Towards Industrial Partnership: New Ways of Working in British Companies

Executive summary

The Principles of Partnership

The Towards Industrial Partnership project was launched in 1992 with a consultative document which set out seven principles of partnership.

Three commitments to which all partners should subscribe:

- The Success of the enterprise.
- Building trust and greater employee involvement.
- Recognising the legitimate role of the partners.

Four building blocks on which a partnership is built:

- Recognition of the employees' need for employment security and the company's need to maximise flexibility.
- Sharing success within the company.
- Informing and consulting staff at the workplace and at company level.
- Representation of the interests of employees.

Research findings

The IPA has carried out a series of case studies to look at good practice in organisations which are pursuing the principles of partnership. This work has identified three distinctive features of these organisations:

- They demonstrate a greater commitment to employment security than other companies.
- They are more likely to offer all employees similar conditions of employment (single status) and share financial rewards.

They are organisations with a distinctive and clearly recognisable employee voice giving staff more input into the business both at the workplace and at more strategic levels.

Employment security

There has been a shift in attitude towards employment security in the last five years. Businesses which want a motivated work-force working with total flexibility are realising that people work best if they have some sense of being secure in their job.

This does not mean jobs for life. Rather it means working towards policies which create a stable employment framework. Employee commitment to company performance is unlikely without an explicit recognition of their individual need for security.

Companies such as Rover, Welsh Water, United Distillers and Blue Circle have all agreed arrangements with their staff to create a stable job culture. In every case the company and employees are working to bridge the seemingly unbridgeable - maximising a sense of security while reducing numbers employed within the organisation.

Single status and sharing financial reward

The introduction of single status terms and conditions for all staff has been a starting point for many partnership companies. It allows a business to break through the barriers which hold back flexibility and changed attitudes in the workplace. Harmonisation is important for the symbolic messages it sends to staff about how they are valued.

Despite the high take up of profit sharing schemes and share save programmes in larger businesses their potential for improving motivation is not being developed.

In partnership style organisations such as John Lewis and FI Group the companies have combined substantial employee shareholdings with a commitment to other aspects of the employee involvement agenda.

Employee voice

A major test of the partnership organisation is how much influence employees have both in day to day operations at the workplace and at the policy level. This is only in part a question of structures. It also depends on behaviours and relationships.

Employee voice matters because decisions which have been reached after consultation with the workforce have a degree of legitimacy which cannot be achieved if that consultation has not taken place.

Partnership companies combine excellent direct participation at the workplace with high quality feedback from all staff. Representative structures exist in most of them enabling the employee voice to be heard at a higher level increasing employee influence in policy areas. In some companies the forum is directly elected, in others trade unions or staff associations provide the channels. There are also organisations where the employees exert influence through being shareholders.

The partnership debate

Building partnership involves:

- a vision of the goal
- a cultural change programme which pervades the whole organisation
- a move towards single status terms and conditions
- business focussed consultative arrangements from the workplace to the boardroom
- a carefully worked through policy to manage employment insecurity
- a shared and wide reaching commitment to employee development and training.

Partnerships are more common in engineering and vehicle manufacture, privatised utilities and process industries. Private sector unions are generally comfortable with principles such as team-working or total quality management making it easier for them to move towards the partnership model.

In the public sector e.g. local authorities or health authorities there is still evidence of a tension between direct involvement of employees at the workplace and union channels of representation. The issue of employment security is also unresolved in many cases. If the basic trust and shared sense of organisational purpose which underpins partnership does not exist progress is slow.

Towards Industrial Partnership has reviewed the academic evidence for the link between a partnership culture and business success. These indicate that employee involvement has improved business performance in the vehicle manufacturing industry in particular. A strong link has also been identified in businesses surveyed in the Workplace Industrial Relations Survey (WIRS).

Introduction

The Towards Industrial Partnership project was launched in 1992 with a consultative document which was widely distributed through the business community, which set out the principles of partnership.

Three specific commitments which underpinned the idea and to which it suggested all partners should subscribe, were identified:

- The success of the enterprise
- Building trust and greater employee involvement
- Recognising the legitimacy of the role of each party

Towards Industrial Partnership also addressed the building blocks on which a partnership would be built:

- A recognition of the employees' desire for employment security and the company's need to maximise flexibility.
- Sharing success within the company both financially and in non monetary ways.
- Informing and consulting staff and involving staff in discussion of issues both at the workplace and at company level.
- Providing the means for the effective and independent representation of the people who work in the organisation.

Robert Taylor of the Financial Times described the project as:

"the best example of the new consensual approach to partnership in the Workplace"

This report sets out the evidence of the application of partnership in the workplace, drawing on many organisations which have applied the principles.

Particular emphasis has been focussed on the four key building blocks of the partnership principle:

a) Security and flexibility

b) Sharing financial success

c) Developing good communications and consultation

d) Representation and the employee voice.

Employment security and flexibility

Over the last decade the level of job insecurity felt by the UK workforce has increased substantially, not least because of the changes taking place in the global marketplace.

In the eighties and early nineties the prevailing attitude of employers was one which regarded employment security or 'jobs for life' as part of the malaise of a feather bedded economy. Weaning people off security was seen as part of the necessary change process.

"Whilst it is impossible to argue emotionally against the appeal of employment security as a desirable framework for improving employee involvement, it is simply so out of phase with

present reality that I do not believe it is credible," HR Director Merchant Bank.

Today, however, these certainties no longer seem as clear cut. Businesses want a motivated workforce able and willing to work with maximum flexibility. Employees work best if they have a sense of being secure in their job. If they do not feel that sense of security they can withdraw commitment and personal involvement from their employer.

Organisations do still exist which have a long-standing commitment to offering employment stability and have held on to it tenaciously through the period of upheaval. The John Lewis Partnership is an example. When they recognised that two inner London stores were no longer viable, they delayed axing the stores until a new project in Kingston was completed and kept staff on the payroll even when there was no immediate prospect of relocating them. Other companies have abandoned the idea, some reluctantly, but others with a sense that this old fashioned notion was no longer appropriate.

The reality of job cuts and redundancies is well documented. The 1996 study by the IPD, 'The New Employment Relationship', found that nearly sixty per cent of people at work had experienced job cuts in their workplace either directly or amongst colleagues. For skilled workers this figure rose to over 70% and for industrial staff to over 75%. These experiences had a marked and adverse impact on attitudes of all staff, including those in managerial positions. The survey showed a strong correlation between a history of lay offs within a company and low levels of trust, especially about the organisation's readiness to keep its promises. It also led to a discernible reduction in enthusiasm or commitment to the business.

There is also clear evidence of the importance which staff attach to job security. The GMB trade union, which regularly surveys its membership about their attitudes to work, consistently finds that employees value employment security ahead of almost every other aspect of their working life. Security scores well above pay, career opportunities, use of skills or working conditions.

If employees cannot expect a job for life, are there any expectations which they can rightly have of their employment relationship? Jobs for life are no longer attainable, even if there ever was a time when they existed. The expectation of having the same or a closely related job forever is not possible. Stable employment can, at best, mean working within the same organisation in a variety of different jobs throughout one's working life.

None of this argument ignores the fact that employment is crucially linked to business success. Just as business failure will inevitably lead to loss of jobs, the best guarantee of future employment is a healthy and thriving company. That message is now better understood by people at work than in the past. The link was clearly expressed by a major oil company,

"There can be no declaration of security of employment as a key corporate value without an explicit link to performance," BP.

The bargain is, however, a mutual one. In a mutual relationship the employee knows that his or her greater commitment leads to enhanced performance. One can therefore expect to have a higher expectation of having a job in the future. The employer should reciprocate the staff's commitment to business success by meeting, as far as it can, the employees' desire for maximum sense of security at work. This reciprocity has not, unfortunately, always been the case in the last decade.

One approach has been to restate the terms of the mutual relationship and emphasise that the employers' responsibility stops with ensuring that, on exit, the employee is equipped for the job market. There has been much discussion in the last five years about the concept of employability. Discussions about employability move the debate away from a concern about how the individual and the organisation relate in work. They focus instead on the responsibility of individuals to foster those skills needed to give them the greatest chance of getting a job on the open market. The company's responsibility is to ensure that the skill levels of its staff particularly those whose longer term prospects in the company are in doubt are kept up and enhanced. Employability is a useful adjunct to the security debate but should not be seen, as is sometimes argued as an alternative to resolving issues around job insecurity.

Security in exchange for flexibility

The readiness of a company to give assurances of employment security is closely linked to workforce flexibility, and is typically found in unionised environments such as the automobile industry or utilities. Many Japanese companies setting up in the UK regard stable employment as a basic building block of high quality employee performance.

A 1993 survey of Japanese plants in the UK found that twenty out of twenty five companies surveyed offered a guarantee of some form of lifetime employment. These commitments have been part of the organisational ethos for many years. It has not been wrung out of them by trade unions. Nor has it been given because the company is operating in the soft underbelly of the economy and has not yet faced the ravages of large scale competition. Rather it is a belief that to achieve world class performance it should offer each individual stable employment and growth opportunities.

Companies such as Toyota have in effect stood the classic UK assertion on its head and demonstrated the essentially mutual nature of the employment relationship.

"Highly competent, motivated people will show great commitment to the fulfilment of the company's objectives. Fundamental to the people philosophy is a determination to provide to the individual both growth opportunity and stable employment," Toyota.

Minimising insecurity

A company which is committed to stable employment puts maximising employment security amongst its organisational objectives. The company monitors employees' views and expectations about job security and has policies to manage those expectations both in the long term and in the short term.

It also ensures that the other signals which it transmits are consistent with these objectives recognising how much the sense of security is influenced by these signals.

This can conflict with the need to send signals to the City that robust action is being taken to maintain profitability. Announcing large job cuts is often used to achieve these ends. A recent example is the pressure on ICI to deliver 5000 job cuts in response to a profit downturn.

At BT the employee representatives addressed the shareholders directly on this issue.

"The departure of 100,000 employees has led to an atmosphere of deep insecurity. The company seems to have reached a position where cuts have become an end in themselves with no regard to the impact on the workforce or the wider social costs. That's why job security remains a major cause of concern for BT employees. BT shareholders should share this concern because BT will only succeed in the long term if its own employees are committed, dedicated and loyal," Undervalued Assets, published by NCU.

Company credibility is forged on a track record of consistently applying the company's core values to situations of job cuts and plant closures.

"The other aspect of the security relationship is that people know where they stand and as far as possible have a realistic view of their future prospects," BP.

In the long term employment security depends on the market position of the organisation, maximising skill and development as the only effective means of countering the effects of job loss for the individual and sustaining the competitiveness of the firm.

In the short term an organisation which wants to minimise insecurity, sits down with its staff and works towards a mutually agreed understanding of expectations and likely outcomes. They will also work together to put in place a robust set of processes to deal with the job cuts which do arise.

The strongest form of such a commitment has been a no compulsory redundancy guarantee. The Rover example is the best known. Other companies have reached similar compacts with staff.

"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 agreement," Commitment to employment Security DWR Cymru Welsh Water (Now Hyder).

The ground breaking deal struck in January 1997 between Blue Circle Cement and its staff offers employment security to all the company's two thousand process, transport and office workers. It recognises that for employees, security is the top priority. In the company's view offering employment security takes away the fear which prevents total commitment to the organisation. Blue Circle found that job insecurity carried a cost. For example it deters workers from advancing ideas which will increase efficiency. As an illustration the company point to its 125 drivers who responded to the security pledge with savings worth Â£10,000 per person in the first year.

The Blue Circle arrangement allows employees and their families to plan for the future while the company can achieve the flexibility and efficiency measures needed to achieve maximum competitiveness.

There has been a change in the debate about employment security over the last four years. At the outset one company chief executive described security of employment as a worthy aim but doubted its value as a foundation for a partnership company. If it was promised and could not in fact be delivered the whole edifice of employee expectations would come down. This concern led many companies to feel that the best approach was to talk tough on the subject.

Today the shortcomings of this approach are more readily recognised and evidence, for example in the banking sector, confirms that mishandling of the security issue has damaged companies more than they expected.

At the same time the expectations of staff have changed. Gone is any idea that security of employment can exist without a contribution from staff themselves particularly in these three areas:

- training and development
- maximum workplace flexibility
- making the organisation successful by continually improving standards of performance.

Personal development and training cease to be an optional extra and need to be seen as an integral part of the contract between the individual and the company.

"Elida Gibbs wants people who take responsibility for their job and are ready to be accountable for it, who demonstrate job competency through qualifications and other measures and commit to development of themselves as well as the business," Elida Gibbs (Now Elida Faberge).

When employees make this commitment and employers take security on board as a core corporate value a virtuous circle begins to be built which provides a substantial foundation for business success. The Japanese philosophy which sees stability as the cornerstone of flexibility and motivation is now being understood by UK companies as well.

Sharing the success

Much has been achieved since the 1978 Finance Act in developing new mechanisms for financial participation amongst the workforce. The IPA's Profit Sharing Register identified the many firms, which have introduced PRP, profit sharing either in cash or shares, savings related share schemes and ESOPs.

A survey by City Business School and Bacon and Woodrow in 1996 found that amongst the FTSE 100, approved profit sharing schemes were in use by almost 60% of companies and over 90% used SAYE share schemes. Despite the high take up of these arrangements, the survey found that all-employee schemes are not being used as a part of human resources policies and their potential for improving motivation and productivity is not being assessed.

Only 15% of companies surveyed identified employee involvement as a reason for operating an approved profit sharing scheme and less than 20% quoted motivation as a reason for having such an arrangement. Most significantly many companies indicate that they would not continue with many of their financial participation schemes if tax breaks are withdrawn.

In the companies which the IPA examined there was little evidence that these schemes were operated as part of a partnership approach in the employee relations field. Financial participation tended to be dealt with by a quite different part of the organisation, to different goals and was perceived as having more affinity with pensions and other personal financial matters.

Companies do however exist which put a value on employee share ownership and link it closely to other corporate activities.

The John Lewis Partnership is owned and controlled by a trust whose beneficiaries are the partners in the organisation. Few companies match the level of reward enjoyed by the Partners in the company, who have regularly in the last 10 years received a profit share worth over 15% of their annual salary in the form of bonus. The Trust structure means that options in the form of shares are not available in the company. Trust ownership is part of a highly developed structure incorporating a Central Council of employee partners.

At FI Group the employees had a controlling interest in the company until it was floated in the spring of 1996. Here the employees held voting rights over 51% plus of the equity.

Similar arrangements have been found in other employee owned companies like Tullis Russell, Baxi or the various ESOP companies in the bus industry.

In these companies employee shareholders regard it as important that they exercise their voting rights at the AGM. In such companies with employee holding stakes substantially higher than the 5 or 10% limits set by the institutional investors in quoted companies shareholding is seen as part of the overall culture of participation. Ideally it needs to be supported by all the other mechanisms of participation which include access to information, the opportunity to express one's opinion and a participative work environment.

Although the project did not address the current debate about top executive salaries, growing disparities of reward within companies militate against employee motivation. In the words of Professor Peter Wickens (formerly of Nissan UK),

"I question the extent to which people at the top need to be rewarded by share options, performance bonuses etc. They should have a reward structure little different from people throughout the organisation. If benefit structures based on share prices favour top executives almost irrespective of company performance, there is no way they are going to be trusted. The key issue is that companies operate systems linking reward to the performance of the organisation or business unit in both a transparent and felt-fair way," from Slaughtering Sacred Cows.

Single status and harmonisation

The introduction of single status employment, simplified working hours and single spine pay structures has formed an important starting point for several partnership companies. These single spine structures locate all the jobs within an organisation at a point on a salary scale which is known to all and applies to everyone.

Harmonisation of employment conditions is even more important. It plays an important and symbolic role in telling people what the company feels about its staff.

At Blue Circle and at Rhone Poulenc these were the foundations on which the subsequent flexibility and culture change was built.

The Blue Circle Integrated Working model set out the aims as follows:

- Stabilising labour costs by eliminating frequent overtime
- Stabilising income for staff
- Encouraging employees to work minimal hours necessary but effectively
- Defining jobs more broadly within a team working model.

The Partnership agreement at Scottish Power also introduced a simplified payment structure around a single spine. The company has also moved to annualised hours albeit against strong union opposition. More recently at Leyland Trucks the company was able to break new barriers in flexibility through the introduction of an agreement on working hours, which according to the Financial Times has set new standards in the UK motor industry.

Resolving reward issues around pay, hours and conditions would appear to be a more important contributor to partnership than profit sharing arrangements. If these fundamental issues are not resolved they can act as a barrier to the resolution of other key parts of the partnership agenda such as the security/flexibility trade off or the building of high commitment workplace behaviours.

Harmonisation removes these barriers and sends important signals to staff about how they are valued. Any organisation which claims that 'our people are our greatest asset' will be measured by how far the principles of single status are applied in the business.

Information, consultation and employee involvement

There is a good deal of confusion about what is meant by these different terms. Communication, consultation, information, involvement, direct and indirect participation are used frequently with overlapping meanings.

Employee involvement is a broad term which covers the complete range of processes which help to engage the support, understanding and optimum contribution of all employees to the objectives of the organisation. This includes all communication and consultation processes and financial participation.

Communication includes a range of different activities by which information flows through the organisation including:

"top down, lateral and upward flows of information and comment, feedback, employee surveys, written and spoken briefings, staff videos, e-mail etc."

Consultation is different from communication because it invites the participation of staff by seeking views, involving individuals in the decision making process and delegating power through empowerment. Consultation can take place either directly with staff or through a representative forum.

The employee involvement mix

Each of the elements of the employee involvement mix is linked. It is not always clear where communication ends and consultation begins. Companies which pursue employee involvement will typically use a very wide range of differing activities to develop the mix needed to achieve success in the marketplace.

Constant flexibility and responsiveness to change is needed in every part of the business. To achieve this adaptability demands a culture which maximises the exchange of information, laterally, upwards and downwards, one which encourages employees to take responsibility for what they are doing, to know as much as possible about the performance of the business and to express opinions without fear of reprisal.

Communication processes

The company philosophy

Communication is only partly about structures and systems. Even more importantly it is about the philosophy and style of the company. The Nissan company offers a good example of an open communications culture. This open culture is a basic building block of any form of effective employee involvement in the business.

"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.

Our aim is to build a company with which people can identify and to which we all feel *commitment.*

We want information and views to flow freely upward downward and across the company," Nissan Communication Philosophy.

Information is only valuable if it is believed. The IPD study 'The New Employment Relationship' showed that much of what is communicated in many companies is not trusted by the staff.

Despite huge efforts, communications initiatives have a chequered record. The Department of Employment study in 1992 found that only one third of staff felt that briefing systems added to their understanding of management decisions. Only 25% of staff felt that it increased their commitment to the company.

Conflicting signals between what is said and what is done lead to scepticism which in turn can lead to a failure to deliver the culture change which is being sought through the initiative. Building a successful partnership means going beyond mere internal communication and addressing a wider agenda around greater consultation and staff involvement.

Consultative processes

If good consultative processes are a feature of partnership which elements are necessary to make the partnership company work and in particular which combination of these elements is better than others?

The challenge is to develop machinery which both maximises staff input into decisions yet ensures that a focus on the business goals is maintained and decisions are not endlessly delayed.

Decisions need to be made more and more quickly and acted on quickly as well. Yet decisions which require staff to be committed in order to be effective should have the approval of those who are affected by them and, ideally, those people should be part of the decision making process.

"There will be difficulties in reaching appropriate mechanisms which must retain for management the ability to take fast business decisions without consulting ad nauseam," Major UK Retailer.

Direct consultation

Direct methods of consultation at the workplace encourage staff to make their views known on work related matters and offer an input into decision making.

Generally they are concerned with input into day to day matters at the individual's workplace. There has been considerable growth in direct employee participation, designed to listen more effectively to what the employee said and contributed at the workplace.

Cellnet is a good example of how a leading edge telecommunication company has applied a powerful direct involvement philosophy to help build a highly successful business.

Cellnet's developed a statement of values called EThOS in the early 1990's which sets out this approach clearly:

- Good people management is the key to effective task management. It can only be achieved by a frank and open exchange of ideas, information and knowledge.

- Open and clear communication with colleagues across the organisation is the responsibility of everyone and is the key to business success.

People can make their greatest contribution to the company by taking ownership of issues and problems, making commitments and delivering against those commitments, EThOS Values at Cellnet. <BR
On the foundation of a commitment to good communication processes it builds a highly delegated participatory approach to running the business.

In quality driven businesses a closely integrated cycle of empowerment, team working, quality initiatives and personal training and development is now common- place. At Elida Gibbs the company set out three goals:

- World Class products
- World Class Service
- World Class Speed.

(Elida Gibbs vision statement)

The company demonstrates all these elements, team working, building a learning culture and considerable emphasis on the skills needed to meet world class goals.

Feedback

Effective consultation is also about how well the company listens to its staff.

Employee Attitude Surveys are widely used as a means of getting regular and systematic feedback from employees. They were used in Elida Gibbs, in Cellnet and in FI Group to measure employee views. To be meaningful employee surveys must be followed up and acted on otherwise they quickly fall into disrepute and response rates start falling. To be of lasting value employee surveys cannot simply be snapshots. Once started credibility is lost if they are not repeated at regular intervals.

Employee surveys confirm that people value face to face communication with colleagues and their line manager. Not only is this the way people want to receive information it is also an important channel through which they want to be able to feed back their ideas and opinions to the company.

At Sainsbury's the company carried out an attitude survey of its staff in 1996 which showed a sizeable gap between the effectiveness of downward communication and how well staff thought that feedback was working in the company. Less than half the employees felt that they were being listened to compared with seventy per cent who felt they knew clearly what their department was trying to achieve.

In response to the survey Sainsbury set up local consultation groups in 400 stores. In turn these elect members to a central group council where management, elected employee delegates and union representatives meet. The works councils were put in place to discuss issues like group performance, equal opportunities and working practices and create a new channel for staff suggestions and concerns.

Figures as low as thirty per cent are not unusual in other companies when staff are asked to express their views about how effectively they think that the employee voice is heard in their company

There are other feedback mechanisms. At the John Lewis Partnership each branch has a Committee for Communication which operates as a two way forum for communication and feedback. These committees act as a weathervane of the state of opinion amongst staff with the added requirement that all complaints, suggestions are published and followed up by the relevant manager. John Lewis Partnership also provide a forum in its fortnightly Gazette where staff are able to query directors anonymously and directors are obliged to respond.

The emerging pattern of best practice in direct consultation is one of a participative culture where problems are shared, where loyalty is valued, where one's contribution is recognised and praised and where mis-takes are dealt with constructively. The RSA defined the inclusive company in such a way that emphasised direct involvement rather than an employee voice, i.e. a unitarist rather than a pluralist model.

Although individuals are today better able to influence decisions at their own workplace, staff want to give greater prominence to subjects like forthcoming projects, and future plans for their division or business. There is a growing desire to debate issues of a longer term and more strategic nature.

Representative consultation

The presence of good participative relationships at the workplace does not resolve the question about influence. When staff are asked in surveys if they want greater involvement the answer is 'Yes please'.

Representative consultation enables the employee voice to be heard at a higher level feeding employee views into the company strategic decision making processes. Indirect or representative methods of consultation include systems of joint consultation such as staff associations, works councils and joint consultative committees.

The IPD survey showed a mismatch between the influence which staff felt they had and the influence they desired.

The report identified that influence over the big issues, the strategic and corporate decisions is low and declining. Input at company level cannot easily be achieved on an individualistic basis.

The purpose of representative consultation is to give employees a more effective channel to the senior executives within their companies, what is now widely called, an employee voice.

The argument for a system of representation is powerfully set out in the introduction to the ICI consultation policy document.

"It is mutually agreed that in order for all businesses to have the best chance of attaining and sustaining the highest levels of competitiveness it is essential that all employees co-operate with each other to understand as fully as possible the business, economic and social context in which they are asked to work and have appropriate forums to influence decision makers at all relevant management levels so that there is the best chance of a well judged and full hearted contribution to business success from every employee," ICI Policy on Joint Consultation.

Representative consultation is also becoming more significant because of the growing legislative requirements to consult in fields such as pensions, redundancies, transfers of staff and the introduction of European Works Councils in several UK companies.

An employee voice is to be found in most if not all the companies which approach the partnership model. There are examples covering the wide spectrum from manufacturing to retail, from non-union to unionised, modern Japanese incomers to old established companies.

At their best these councils play a central role in creating an effective employee contribution to the success and direction of the business.

The evidence from WIRS is that old style joint consultative councils have been in decline. The stereotype in the 70s and eighties was of ineffectual, bureaucratic talk shops which contributed little of value to businesses and which unions regarded as the poor relations to the more powerful collective bargaining arrangements.

The Scottish Power Partnership Council set out a model statement of the purpose behind representative consultation:

"The Partnership Council exists to provide an effective vehicle for the representatives of management and the trade union representatives to deliver the joint commitment to the continued growth and future success of Generation Wholesale division.

The Partnership Council shall develop effective two way relationships between the management of the division and employees and their trade unions with the objective of achieving a business recognised as world class by all stakeholders.

To this end the Partnership Council shall promote best in class practices which create success both for the business and those employed in it, Scottish Power Partnership Council Mission.

The distinction between union and non union representation is in practice becoming increasingly blurred reflecting the diverse nature of the UK workforce. At the RhÃäÂ´ne Poulenc Staveley Chemicals unit, the directly elected consultative council functions along side a unionised negotiating structure.

In some organisations the forum for consultation is directly elected, in others it is partly elected and partly nominated from staff representatives.

Companies such as Boots and HP Bulmer developed their employee councils in the late 1970s at the time of the Bullock report. At Bulmer the company wanted to extend and develop the involvement of employees in decisions and policies, which affect their future. Reflecting the composition of their workforce the Council combines nominated union participants as well as directly elected staff. Grievances and pay issues are dealt with elsewhere. The Council has an oversight of such matters as redundancy policy, internal cultural change programmes, and has undertaken the company's employee attitude survey.

The strengths and weaknesses of the consultative forum

The agenda of any employee forum at company level must be strategic, business focused, meet employee needs and adequately cover the legal requirements to consult. It must work within a frame-work of mutuality i.e. a respect for the interests and aspirations of all the stake-holders in the company. The challenge for the company is how to combine business focus with a commitment to mutuality.

It also means moving unions away from a bargaining mind set to a participative style. At Dwr Cymru/Welsh Water the unions were quite candid about this issue:

"Partnership does mean a different sometimes a more challenging role for the trade unions. It is easy to confront to say NO. It is far more difficult to create a new role working with employees and the company to develop a better future not only for ourselves but more importantly for our customers,." DWR Cymru Trade Union Official

The ACAS approach to joint problem solving has also helped move organisations away from processes which are slow and cumbersome treating every step in the dynamic of change as a trade off to be haggled over. A consultative problem - sharing approach improves understanding of the issues involved, and resolves points of difficulty better.

Every organisation needs to improve employees' understanding of the issues facing it. Debates about company performance, awareness of investment and divestment decisions, the state of the marketplace, training and personal development policies, redundancies and cutbacks are all central to the agenda of any effective forum. Building employee awareness of these issues and getting employees' views ensures that better decisions are made.

Decisions which have been reached after consultation will have a degree of legitimacy in the eyes of the employees affected by them which cannot be achieved when that process has not taken place. When difficult decisions are being made in areas like redundancies this legitimisation requirement is recognised in law.

Direct involvement of employees at the workplace and representative consultation do not always exist in harmony. In some sectors there is still a suspicion of direct methods which stems from a view that direct consultation exists mainly to circumvent union channels. There is a marked difference between the public and private sector as far as this issue is concerned. The IPA research confirms that much best private sector practice as far as direct involvement is concerned e.g. in the car and engineering industries exists in tandem with good consultation systems at company level, through workforce representatives.

In the public sector it has often been the case that there is a tension. Both in local authorities and in NHS Trusts the IPA has found evidence of mistrust and hostility between unions and employers about the introduction of direct communication and consultation machinery. Steps were being taken in one county council to try to bridge the gap but the evidence was of two parallel activities with differing agendas and fundamentally different views of what the objectives of good employee involvement processes should be.

Representation

Towards Industrial Partnership recognised the importance of representative arrangements and the shortcomings of the single channel union only model. It excludes 60% plus of the UK workforce and there are still examples where the mismatch between the views of activists with ideological overtones and the workforce in general is evident.

Some companies argue that representative channels simply get in the way of the relationship between the company and the individual. Others, have argued that representation is essential as a way for the company to relate meaningfully to its workforce.

The employee voice does not necessarily rely on a union to be effective. In companies where the employees are also shareholders with a substantial holding, as was the case at the FI Group the employee voice is powerfully heard both at the AGM and through the Shareholder Trust. The Group is a good example of the employee voice altering a major decision, changing arrangements for profit sharing in the company.

The councils at the John Lewis Partnership both at company and branch level are part of a culture which lays great emphasis on the importance of enabling the voice of the Partners to be effectively heard through representatives.

Representation through trade unions has been the main form in companies such as Blue Circle, Scottish Power, or Royal Mail. In a company like Cellnet the union involvement has been small. Many companies are grappling with highly complex cultures where there is a mix of unionised and non-union sections and where the business needs of different parts of the organisation vary. Organisations need to be able to make their direct and representative processes work together.

An effective employee voice is necessary to give any consultative forum both weight and legitimacy. The RSA Tomorrow's Company report, for all the admirable general thrust of much of its argument failed to accept that, like with any other stakeholder, employees have their own interests which are separate from those of the business. To achieve alignment of those interests means firstly recognising that independence. For the concept of inclusion to have meaning the employee stakeholder must be able to express that interest either individually or as a group.

The partnership debate

There are differing views about where the Partnership Debate now stands.

One view held by a number of advocates of the HRM school argues that partnership is only a particular way of managing your workforce through the process of change which is particularly appropriate if your employees are unionised. The cultural change will be driven through anyway and partnership is simply an offer of a place at the table to employee representatives, which they can take up if they wish.

Others argue that partnership is essentially a chimera by which the workforce loses its ability to defend its own interests against the interests of capital. This argument has certainly underpinned the sceptical view about partnership in some trade unions.

Partnerships have been more common in areas such as engineering and vehicle manufacture, privatised utilities and process industries. Good direct communication and industrial relations exist in tandem. Private sector unions are now generally comfortable with principles such as team-working, human resource management or total quality management. It has therefore been easier for unions to shift towards the partnership model in these industries.

There is a marked difference between the public and private sectors in the response of trade unions to partnership. In the public sector e.g. local authorities or health authorities there is at times a tension between direct employee involvement at the workplace and union channels of representation. The question of employment security is also unresolved in many cases. Staff who previously enjoyed a degree of job security have seen it evaporate in the face of budget cuts resulting in a climate where the basic trust and shared sense of organisational purpose which underpins partnership does not exist/

The IPA has defined partnership in these terms:

- A commitment to working together to make the business more successful
- Understanding the employee security conundrum and trying to do something about it
- Building relationships at the workplace which maximise employee influence through total communication and a robust and effective employee voice.

Two of the most powerful examples of this in practice are Welsh Water and Blue Circle Cement.

At Dwr Cymru/Welsh Water now part of Hyder, partnership evolved gradually out of a series of changes which began in the mid 1980s which were only formalised in the Partnership for Progress accord in 1991. At Blue Circle too the processes go back a decade to the mid 1980s.

Partnership has involved a series of steps:

- a vision of the goal
- a cultural change programme which began with managers
- a systematic revision of reward, status and conditions
- development of new business focused consultative arrangements from the workplace to the boardroom
- a carefully thought out and agreed policy to manage employment security
- a major commitment to employee development and training.

In both cases there have been heavy job cuts (a 36% reduction at Blue Circle Cement plants over 5 years and a 16% reduction at Welsh Water over the three years from 1992-1994). Yet these have been achieved in such a way that the sense of security remains more intact than in many other companies where job cuts have been less severe.

Partnership - How do you start?

Many of the companies which the IPA identified have shown a commitment to the practices of employee involvement for many years. Companies such as ICI, Unilever subsidiaries such as Elida Gibbs (now Elida Faberge) Boots, Rover, Blue Circle and The John Lewis Partnership demonstrate many of these qualities.

Some of the most interesting examples of new approaches following the partnership model have been British Gas TRANSCO, Scottish Power, Thames Water and Dwr Cymru/Welsh Water. In each case the new circumstances of a privatised utility has created an opportunity for company and workforce to sit down and put in place new structures and change the culture of the organisation. A partnership approach has not been inevitable in these privatised utilities and there are cases where an altogether more hard line approach has been taken by the employer enforcing terms on their staff, derecognising employee representatives, and driving through change with minimal consultation.

For many organisations the changing market place acts as the catalyst. This was the case at Blue Circle, Elida Gibbs, Cellnet and RhÃäÂ´ne Poulenc. It was also a major driver at Royal Mail London where the major overhaul of Sorting Offices provides a good example of the joint problem solving approach involving a highly unionised workforce. Both sides implicitly recognised that the opening up of the mail service to competition was only a matter of time. The study also highlighted a challenge, which unions encounter when they are more actively involved as partners in the strategic process, the need for resources which enable them speedily and expertly to engage in a detailed debate about strategic options.

The business case for partnership

To win the case for partnership there must be a powerful business logic to the argument. It cannot simply be seen as a 'nice to do' add on.

One of the most robust expositions in recent times of the business case for the employee involvement approach was given by Jeffrey Pfeffer in his paper 'The Basis for Competitive Success'. Arguing for a central focus on people and organisational culture he quoted Toyota, John Lewis Partnership, Land Rover and FI Group as organisations which had either outperformed rivals or achieved a turn round in performance through a commitment to involvement or partnership.

In their report 'Participation, Contingent Pay, Representation and Workplace Performance' based on a sample of over 1200 companies in WIRS, Fernie and Metcalf at the Centre for Economic Performance have also shown that there is a positive relationship between the existence of consultative councils and economic performance as measured by productivity growth.

Looking at the car industry Marie Sako also working at the LSE has shown that the combination of direct consultative mechanisms such as quality circles with employee voice mechanisms such as a joint consultative council gives positive business outcomes in terms of training, quality and stock-holding. In each case the existence of 'voice' mechanisms and the commitment to stability of relationships contribute to business performance.

Conclusion

The Towards Industrial Partnership programme has identified three distinct features of the partnership approach;

- employment security
- sharing financial reward and harmonising terms and conditions
- an employee voice.

These are not the sole defining features of a partnership company. They do however feature significantly in many of the organisations that display partnership characteristics. A major test of the partnership organisation is how much influence employees have both at day to day operational level within their workplace and at policy level.

The next stage of the project will build on the evidence so far accumulated and set out to show systematically across a range of different business sectors the characteristics of partnership companies. This will enable many more companies who are developing the concept of partnership to be surveyed and the values and behaviours associated with partnership to be defined.