

Employers and employees

EMPLOYERS are businesses or other organisations, such as government, which hire workers to work for them. An employee is a worker hired to work for a business or other organisation. Both employers and employees may feel that it is important for workers' views to be heard and taken into account in the workplace. Workers may be more motivated and employers may benefit as a result, for example. Workers therefore need effective EMPLOYEE REPRESENTATION at work. They need groups or forums both within and outside the organisation to speak with authority on their behalf.

INDUSTRIAL DEMOCRACY is where employees are given the right to elect representatives who will be directly involved in the internal decision making of the business. There is a variety of ways in which employees can be represented in an organisation.

Trade unions

These are perhaps the best known of the representative bodies. TRADE UNIONS are organisations of workers who join together to further their own interests. Trade unions have existed in the UK for over 200 years. Early unions were made up of workers with similar skills and interests, for example the General Union of Operative Spinners set up in 1829. Over time, their **objectives** or goals have remained broadly the same, although the importance of any single objective may differ from union to union. Their main objectives are to:

- secure high wages and maximise other financial and non-financial benefits for their members;
- prevent the loss of their members' jobs;
- gain safe working conditions;
- see that their members are entitled to welfare benefits if they fall ill, become unemployed or retire;
- provide a range of other services which might increase the welfare of their members;
- fight for causes, such as improved public services or nuclear disarmament or the election of a political party which their members support.

The functions of trade unions

Trade unions have a number of functions. These functions allow unions to achieve their objectives.

- They negotiate with employers on behalf of their members in the workplace. This is known as **collective bargaining**. Negotiations include everything from pay rates to conditions of service, redundancies and health and safety.
- They represent individual members in cases such as discrimination and dismissal. This may involve negotiating with the employer. If this fails, the union may pay to have the member represented at an **employment tribunal** or a

Question 1.

Eurotunnel is the operator of the high speed shuttle service which links the UK to France. It has a 99 year lease to operate the Channel Tunnel link, running freight trains and maintaining the infrastructure. It employs 3,400 people, of which about 1,400 are based in the UK on British contracts. To harmonise the workforce, management set up a company council in 1992.

Until June 2000 the company only recognised the council for consultation. But after the Employment Relations Act, 1999, it signed a recognition agreement with the T&G (Transport and General Workers Union) and a single partnership deal to cover all non-managerial employees and a joint management-union negotiating forum. The company suggested that the threat of industrial action and having to negotiate with many different unions swayed its decision, and the fact that the costs involved of action and negotiations would affect a company already £6.5 billion in debt. There were now two negotiating bodies - the council, representing all employees, and the TU forum, representing union members with sole negotiating rights over pay and conditions.

Two surveys were carried out, one just before recognition and the other 18 months after. Certain results were found.

- About 35 per cent of employees said they were union members in the second survey, but only 12 per cent in the first.
- Over 50 per cent of employees said there was an active union presence in the second survey compared to 6 per cent in the first.
- In the first survey there had been strong support for unions in all sections at Eurotunnel. Most said that unions would improve their pay and benefits (over 70 per cent), work conditions (75 per cent), health and safety, and grievances. In the second survey fewer than a third agreed that the T&G had been effective in representing employee interests and only 10 per cent said that the union had improved pay and benefits.
- Most employees wanted the council to be retained. But this was not a vote to replace the TU forum, as employees agreed the council had largely been ineffective as well.

Source: adapted from *People Management*.

- (i) Explain how the role of trade unions changed at Eurotunnel.
(ii) Examine the reasons for these changes.
- Discuss to what extent employee representation was affected as a result of the changes at Eurotunnel.



court of law. They provide members with a range of benefits. These vary enormously from union to union, but they tend to include free legal representation and access to cheap insurance and credit cards.

They act as a **pressure group** to influence the behaviour of businesses in general, as well as to affect government and the law. Since the beginning of the twentieth century, major trade unions have sponsored Labour MPs and the trade union movement still plays an important role within the Labour Party.

Trade unions are also responsible, along with management, for INDUSTRIAL RELATIONS. They communicate their members' wishes to employers and try to negotiate the most favourable conditions. However, successful industrial relations means that each party must take into account the wishes of the other when bargaining. It may not be in members' interests for a union to push for a longer work break if this reduces the efficiency of the business, perhaps resulting in job losses in future. However, it may not be in employers' interests to reduce breaks, even if this cuts costs, if it results in worker dissatisfaction.

The organisation of trade unions

In 2008, there were 174 trade unions in the UK. They vary enormously in size and in the way they are organised. However, they can be grouped into different **types** of union.

Craft or skill unions These unions represent workers who have a particular craft or skill. For example, musicians can join the Musicians Union, journalists can join the National Union of Journalists and bakers can join the Bakers, Food and Allied Trades Union. Craft unions are the oldest type of union in the UK.

Industrial unions These unions represent workers in a single industry. They don't necessarily represent all the workers in the industry, but they don't accept members from outside of that industry. Examples are the National Union of Mineworkers, the Fire Brigades' Union and the National Union of Teachers.

General unions General unions represent workers from different industries and different types of workers. General unions, traditionally, recruited from unskilled workers. However, over the last 20 years there has been a trend for unions to merge to create general unions which represent both skilled and unskilled workers, and blue-collar and white-collar workers. An example in 1997 was the creation of Unite. With its two million members, it would be the main trade union in the manufacturing, transport, finance, food and agriculture and printing industries.

White-collar unions These unions represent white-collar workers. Until the 1950s and 1960s, most union members were blue-collar workers. Hence, white-collar unions were seen as a

separate type of union. Today, most union members are white-collar workers. It can be argued that all white-collar unions, such as Unison or the National Union of Teachers, can be placed into one of the three types of Craft, Industrial and General Union.

The organisation of a trade union varies. However, in a typical trade union there will be both voluntary and full-time trade union workers. **Shop stewards or trade union representatives** are ordinary workers elected within a place of work by members. This group of workers is sometimes called a **branch** of the union. The role of shop stewards is to represent workers' interests to management on issues such as pay, redundancies and working conditions. They also represent the interests of their members at local, regional or national meetings of the union. Shop stewards are typically unpaid volunteers who work for the union in their own time.

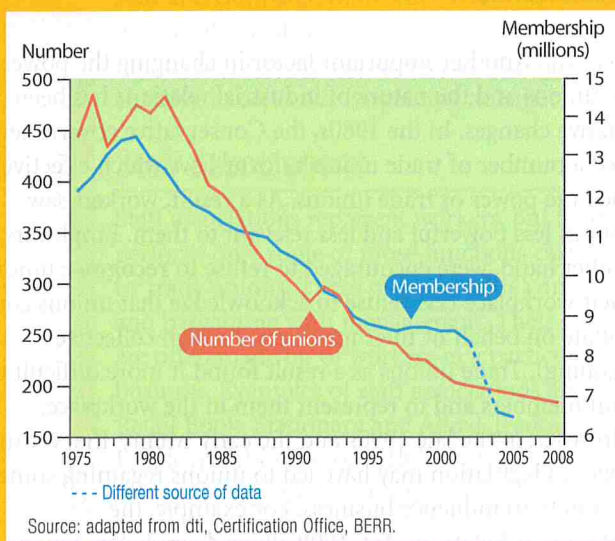
Full-time officials are paid officials of the union who work full time for the union. They will be based in offices of the union. They specialise in a particular type of union work, such as recruitment, training or legal advice. The most important full-time official will be the leader of the union, whose title varies from union to union, but is often called the **General Secretary** of the union. The General Secretary is elected by a postal ballot of all members.

Changing industrial relations and the effects on business

Industrial relations have changed over the last 40-50 years. This has been caused by changes in the power and role of trade unions, legislation and views on human resources management. These changes have affected businesses in a variety of ways.

Membership and union density Trade union membership has been in decline since the late 1970s as shown in Figure 1. Trade

Figure 1 Trade unions membership and number of unions 1975-2008



unions have traditionally been strong in primary and secondary industries and public sector services. Also, membership in the past tended to be dominated by male workers. But changes in the make-up of the workforce have altered the pattern of trade union membership. There has been a significant reduction in employment in primary and secondary industries, which has contributed to a decline in overall membership of unions in the UK. Partly this has been due to growing competition from foreign companies and the trend towards globalisation. The largest growth in the workforce has come from private sector service industries where trade unions have traditionally been weak. Moreover, there has been a shift in employment between males and females. In the past there were far more male than female trade union members partly because primary and secondary industries were male dominated. Jobs created in the last 20 years have been predominantly in the service sector and have been often taken by female workers.

Trends in union membership can be seen in the changes in UNION DENSITY, the proportion of any workforce that belongs to a trade union, in the UK. The formula for calculating union density is:

$$\text{Union density} = \frac{\text{number of union members}}{\text{number of workers in the workforce}} \times 100\%$$

Figure 2 shows that trade union density has fallen consistently. It fell from 32 per cent at the end of 1997 to around 27 per cent in 2006. This was because over the period the number of union members fell, but the number of workers in the workforce rose. In contrast, union density amongst female workers was greater in 2006 than in 1997. It has been suggested that the fall in union membership and union density have contributed to a reduction in the power of trade unions. Figure 3 shows that trade union density for both men and women is far greater in the public sector than in the private sector. This might suggest that unions could have greater influence on employers in the public sector.

Legislation Another important factor in changing the power of trade unions and the nature of industrial relations has been legislative changes. In the 1980s, the Conservative government passed a number of trade union 'reform' laws which effectively curbed the power of trade unions. As a result, workers saw unions as less powerful and less relevant to them. Employers, on the other hand, were encouraged to refuse to **recognise** unions in their workplace (i.e. refuse to acknowledge that unions could negotiate on behalf of their members through collective bargaining). Trade unions as a result found it more difficult to recruit members and to represent them in the workplace.

However, in the late 1990s and the early twenty-first century changes in legislation may have led to unions regaining some of their ability to influence business. For example, the **Employment Relations Act, 1999** allowed employees to vote for trade union recognition. Employers could be compelled to

recognise unions for collective bargaining under certain conditions. Applications for union recognition are made to the **Central Arbitration Committee (CAC)**. This is an independent body designed to provide guidance on union recognition and make judgments about recognition if disputes occur between employees and employers. This Act led businesses to increasingly recognise unions in the early twenty-first century.

Human resource management Human resource management philosophy in the last two decades has emphasised the need for individual pay bargaining and flexible workforces. Traditional union goals of nationwide pay agreements with workers getting the same rate of pay whatever their performance were seen as outdated. Moreover, the 'them and us' philosophy, associated

Figure 2 Trade union density, 1995-2006

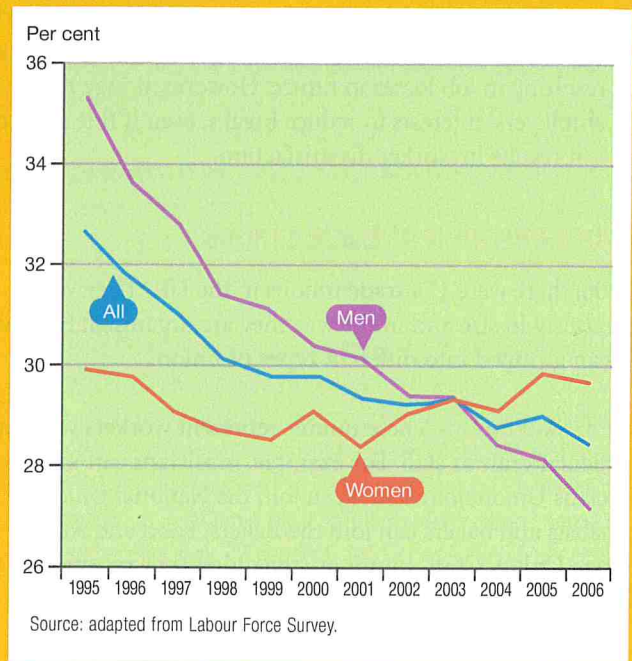
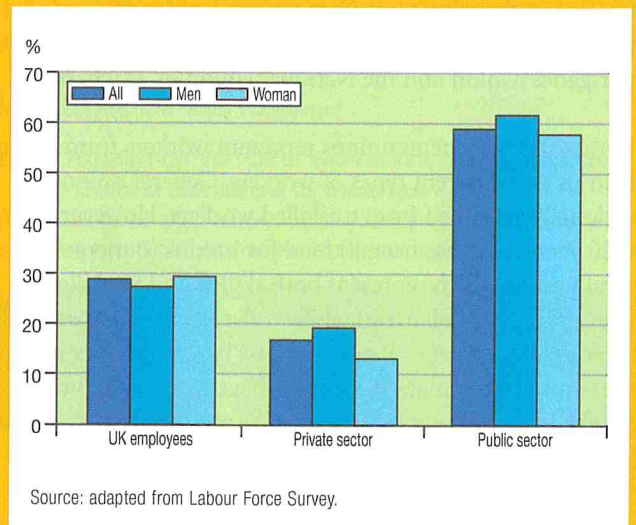


Figure 3 Trade union density by sector, 2006



Representation at work

with traditional trade unionism, was seen as contrary to a human resource management perspective, which suggested that the goals of workers should be aligned with the goals of the business. Existing employers were therefore encouraged by this to abandon or limit collective bargaining agreements. New businesses may have not recognised trade unions. The number of workers covered by collective bargaining agreements fell from 71 per cent to below 35 per cent in the 25 years before 2006. All this meant that trade unions may have found it more difficult to recruit members in private sector industry.

The overall result is that trade unions are active and recognised in a smaller percentage of businesses than they were 30 years ago. In some businesses, workers are unrepresented and are subject to individual bargaining procedures. Where trade unions are recognised, there has been a significant change in industrial relations.

- Industrial action is rarer. Confrontational approaches to problems are less common. Trade unions in particular recognise that it is in their interests to reach negotiated settlements. There is a much greater realism on the part of trade unions that their actions can make businesses less competitive, putting their members' jobs at risk. Equally, more businesses have recognised that by working with rather than against trade unions, they can improve industrial relations. Trade unions can play a useful role in channelling workers' demands and in reducing the number of negotiating partners for the business. They can also exercise some discipline over their members, helping them to see what is reasonable and unreasonable.
- Some businesses have formalised their relationships with unions by signing a **partnership agreement**. Such agreements lay out medium to long-term plans for industrial relations. They vary from business to business. But they typically cover pay, conditions of work, employment and training. For example, a business may

agree that there will be no compulsory redundancies in return for trade unions agreeing to changes in working practices. Or a more flexible working year for workers might be agreed in the context of a three year pay deal.

- In a few high profile cases, some businesses and unions have signed a **SINGLE UNION AGREEMENT**. A business agrees to recognise only one trade union for collective bargaining purposes. In return, that trade union agrees to a range of conditions about how it will operate. For example, it might sign a **NO STRIKE AGREEMENT** where it agrees never to bring its members out on strike. Or it might agree to **flexible working practices**. Single union agreements are controversial amongst trade unions. Other trade unions will be excluded from representing workers in that business. If every business concluded single union agreements, there would be major winners and losers amongst trade unions for members. What is more, many trade unionists see single union agreements as a 'sell out' to management. They argue that workers' interests are damaged because a union, to get a single union agreement, has to agree to unfavourable terms with the employer. In practice, single union agreements and no strike agreements have not given businesses a clear competitive advantage. For this reason, they remain the exception rather than the norm in British industry.

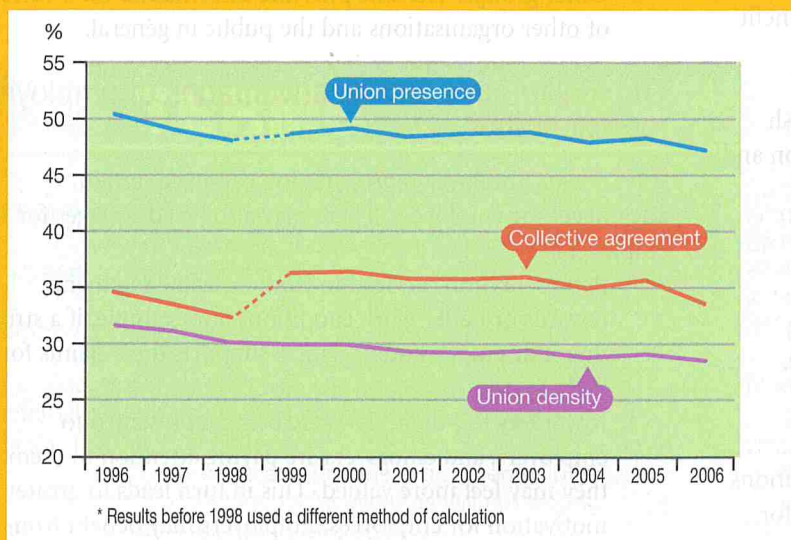
The number of unions The number of trade unions in the UK has fallen greatly since the 1970s. In 1975 there were 446. This had fallen to 213 in 2002. In 2008 there were 174 listed by the Certification Officer. This has been almost entirely due to merger activity. As union membership has shrunk and total subscriptions have fallen, trade unions have found it more difficult financially to cope. By combining, they have been able to spread their overhead costs more and so survive financially. Equally, it can be argued that larger trade unions are able to give

a better service to their members than very small trade unions. They are able to employ specialist staff and campaign more effectively than smaller unions. It can also be argued that very small unions do not have the industrial strength to be as effective in collective bargaining as larger unions.

Staff associations

Staff associations represent workers, but tend to perform only some of those functions carried out by trade unions. These might include consultation and bargaining with management. Their members are often made up of workers in a particular business. Examples of staff associations are the Retail Book, Stationery and Allied Trades Employees Association (RBA) or the Balfour Beatty Group Staff Association. In some cases staff associations develop into trade unions. Some associations are affiliated to the TUC, such as the Gallaher Sales Staff Association.

Figure 4 Union collective agreements, coverage and presence



Professional associations

Professional associations perform similar functions to trade unions and sometimes become TUC members. They represent 'professional' occupations. Examples include the British Dental Association, the Prison Officers Association and the Professional Footballers' Association. Some associations, such as the British Medical Association (BMA), represent their members in collective bargaining with employers. They are also responsible for the setting and maintaining of standards. For example, the BMA insists on certain qualifications before admitting employees to its membership. For this reason professional associations tend to be associated with 'white-collar' workers and higher paid groups of employees.

The TUC

The Trades Union Congress (TUC) is an organisation which represents all major trade unions in the UK. In 2008 its 66 affiliated unions had nearly seven million members. There were also around 180 unions outside the TUC.

Each year a conference is held and TUC policy is decided. Member unions send delegates to the conference, the number sent depending on the size of the union. The conference also elects the General Council of the TUC. This is responsible for carrying out policy and running TUC affairs in between conferences. A General Secretary is elected, who is often seen as the mouthpiece of the TUC and is directly involved in TUC negotiations with member unions and government. The TUC has a permanent staff which deals with the day to day issues in between the annual Congress.

In the 1980s and early 1990s the TUC was excluded from consultation by government. Since the mid-1990s, however, it has been involved in a number of new initiatives. For example, it has worked with government and the CBI to encourage partnerships in business.

In 2008 the main functions of the TUC were to:

- bring Britain's unions together to draw up common policies and avoid clashes with each other;
- lobby government to implement policies that will benefit people at work;
- campaign on economic and social issues;
- represent working people on public bodies and British workers in international bodies in the European Union and the International Labour Organisation;
- carry out research on employment related issues;
- run training and education programmes for union representatives;
- help unions develop new services for their members;
- build links with other trade union bodies worldwide.

Employers' organisations

Just as certain bodies represent workers, there are organisations which help and support employers. They are often useful for small firms that may be negotiating with a large union. These

organisations give advice to employers about collective bargaining and help with technical problems and overseas trade. They may also provide research and training facilities and act as a pressure group for industries. Examples include the Newspaper Society (NS) and the Engineering Employers' Federation (EEF).

The CBI

The Confederation of British Industry (CBI) was formed in 1965. It has a similar role to the TUC, but voices the opinions of employers rather than union members. CBI membership is drawn from private sector industry, service and commercial enterprises, major public sector employers, and some employers' associations, trade associations and Chambers of Commerce.

The internal organisation of the CBI is complex, but it has a ruling council which decides on policy. It also employs permanent staff, headed by the Director General. Detailed policy proposals are examined by standing committees. The CBI is organised to deal with local and area issues through its regional councils. These aim to keep in touch with the needs of small firms and local employers and help them solve their day to day business problems. The membership services of the CBI are wide ranging, both nationally and locally, and are backed up by skilled professional advice from lawyers, accountants and tax specialists.

What role does the CBI have? It attempts to represent its members' interests in a number of ways.

- Government policy. Just like the TUC, it attempts to influence government policy.
- Services. It provides legal, financial and economic advice to its members.
- Local businesses. It provides support and advice to local businesses through its regional offices.
- Through its office in Brussels, the CBI acts in the interests of British industry in the European Union.
- Trade unions. The CBI works with the TUC on consultative bodies such as ACAS.
- Other groups. The CBI provides information for a variety of other organisations and the public in general.

The advantages and disadvantages of employee representation

Advantages Employee representation can have certain advantages for employees. There may also be advantages for employers.

- Representation can lead to workers achieving higher rewards or better work conditions, for example, if a strong union or employee association supports their claims for higher wages.
- If workers feel their views are being represented to employers, and employers are paying attention to them, they may feel more valued. This in turn leads to greater motivation for employees. Employers may benefit from higher output as a result. It can also lead to benefits such as

- lower absenteeism and lower turnover of staff.
- Representation can lead to a greater use of the ideas of the workforce. Employee representation can increase the ability of employees to contribute effectively to the business. It encourages a greater interchange of information and ideas within a business. With more information and ideas, it may be easier to make the correct decision on any issue. For example, employees may be able to assess changes in the workplace more easily than employers who are not directly involved in the day-to-day operation of certain aspects of the business.
- Employers may be more sympathetic to the needs of employees. This may help when making decisions. For example, it may put them in a better position to decide if changes are going to cause disruption or unrest.
- It can help a business to develop a common culture and allow a business to achieve its objectives.

Advantages Employee participation can also have its advantages for both employees and employers.

- The decision making process can be slowed down. If employee's views are constantly being taken into account, it may take several times as long to come up with a decision compared to employers simply making a decision that best suits their needs. This is particularly important at times of crisis when decisions have to be made quickly or even instantly.
- It can be expensive and time consuming. There may be constant meetings with employee representatives.
- Employees may need to be given time off for union training or meetings, which can delay production.
- It may lead to conflict. Employees represented by a strong organisation at work are likely to have more influence than individual workers. Employers' objectives and those of employees may differ. This could lead to industrial action. Some employees will pursue their own interests at the expense of the interests of the business when given the

Question 2.

The Employment Relations Acts of 1999 and 2004 were legislation that enable union recognition. In some cases it would be statutory, for example if certain conditions are met, such as the union having 10 per cent membership and be likely to attract the majority of support in a ballot. In 2006 employees at Newsquest Printing Limited in Colchester, voted 100 per cent in favour of union recognition for Amicus (which became part of the trade union Unite in 2007). Amicus had recognition at the majority of Newsquest's printing plants throughout the UK and there were negotiations taking place at other Newsquest sites to establish recognition agreements. Even though 80 per cent of the workers in the 'bargaining unit' were Amicus members, the company still wanted a ballot. Amicus Branch Organiser, Dave Monaghan, was confident that Amicus could win but the result was even better than he had expected. There was a 91.4 per cent turnout and of the 53 votes cast, all were in favour of recognition. Amicus National Officer, Steve Sibbald, said 'I can't recall the last time we had a 100 per cent vote in favour. There are many occasions when it is over 90 per cent but the unanimous endorsement is better than we could have hoped for. We will now be working hard to establish sound and lasting structures within the company in order to promote a mutually beneficial relationship.'

Source: adapted from www.berr.gov.uk, www.amicustheunion.org.

- Explain the factors that may have influenced employee representation at Newsquest Printing Limited.
- Discuss whether employee representation will benefit the business in future.

opportunity. Employee representation can give them more opportunity to do this.

- Employee representation may encourage workers to believe they have more power than they actually have. This may lead to demotivation when they feel that their advice is not being acted upon.

KEY TERMS

Employee – a worker hired to work for a business or other organisation.

Employers – businesses or other organisations which hire workers to work for them.

Employee representation – the 'standing in' for employees and speaking with authority on their behalf.

Industrial democracy – where workers are given the right to elect representatives who will be directly involved in the internal decision making of a business, including the highest levels of the business.

No strike agreement – an agreement between unions and an employer that industrial disputes will not lead to any form of strike action by employees.

Single union agreement – an agreement between an employer and a trade union that only that trade union will be recognised for collective bargaining purposes; it effectively means that other trade unions cannot organise in that business and the business only has to negotiate with one union.

Trade unions – organisations of workers which exist to promote the interests of their members.

Industrial relations – the relationship between employers and employees, particularly groups of workers represented by a union.

Union density – the percentage of any given workforce that belongs to a trade union.

Employer and employee conflict

Conflict can exist between different groups and individuals working in business. One type of conflict which may lead to major problems is between the objectives of employers and employees. Conflict between these two groups may result from a number of factors.

- Rates of pay. Employers could attempt to keep wage costs down to remain competitive, whereas unions could try to maximise employees' rewards.
- The introduction of machinery. For example, a business may want to introduce machinery which requires workers to learn new production techniques. Employees, however, may feel that this extra responsibility is an unwanted burden.
- Flexible working. Businesses often require a more flexible workforce. A printing works might decide to operate a 24 hour shift, for example, to cope with extra work. Employees may be unwilling to work at night.
- Work conditions. Workers may feel that better canteen facilities are needed, but employers could see this as an unnecessary increase in costs.

The aim of **industrial relations** procedures is to make sure that each party finds an acceptable solution to any conflict that may exist. Successful industrial relations should prevent the need for industrial action by employers' or employees' groups.

Collective bargaining

COLLECTIVE BARGAINING is one way of minimising conflict in the workplace. It involves determining conditions of work and terms of employment through **negotiations** between employers and employee representatives, such as trade unions. These bodies represent the views of all their members and try to negotiate in their interests. One individual employee working for a large company would have little or no influence in setting their wages or conditions. The representative body has more strength and influence and can negotiate for its membership. Without such a bargaining process, employers and managers would be able to set wages and conditions without taking into account employees' interests.

For collective bargaining to take place:

- employees must be free to join representative bodies, such as trade unions;
- employers must recognise such bodies as representative of workers and agree to negotiate with them;
- such bodies must be independent of employers and the state;
- bodies should negotiate in good faith, in their members' interests;
- employers and employees should agree to be bound by

agreements without having to use the law to enforce them.

The result of collective bargaining is a **COLLECTIVE AGREEMENT**. These agreements are usually written and are signed by the parties and will be binding. Collective agreements can either be **substantive agreements** or **procedural agreements**. Substantive agreements are concerned with terms and conditions of employment. They include pay, work conditions and fringe benefits. Procedural agreements set out how the parties in the bargaining should relate to each other on certain issues. They include negotiating, redundancy, dismissal, recruitment and promotion procedures.

The number of workers covered by collective agreements fell from 71 per cent in 1984 to 35 per cent in 2002. There were many reasons for this including legislation, union membership, union organisation and the type and nature of employment. Collective bargaining is one method by which a business can achieve greater industrial democracy. This is a term which is used in different contexts, but, by analogy with political democracy, generally refers to a situation where workers are entitled to a significant voice in the decisions affecting the business in which they work. This is dealt with again later in this unit.

Question 1.

According to the GMB trade union, Asda the supermarket chain has withdrawn a 10 per cent pay offer to more than 700 workers at a goods distribution centre in the north-east of England. Asda said it had put forward a package of changes to workers' terms and conditions covering areas such as overtime, holiday and premium rates, with savings being used to increase basic pay. The changes would also have seen a move away from collective bargaining to settle pay negotiations to individual bargaining. However, when balloted, the workforce had rejected the package.

Asda has two depots in Washington, Tyne and Wear, one which it has always owned and the one at the centre of the dispute, which it bought several years ago. The two depots have different terms and conditions and the dispute is understood to have arisen from efforts to put both on a similar footing.

Labour relations are a sensitive area for Asda. Its US parent, Wal-Mart, has a reputation of being staunchly anti-union. Earlier this week, Wal-Mart said it was closing a store in Canada just six months after workers there won the right to join a union.

Source: adapted from *The Guardian*, 12.2.2005.

- Explain what it would have meant for the workers at the Asda depot in Tyne and Wear to have moved from collective bargaining to individual bargaining.
- What might be the advantages and disadvantages to (a) Asda and (b) the depot workers to have changed to an individual bargaining system?

Unit 78

Levels of negotiation

Negotiations can take place at a number of different levels.

International bargaining Large multinational companies operate in many different countries. Some have considered the possibility of negotiating the same conditions for all employees in the business, no matter what country or factory they work in. This has the advantages that conditions can be standardised and workers in one country will not feel envious of those in another. The major problem of this approach is the inflexibility it causes.

National level Employers and employees may agree a deal which applies to all employees. Negotiations may take place to set wage or salary scales, or to discuss national conditions of work. For example, an agreement could be reached on the number of hours that teachers or lecturers should work a year, or their length of holidays, between teachers' unions and the government. A private sector example might be negotiations between the train union RMT and Virgin Trains over health and safety conditions.

Local level Discussions may take place at a local level, so that any settlement can reflect local conditions. An example of local negotiations might be wages or salaries based on the area of operation. From time to time the weightings given to local authority workers for working in the London or surrounding areas are revised. These weightings are added to workers' salaries to take into account the higher cost of living in the area. A locally based engineering company may negotiate with regional union representatives about the need to reduce the workforce because of falling sales. Again, this is likely to take place at local level.

Factory or plant-wide level Negotiations at factory or plant-wide level can take place over a variety of aspects of work. They may involve the personnel department, departmental managers, shop stewards and employee representatives.

Examples of matters that might be agreed upon could be:

- productivity targets;
- the introduction of new machinery;
- hours of work and flexibility within the plant;
- health and safety conditions.

Individualised bargaining Individualised bargaining is where the result of negotiations is the agreement between the employee and the employer in the contract of employment. Union representatives are not involved in negotiations. This means that the employee does not receive advice and does not have the backing of an influential group when discussing terms and conditions. However, it may mean that both sides in the negotiations have greater flexibility.

The negotiation process

For negotiation to be successful in collective bargaining, an

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agreement must be reached which satisfies all parties. This is far more likely to be achieved if a pattern is followed during negotiation.

The agenda A meeting between all parties involved in negotiation needs an agenda. This will outline what is to be discussed and all parties must agree to it. The order of items on the agenda may influence the outcome of negotiations. If, for instance, all the employees' claims come first and all the management's points come later, then anything that is agreed at the beginning of the meeting cannot be accepted until the management side is given. An agenda that places management and employee items in alternate and logical order can make negotiations easier.

Information Both parties need 'facts' to support their arguments. Negotiators have to collect the information they need, analyse it and make sure that each member of the negotiating team has a say in its interpretation. Often managers make information about a company's financial position available to representatives before meetings. This ensures that both parties have the correct information on which to base discussions.

Strategy It is important for each side in the negotiations to prepare a strategy. This will help them to achieve their objectives. Developing a strategy could include the following stages.

- Agreeing objectives. What do negotiators seek to achieve? The objectives set by employers or unions should, if achieved, lead to improvements. For example, a change in employment rules might improve efficiency or motivation. Negative objectives that emphasise not 'losing ground' are not usually helpful.
- Allocating roles. Who will do what in the negotiations? Negotiators need specific roles. For example, there may be a chairperson to lead the discussion, someone to put the case and a specialist to provide advice.
- Predict what the other side might do. Strategies are unlikely to remain the same during negotiations. Their chances of success are improved if the negotiators have tried to predict what they will hear from the opposition. Negotiators must be prepared not only to put forward their own arguments, but also to respond to arguments put to them.

Unity Because negotiation involves different sets of interests, each team must work out a united position before negotiations begin. If the group's position changes, all members must agree. It is important that a group shows unity at all times during negotiations or its position may become weaker.

Size of the group The number of people representing each side will influence the negotiations. The larger the group the greater the problem of managing communications between group members. When asked to suggest a number, most experienced

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negotiators opt for three or four in each group. Meetings of fewer people may be accused of 'fixing' an outcome.

Stages of the negotiation Negotiators begin by making it clear that they are representing the interests of others. They often emphasise the strength of their case and start by saying they are unwilling to move from that position. The displays of strength are necessary to convince themselves and the 'opposition' that they are willing to fight for their position. By the time this part of the negotiations starts, both sides should be very clear on the matters that divide them. After the differences have been explored, the next stage is for negotiators to look for solutions that might be more acceptable to each party. Each party will sound out possibilities, float ideas, ask questions and make suggestions. No firm commitments are made at this stage. Negotiations are likely to be more successful if each group is willing to change its position.

Decision making The next stage is to come to some agreement. The management may make an offer. The decision about what to offer is the most difficult and important task in the whole process. The offer may be revised, but eventually it will be accepted or rejected. Agreement is usual in all but a small minority of situations. Employees do not really wish to disrupt an organisation. Even if they take strike action, they will eventually return to the firm. The management need the employees to work for them. They have to reach an agreement no matter how long it takes.

Written statement Producing a brief written statement before the negotiation has ended will make it clear what both parties have decided, if agreement has been reached.

Commitment of the parties So far, agreement has been reached between negotiators only. This is of no value unless the groups represented by the negotiators accept it and make it work.

Employee representatives have to report back to their members and persuade them to accept the agreement. Management representatives may also have to do the same thing. Once the terms have been agreed by both employees and employers, the negotiating process is complete. It is the joint responsibility of both parties to carry out and monitor the agreement.

Consultation

Negotiation, as we have seen, is an activity by which the two parties make agreements which may cover pay and conditions at work and relations between management and employees. JOINT CONSULTATION, by contrast, is the process where management representatives discuss matters of common interest with employee representatives before negotiating or making a decision. There are three types of consultation.

Pseudo-consultation Pseudo-consultation is where

management makes a decision and informs employees of that decision through their representatives. Employees have no power to influence these decisions. Some have suggested that it would be more accurately described as information-giving.

Classical consultation Classical consultation is a way of involving employees, through their representatives, in discussions on matters which affect them. This allows employees to have an influence on management decisions. Unions may be involved, for example, in restructuring.

Integrative consultation Pseudo and classical consultation do not directly involve employees in decisions which affect them. Integrative consultation is a more democratic method of decision making. Arguably it is neither consultation nor negotiation. Management and unions discuss and explore matters which are of common concern, such as ways of increasing productivity or methods of changing work practices. The two groups come to a joint decision having used, in many cases, problem solving techniques. An example of an integrative approach to consultation might be the use of quality circles in a number of UK businesses and in foreign firms setting up in the UK.

The Advisory, Conciliation and Arbitration Service (ACAS)

Sometimes parties fail to reach agreements after consultation and negotiation. In these situations the Advisory, Conciliation and Arbitration Service (ACAS) can be of great value to both sides.

During the period of industrial action in the 1970s, groups of employers and employees called for the setting up of a conciliation and arbitration service, independent of government control and of civil service influence. The result was ACAS, which took up its formal duties in September 1974. ACAS is a public body funded by tax, with over 900 staff employed in 11 regional centres and a head office in London. It has a chief executive and a council made up of 12 members ranging from union members to academics. Its main role is to prevent and resolve problems in the workplace. It provides a wide range of services to employers and employees in business.

Industrial disputes ACAS has conciliation duties. It can intervene in industrial disputes at the request of either management or unions. Its role is to try and encourage a settlement that all parties may agree to, using procedures that both parties accept.

Arbitration and mediation ARBITRATION is where both parties in a dispute put forward their case to ACAS. ACAS then independently assesses each case and recommends a final decision. Mediation is where ACAS makes recommendations about a possible solution and leaves the parties to find a settlement.

Advisory work ACAS carries out advisory work with employers, trade unions and employers' associations. This can be short

Question 2.

In January 2005, WM Morrison, the supermarket group, was pressed into rewriting a recognition agreement with the Transport & General Workers Union (T&G). The issue started in January 2004 when 87 per cent of the 1,600 T&G members working at two distribution centres at Wakefield and Northwich rejected a pay offer. Under the terms of the existing agreement, Morrisons had the right to refer any dispute to binding arbitration, where both sides were bound to accept the results of arbitration. Morrisons duly referred this dispute to arbitration. The arbiter confirmed the offer that Morrisons had originally made, much to the disappointment of the T&G.

The T&G responded by attempting to renegotiate the recognition agreement to remove the binding arbitration clause. Morrisons refused. Then the company invited other trade unions to 'bid' for T&G members. This meant asking other trade unions to enter negotiations with Morrisons with a view to changing the union to which existing T&G members belonged. Not surprisingly, the T&G were outraged by such action and in June 2004 conducted a ballot of the 1,600 members for strike action. Over 90 per cent of members supported full strike action.

With the strike ballot result in their pocket, the T&G returned to the negotiating table with Morrisons. In November 2004, the company agreed to remove the binding arbitration clause. It also offered substantial pay increases to the workers. Some drivers received as much as a 15 per cent pay increase taking their pay to £8.33 an hour.

The T&G said that it was very pleased with the outcome. It would



now target the 400 non T&G workers at the two sites and hopefully persuade them to join the union. The aim was to get 100 per cent membership of the T&G in the workforce.

Source: adapted from Timesonline, 12.1. 2005, Personnel Today, 12.1.2005, T&G News, January/February 2005.

- Suggest why binding arbitration was unpopular with T&G members at the two Morrisons distribution depots.
- Discuss whether binding arbitration would always have acted against the interests of the union members at Morrisons.

visits to answer specific questions or long-term, in-depth, projects and surveys. The questions ACAS deal with are wide ranging and can include issues such as contracts of employment, industrial relations legislation, payment systems and personnel policies.

Codes of practice ACAS issues codes of practice. These contain practical guidance on how to improve industrial relations between employers and employees.

Enquiries ACAS has carried out enquiries into the flexible use of labour, appraisal systems, labour turnover, employee involvement, handling redundancy and the use of quality circles. Much of this research is published by ACAS as advisory booklets. Employers use them to help improve industrial relations and personnel management practices.

Individual cases ACAS investigates individual cases of unfair discrimination and unfair dismissal.

Tribunals Employment tribunals hear a wide range of employment disputes, including unfair dismissal and discrimination. ACAS operates independently from the tribunals. Its role is to offer conciliation on disputes, with the aim of settling the matter without a tribunal hearing. This is

known as alternative dispute resolution (ADR). The **Employment Rights (Dispute Resolution) Act, 1998** set up an ACAS arbitration scheme designed to find other methods than the courts for solving disputes.

ACAS has developed its services to meet the needs of a changing industrial relations climate. While the bulk of its work continues to be conciliation, mediation and arbitration, it has steadily developed advisory and training services. ACAS has also become more involved in helping business to improve personnel and management practices. These include:

- effective recruitment and selection of employees;
- setting up and operating equal opportunities policies;
- improving communications and joint consultation;
- developing the skills of managers to help them introduce changes in work organisation.

The role of the Central Arbitration Committee

The **Employment Relations Act, 1998** set out a process for unions to be recognised automatically or where a majority of workers voted for it. The Central Arbitration Committee (CAC) is a permanent independent body responsible for union recognition. It has a number of functions.

- It judges applications relating to the statutory recognition and derecognition of trade unions when recognition or derecognition cannot be agreed voluntarily.

- It helps to determine disputes between trade unions and employers over the disclosure of information for collective bargaining.
- It handles claims and complaints regarding the establishment and operation of European works councils in Great Britain.
- It provides voluntary arbitration in industrial disputes.

In the case of union recognition, the CAC would first encourage parties to settle the matter themselves. If this failed, it could award recognition or the union could hold a ballot. The CAC has the power to instruct the employer to co-operate with the ballot or risk a fine.

Employee participation and industrial democracy

Employees are increasingly participating in the operation of businesses and decision making. Decision making is often more accurate and effective when those involved in carrying out instructions have a say in the decision. Many businesses today recognise the value of their employees' views and contributions when deciding on objectives and strategies. The participation of employees in business decision making can take many forms.

Autonomous work groups Autonomous working groups and cells are increasingly being used by businesses to improve performance. They are groups of employees who operate without direct supervision from superiors, making their own decisions about the allocation of tasks, selection and training of new group leaders and methods of working, for example.

Teamworking Teamworking is where employees work together on tasks rather than individually. Teams can take a variety of forms. There may be permanent teams that meet from time to time, such as a management team or a quality circle. They might be permanent teams that are set up and work together constantly each day, such as an autonomous production work group or cell. They might be teams set up for a specific purpose over a particular time period, such as a team to investigate a production problem or whether market research supports a new product.

It is argued that working in teams motivates workers, especially if they are empowered to make decisions. Decisions might benefit from the input of a number of people with different skills. Responsibility for tasks might be shared and productivity improved. However, there can be conflict, differences of ideas, time consuming meetings and slow decisions, which may lead to problems for a business.

Employee shareholders Employees are stakeholders of businesses. In some cases they might also be shareholders. They might own shares in the company they work for as part of an incentive scheme or they might buy shares in other companies on a stock market. Shareholders in limited companies may be able to influence the decisions that are made depending on the percentage of shares that they have. For example, in some limited companies, employee groups may own a percentage of shares and

Question 3.

Merseyrail had a poor history of industrial relations in the 1990s. This resulted in some well publicised stoppages and industrial action when the franchise was operated by MTL. ACAS helped set up a Committee of Enquiry into industrial relations at the company. As a result of its findings, an ACAS-led joint working group was set up. It comprised managers from the company and representatives of train worker unions such as RMT, ASLEF and TSSA. The group's task was to develop proposals that would improve industrial relations. These included awareness policies, and procedures, roles and responsibilities of industrial relations. ACAS also advised the company to bid for a Department of Trade and Industry grant to help improve employer-employee relations, including joint training. The bid was successful.

Logics Resource Services (LRS) had experienced a number of employment tribunal cases at which ACAS had provided conciliation services. The company approached ACAS to develop preventative action. This included a new handbook with discipline and grievance procedures. Once the procedures were agreed, they had to be accepted by staff who were then trained in the new procedures. Problems had occurred in the business as a result of the rapid growth of the company through mergers, which led to a variety of disciplinary systems being in place. The involvement of ACAS led to a legitimising of the new system for employer and employee. The new system resulted in a fall in enquiries regarding disciplinary matters and industrial claims, and also an improvement in employer-employee relations.

Source: adapted from ACAS report, April 2002-March 2003.

- Identify the services offered to companies by ACAS using examples from the article.
- Examine the benefits to the companies of involving ACAS in discussions.

have some influence at annual general meetings.

It could be argued that greater industrial democracy, where employees have a significant say, may exist in a number of situations.

European works councils Works councils are bodies set up by businesses which allow employees and employers to consult, discuss and pass information about decisions which concern the business. In September 1996, the European Works Council Directive came into force, which was adopted in the UK in 2000. It obliges multinational companies operating across the EU to set up groups and forums to inform and consult with employees, known as EUROPEAN WORKS COUNCILS (EWC).

Any company can set up a works council. But EWCs must be set up in companies that employ at least 1,000 workers in Europe and have at least 150 employees in each of at least two member states. Even before 2000, many multinationals in the UK had to set up EWCs because the number of their employees elsewhere in Europe took them over the threshold. Most of these companies included their UK employees as a matter of good business.

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Special negotiating bodies are set up to determine the scope, functions and make-up of the EWC. Typically EWCs negotiate in areas of the business such as business structure, the economic and financial position, development, production and sales, employment, organisational change, mergers, cutbacks, closure and collective redundancies.

Research has indicated that councils have a number of benefits for businesses including:

- increased trust between managers and employees;
- greater employee involvement;
- a better understanding by employees of the factors affecting management decisions;
- helping to build a positive corporate culture;
- showing a company's concern for its employees.

Employee owned businesses Some businesses are owned by their employees. These include worker co-operatives and democratic employee owned organisations. The employees of the business will be involved in all its main decisions. An example is Arthurlie Taxis in Barrhead. It was created by private hire taxi drivers who formed a company to act as a marketing co-operative and operates the back-up controller and radio service. The individual drivers are all self employed and pay a levy from their earnings to operate the co-operative.

Factors affecting participation and industrial democracy

The extent to which participation and industrial democracy takes place in business may depend on a number of factors.

Legislation UK government legislation and European laws are likely to have an effect. For example, the **Employment Act, 2002** set in place regulations for fixed conciliation to allow quicker and more amicable settlements to disputes. The **EU Information and Consultation of Employees Regulations, 2005** suggested

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that in certain cases the workforce could make a written request to businesses asking for information and consultation procedures on decisions likely to affect work arrangements, future business developments and restructuring.

Consultative bodies It was suggested that the introduction of **European works councils**, as a result of the UK signing the Social Chapter of the EU, was likely to increase industrial democracy after the year 2000.

Corporate culture Some businesses have developed a culture that recognises the importance of participation and industrial democracy when decisions are made. They value the contribution that employees can make to effective decision making. Businesses that make use of knowledge teams are likely to see participation and industrial democracy as important.

Representation and power In certain parts of the private sector, where unions are weak, or collective bargaining does not take place, industrial democracy may be limited. An example might be where the owner of a small, non-unionised business decides to move premises and simply informs the workers that this will take place.

Communication and information technology The introduction of company intranets and other communication technologies has helped to speed up and extend the process of industrial democracy.

Quality standards Organisations may seek a quality award, such as **Investors in People**, for the way in which they work with employees. Consultation, the passing of information and involvement in decision making are standards that businesses have to maintain to keep this award. Such an award may attract customers and good quality candidates.

KNOWLEDGE

1. What factors may lead to conflict between employers and employees?
2. Why is collective bargaining important to employees?
3. What are likely to be the results of collective bargaining?
4. Explain the difference between:
 - (a) collective bargaining at national and plant level;
 - (b) collective bargaining and individualised bargaining.
5. Briefly explain the stages in negotiation that may help to lead to a satisfactory outcome.
6. Explain the different types of consultation.
7. Briefly explain the main areas of activity that ACAS is involved in.
8. What is the role of a European works council?

Industrial action in the UK

Conflict between employees and employers can lead to **industrial action**. Industrial action can be taken by both employers against employees (such as close supervision of work, or a lock-out) and by employees against employers (ranging from an overtime ban to strike action). It is in the interests of both groups to reconcile differences through negotiation and consultation before taking action, although this is not always possible.

The number of stoppages and the number of working days lost through stoppages fell over a period 1982-2006. At its peak in 1984, for example, over 25 million days were lost. By 1989 this had fallen to just over four million and by 2006 was below one million, as shown in Figure 2. In part, this was due to legislation restricting union action. It was also partly due to a change in the attitudes of management and unions towards industrial democracy, which helped to reduce conflict and the number of disputes that arise in business.

Employers' industrial action

Action by management against employees can take a number of forms. Sometimes sanctions can be imposed by individual managers. Some may include, for example, close supervision of employees' work, tight work discipline, discrimination against certain groups, lay offs, demoting workers or speeding up work practices. These actions are usually taken by one member of the

management team and will not be repeated in other departments in the company. They might lead to individuals or groups of workers starting grievance proceedings against the manager concerned.

Sanctions can also be organised and carried out throughout the business. Management may use some of the following actions when dealing with trade unions.

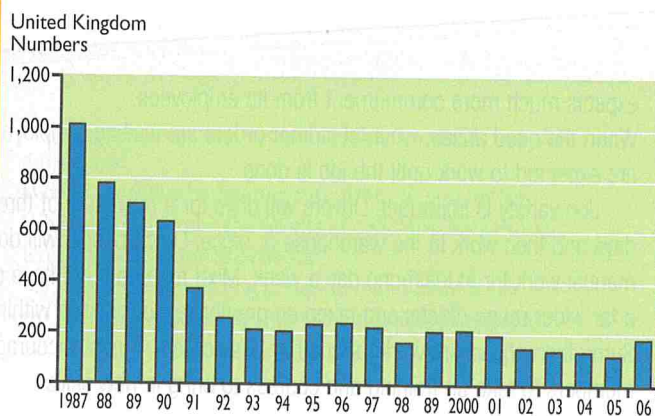
The withdrawal of overtime and benefits A business could withdraw all overtime that it offers to workers. This is likely to reduce workers' earnings. The business might also withdraw other benefits it offers to employees, including flexitime, vouchers or other benefits such as leisure club membership.

Lock-outs A LOCK-OUT by employers involves closing the factory for a period of time. Employees' wages may not be paid during this period. This action might adversely affect the image that the public have of the company.

Changing standards and piecework rates Management may change work standards or alter piecework rates when in dispute with employees. This can have the effect of making the employees' task more difficult or reducing the earnings of employees unless they work a lot harder.

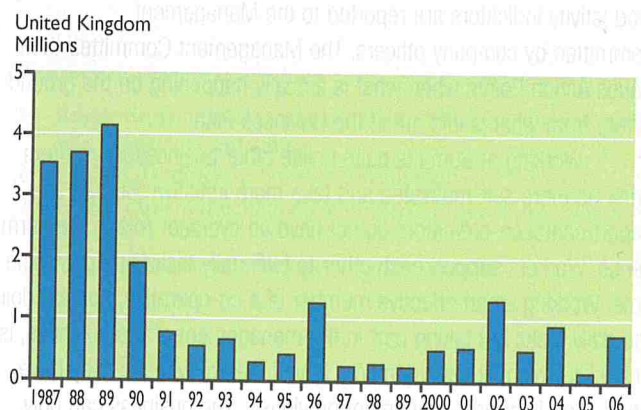
Sometimes a management tactic may be to use a strategy of increasing work standards so that unions will call a strike. This might happen when order books are low and stocks are high. By

Figure 1: Stoppages in progress



Source: adapted from *Economic and Labour Market Review*, Office for National Statistics.

Figure 2: Working days lost in UK due to stoppages



ing a strike, management does not need to lay anyone off or redundancy money. At the same time further stockpiling is needed.

Pressure Management may close down factories and offices or remove plant and machinery from their premises. Some people do not view such activities as industrial action. They may see them as the normal rights of management to shut down economic enterprises or force unco-operative workers to comply with employers' needs in the workplace.

Dismissal In some cases, employers might threaten employees with dismissal. The **Employment Relations Act 1999** set out criteria where it was unfair to dismiss employees for taking industrial action. Employees that are dismissed can take their case to a tribunal, which will judge against the criteria.

Using workers If unions take action to withdraw their labour, employers sometimes recruit outside workers or contractors to do their jobs. It has also been suggested that some employers use 'union busters' to intimidate workers to stop unions organising strike ballots.

Use of courts Businesses might challenge the right of unions to force their members to take action through the courts. This might prevent the action taking place. They might also claim damages.

Employees' industrial action

Industrial action used by employees can be wide ranging. It is possible to distinguish between **unorganised** action and **organised** action. Richard Hyman, in his book *Strikes*, wrote '... in unorganised conflict the worker typically responds to an oppressive situation in the only way open to him as an individual ... Such reaction rarely derives from any calculative strategy ... Organised conflict, on the other hand, is far more likely to form part of a conscious strategy to change the situation which is identified as the source of discontent.' Unorganised (or unofficial) action by employees can come in a number of forms.

High labour turnover.

Poor time keeping.

High levels of absenteeism.

Low levels of effort.

Inefficient work.

Deliberate time wasting.

Unofficial strikes not backed by the employees' union.

These are often taken when workers 'down tools' immediately in reaction to employers' actions.

Such action can be disruptive for a business if it continues for a long period of time. The business, however, can use disciplinary procedures against employees and may even be able to terminate contracts in some cases. However, unofficial action can lead to organised action backed by the union. Organised action can take a number of different forms.

Question 1.

On 18 December 2007 workers at Argos stores in Republic of Ireland held a one day strike. As the threat of a strike grew, it was argued that pressure had been put on seasonal workers and weekend employees not to join the Union, Mandate, for fear of losing their jobs. The shop steward of the Swords branch of Mandate, said that employees were brought into managers offices and had it outlined exactly what joining with Mandate, would mean to their future. Another feature of the strike was the use of workers brought in from Wales and England to cover for Argos employees on strike.

Source: adapted from www.socialistunity.com and ibcom.org/news.

In 2003 workers at the Trellebourg chemical company in Leicester took strike action. This was in response to management action which introduced tags which had to be worn in break time by staff.

Source: adapted from *Labour Research*, November 2003.

Culina Logistics launched an anti-union recognition campaign using the slogan 'vote no way to the TSSA'. According to the union staff were also 'threatened with derisory pay deals, reductions in breaks, loss of bonus schemes' and job losses if TSSA won recognition.

Source: adapted from *Labour Research*, January 2004.

- Identify the methods of industrial action being used by employers.
- Explain why employers might justify taking such action.

Work to rule or go slow Organised and group industrial action by trade unions against management can take the form of a **WORK TO RULE** or **GO SLOW**. A work to rule means employees do not carry out duties which are not in their employment contract. They may also carry out management orders to the letter. This can result in workers strictly observing the safety and work rules which are normally disregarded. Working to rule does not mean that employees are in breach of contract, simply that they carry out tasks exactly according to their contract. This means that tasks are not carried out efficiently. The impact of train drivers working to rule, for example, could mean that trains are late arriving or are cancelled. Drivers may delay taking trains out until rigorous checks are carried out. A go slow is where employees deliberately attempt to slow down production, whilst still working within the terms of their contract.

Overtime ban An overtime ban limits workers' hours to the agreed contract of employment for normal hours. Overtime bans are usually used by trade unions to demonstrate to management that the workforce is determined to take further

- a loss of earnings.
- Prolonged industrial action may, in some cases, lead to the closure of the business. Employees would then be made redundant.
- Action is likely to place stress on the workforce. It can also cause friction between levels of the hierarchy. For example, managers on the other 'side' in a dispute are unlikely to find their employees motivated.
- If action is unsuccessful, the employees' position may be weaker in future. Members may also leave a union if they feel that it is unable to support their interests.
- Public support may suffer if the action affects people's everyday lives.
- Strike action must conform to current legislation or unions may be liable for damages and employees may be disciplined or dismissed.

Benefits of industrial action

Industrial action is often used as a 'final' measure by unions and employers because of the disruption it causes. There are, however, some benefits for both groups.

- It 'clears the air'. Employers and employees may have grievances. Industrial action can bring these out into the open and, once the dispute is solved, this could improve the 'atmosphere' in the business.
- Introducing new rules. How groups operate in businesses is influenced by rules, such as rates of pay or what is meant by unfair dismissal. Conflict is often about disagreement over these rules. When industrial action has been resolved, this often leads to new rules which each group agrees upon.
- Changing management goals. Management often change their goals and the ways they are achieved after industrial action. For example, a business may have attempted to introduce new working practices without consulting unions, which led to industrial action. In future

- it may consult with unions before changing work practices.
- Understanding the position of each group. Industrial action often makes the position of employers and employees very clear. It allows each group to hear the grievances of the other, consider them and decide to what extent they agree.

KEYTERMS

Go slow – the reduction of output by workers whilst still carrying on tasks in their contract of employment.

Lock-out – action by employers which prevents employees entering the factory to work.

Sit-in/Work-in – the illegal occupation of premises by workers, which allows workers to gain control of the factory.

Work to rule – when employees do not carry out duties which are not in their employment contract.

KNOWLEDGE

1. Why might the number of days lost through stoppages in the UK have fallen over the last decade?
2. Explain four types of industrial action that employers can take.
3. State six types of employee action.
4. Why might employees be reluctant to use strike action?
5. Explain the difference between a sit-in and a go slow.
6. What factors might influence the success of employees' industrial action?
7. State three problems of industrial action for:
 - (a) employees;
 - (b) employers.
8. How might industrial action benefit a business?