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## The workplace in transition: A decade of change and challenge

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## **The Workplace in Transition: A Decade of Change and Challenge**

**John Taylor**

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## **Editor's Foreword**

This paper publishes the text of the twelfth Warwick-Acas Lowry Lecture, given to an invited audience at the headquarters of the EEF on 16<sup>th</sup> April 2013 by John Taylor, who retired from his position as Chief Executive Officer (CEO) at Acas earlier this year. He had become Acas' first CEO when appointed in 2001.

The annual lecture is organised in honour of Sir Pat Lowry. A former chair of the Advisory Conciliation and Arbitration Service (Acas), Sir Pat was for many years an Honorary Professor at the University of Warwick, a long-standing member of the Business School's Advisory Board, and a source of valued counsel to IRRU in its work. His outstanding contribution to the practice of industrial relations commenced when he joined the EEF in 1938. He went on to become the Federation's Director of Industrial Relations. He left in 1970 to join British Leyland as Director of Industrial Relations. In 1981, Sir Pat was appointed as Chair of Acas. He stepped down six years later with Acas' reputation for impartial and constructive advice enhanced, in the face of an often turbulent industrial relations landscape.

In this year's lecture, John Taylor charts the striking shifts that have taken place in employment relations at the workplace from the distinctive vantage point that he occupied as Acas's CEO for twelve years. Amongst the wider factors shaping developments, he stresses the consequences of globalisation and the application of new technologies in fragmenting and spatially dispersing business processes. Combined with growing diversity in the forms that employment is taking, the resulting complexity poses substantial challenges for managers, workforce representatives and policy-makers alike. Reviewing developments in both the collective and individual dimensions of employment relations, the lecture points to some missed opportunities. But it also identifies positive developments, including finally putting in place a settled approach towards resolving disputes over individual rights, the unprecedented achievement of preparing for and delivering an Olympic Games without a single day being lost to industrial action, and the potential offered by the employee engagement agenda as a route to increasing productivity.

Paul Marginson

## **The Workplace in Transition: A Decade of Change and Challenge**

It is a delight to be offered the opportunity to deliver the 2013 Lowry lecture and to follow such illustrious and knowledgeable former speakers. I am not an academic, politician, policy maker or representative of a constituency or interest. I intend therefore to give you my thoughts as an observer, albeit a well informed one, about how the workplace has changed over my time at Acas with an emphasis on the first years of the 21<sup>st</sup> Century, some lost opportunities, some successes and set out some policy challenges which need to be faced.

But first a little bit of history and reflection. I spent three years, starting in January 1975, as a junior member of the team establishing Acas as an independent organisation. I was delighted to return 25 years later, as Acas' first CEO (Chief Executive Officer), working closely with the then Chair, Rita Donaghy and of course latterly with Ed Sweeney. Because of this experience I am probably in a good "then and now" position to view the changes that have taken place in employment relations and in the workplace.

The environment in which Acas operates has undergone a profound and dramatic transformation since the Service was created in the mid 1970s. The early days of Acas are best remembered for head-on confrontations between unions and employers, with "Acas settlements" emerging from long nights in smoke filled rooms often aided by beer and fish and chips. Employment relations were certainly more newsworthy in those heady days with some 4,000 collective disputes (1970) and in some ways felt more important as different industries and public services frequently turned to Acas in need of help. In my view, however, employment relations have never been more important than they are today. The difference between then and now is that today the priority should be to plan for an employment environment that contributes to organisational success rather than to put all efforts into the 'crisis management' of conflict as well as obsessing about individual employment rights. Of course Acas will always be there to pick up the pieces when disputes inevitably occur but the key to

success in today's ultra-competitive global economy will be the development of good employment relations practices and relationships. This applies across all sectors of the economy – public, private and not for profit, manufacturing and service, small and large organisations, unionised and non unionised.

Employment relations do not of course exist in a vacuum but are influenced by the wider forces which shape our lives of which I highlight six which I believe have had the biggest impact:

- The first issue is of course the economy with the impact of boom, bust and austerity. The first seven years of my tenure saw almost unparalleled wealth creation in Great Britain whereas the last five have seen the worst recession since the 1930s. Austerity can be the enemy of ambition and the lowest common denominator in policy creation;
- The second is the continued growth in individualism with a demand for choice, transparency, localism and ever demanding service levels from consumers and the public in general;
- The third is the slow death of deference for authority, institutions, traditions, and even management structure and procedures;
- The fourth is globalisation and the growing economic power of the BRIC nations;
- The fifth is the gradual growing apart of Government, media and public opinion on the public sector as first the consensus around the welfare state dissipated since the 1980s and latterly with the discrediting of the "Market Rules, OK";
- The sixth, and probably the most lasting in its impact is of IT and the unfolding power of social media.

These are powerful forces as they, of course, impact directly and indirectly on behaviour in the workplace just as they impact on behaviour in society. Now I would like to comment briefly on some of the most significant of these influences on the workforce and the workplace.

### **Changing Profile of the Workforce**

The past 13 years have seen a continuation of the trends of the previous 40. Though there has latterly been undoubted job creation in the private sector the steady decline in the numbers employed in manufacturing has continued with a matching growth in those working in the service sector. There has also been a significant growth in part-time employment, which used to be attributed almost solely to increased female participation rates. Now there is evidence that there are more men working part-time – interestingly at both ends of the age spectrum: young students and older workers.

The significant changes in the gender, ethnicity and age mix of the labour force have been evolving over many years but dealing with much larger numbers of older workers in particular will become a new challenge for managers (and unions). The shrinking value of pensions and the abolition of the Default Retirement Age mean that many older workers are opting to stay longer in their jobs, albeit on reduced hours. Dramatic change will not take place overnight but there are already emerging issues. Succession planning has become much more difficult with no automatic retirement cut-off points. Performance management systems will have to be introduced and radically improved to ensure effective employment terminations. Older workers are more likely to pick up health problems so managing wellbeing and disability issues generally in the workplace will be a major challenge for management in the future. Finally, I think inter-generational conflict may become a new source of discontent in the workplace with “baby boomers” perceived to be blocking promotion

opportunities for younger workers. There is already anecdotal evidence that this is happening in the USA.

The extending of equality legislation into other jurisdictions and the creation of the EHRC Commission has been absorbed without too much discernible impact on the workplace. On equality generally, most of the last 13 years has also seen a continuation of forward looking policies from the public sector and a big catch up from the private sector, in particular in flexible working practices as firms sought to become the employer of choice during the boom years, disappointingly, though, the gender pay gap remains significant. We will have to see if the combined effect of austerity in the public sector and financial competitive pressures changes the way ahead, though the impact of globalisation and IT will mean that flexible working is here to stay.

As well as demographics, the make-up of the labour force in each individual workplace has also altered dramatically over the past 30 years. Craft and manual operative jobs have fallen as a share of employment while the numbers of higher skilled, white collar, technology and information jobs have increased. The impact of technological innovation on the workplace has been well documented and in many sectors of the economy thousands of unskilled and semi-skilled jobs have all but disappeared. Paradoxically, in the wake of these technological developments, has come not simplification but a growing complexity in work processes and a clamour for increased skill levels across the entire workforce. With the added pressure of the recession, organisations across all sectors are coming to realise that the best route to success is to work 'smarter'. IT will continue to shape jobs for the foreseeable future.

The small business sector has grown dramatically since the Second World War and small and medium enterprises (SMEs) constitute a significant part of the economy. And this sector is generating virtually all of the employment growth since the onset of the Recession. The 'small' segment i.e. those with under 50 employees, account for over 99 per cent of all businesses. Nevertheless, large

firms still remain very substantial employers in their own right, major generators of wealth and, crucially, stand at the head of supply chains which can and do set standards across the SME population.

### **The challenge from fragmented business processes**

To be successful in the future, all organisations, but particularly SMEs, will have to adjust to the organisational and employment relations implications of the new diverse labour force, the input of globalisation and IT and, in particular, the growth in new patterns of working. It is this growth in new patterns of working and in particular the fragmentation in the employment relationships that has taken place which stands out to me as the most significant development over the last 13 years.

It is now highly unusual to enter other than the most micro of workplaces to find that every employee in an individual enterprise has the same traditional relationship with his or her employer. The coincidence of globalisation, technology and improvements in specialised niche knowledge which all organisations need to access, have all facilitated the breaking down of a whole business process into its constituent elements. It is not unusual for these elements and their host premises to be scattered all over the world in different continents and time zones. While call centres may be the most visible sign of what has happened they are only part of this phenomenon whose impact is becoming as fundamental as the changes to organisations which were powered by the Industrial Revolution. Outsourcing, agency working, sub contracting, networking, distance working, homeworking, virtual employees all have one thing in common in that they change the employment dynamic and relationship for workers, trade unions and managers. When you factor in the ever increasing number of mergers and acquisitions, quickened by the recession it is not unusual through TUPE transfers that an individual can have had 4 or 5 employers in as many years without changing their job description. That used to be the preserve of the public sector with its obsession with machinery of Government and reorganisation!

The bottom line, however, about fragmentation is that it makes the management process and trade union organisation very difficult and much more complicated. It is not just that individuals in the



same workplace are employed on different terms and conditions but, crucially, they can and do have split loyalties across employers and functions and different work cultures. Linked to fragmentation and the implicit removal of the “family atmosphere” of a traditional workplace is the intensity of today’s work pressures, again exacerbated by the recession. Technology, targets, tight profit margins and outsourcing all combine to demand high performance levels while taking away job satisfaction and autonomy from individuals in their workplace. Correcting this imbalance and empowering and enthusing individual employees will be a really big challenge for the future.

### **Positive developments and missed opportunities**

But there are positives on the horizon. After many years of experimentation and fiddling at the edges, Government, supported by employers and unions, look to have settled on a system of resolving individual conflicts preferably in the workplace rather than in the court. There is also an emerging and different approach, particularly in the private sector towards securing high levels of employee engagement and discretionary effort and I will deal with both of these after I have touched on trade unions and collectivism.

### **Collective employment relations**

The last 13 years in my view has been a mixed picture of missed opportunities and progress in relationships between the unions, employers and Governments. The missed opportunities are around some employers’ failure to engage as constrictively as they could have done with trade unions pre recession when the unions were pushing the bargaining envelope away from traditional pay and terms and conditions into areas such as training, equality and diversity and flexible working. The other big missed opportunity concerns the unions and the relatively small take up in response to the Information and Consultation Directive. It strikes me as a great irony that barely more than a generation since the demise of the closed shop which guaranteed high union membership, that the Directive’s potential has in effect been so under-used. Of course there are examples of hybrid consultative committees with non members and union members sitting alongside each other, with the union only involved in collective bargaining. Union Learn is generally agreed to have been a great

success and it will be interesting to see if its move into non-union areas will cause a resurgence in interest in the Directive.

Sadly the Labour Government did not engage as constructively as they could have done with the unions on public sector reform after Tony Blair's first term of office. In fairness 9/11 derailed some good intentions but the burning platform of austerity is not the best foundation for engaging in the reform agenda.

Of course we have had significant disputes the Fire Service, British Airways, the petrol tanker drivers etc, yet these have been very much the exception. But there has been progress. Today's workplace is generally much less militant than in the 70s and 80s. Indeed the response of many organisations and their unions to the sudden recession, especially in the private sector, saw real innovation, a rejection of conflict and the emergence of so-called concession bargaining where trade offs were agreed in exchange for job security. Sadly this has not been repeated as creatively in the public sector.

And there were also the London Games which witnessed a level of behaviour and maturity from employers, unions, employees and volunteers never seen before at any Olympics. There was not one day lost to industrial action in the building of the venues or the running of the Games themselves. With careful planning, determination, goodwill and a spirit of give and take, a truly spectacular offering was served up to the world as the best of British. I am not sure incidentally that Acas' involvement in this, and quiet work behind the scenes, has been sufficiently recognised.

The balance of power between what might be termed collectivism and individualism has of course changed irreversibly given the decline in union membership and the fragmented nature of today's workplaces. Even where membership has held up, traditional sectoral and national bargaining have been replaced by local bargaining especially in the private sector. Recognition and union

membership does remain high in the public sector but is threatened by austerity. Some employers are now increasingly choosing to consult and communicate with their employees directly but there are also clear signs of a representation gap in non-unionised workplaces. Even so, we should recognise the very important interplay between collective bargaining and individual rights. It is generally accepted, in the words of Professor Willy Brown, that “the extent to which employers are complying with their legal obligations depends significantly on the presence of active trade unions at workplace and organisation level”.

### *Individual rights in the workplace*

The last 40 years has witnessed a number of attempts by Governments of all persuasion to square the circle about individual rights in the workplace – how to retain a flexible labour market and workplaces, provide certainty to employers, in particular SMEs, in discipline and performance issues and respect the legal rights of individuals. The introduction of the mandatory three-step procedure in 2004 had massive unintended consequences in encouraging all to take up entrenched positions, but out of this fell the Gibbons Review and the beginnings of a way forward.

The expansion of the Acas Helpline, the role of the web, codes and guidance, or “soft regulation”, in providing information and guidance and crucially the introduction of Pre Claim Conciliation (PCC) have all combined to create some right-angles in that circle. While delivering 100% certainty when dealing with a concept like reasonableness which underpins employment law will never be possible, a reversion to a more voluntarist approach aping the UK approach to collective dispute resolution rather than depending on judicial interpretation offers a much more credible way forward. The current Coalition’s intention to expand PCC into ‘Early Conciliation’ is a very welcome development and could be a pivotal moment in shifting the default position on individual rights away from “seeing my day in court” to sorting things out on the basis of ‘win-win’ in the workplace. Only time will tell if charging for tribunals does not unintentionally derail the policy. One thing for certain, however, is that driving overt conflict underground only creates other ways for individuals to demonstrate their

unhappiness – absenteeism, labour turnover, presenteeism or even soft sabotage will assert themselves if charging denies some individuals access to justice.

### *Employee engagement*

My final points are around employee engagement. The growth in individualism has of course not only manifested itself in an increasing use of employment rights. I believe, driven by the pace and impact of technological change and globalisation, we have witnessed traditional organisational loyalty exhibited by many employees being replaced with a more demanding approach centred on their needs as an individual. This, allied with growing skill shortages, means that employers are finding that they have to be far more sensitive and attuned to the needs of all employees. If they are to recruit and retain workers with easily portable skills and deal with necessary organisational change, employers are having to place a much higher premium on good employment relations and managing their workforces well.

Each organisation operates in a unique set of circumstances and what suits one organisation will not necessarily suit another. The emphasis of the Acas approach is to help representatives of management and employees work together to build and develop relationships which will enable the organisation to function effectively in an increasingly competitive environment. Acas' experience over the last 13 years is that employee involvement, good communications and a joint approach to shared problems creates a better workplace environment which is likely to lead to more positive outcomes for both the organisation and its employees.

Employee engagement does not have a single definition in relation to the workplace. The term is often used to describe anything that involves a cooperative, rather than confrontational, approach to employment relations. The work undertaken by David MacLeod and Nita Clarke on *Engaging for Success* is very welcome in providing a common language on engagement and points another way forward to managing the workforce, as opposed to mitigating the impact of employment rights. It

sets out various pillars for achieving good levels of engagement which I wholeheartedly support.

Two of these pillars, harnessing employee voice effectively and improving the quality of the people skills of first line managers/supervisors are core to what Acas is about. Getting these right alongside good conflict resolution practices and processes are the way to find a way through the eternal employment relations conundrum – providing the balance between the need to be flexible because all individuals are different, formal processes which do not necessarily recognise this and of course the underpin of legal individual rights.

### **Concluding remarks**

Finally I would like to leave you with a thought – what would be today's and tomorrow's policy agenda if, like every other OECD Country, we had retained our Labour Ministry instead of abolishing it in the 1990s.

We know from David MacLeod's work on employee engagement (sponsored by BIS) and Dame Carol Black's on health and wellbeing in the workplace (sponsored by DWP) that both conclude that good relations in the workplace are critical to delivery. If we had a Labour Ministry, would there be a greater convergence between the skills and the workplace agenda as opposed to the not so parallel tracks of skills acquisition and minimising the impact of individual employment rights often created by the EU?

Building on Acas' good practice services and the substantial factual base created by *Engaging for Success* we may have found the balance between skills gain and skills utilisation as the route to increased productivity. Would we be placing the same importance on first line management training as we have with apprenticeships?

Looking ahead, my hope is that by building on our long held voluntarist traditions rather than the pursuit of certainty on individual rights, we will discover a more pragmatic approach to innovative workplace practices rather than settling too often for the easy option of compliance which can only lead to mediocrity.