



A GUIDE TO GOOD PRACTICE

sharing the challenge ahead

**Informing and Consulting
with your Workforce**



Sharing the Challenge Ahead: Informing and Consulting with your Workforce

A guide to good practice

CONTENTS

1	Foreword
2	Why the IPA is issuing this challenge
2	What the challenge seeks to do
2	Definitions
3	The logic of information and consultation
6	The subject matter of information and consultation
8	The mechanisms of information and consultation
9	Key issues
19	Developing an information and consultation culture
24	Summary and conclusion

Foreword

On Monday 11 June, the EU Economic and Social Policy Council reached an agreement that there should be a directive dealing with information and consultation that will eventually cover national level undertakings with more than 50 employees, the details being finalised in the coming months. Anticipating the possibility of such an event, the IPA set itself this challenge: to identify models for informing and consulting with the workforce which are built on the UK 'voluntarist' tradition, but which can be squared with the broad intent of any directive, namely to provide some guarantee that employees are informed and consulted on issues affecting them.

The aim of this publication, *Sharing the Challenge Ahead: Informing and Consulting with your Workforce*, is to inform the debate about information and consultation, which is now likely to intensify in the UK, at several different levels. Firstly, it is intended to give policy makers some substantial evidence of current UK practice – not just in the area of collective redundancies, which has captured most recent attention, but business decisions more generally.

Secondly, it should help to move forward the debate about the structures and processes of information and consultation. Much of the argument so far has been stuck in rhetoric and ideological positions. There needs to be a more sensible discussion, which moves away from these positions and concentrates much more on good practice and useful frameworks.

Thirdly, and above all, there is a need to clarify for practitioners what a UK model might actually look like. This is not a 'one size fits all' option, but a framework which has credibility and which can be used as a reference point for bodies as varied as employer organisations, trade unions and the UK government.

The IPA experience can help identify what that model might look like. Through its work with many different organisations in the last five years, it has built up more experience of what is actually happening in the UK than any other body.

The IPA has been closely identified with the concept of partnership at the workplace. In this work it has identified and advocated a coherent, business-focussed approach, which encompasses a voice for employees. It has also developed a series of models of employee involvement

combining both direct and representative strands. This work has clearly shown that these two approaches - working directly with individuals and teams at the workplace and consulting with representatives in staff councils - are complementary to each other and should not be perceived as opposites.

The underlying principles are spelt out below:

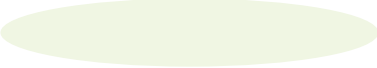
- Working together to build a shared view of the business and its competitive environment
- Creating long-term prosperity for the business and addressing the needs and aspirations of the people working there
- Sharing information widely to enable all participants to have a shared grasp of the context within which decisions are being made
- Enabling the workforce both individually and as a whole to contribute effectively to the debate on issues and to influence the outcomes
- Developing a range of joint problem-solving techniques to address issues
- Creating good feedback systems enabling employee 'voice' to be heard effectively

Above all the IPA recognises that consultation needs to be located within the process of organisational restructuring not outside it. Processes of information and consultation must help to facilitate change, ensuring that employee views are properly taken on board, not appear to delay or block it. That is both the benefit and the challenge of making information and consultation processes work well.

It only remains for me to thank the members of the working party that helped to draw up the challenge: David Yeandle of the Engineering Employers' Federation, Eugene van Jaasveldt of British Bakeries, John Lloyd, of the Amalgamated Engineering and Electrical Union, Jim McAuslan of the Public and Commercial Services Union and Keith Sisson, Emeritus Professor of Industrial Relations at the University of Warwick. Special thanks are also due to Sue Milsome for valuable editorial and research support. It is a testimony to the unique character of the IPA that it is able to draw on the knowledge and expertise of such individuals.

William Coupar
IPA Director

June 2001



The IPA seeks to encourage good practice in the field of information and consultation. Its members include many of the UK's best known companies and leading trade unions. It operates an extensive information and consultation database now available on-line at www.partnership-at-work.com.

The IPA's aim is not, it must be emphasised, to come up with a one-best-set-of-arrangements-for-all. Rather, it is to identify the main issues that organisations will need to consider in designing the most appropriate arrangements to suit their particular circumstances.

Why the IPA is issuing this challenge

Although its members may differ in their opinions about the principle and likely effectiveness of legislation in the area, the IPA nonetheless believes that employers have much to gain from informing and consulting employees about business issues. The prospect of an EU directive dealing with information and consultation also means that this is an opportune time to point out the advantages of doing so. The results of the 1998 DTI sponsored Workplace Employee Relations Survey (WERS) suggest that far too many UK employers are failing to involve their employees in these ways. Through its wide-ranging membership covering most sectors of the UK business community, the IPA has acquired substantial experience of the practice of information and consultation. This experience is likely to be of considerable value to those either contemplating introducing such arrangements for the first time or undertaking a review of existing arrangements.

What the challenge seeks to do

Drawing on the practical experience of IPA members and the wide range of organisations the IPA has worked with over a number of years, this challenge sets out to do the following:

- clarify the concepts and issues associated with information and consultation
- stress the business case for information and consultation
- provide examples of the subject matter of information and consultation
- identify the different mechanisms and approaches to information and consultation

- suggest how some of the 'knotty' issues can be resolved, such as the composition of consultation bodies where the workforce comprises union and non-union members, the relationship between consultation and negotiation, confidentiality and 'no-go' areas, and the role of information and consultation in mergers, acquisitions and redundancies
- suggest how effective information and consultation arrangements can be embedded in organisations.

Definitions

The IPA believes that much of the debate about information and consultation has been bedevilled by confusion as to what the terms mean. It is especially important to understand that information and consultation are not one and the same. Although interrelated, there are two separate and distinct processes involved. The first, the disclosure by management of relevant information to employees, is essentially a 'top down' exercise. The second, consultation, assumes that employees are already in possession of much of the relevant information and, in the words of ACAS, involves managers '*actively seeking and then taking account of the views of employees before making a decision*'.

Consultation, in other words, is much more than the 'two-way' communications that some managers think it is. Like information disclosure, these often involve a great deal of 'top-down' but very little 'bottom-up' communications. Consultation should also not be confused with telling employees what managers have already decided and inviting their reaction. It involves the disclosure of meaningful information, the availability of such

information sufficiently well in advance for employees to be able to digest its importance and the presence of appropriate mechanisms to enable employees to 'voice' their opinions freely and frankly. It also requires willingness on the part of managers to be prepared to modify any prior conclusions they have reached in the light of employee's views.

Distinguishing between consultation and negotiation is more difficult. Under consultation, the expectation is that management will not just ask for the views of employees and/or their representatives and take them into account, but also seek to reach a consensus, if not necessarily a formal agreement. Negotiation used to be associated with the joint regulation of pay and the other conditions of employment with trade unions representatives. It was also popularly associated with an adversarial relationship. Increasingly, however, the management-union agenda has extended to cover a wider range of issues, not always the subject of formal agreements, and the relationship is usually co-operative. This is particularly the case where there is an umbrella 'partnership' agreement.

The logic of information and consultation

Many people believe that to be informed and consulted at work are fundamental rights, which is one reason why they insist they should be enshrined in law. It is important to remember, too, that a right to information and consultation already has statutory backing in the UK in a number of specific areas.

Management is already under an obligation to have appropriate policies and procedures to meet their statutory responsibilities over collective redundancies and the transfer of

undertakings, health and safety and training (where the Central Arbitration Committee has specified a method of collective bargaining under the statutory union recognition procedure of the 1999 Employment Relations Act). Information and consultation processes are also well established in transnational companies to meet the requirements of the EU European Works Council Directive. Since the 1985 Companies Act, companies with more than 250 employees have also been required to include a statement in their annual report about employee involvement, including their arrangements for information and consultation.

The case for employee 'voice' does not rest solely on social justice or the requirements of legislation, however, important though these are. There is also a powerful business case.

Effective information and consultation offers management an extremely valuable discipline. It is sometimes argued that managers who engage in consultation run the risk of delaying key decisions. Yet a clear commitment to having such arrangements can improve the decision making process. Knowing that they have to inform and consult encourages managers not to leave decisions to the last minute. Along with the modifications and improvements that can result from the suggestions of employees and their representatives discussed below, having to think through and justify decisions to employees can also make a significant contribution to the quality of the decisions made (see Box 1).

In the words of Sir Stuart Hampson of John Lewis in the 1999 Grimond Memorial Lecture, 'Sharing information needs to be second nature ... to any company looking to make the most of the skills of its workforce. The existence of such consultative arrangements should be seen as a source of competitive advantage rather than a burden on industry'.



Box 1: *Birds Eye Wall's says that the discipline of having to explain policies to employees in terms they can understand and in a way which is relevant to their work can help managers make better decisions. This is because it broadens managers' focus, to take account of the interests of a wider range of stakeholders, and obliges them to allow time for a fuller consideration of their proposals than would otherwise be the case. This has the beneficial effect that the wrong decisions are not rushed through. And of course, the scrutinising of proposals by the people who know most about how the job is done can help avoid expensive mistakes and can lead to alternative and better decisions.*

Even more importantly, consultation is a critical tool to get the input of employees. Typically, their knowledge and experience of the details of operations on the ground, the problems and the pitfalls and how they might be dealt with, is often superior to that of management. Knowing and understanding these details, after all, is their job. In Table 1, managers stress the important contribution effective information and consultation systems can make.

Ross Dunn, formerly a senior executive at Blue Circle Cement, gives a particularly graphic illustration from his experience. The company needed to replace a very expensive piece of quarrying equipment costing more than £1 million. Managers proposed to buy new equipment. Very wasteful, employees suggested – much better to buy superior equipment second hand, saving money into the bargain. In the event, they were proved right. The equipment is still working long after it was written off for accounting purposes and the company saved thousands of pounds.

There is also a growing body of survey evidence – from mainland Europe, the UK and the USA – to suggest that information and consultation, if implemented together with other so-called ‘high commitment management’ practices, are positively associated with improvements in performance outcomes. For example, David Guest and Riccardo Peccei’s detailed investigation of IPA members found that, in the opinion of both managers and employee representatives, ‘the combined effect of direct and representative participation in decisions, and therefore a high level of employee influence, has a positive impact on employee attitudes and behaviour. This in turn has a positive impact on labour turnover, absence, internal performance and sales and profits.’ A much larger representative survey of workplaces with at least 25 employees, the 1998 Workplace Employee Relations Survey, likewise found ‘compelling evidence’ of an association of a range of high commitment management practices (including individual and group forms of consultation) with better organisational performance.

It is sometimes suggested that, while information and consultation are appropriate in relatively ‘steady-state’ situations, they are something of a luxury in times of crisis. Yet it is precisely at these times of crisis that they can be so important. The EU’s high-level group on the economic and social implications of restructuring puts it this way: ‘Good forward planning and dialogue allow more effective management of industrial change’. The key point, which cannot be stressed too much, is that intensifying competition requires management in most organisations *both* to minimise costs *and* promote the co-operation and commitment of the workforce necessary for continuous improvement. The problem is

Table 1: The benefits of information and consultation

<i>Organisation</i>	<i>What the organisation says</i>
British Bakeries	‘The effects and benefits of a structured joint communications and employee relations plan are already being felt within the business. Shop floor co-operation is much more positive. Joint attitude surveys across sites are being conducted in an atmosphere of genuine desire to achieve individual and business goals. Absenteeism levels are falling and retention rates have stabilised.’
Cap Gemini	‘The essence of good consultation is time and a commitment to the possibility that a proposition on the table can be improved. If consultation comes too late, neither of these conditions exist. As people have got used to the FORUM being around, and involved us from the start in their thinking, this aspect of our working relationships has seen a lot of improvements. Early consultation gives everyone the opportunity to discuss the idea and preserves the opportunity to improve on it’.
Emhart Fastening Technologies	‘Clear efficiency gains include multi-skilled operator teams taking on the complete set of production tasks including material handling, label printing, their own packing, quality audits and housekeeping, without any additional pay.’
NHS	‘We have seen with our own eyes that employers who involve staff in decisions, planning and policy-making: ● improve patient care through better service delivery ● manage change more effectively ● have a healthier, better motivated workforce and reduce staff turnover’.
Pizza Express	‘The Forum is pioneering a new way of providing solutions and improvements to crucial people-related issues within the organisation. It is a body which can put forward challenging ideas - radical thinking which will be of great benefit to us all. The Forum helps the entire company by increasing communication in all directions, on all sorts of subjects. Management now recognises how hard staff work and the difficulties they face. Staff in turn now understand some of the challenges faced by managers’.



that continuous change breeds insecurity, which is inimical to the trust that managers need to create and maintain in increasingly de-layered organisations. Considerations such as absenteeism, safety and customer relations are especially acute in restructuring situations. Critically, trust depends on the perceived legitimacy of management decisions and consultation is one of the most tangible ways of delivering such legitimacy. Managers who do not involve employees and their representatives also run the risk of giving the impression they have something to hide. The danger is that they get compliance from employees, but not the commitment needed to implement policies effectively.

The subject matter of information and consultation

Virtually any topic the parties decide to include can be the subject of information and consultation. In practice, they mostly draw up a list of the topics on which there will be information and consultation, the implication being that, if a subject is not included, it is off limits. Almost invariably, though, the list expands over time as the relationship evolves, participants become more experienced and managers feel more comfortable with the process of regular dialogue particularly around policy items. Subjects typically figuring on the information and consultation agenda include the following:

- working practices (including the organisation of working time)
- health and safety
- training and development
- equal opportunities
- pensions and welfare arrangements.

Table 2 gives specific examples of how some organisations have set out what is to be covered by information and consultation.

- the economic and financial situation (including details of business/production/sales performance and investment/ divestment)
- plans (including details of any proposed collective redundancies)
- organisation and structure (including details of any proposed mergers and acquisitions)
- environmental concerns

Table 2: The subject matter of information and consultation

<i>Organisation</i>	<i>What is covered</i>
BP	‘Examples of the topics the business unit level communication and consultation forum will discuss include: ● the structure, economic and financial situation [of the unit] ● substantial changes concerning the organisation’s development and strategy ● the introduction of new working methods or processes ● company-wide initiatives.’
J Sainsbury	‘The local staff councils discuss: ● performance ● local competition ● equal opportunities ● changes in working practices ● changes to rules ● business initiatives ● company performance ● suggestions for improvement the council will not be a negotiating body.’
PowerGen	PowerGen ‘Issues including the following will be shared, jointly discussed, debated and agreed where appropriate at the Distribution Business Forum: ● Distribution Business policy ● the management of change ● business strategy and performance ● adopting best practice ● regulation – OFGEM and its impact on the business ● core terms and conditions of employment/procedures ● pay ● staffing policies ● equal opportunities ● training and development ● communications. The general approach is to seek to resolve issues at the lowest level, and as speedily as possible.’

The mechanisms of information and consultation

Organisations can choose from a wide range of information and consultation mechanisms.

Deciding on which approach is appropriate depends on the activity, culture and size of the organisation. Take for instance the channels for information disclosure that appear in Box 2.

Group meetings may be most suitable in a manufacturing environment, whereas electronic methods are likely to make more sense in a call centre or in a business where the workforce is dispersed over several locations. A large organisation may use most, if not all these mechanisms, whereas an SME may rely on just a few.

Box 2 Channels for information disclosure

Face-to-face methods

- the management chain
- group meetings (e.g. team briefing)
- large-scale meetings
- inter-departmental meetings

Electronic methods

- information points
- audio-visual aids
- email
- intranets
- video conferencing

Written methods

- company handbooks
- employee information notes
- house journals and newsletters
- departmental bulletins
- notice boards
- individual letters

Based on ACAS' Employee Communications and Consultation (1998)

Consultation can be *direct* or *indirect*. Direct forms can involve individuals or groups. Here too there is a wide range of mechanisms (see Box 3). Individual forms can be 'face-to-face', such as regular meetings between the individual and their immediate manager or 'arms-length', such as attitude surveys.

Box 3 The mechanisms of direct consultation

Individual forms of direct consultation include:

- '*face-to-face*' arrangements involving discussions between individual employee and immediate manager, such as regular performance reviews, regular training and development reviews, and '360 degree' appraisal
- '*arms-length*' arrangements which allow individual employees to express their views through a 'third party', such as a 'speak-up' scheme with 'counsellor' or 'ombudsman', or through attitude surveys and suggestion schemes.

Group forms of direct consultation include:

- '*temporary*' groups of employees who come together for a specific purpose and for a limited period of time, e.g. 'project groups' or 'task forces'
- '*permanent*' groups of employees that discuss various work related topics on an ongoing basis, such as quality circles and problem-solving groups.

Group forms typically involve people working together in some kind of problem-solving activity such as a continuous improvement team. These groups may be either temporary or permanent. As in the case of the channels for information, the appropriateness of each form of direct consultation depends on particular circumstances.

Indirect forms of consultation involve employee representatives acting as intermediaries. These can be representatives of trade unions or other employee representative bodies such as staff associations. In many cases individuals are directly elected by their colleagues onto a staff council or forum, which may or may not include union representatives. In many instances the work of the joint consultative council or staff forum is supplemented by more informal activities involving joint problem-solving groups or task forces.

Sometimes the *direct* and the *indirect* forms of consultation are posed as alternatives. In the IPA's view this is mistaken. In the IPA's experience, they are complementary and mutually reinforcing. An exclusive reliance on indirect forms makes little sense if the aim is to give greater empowerment to individual employees. Equally, however, direct forms are unlikely to maximise employee input on their own. The notion that individual employees will always be open with managers about what they think is naïve. Most feel too powerless: there is an understandable worry that suggestions for change might be interpreted as criticism and therefore held against the person making them. Indirect forms give employees the opportunity to express their view frankly and freely and, in so doing, to help to build trust.

Indirect representation does not necessarily mean trade union recognition, the statutory arrangements for which are now set out in the 1999 Employment Relations Act. Some organisations, such as John Lewis, have staff or works councils, which do not involve trade unions. Others do, believing trade union involvement brings positive advantages – a trade union presence reinforces the independence of employee representatives and helps to ensure that they have access to professional advice and experience.

Leyland Trucks, for example, successfully uses a wide range of indirect and direct forms of consultation. There is a Company Employee Representation Committee, a regular weekly meeting of the trade unions and the employee relations director to discuss company business. The trade unions also play a full part in discussing and implementing change. Additionally, there is a daily managerial team brief, a weekly briefing sheet, fortnightly meetings between board members and groups of employees, annual formal training and development interviews, more frequent informal interviews, and twice-yearly business briefs, where the chief executive meets the whole workforce in groups of 30-35 to take them through the business performance and describe the challenges to come.

Key issues

The IPA information and consultation audit to be found at the end of this publication raises the key issues that organisations will need to address to ensure that their information and consultation initiatives measure up to good practice. Some issues, such as the effective conduct of meetings, need no elaboration. Others are more problematic and frequently



give rise to questions from organisations seeking to install systematic information and consultation processes. It is on these that the discussion presently focuses. They include:

- The composition of consultative bodies where the workforce comprises union and non-union members and/or professional organisations
- defining and drawing the boundaries between information, consultation and negotiation, and the subjects which are covered by these activities
- confidentiality - rules and areas where there are likely to be problems, such as mergers and acquisition
- the amount and timing of information and consultation where collective redundancies are involved.

Union and non-union consultation bodies

Twenty or thirty years ago, consultative bodies tended to consist either of trade union representatives, in organisations where they were recognised, or to be entirely non-union where no unions were recognised. At that time, trade unions were very often reluctant to co-operate either with each other or to have anything to do with employees who were non-union members. That situation has changed in most organisations. Single-table arrangements for consultation and bargaining are frequently found in unionised workplaces. Consultative arrangements involving both union and non-union representatives are now more common, for example in the voluntary sector. Trade unions have increasingly accepted that they cannot deny a voice to those they do not represent and management has become concerned to ensure that non-union members are not excluded.

A number of council or forum-type arrangements that involve both union and non-union representatives are described in Table 3. These arrangements seem to have worked well, especially as in many cases non-union employees belong to occupational groups for which no union has bargaining rights. The workforce has an opportunity to speak with a single voice. Trade unions have also found that their position has not been weakened – indeed, because of their training and expertise, their representatives often assume a leadership role.

It is critically important that employee representatives, whether they are union or non-union, are genuinely *representative* of their constituencies. As the *IPA information and consultation audit* suggests, this means paying particular attention to the arrangements for the election and/or nomination of such representatives, which need to be transparent and acceptable to the workforce. It also means that such representatives have to be given adequate time and resources to do the job.

Table 3: Union and non-union consultation bodies

<i>Organisation</i>	<i>Consultation body</i>
Basildon & Thurrock General Hospitals NHS Trust	The staff council operates as part of a dual consultative process alongside a trade union negotiating committee, with HR policy formation dealt with by joint working parties with membership drawn from both groups. The council was set up to ensure that non-union employees have a voice too. Representatives on the staff council are elected by directorates or departments and some of those who sit on the council are trade union members.
ICI - Quest International	Quest International's site council has fifteen members, four managers and 12 staff representatives. Each shift elects a representative: those from factory and engineering teams are union members, other representatives are non-union. The council meets quarterly with the agenda closely linked to self-managed team production processes, transparent information sharing and joint working on large change management programmes. An annual site review makes a presentation of key business information to all staff at the site. Both the site council meetings and the annual site review focus on business issues such as business performance, product development and profitability.
Northern Foods	Operating company forums include representatives of both the largely shop-floor workers and the largely non-union management, administrative and supervisory staff. There is no numerical formula for representation, but numbers representing each employee group typically reflect the relative size of the group; actual constituencies and numbers of representatives are decided locally.

Information, consultation and negotiation - drawing the boundaries

Information, consultation and negotiation are clearly interconnected; better informed employees will probably negotiate differently from those who have been given no detailed information on the business, while consultation with ill-informed employees is

unlikely to achieve much. These activities, however, should be kept separate in that each should have a clear and separate identity and purpose.

Companies have found it useful to give employees as much information as they need to understand the challenges facing the business. It is not sensible to submerge them



in a sea of material of which they can make little sense through overload or lack of training. The practice of dumping information on a company intranet and letting employees find their own way round is not helpful. Instead, information should support the discussion of business issues. Some organisations periodically ask employees whether they have the information they need to understand how the business works and how they can help it to perform better. It is also useful to evaluate whether the information that has been directly communicated to employees has been understood and assimilated, and which means of communication – team briefing, videos, company newspapers, for example – is felt to be most successful. It is particularly vital for managers and representatives to evaluate the scope and usefulness of the information. Is it adequate or excessive, is it properly focused and is there appropriate background information to correctly position discussion over operational issues?

Consultation can be problematic when employers and employees have a different understanding of what it is. Many employers seem to think that consultation takes place when employees are given some information and asked to react to it, regardless of whether a decision has already been taken. Employees, on the other hand, think that employers should, having asked for their opinion, try to act upon it. To avoid such misunderstandings, management and employee representatives should seek to agree where consultation sits on the line between the formal noting of views and joint decision-making, and what each party expects from it.

The form which consultation takes will vary depending on the issue under discussion. In the case of corporate policy, consultation may involve the sharing of strategy with representatives and the noting of any views expressed. Consultation on operational policy might be expected to go further, with management actively seeking representative input and expecting it to influence the way forward. When it comes to the complex changes in working arrangements, the parties typically put together a joint task force to handle the issue.

The matters on which management is going to consult and the methods of doing so need to be thought through carefully and made clear. Those with successful arrangements emphasise that information and consultation needs to be driven by business issues. Table 4 describes how a number of organisations approach these matters.

Negotiation is generally confined to setting terms and conditions of employment and working practices, issues, in short, which are contractual. Where a company council deals with pay negotiations, the boundaries might seem to become blurred, though there do not appear to have been problems in practice. In some cases, pay negotiations have evolved to a state where they more resemble consultation.

At Legal & General, for example, trade union representatives and senior managers have an open discussion around market data, performance and affordability. These take place at least annually, although a specific issue such as high labour turnover in a particular area might trigger discussions. The union does not put in a claim and there is no

across-the-board settlement. There is also a monthly meeting with the trade unions on remuneration issues in general. The unions have access to market pay data and help the company define strategy and practice. The secret, no doubt, for any management which is concerned about possible confusion between those issues which are to be subject to negotiation and those over which employees and their representatives will simply be consulted, is to be very clear about the distinction itself.

The experience of the IPA suggests that, to obtain most benefit, organisations need information and consultation processes that involve employees in tackling real business problems, using appropriate and flexible structures. These need not always be formal arrangements and can include ad hoc issue-driven or minimal structures.

For example, at Northern Ireland Electricity, there has been a long history of senior managers and trade union representatives working together to review commercial realities and implement change programmes. The process of consultation is managed both through the company council, which discusses policy-level matters, and through joint problem-solving teams at local level. Representatives played an active role in the major initiative Customer Service 2000. This project focussed on developing business processes that radically changed how services to customers were delivered throughout the company. Five joint working groups defined the problems and then identified appropriate ways to tackle them and implement the changes. Representatives have also made a major contribution to the ongoing development and restructuring of the

business, and in particular have played a key role in the establishment and growth of a new contracting company, NIE Powerteam Ltd. This new subsidiary has embraced a strong commitment to 'partnership' and a joint approach to the challenges facing the business.

Jeannie Drake, Deputy General Secretary of the CWU communication workers' union, makes a similar point. 'Dialogue between management and unions needs to cover all the issues which have a bearing on employees' working lives. The best process should provide for a range of different relationships - formal and informal, local or national, single and multi-union'.

Table 4: Structures and processes of information and consultation

<i>Organisation</i>	<i>Structures and processes</i>
Asda	Asda has a structure of staff councils, called colleague circles, in each of its stores and at divisional and national level. As part of the Wal-Mart family, Asda also hosts an annual European colleague circle with associates from Germany. Colleague circles are the forum for colleagues in stores to help drive the business, and to deal with concerns about the working environment, specifically concerns highlighted in the annual colleague attitude survey. Nine colleagues are elected by their co-workers in each store to sit on the colleague circle, and a further five, including the general store manager, are non-elected representatives. Each store then sends one colleague to the divisional colleague circle, two representatives from each division attend the national colleague circle, and one representative from each division attends the European colleague circle.
AstraZeneca	Management and individuals regularly meet to discuss work-based topics and local news – often in the form of informal team or primary work group meetings. On a more formal basis there are joint consultation committees on all sites. Local/site committees meet frequently (at least once a month) and are chaired by the local/site manager. Each site committee feeds into a national joint consultation forum which meets twice a year. Sub-groups from the national committee also meet to discuss business matters and provide feedback on topics such as pensions. A European Consultation Committee meets annually.
Blue Circle Cement	The unions at Blue Circle Cement are actively involved in all aspects of company life at local and national levels. There are 16 shop stewards on a Company Wide Action Team, together with four works managers and four head office personnel, two of whom are members of the Blue Circle Cement Executive. The unions are represented on all the local action teams and four Way Ahead groups too. These have put in place ten specific initiatives since May 1997, including a relocation package for employees transferring to another site, a national profit bonus, the development of new process and mature apprenticeships and an agreement on working time. They work to support employee involvement and tackle any problems that arise from it.

The Co-operative Bank

The Renewing Partnership project is designed to help the partners consider new ways of joint problem resolution and to develop new communication practices. To support this overall objective the partners have already achieved an improved structure of consultation and provision of information by establishing a number of local partnership forums across the business areas in order to support the formal national meetings. The benefits of this approach are that the local union representatives can meet with local senior managers, on a regular basis, in order to review business priorities and initiatives, discuss any implications and jointly consider appropriate solutions, thereby ensuring that the business is more productive and profitable.

Transco

Joint management-trade union business improvement groups, consisting of shop stewards and managers, were set up to work towards European Quality Model standards when British Gas was restructured. District business performance is also driven by a joint management-union group. Management provides information on all aspects of the district's financial targets and performance, and staffing information such as overtime, sickness, absence, safety and environment statistics. All employees are briefed on the content and outcome of these meetings. A monthly business briefing is also circulated. These joint bodies have made a major contribution to efficiency improvements.

Confidentiality and no-go areas

For managers with little or no experience of consultation, the confidentiality of business information provided at meetings is a major concern. In practice, however, the IPA has found that it is not a major problem. Employee representatives are usually expected to treat as confidential any information identified as such by management. Sometimes the obligation of confidentiality is formalised as in the case of European Works Councils, with the confidentiality obligation being held to apply after the representative's term of office expires. There are even arrangements providing for

sanctions in the event of breaches. It is extremely rare, however, for employee representatives to betray a confidence.

It is important to recognise that the onus is on management to spell out which information is confidential - expecting employee representatives to treat all the information they are given as confidential is not appropriate and would undermine the whole exercise. Table 5 shows how three well-known companies make their expectations of confidentiality clear.

Mergers and acquisitions are a particular bone of contention, especially when the first the workforce hears about them is from the local press or radio. This issue was investigated in detail in the Industrial Society report *The Silent Stakeholder*. London Stock Exchange rules are often cited as a reason why confidential information may not be given to employee representatives in such situations. The Listing Rules of the Exchange actually state that companies 'may give such information [about impending developments] in confidence' to a range of interests. Paragraph 9.5.9 (c) sets out the interest groups to whom this information can be disclosed and includes representatives of a company's employees or trade unions acting on their behalf.

This was confirmed when the Director General of the Takeover Panel, set out the Panel's views in a letter to the DTI. Commenting on employee consultation he said, 'The Panel Executive sees no reason in principle why, if a company wishes to consult an employee representative, permission should not be granted'. The letter

added: 'The Panel Executive, however, is not aware of ever having received such a request.'

The DTI guidance on redundancy consultation is clear on this point too: 'Stock exchange rules do not preclude employee representatives being informed and consulted in advance where collective redundancies are planned in connection with a takeover. Provision can be made for employee representatives to be subject to confidentiality constraints for a specified period, but at the same time to be sufficiently informed to hold meaningful consultations with the employer.'

There are also some 'no-go' areas, topics which are definitely excluded from the information and consultation process. Virtually all organisations exclude disciplinary or grievance cases involving individual employees. Depending on any arrangements for negotiation, some also put pay and conditions of employment in this category as well. This is by no means universal, however, as the case of Legal & General cited earlier shows.

Table 5: Confidentiality provisions

<i>Organisation</i>	<i>Policy</i>
BP Amoco	'Representatives of the business unit level communication and consultation forum will be bound to respect any confidential information provided to them and understand that it will not be disclosed any further without the express permission of the business unit leader.'
J Sainsbury	'Representatives who sit on the group council are required to sign a confidentiality clause and all confidential information that is shared is limited to that allowed by stock exchange rules.'
Nissan	'Within the bounds of commercial confidentiality, we will encourage open channels of communication. We would like everyone to know what is happening in our company, how we are performing and what we plan.'

Handling collective redundancies

If confidentiality is a key issue for management, the prime concern for trade unions is usually the handling of collective redundancies. High profile closures and redundancies at Rover, Vauxhall (General Motors), Corus (formerly British Steel) and Marks & Spencer have inevitably raised the temperature of the debate. There is understandable anger when news comes indirectly from the media rather than direct from management.

By law, if 20 or more redundancies are anticipated, management must consult trade union representatives or other elected representatives of the affected employees before the dismissals takes place. This consultation must start at least thirty days in advance where there are to be between 20 and 99

redundancies within a period of 90 days or less. If there are over 100 redundancies at one establishment within a period of 90 days or less, then 90 days notice must be given.

Consultation should include discussing ways of avoiding the dismissals, reducing the number of employees to be dismissed and mitigating the effects of the dismissals. Consultation must also be undertaken with a view to reaching agreement with employee representatives on these issues.

Table 6: Redundancy consultation which made a difference

<i>Organisation</i>	<i>What happened</i>
Blue Circle Cement	Blue Circle decided that it would have to close two small plants with the loss of 250 jobs. It asked the Company Wide Action Team (consisting of 16 shop stewards, four works managers and four head-office personnel) to develop ways to lessen the adverse impact on the 250 employees at those plants. Meetings were held at both sites to allow employees to raise their concerns and a programme was developed to accommodate those who wished to stay with the organisation. Training was stepped up to allow all employees to develop computer skills and update their qualifications. An allowance of £300 could be used for any training the company itself could not provide. These efforts were supplemented by a generous relocation package, financial advice, and a programme for those unable to relocate. Consultants were engaged to help with CVs and interviewing skills, and local employers were invited to see the skills and experience Blue Circle employees had to offer. The result was that 76 people and their families were relocated to other works, and only 13 of the 250 affected signed on as unemployed when the works closed.



<i>Organisation</i>	<i>What happened</i>
The Body Shop	200 people were made redundant at The Body Shop International, out of a workforce of 700. The consultation and representation committee were consulted. The company set up an entrepreneurs' club, offering interest-free loans ranging from £4,000 to £20,000, coaching and mentoring, opportunities for networking and access to an IT business centre. Special treatment was also given to staff over 50, who were entitled to an extra 25% on top of their original redundancy payment if they had not found a job by the end of the redundancy period. Those leaving the firm were offered £1,000 to be spent on training, which was matched by an additional £1,000 from the local TEC. An attitude survey was carried out among both those who left and those who stayed.
Siemens Power Generation	In the spring of 1999 the company faced a major restructuring programme because of global over-capacity in the steam turbine manufacturing sector. Trade union and employee representatives were involved at an early stage and a joint approach to handling the ensuing redundancies provided an effective means of mitigating compulsory redundancies and maximising support to employees. This included an on-site jobcentre, career change and other training programmes as well as the provision of a £1,000 'training voucher'. With the upturn in the power generation market and subsequent business improvement the dialogue established between the parties has been embedded into the company's information and consultation culture.

Trade unions often complain that these rules are flouted and employees and their representatives are not allowed to put forward their alternatives to redundancy or their suggestions for making it more palatable. The IPA's experience is that, while it may not be possible to avoid redundancies altogether, there are ways in which the effects can be mitigated (see Table 6). As well as making clear what the redundancy package involves, two themes constantly recur in these and other examples: one is that employee representatives are

involved at an early stage – and certainly well in advance of the statutory requirements; and the other is that those who are about to lose their jobs are given every opportunity to acquire new skills, so they can take other jobs within the organisation or elsewhere.

Developing an information and consultation culture

Some people argue that too much emphasis is put on the structures and processes of information and consultation and not enough on the necessary organisational culture. The IPA's experience is very clear. Structures and processes are necessary for effective information and consultation - without them too much depends on personalities. They are not sufficient, however. Information and consultation will be ineffective in a command and control culture where there is little respect for employees or no belief in a consensus approach to decision making. Different kinds of behaviour are required to reap the full benefits (see also Box 4):

- mutual respect
- flexibility
- trust
- empowerment
- co-operation
- openness and honesty

Box 4 East Midlands Electricity's core values and behaviours

- Talk the language of 'we' and 'us'
- Behave informally
- Be honest
- Seek consensus
- Be open minded
- Look forward, not back
- Be willing to face difficult decisions
- Keep senior managers visible to all
- Be open minded and do not look to blame others
- Solve problems jointly
- Respect confidences
- Listen to the voice of people at all levels

Mutual respect, trust, openness and honesty do not come easily, however. Constant vigilance is also needed to make sure that they are maintained and are not left to individual 'champions' who come and go. Although there are no easy answers, several wider considerations are important in helping to create and maintain an information and consultation culture. In the IPA's experience, the following are the most tangible:

- commitment from senior management and trade union representatives
- training and development for management and employee representatives
- a supportive infrastructure, which includes an appropriate performance management system and a commitment to employment security.

Commitment from the top

Every organisation that takes information and consultation seriously reports that the involvement of senior management is crucial. At Northern Foods, for example, the managing director of each operating company chairs that company's forum, a consultation body that includes union and non-union representatives. When a very senior manager is present at or chairs meetings, the IPA's experience is that they are more open, honest and productive. This is because senior management involvement signals to *other managers* that the process is important, and wholehearted participation is required from them. Without this, middle managers may be less than enthusiastic about informing and consulting employees, since it very often removes their monopoly on information and influence.

Embart Fastening Teknologies is one company that pays particular tribute to the role of the union: 'the key factor in initiating and sustaining change has been the constructive role of the T&G chief shop steward and the deep involvement of shop stewards in the plant.'



Where trade unions are recognised, commitment from senior shop stewards and full-time union officials is also extremely important, since issue-driven information and consultation will almost certainly involve union members taking on new roles.

training as part of the process of giving greater responsibility for handling people management to line managers. The need for such training is confirmed by the 1998 WERS finding that line managers were being trained in these skills in only around a quarter of workplaces.

Training and development

The IPA's experience is that employees and their representatives need to be trained to make sense of the business information disclosed to them and the business decisions to which they are required to contribute. Many companies have provided technical training in reading balance sheets, profit and loss accounts, and other financial control mechanisms, as well as training in learning how to work together and understand each other's point of view.

No less important is that managers receive training for information and consultation. Given the pressure to deliver short-term results, many managers have not had the opportunity to acquire the necessary inter-personal skills of listening and encouraging others to speak that are needed. Having to proceed in these circumstances without any preparation can be quite challenging and daunting, leading to opposition and, ultimately, failure.

Specific examples of training and development activities appear in Table 7. A notable feature is that some of the companies have run joint training and development activities for managers as well as employee representatives. Such joint activities can be a very valuable way of breaking down some of the fear and suspicion that may have clouded relationships in the past. These and other companies have also often included a sizeable element of employee relations skills

Table 7: Training provided to facilitate information and consultation

<i>Organisation</i>	<i>Training provided</i>
Northern Foods	Full training is given to members of operating company forums. Training includes commercial and financial understanding, strategic issues, the City, as well as personal skills training in working as a forum member.
Scottish Power	The acrimonious introduction of annualised hours prompted management and unions to find another way to proceed. A five-day course for management and trade unionists was organised by Ruskin College to bridge the 'trust' gap. This focused on joint problem solving and helping the four unions involved to work together amicably.
Tesco	At Tesco, union officials and representatives receive training in industrial relations best practice, employment legislation, Tesco's terms and conditions and the company's culture and values. Additional training in personal skills is intended to ensure that the union representatives are articulate and credible. Training in the organisation's union-management partnership agreement is included in its management development programmes.
United Utilities	United Utilities has group and divisional forums where employee representatives and management, together with national or district trade union officers of the recognised unions, jointly review group strategy, performance and employment policy. Each of the employee representatives has attended a comprehensive training programme to help them interpret strategic and financial information.

Supportive infrastructure

Here the overall package of personnel policies and practices is clearly important, including the employees' reward system, the opportunities for employees to develop and fulfil their potential, and the efforts management puts into team-building. Two features which do not always receive the attention they deserve, however, are performance management systems and employment security.

Performance management. The research evidence suggests that the way managers are managed has a critical bearing on people management more generally. Time and time again it emerges that innovations such as quality circles, TQM and teamwork largely fail because organisations continue to appraise and reward their managers purely and simply on the basis of 'hard' operational or financial targets rather than the softer development and inter-personal skills



so essential to the success of these initiatives. For senior managers simply to 'tell' middle and first line managers that they have to develop and involve employees is hardly appropriate. In the circumstances, it is perhaps not surprising that there are adverse reactions. Such developments are seen as 'bolt on' extras, especially where there is little or no preparation, which only add to workloads and count for very little in the overall scheme of things.

A performance management system that appraises managers on the extent to which they inform and consult employees helps to reinforce the fact that this is a key business activity. Performance indicators for Asda managers include promoting and sustaining local staff councils, while Legal & General's *Senior managers' responsibilities and ethics handbook* states that managers should facilitate the 'free flow of open and honest communication both upwards and downwards, ensuring that staff have a clear understanding of the company's objectives and policies and actively encouraging commitment to them.

Employment security. Employer commitment to employment security, often expressed as the avoidance of compulsory redundancies wherever possible, is also a critical piece of the jigsaw. Employment security can take many forms (see Table 8 for examples), including:

- guarantees given to employees after job cuts, to reassure the survivors
- commitments given before a redundancy programmes, to reinforce an announcement that redundancies will be voluntary
- undertakings given in return for increased flexibility from the workforce
- a trade off for pay freezes.

As the IPA's 1992 *Towards Industrial*

Partnership statement emphasises, it is unrealistic to expect employees to contribute to the process of continuous improvement if it simply means putting themselves and their colleagues out of work. A commitment to employment security signals to employees that their concerns are being taken seriously, while providing a good discipline for managers, who have to find other ways to reduce costs. In short, a commitment to employment security can be seen as an essential quid pro quo for the increased flexibility that an information and consultation programme should be designed to achieve.

Table 8: Examples of employment security provisions

<i>Organisation</i>	<i>Commitment</i>
AGCO (manual workers)	'There will be no compulsory redundancy arising from: improvements in productivity, make-versus-buy decisions, changes in workflow or processes [or] reduction of non-value-added time. Indefinitely and in all circumstances we will make full use of redeployment, early retirement and voluntary redundancy.'
Inland Revenue	'The Inland Revenue is committed to avoiding compulsory redundancies except as a very last resort, and one which it will do its utmost to avoid.'
Royal Ordnance	'In return for greater flexibility from employees, job security for all employees can be improved, taking every step to avoid the need for compulsory redundancy . . . By natural wastage, reduced overtime, work transfer and other measures, attempts will be made to avoid the need for redundancies.'
The Co-operative Bank	'The organisation change process agreed with UNiFI sets out a number of principles: ● to jointly commit to manage change in a proactive manner ● to jointly recognise that a flexible and pragmatic approach to the circumstances of each case may be required ● to continue to support the needs of individuals affected by change and jointly ensure meaningful dialogue at the appropriate level on an ongoing basis ● to jointly recognise that effective use of the revised organisational change process will require continued commitment to maintain an approach which keeps the number of redundancies to a minimum and achieves redundancies on a voluntary basis, as far as possible.'
Welsh Water	'Partnership gives employment security - in these days of rapid change it is impossible to give a guarantee of job security - that is, doing the same job at the same location doing the same things. But it does mean that permanent staff who want to continue working for the company can continue to do so providing they understand their obligations as clearly set out in the first part of the agreement [to share responsibility for continual improvements in meeting business objectives and providing the highest levels of customer service].'



Summary and conclusion

Information and consultation processes are subtle and multi-faceted. Discussions about redundancy or restructuring are only part of a much larger and continuous process of dialogue between managers and employees. For the consultative process to be effective, a shared understanding of the objectives needs to be created amongst the key actors, i.e. line managers, personnel specialists and representatives, and the workforce more generally.

It is also vital to understand that, at each level, a different range of issues will be discussed. At corporate level, strategy, investment and competitive pressures will be the primary focus. Much of what happens here will involve senior executives sharing information with representatives, although one would expect employee views and comments to be invited. At the operational level, the consultative process is likely to open up, to involve discussions around options, input from employees on key issues such as health and safety or training and development. There will also be feedback on the implications of certain courses of action. Consultation at this level helps to broaden understanding of business and workforce priorities and helps structure what happens in individual workplaces. At this level, too, joint working parties are likely to play an active role in developing policies such as equal opportunities.

There is no single formula. The examples quoted should demonstrate how varied effective employee information and consultation arrangements can be. They should also nonetheless give managers and employee representatives the confidence that comes from knowing that the elements of good practice are

already well established in the UK and that they can draw on this experience to benefit their own organisations.

IPA INFORMATION AND CONSULTATION AUDIT

This information and consultation audit has been drawn up on the basis of the IPA's experience of working with well over one hundred organisations in the private, voluntary and public sectors, in unionised, non-union and mixed environments. As well as drawing attention to the key issues needing to be addressed in introducing effective information and consultation, the audit has been designed as a tool for managers and employee representatives to use. It provides a checklist for action at two levels. The first level questions in bold cover the issues of practice which are important regardless of the activity or size of the organisation. These questions only require 'Yes/No' answers. If the answer is 'No', organisations will need to think about what they need to do to change that to a 'Yes'. The second level questions, which appear under each of the bold ones, may not apply in every case. Their purpose is to illustrate the kind of detail that may need to be considered.

1 Are the objectives of information and consultation clearly defined?

- Is it clear how processes are expected to contribute to business performance?
- Are efforts made to ensure that every one is aware of the objectives?
- Are efforts made to ensure that every one understands the objectives?

2 Is there a shared understanding of the objectives?

- Have the arrangements been established in consultation with employee representatives?
- Is there a joint commitment to the objectives?
- Is there an agreement about the items for information as opposed to consultation?
- Is there an agreement about the items for consultation as opposed to negotiation?
- Is there an agreement about the items for joint problem solving?
- Is it clear how confidential issues are to be handled?
- Is it clear how difficult issues such as redundancy, mergers, disposals are to be handled?

3 Is the role of top managers clearly defined?

- Were senior managers involved in the design of the process and/or its endorsement?
- Are senior managers expected to be personally involved at the appropriate levels?
- Do senior managers participate in senior-level forums on a regular basis.
- Are senior managers involved in the review of the process?

4 Is the role of employee representatives clearly defined?

- Are the processes of election/nomination transparent?
- Are there provisions for trade union and non union representatives?
- Is there sufficient time for employee representatives to canvass the views of colleagues?
- Is there sufficient time for employee representatives to follow up issues?
- Are there sufficient resources available to employee representatives to perform their role?

5 Are the arrangements for information disclosure appropriate?

- Do managers willingly disclose the information they should?
- Do managers disclose the information at the appropriate level e.g. strategic or operational?
- Do managers disclose the information in good time?

6 Is the process of consultation appropriate?

- Do the arrangements match the structure of the organisation?
- Are the size, timing and composition of the various consultation activities appropriate?
- Are issues dealt with in the right way, at the right level and in good time?
- Are the right people involved in problem solving processes?

7 Are consultative meetings effective?

- Is there adequate preparation for meetings?
- Are the responsibilities of those involved clear?
- Is everything done to maximise the contribution of participants?
- Do consultative meetings take place when they should?

8 Is there effective feedback from consultative meetings?

- Is there joint agreement about what is to be fed back?
- Is the feed back widely and regularly disseminated?
- Is there provision for both management and employee representative feed back?
- Are their opportunities for representatives to discuss the feed back with other employees?

9 Is there effective training and development for consultation?

- Are employee representatives given training for information and consultation?
- Are managers given training for information and consultation?
- Is the training for employee representatives and managers jointly designed and delivered?

10 Are there clear linkages to other key activities?

- Is there a consistency of message with corporate communication systems?
- Is there an appropriate 'fit' with other people management practices such as appraisal and reward systems?
- Are there clear links, where appropriate, between domestic and transnational arrangements?
- Does employee 'voice' influence key business decisions?

11 Is there a strong culture of information and consultation?

- Do top managers 'own' the process and feel committed to it?
- Is employee 'voice' valued and regarded as legitimate?
- Is the process characterised by openness and honesty?
- Is the process characterised by mutual support and learning?
- Does the process invite the participation and involvement of employees?
- Is employee 'voice' heeded as well as heard?

12 Is there a regular process of review and evaluation?

- Is there a review of how key issues have been handled?
- Is there a review of the role of senior managers?
- Is there a review of the role of employee representatives?
- Is there any measurement of outcomes against objectives?
- Is there any benchmarking of performance against other organisations?
- Are lessons learnt and applied?

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