality of the relationship, and the degree of mutual commitment and trust, rather than simply by the existence of structures.

There are clear links with the business performance model constructed by John Purcell and his colleagues (2003) at Bath University. The model focuses on the implementation of HR practices by line managers, and on employees' ability, motivation and opportunity to practise discretionary behaviour. Employee relations can be seen as a critical ingredient in the 'black box' and one whose role is less well understood than other elements such as training or reward. In promoting genuine two-way engagement in the employment relationship, employee relations can be seen as constituting the heart of the high-performance model. In actively pursuing this agenda, HR professionals provide the policies and promote the culture in which employees deliver high performance in practice.

## Managing employee relations at ITV

The company's approach to employee relations is based on engaging with its employees. It does this by a combination of methods: collective bargaining, consultation with elected employee representatives and direct engagement with individuals (see figure 1). Engagement is regarded as being critical to the success of the company, which is developing a balanced scorecard containing different measures of engagement.

**Figure 1: Employee engagement at ITV**

| Communications with recognised unions in collective bargaining | Communications with democratically elected employee representatives | Communications with individuals |
|---|---|---|
| 15% workforce in membership | 15 different communication groups | Watercooler |
| 50% coverage for collective-bargaining purposes | 250 directly elected employee representatives | 60-Second Update |
| | Frequent use of twin-track consultation | Management cascade |
| | | Surveys |
| | | Engagement in change projects |

ITV uses a wide range of *direct communication* methods to engage with individuals. ITV's intranet, known as the Watercooler, provides a daily online update on news affecting ITV and there's a weekly Watercooler for employees who are not online. Other methods of communication include the 60-Second Update – produced monthly by central communications and setting out what's going on in the business – individual development reviews, briefing meetings, workshops and using individual relationships with line managers. The effectiveness of the process is monitored through employee opinion surveys.

The company also engages in *collective consultations* through elected representatives because unions represent only 15 per cent of employees and the employer wants feedback from the whole workforce. ITV needs to consult employees frequently because of the scale of change within the organisation. It has 15 communication/consultation groups centred on different businesses/locations.

ITV uses *collective bargaining* as a means of securing employee agreement on new working practices. It believes that collective relationships deliver significant change management benefits to the company and help to reassure employees that their interests are being respected. However, they rarely deliver engagement, which is built on the role of line managers, HR policies and effective employee communications.

The distinction between negotiation and consultation can be quite subtle. In practice, the company uses a similar approach in dealing with recognised unions (collective bargaining) and elected employee representatives (consultation): management sets out its proposals, it takes account of the response and it decides what action to take.

Language is important. It's simply impolite to say, 'We're not here to negotiate.' Management's line is, 'We'll listen to everybody.' Negotiations can lead to industrial action if they break down, but this is less likely with the process of consultation. However, the critical issue is the same: are employees willing to support what you're proposing?

## What about employee communications?

A survey by Towers Perrin of employee attitudes in six European countries, including the UK, found that a key component in securing workforce engagement was 'committed, visible and involved senior leaders who communicate frequently and believably on a range of business and organisational issues'. Communication is the glue that makes policies real and without which they are ineffective. The fact that communication is necessarily a two-way process, involving dialogue rather than simply instruction, is well established. Yet many organisations perform badly in this area, failing to give communication the priority it deserves.

Surveys show that when managers say they have consulted employees, many employees say they were unaware of it. Getting communication right involves both professionalism and persistence. Many organisations need to adopt more imaginative ways of communicating with employees. It's not enough that messages have been delivered – they have to have been received and understood or there will be no impact on employees' hearts and minds. If organisations are serious about engaging with their employees, they have to review their communications processes as a whole and think about how to get their genuine involvement.

## How do HR professionals display employee relations competencies?

Issues about how to manage the workforce, and the appropriate skills required, were fairly well understood within an industrial relations context. Successful HR directors were those who were able to secure agreement with trade unions on pay and conditions or working practices at an acceptable price without serious industrial action. The machinery of industrial relations rested on rules and procedures, with a panoply of committees and forums, whether at workplace, organisation or possibly national level. Industrial relations was often a bureaucratic activity, with elements of ritual and gamesmanship, mediating the balance of power between employer and employees.

The game has changed, but many of the personal qualities, skills and attitudes developed in an industrial relations context still have resonance in today's organisations. Mark O'Connell (HR director at Skandia) currently has no unions to deal with. However, he sees employee relations as operating at the narrow end of

a funnel representing the complex environment within which the company operates. The job involves putting information 'into an order where it can be consumed and it's worth something'. Mark has to bear in mind what impact messages are likely to have and what the company wants managers and staff to do as a result. 'I have to be an employee representative at director level.' At the same time, he has to see issues in terms of what they mean for the business, he needs the confidence and credibility to advise top management on the challenges ahead, and he needs to be 'the engineer with the oil-can'.

These kinds of attitudes and behaviours can be seen as reflecting an industrial relations tradition: a style of management that draws on the experience of dealing with trade unions but is wholly relevant to the changed circumstances of today's workplaces. Its defining qualities are focusing on positive behaviours and outcomes, taking a positive, problem-solving approach, anticipating problems, recommending solutions and being able to offer sound advice to senior managers about implementation. Negotiating skills are still useful but needed less often. A much wider area of knowledge is now required, along with the skills to apply it, including surveying and interpreting employee attitudes, communications and conflict management. Most important is the ability to 'fit' policies and practices to suit the organisation's goals and the character of its workforce.

Despite the difference in language, there is an obvious similarity with the qualities required by effective human capital management. Human capital management focuses on people practices that will achieve the business strategy, developing organisational commitment and engagement through employee involvement and dealing with issues of culture, work–life balance, values and behaviours.

Mark's focus on managing the process of internal communications looks very much like Ulrich's 'employee champion' role. In his latest book (Ulrich and Brockbank 2005), Ulrich identifies, as the first way of HR adding value, managing the inward flow of customer, shareholder, economic and other information to make sure employees recognise and adapt to external realities. This can be seen as part of the wider process of culture management, helping to align employee and

## Employee relations at South-West Trains

The company has a well-established collective bargaining agreement with ASLEF, the RMT, TSSA and AMICUS, which operates through the South-West Trains Company Council. This agreement gives the unions negotiating rights on a range of issues, including pay and terms and conditions of employment. They are also consulted on issues relating to performance and attendance, changes in working practices, and redundancy. The Company Council is supported by a number of smaller groups.

South-West Trains needs to ensure that it can involve and engage all staff, not just its union members. A number of employees are not represented by a union and have a limited formal voice in the company. In addition, the firm's 'Tell Us' employee survey shows that a percentage of staff don't feel they're consulted about major decisions. These factors, combined with the approach of the new Employee Information and Consultation Regulations requiring that all staff are included in consultation arrangements, led the company to review its existing arrangements.

The company would prefer the current collective-bargaining machinery to be adapted to allow non-union representatives to be informed and consulted alongside union representatives. However, other options may be possible, including establishing employee forums that would be open to all staff and would operate in parallel to the Company Council.

Although it has a very good working relationship with all the unions, the company has moved away from relying solely on collective machinery to inform and consult employees. It takes responsibility for communicating with all employees and has improved its direct methods of communication. It holds ad hoc forums on specific issues to generate feedback from employees. Staff surveys have shown that employees want face-to-face communication, where possible through their line manager. 'Time with your manager' sessions have been introduced for operational staff to ensure that individuals have regular conversations with their line manager.

HR seeks to get across the message to line managers that negotiating skills are basically communication skills, and that authentic conversations are needed to establish trust-based relationships with employees. 'Partnership' in the company is seen as being essentially between employer and employees, while the relationship with the trade unions is a professional one. In addition to regular team briefings by line managers, the company is increasingly using email and the company intranet to communicate with employees.

organisational values and seeing that they are reflected in organisational processes and behaviour.

### Managing workplace conflict

Although workplace conflict is no longer reflected in high levels of industrial action, the ability to manage conflict remains a key issue for many organisations. Mediation as a method or technique of resolving workplace issues represents an important shift from the traditional industrial relations framework, with its emphasis on formal discipline and grievance procedures, towards more of a 'win–win' approach consistent with

the philosophy of HR management. The Government has encouraged the adoption of alternative dispute resolution through the courts system, and the expanding volume of tribunal cases has helped to raise its profile in the employment field.

There is some evidence of increased interest by employers, both in training managers in dispute avoidance and resolution and in using external mediation services where necessary, though it is larger organisations, particularly in the public sector, that have been most interested in developing in-house mediation

schemes. One inhibiting factor is cost; another may be a degree of institutional inertia. But the Advisory, Conciliation and Arbitration Service (ACAS) has pointed out that a third factor inhibiting take-up is the tradition of management discretion, which may discourage managers from being willing to accept outside input. A focus on performance requires today's employee relations managers to try to create the capability of dealing with conflict and potential conflict in a professional way.

### What can academics usefully tell us about 'employee relations'?

By and large, academics have preferred to write about either 'industrial relations' or 'HR management'. If the possibility of coining an alternative term such as 'employment relations' has been considered at all, it has been rejected on the grounds that it would be unlikely to disturb the existing momentum behind HR management (Ackers and Wilkinson 2003). The same authors comment that 'HRM [has] filled the vacuum created by trade union decline and IR's lack of interest in management issues.' 'Employee relations' as such has taken little hold on the imagination of academics.

Clegg's (1970) standard text, *The System of Industrial Relations in Great Britain,* looks massively dated today. There seems little energy left in a distinctive industrial relations field of study and few managers look to the literature for inspiration about how to manage

better. Ideas about stakeholding and corporate social responsibility have begun to crowd out the old debate about 'unitarism' and 'pluralism'. Most employers are adopting a mixed model combining elements of both formal and informal communications and direct and indirect methods, but with an emphasis on top-down communications and management decision-making. If there are distinctively new models to study, they are more likely to be found in the practices of relatively new small employers such as Innocent (fruit drinks) and St Lukes (advertising agency), which are heavily influenced by the beliefs of key individuals.

If the decline of industrial relations thinking leaves a gap that matters to managers, it's in terms of the need to recognise that employees' interests are not necessarily identical with those of their employer; that despite the decline in strikes and other forms of industrial action, workplace conflict still needs to be managed; that HR management philosophies may understate the 'messy realities' of managing people (Edwards 2003); and that power – including that of employees – also influences the employment relationship. For example, talented workers may have a critical effect on business performance but won't hesitate to leave if they feel their contribution isn't recognised. And the model of the psychological contract, with its emphasis on fairness and trust as the basis of durable relationships, owes something to the industrial relations tradition.

'And yet, the academic field of industrial relations is at a cross roads forty years removed from its golden age ... This is partly an issue of nomenclature. Up to the golden age, the label "industrial relations" clearly included questions of labour (markets, law and unions), and today's human resource management ... Some still use this broad definition, but many more use a much narrower definition that equates industrial relations with labour unions, collective bargaining, and perhaps labour markets. For some, industrial relations is a part of human resource management; for others, they are distinct entities ... The field of industrial relations has moved from the stability of the golden age to the current uncertainty, conflict, and turbulence of what can be labelled the "late middle ages of industrial relations".'

John W. Budd (2004).

# Part 3: What is the continuing value of employee relations?

Some initial conclusions from this analysis are worth spelling out:

- To a considerable extent, it is only in the public sector that trade unions retain a measure of their former strength and influence in the workplace. This is partly through the existence of institutions of collective consultation, reinforced by continued reliance in many cases on industry-level bargaining and the public policy emphasis on 'partnership'. But it's also due to the absence of commercial pressures and to the level of influence Government continues to exercise, both directly and indirectly, across the public sector. The Government's ability to secure the passage of its legislative programme requires it to be sensitive to trade union aspirations. This can be seen in the extent to which the Government continues to consult the unions on a range of industrial and social issues. Arguably, trade unions now exert more influence by political than industrial means.
- Union influence in the private sector, on the other hand, continues to decline. The main areas of the private sector where industrial disputes are still experienced from time to time – for example, public transport – are those where there's a clear public or political interest and/or the Government is seen as the ultimate 'banker'. Trade unions may also enjoy a somewhat stronger position in organisations that depend on public sector contracts, particularly where the Transfer of Undertakings (TUPE) Regulations apply (or are applied by agreement).
- 'Employee relations' as a term remains ambiguous, with no clear boundaries. Few organisations outside the public sector now have employee relations departments, and most HR people don't use the term on an everyday basis. It's not calculated to help managers focus on what they need to know and do to increase performance – the language has echoes of a historical era that offers few insights into contemporary practice. Language is determined by usage as much as institutional preference and most managers will continue to refer to the 'workplace' or 'employment relationship'. 'Commitment' and 'engagement' are becoming vital requirements, underpinning high performance as they do, and emerging from a positive employment relationship.
- The traditional academic models of industrial relations have only limited relevance to what managers do today. Employers are in charge and the role of 'joint control' and 'rule-making' by employers and trade unions has been substantially replaced by employment regulation and organisational values.
  HR management has largely displaced industrial relations as an organising framework both for managers and academics. HR people have played an important role in implementing direct communication mechanisms. The concept of the 'collective' relationship, with its own distinctive means of communication, is increasingly unrepresentative of most workplaces, where managers use a wide range of methods of communicating with individual employees, with specific groups and with the workforce as a whole.
- Employee relations can nevertheless point to an underlying philosophy and attitudes and skills that are still needed by HR practitioners. It's worth examining what industrial relations practitioners have contributed to managing organisations that is still relevant today. The current 'business partner' model is helpful in identifying an 'added value' framework within which HR practitioners need to operate, but an unreflecting business focus may lead to a neglect of the softer skills, which are essential to managing the employment relationship, and of employee interests and influence. Employers also need HR managers with a positive, 'can do' attitude who will resist the temptation to adopt a defensive or compliance-led HR culture. If 'employee champion' is not attractive as describing an essential HR role, there's still a job to be done

that includes understanding what employees are thinking and feeling – not only through surveys of employee attitudes but in interpreting them in the light of what the business requires and persuading others of the significance of what they reveal. This is a key function performed by HR and employee relations managers today.

- Increasingly 'streetwise' and powerful individual employees will only be satisfied by modern communications methods for so long, and, unless their employer genuinely provides a 'great place to work', with respect and a fulfilling role, their commitment will be reserved.

- Commitment and engagement are crucial to performance but they're not consistently high enough in the hierarchy of line management – or, often, HR – priorities. The Employee Information and Consultation Regulations may be helpful in raising the profile of employee voice and involvement, but the WERS 2004 findings give little basis for optimism that this will happen. More effort needs to be put into training and supporting line managers in, for example, teamworking and change management as the basis for establishing and maintaining motivation and commitment, which is a critical role for employee relations managers. Issues about 'alignment' of HR and business strategies have mostly to be resolved within this area. There is too much focus within organisations on strategy formulation and planning, and not enough on implementation and delivery. Managing the employment relationship rests heavily on the shoulders of line managers, but their competence in this area is, in general, seriously neglected.

- The work of the CIPD employee relations portfolio has shifted from industrial relations to employment legislation and employee engagement in response to the strong demand for work in these areas. The links between employee relations and other areas of our HR work, in terms of both public policy and professional practice, are increasingly recognised as the issues facing CIPD members are seen to cross traditional disciplinary boundaries. Research into employee relations will continue to feed into our contribution to the public policy debate on issues such as high-performance working, work–life balance, flexible working, change management and public service reform.

- The concept of engagement is helpful in promoting wider interest in the measurement of HR outputs, including through the widespread use of employee attitudes surveys and in performance management/ appraisal systems. The current debate about human capital provides a useful vehicle for promoting the 'engagement' message. As the CIPD continues to encourage organisations to adopt, and Government to promote, high-performance working linked to the productivity agenda, we will challenge the assumption that this can be achieved by top-down, imposed practices and we will underline the essential contribution of employee involvement and engagement.

- The idea of the psychological contract is fundamental to most models of the link between people management and business performance (including those adopted by Purcell and Sirota). Further research may be needed that looks inside the 'black box' and addresses how trust, fairness and delivery are successfully managed by organisations, despite the financial and commercial pressures that threaten to undermine them. These issues can, of course, also be found reflected (or submerged) in traditional industrial relations thinking and practice, but the critical shift in recent years has been to a clear focus on the performance effect. Despite the dramatic changes in the institutional framework and players discussed above, the basic psychology of the workplace moves more slowly and needs continuing care and attention if the UK is to raise its management performance.

# Conclusion

Engagement is an idea whose time has come. In one sense, it offers managers a framework for monitoring a range of indicators – including employee attitudes and behaviours – of the state of the employment relationship. But, beyond that, it represents an aspiration that employees should understand, identify with and commit themselves to the objectives of the organisation they work for. What does this 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. This may not fit well with a management culture still based on 'command and control': it's a genuinely transformational message. But without some significant progress in this direction, both high-performance working and strategic business partnering are unlikely to succeed.

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