

# Acas Policy Discussion Papers

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## The future of workplace relations – An Acas view

The Acas Policy Discussion Papers series is designed to stimulate discussion and debate about key employment relations issues.

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Predictions and forecasting on the future of work and employment relations are fraught with difficulty. The future is not a fixed state; it is affected by the decisions we make along the way and by unforeseen events such as the current financial crisis. This paper, therefore, is a tentative attempt to map some of the implications of the evolving modern workplace and to encourage debate on the direction of travel for employment relations over the coming decade.

There is no doubt that the environment in which employees, employers and trade unions find themselves has changed dramatically in the past ten years and will continue to change over the following decade. Perhaps the most significant changes are the ongoing fragmentation of workplaces and the shift in the balance from collective to individual models of employment relations. Traditional frameworks and

assumptions surrounding employment relations are now becoming increasingly outdated and in need of renewal.

The paper begins by exploring the changing profile of the workforce and fragmentation of the employment relationship. It then goes on to consider employees' experience at work, the role of trade unions and the collective agenda, and the rise of rules and regulations and increasing individualisation of employment relations. It then turns to the management of the workforce, employee voice, and dealing with conflict.

As well as possible directions it also considers possible interventions that might support workplaces where good employment relations are contributing not only to the health and wellbeing of the workforce, but to the efficiency and productivity of the workplace.

The paper is written from the perspective of Acas, an organisation that deals with workplace conflict and its prevention and makes no apology for focusing on the practical difficulties that the changes to modern workplace relations may give rise to. As one of the country's leading authorities on employment relations it seems appropriate for Acas to share some thoughts with a wider audience about what the future might hold. This paper is intended as the first in a series of contributions to the ongoing debate.

### **The importance of the workplace relations**

Traditionally employment (or industrial) relations, has been associated with the management of either collective or individual conflict in the workplace. In recent years, the focus has opened out to consider the benefits of high performance working on productivity, but also the wider social implications for individuals and their dependents. The workplace provides not only the money that we need to support ourselves and our families but it can also provide purpose, status, and friendship, allowing people to develop new skills, both technical and social. The ability of line managers to manage employment relations on a day-to-day basis and to get the best from their staff has implications for innovation, productivity, quality and reliability, and ultimately levels of growth at a national level and our ability to compete on the global stage. With so much invested in work by managers and employees individually, employment relations has never been so important.

### **The role of Acas**

Acas has been involved in the world of employment relations for over 30 years. Once largely concerned with collective industrial relations, the work of Acas has evolved with the changes in workplaces to support a much wider range of employment relationships, some collective, some individual, some where trade unions are involved and others where they are not. Its role has expanded to embrace not only dispute resolution, which remains its core function, but also a greater emphasis on conflict prevention and good practice with the provision of information, advice and training for employers, employees and their representatives to support them with the day-to-day challenges that they face.

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### **The future of workplace relations**

The forces that affect the way in which we interact at work and the balance of power between worker, employer and organisation are many and varied and include: demographic and technological change, globalisation, and the impact of the global recession; the choices that governments make in relation to economic and social policy including legislative decisions that may increase or limit the role of different players in the employment relationship; at an individual level, there are the forces of socio-cultural change and the expectations and behaviours of members of society and the way in which they respond to challenges and opportunities around them. Notwithstanding the uncertainty thrown up by the interaction

of these often competing dynamic forces the paper considers how they may impact on the future of employment relations.

## Changing profile of the workforce

There is a degree of certainty over the future composition of the UK workforce. We can safely assume that it will be older than it is now, and if current trends continue it will also be more feminised and more ethnically diverse. There are also likely to be a larger proportion of migrant workers given that most of these workers come from inside the EU and are unaffected by any proposed caps on immigration.

## Ageing workforce

There is a growing view that the baby boomers have left the younger generation with nothing and are now set to block aspirations of this group because they refuse to retire. The shrinking value of pensions and the removal of the Default Retirement Age may well mean that many older workers will opt to stay in work longer. Some, on the other hand, may be unfairly pressured into going before they are ready, whilst others with generous enough pensions and a long held expectation of retirement at 60 or 65 will leave in the traditional way. This means that we may not see the full impact of these changes for at least a decade. But employers will need to start planning now because over the next twenty years there will undoubtedly be a significant shift in the age work profile. One area that employers will have to tackle sooner rather than later will be performance management of older workers.

As the workforce becomes older, and we no longer automatically retire at 60 or 65, managing disability will also become

a greater challenge for employers. At the moment we pick up more disabilities in our pensionable years and employers remain unaffected, but if we work into our late 60s and 70s employers will have to be much more proactive in terms of providing reasonable adjustments in order to meet their duties under the Equality Act 2010.

## Ageing population and eldercare

It is not just the ageing workforce that will impact on employment relations however. The ageing population more generally will inevitably lead to a demand for an expanded care sector and the Government has begun to address the funding challenges this presents in its vision for a new care and support system. There are implications for both the use of migrant and ethnic minority workers who have largely replaced low paid indigenous women in this role, but also for those who directly employ carers without prior experience of managing or employing people, and those in the workforce who rely on care services to remain in employment.

The care sector in this country has low qualification entry levels, is low paid, and those employed often have relatively vulnerable employment status. Some are highly qualified, others are not, and though the work involves emotional labour, it is generally undervalued and relatively insecure.

If the quality of care is unreliable and of poor quality, or supply does not meet demand, then those who rely on these services may find they have no choice but to take on more responsibility for the care of elderly or disabled relatives. If they are juggling work and caring responsibilities – often for children as well as elderly parents – they are

likely to suffer from higher levels of stress at work, and will need more access to flexible or part-time working hours.

Some commentators have predicted that eldercare will replace childcare as the major work-life issue by 2020<sup>1</sup> and that the next generation will be expected to spend more years caring for ageing parents than their own children. Although care of elderly relatives affects both men and women, with 50 to 59 being the peak age for caring<sup>2</sup>, women are more likely to provide more hours of care per week and they are also more likely to be caring for children as well.

In the 1990s, some enlightened employers began to look into the provision of eldercare in addition to the support provided for childcare. Unions were also proactive in raising awareness of the issue. It seems likely that employers will have to seriously consider additional support for employees with eldercare responsibilities in the future.

## Women and equality

The public sector was at the vanguard of the equality initiatives from the 1970s onwards, providing generous maternity leave and other family-friendly policies, and more recently spearheading advances towards non-discriminatory pay structures in the NHS and local government. Some parts of the private sector, including retail banking, followed suit arguing that equality made good business sense and in particular highlighting the higher rates of women returning to work after maternity leave. WERS 2004<sup>3</sup> showed the public sector was still ahead, but that the private sector was catching up. However changes in the economic context may endanger progress towards equality and as the public sector

shrinks what will this mean for availability of flexible working and leave arrangements? These are policies which have benefited men as well as women and have arguably started to help break down the stereotyped division of men as full-time bread winner and women as part timer and carer.

The way in which the private sector responds to the challenge will have implications for women in the workforce in the decade ahead.

## The fragmented employment relationship

The traditional relationship involving a single employer and its employees is one that can no longer be taken for granted. Globalisation, facilitated to a large extent by technological advances, allowed the processes in manufacturing and service sectors to be broken down into their constituent parts, outsourced and often relocated outside the UK. A similar phenomenon is playing out within Britain and its workplaces with an increased emphasis on outsourcing, but also more use of agency staff, secondments and joint partnership working creating what are sometimes referred to as networked organisations<sup>4</sup>. These strategies are primarily used to increase efficiencies and reduce costs, but also as a means of bringing in specialist knowledge and expertise at competitive prices. In addition, the ongoing trend for mergers and acquisitions means that many employees belong to organisations where they have been through not one but two, three or four transfers in as many years.

The result is a far more diverse and complex matrix of contractual relationships within organisations, with a resulting diversity

of terms, conditions and wage rates for employees in these modern workplaces. There may be a group of employees working on the same project, using the same skills but on differing terms and conditions depending on: who their direct employer is; which historical bargaining unit they belong to; and which previous incarnation of the current employer they were originally employed by.

Any wholesale reversal of the current trend seems unlikely. Indeed the current approach to shrinking the public sector and growing the private and voluntary sectors very much supports this model. Suffolk County Council recently announced that it intends to review all its services and to consider which really need to be provided in house and which are already being provided effectively in the community, and which would be better delivered through the creation of social enterprises by existing employees or outsourced to other organisations.

Some of the companies taking on the provision of outsourced services are multinationals and are larger than the client companies themselves and outsourcing has become a major growth industry in the UK. The Government hopes that social enterprises will take on some of the services to be outsourced by the public sector. Some specialised local services may lend themselves more readily to the social enterprise model. However, in the provision of many services newly created social enterprises will have to compete with multinationals and the economies of scale that large organisations can command. This may make it difficult for what are relatively small outfits to win contracts in a sustainable way and therefore offer job security to their employees.

It is possible that some companies will choose to bring services back in house where quality of services and/or brand image has suffered. Indeed across the EU there is evidence of just such a counter trend in the private sector where insourcing, and geographical and organisational consolidation are seen to strengthen the competitive advantage of the firm within the subcontracting chain. In London, Camden Council is preparing to bring services back in house. Outsourcing remains the dominant trend however. Moreover bringing outsourced services back in house may still mean that the contractual patchwork of differing terms and conditions remains even where the line of employer responsibility is clearer.

In the past some sectors, particularly those dominated by women and ethnic minorities, such as the clothing industry, have relied on subcontracting chains that have ultimately depended on 'self employed' workers with low pay and vulnerable conditions. It is very possible that this trend will spread to other sectors in future.

### **Employees' experience of work**

Employees' experience of work, and the satisfaction that they derive from it, can have an important impact on their physical and mental health and wellbeing, their commitment to their job and therefore their performance, and ultimately this can affect the productivity and profitability of their employer.

Long-term trends suggest that overall working hours are down and the workforce are more skilled and jobs more complex and engaging, although this varies between sectors. However, over the past twenty years, there has also been an overall



intensification of work, increased work strain and a reduction in the autonomy that workers have previously enjoyed.

Technology has played an important role in work intensity, allowing processes to move much more swiftly, and allowing time previously seen to be wasted either travelling or waiting for information to arrive to be used to increase the number of tasks employees are able to do. There is less natural breathing space.

At the same time, the increase in outsourcing means that pressures to meet targets and increase efficiency can come from outside the boundaries of the direct employment relationship, thereby reducing the ability of workers and managers to influence the way in which work is done.

Alongside the decline in autonomy is the growing mismatch between upskilling of the UK workforce (supply) and the utilisation of skills in the workplace by employers (demand). According to the UK Skills Survey<sup>5</sup>, around a third of workers reported that their skills were not being used, and skills utilisation is now a central target of UKCES policy on addressing the lower levels of productivity in the UK compared with some of its EU counterparts such as France and Germany.

Although great strides have been made in addressing inequality and discrimination over the past thirty years, people's experience of work in many sectors is still strongly affected by whether they are male, female, disabled or from an ethnic minority. WERS found that workers with disabilities or health problems had a much more negative experience of work<sup>6</sup>. The stubborn pay gap between men

and women remains, and although many women have made real advances in breaking out of low paid, low status jobs, this has had an impact on some more vulnerable ethnic minority groups and migrant workers.

Finding smarter ways of working that do not increase job intensity but allow autonomy, and addressing the experience of fairness at work by women, disabled workers, and other disadvantaged groups will be key in the years ahead. This is especially important given that satisfaction with job security and wage levels (and this includes pensions) may well fall, as public sector employers join the private sector in considering pay freezes and wage reduction to protect jobs threatened by the policies aimed at deficit reduction.

### Trade unions and the collective agenda

Economic and legal change both played a role in the steep decline of union density and collective bargaining coverage in the 1990s. The decline has slowed and although their power is more dispersed, trade unions are by no means a spent force. However the role of unions remains under pressure.

While unions have been successful in recruiting more women, they are still struggling to make themselves relevant to younger members. Between 1999 and 2009 union members became more feminised, older, more educated and increasingly dominated by workers in non-manual jobs and those working in the public sector<sup>7</sup>.

Proposed cuts to the public sector present a real challenge to the trade union movement. But trade union representation can reappear in the private sector as we have seen in the privatised industries of transport, energy and

communications, and more recently in the IT sector. Moreover the impact of collective bargaining agreements with one employer can influence the terms and conditions of workers in non-unionised organisations in the same sector.

The ability of unions to organise and expand membership is, however, likely to be made more difficult by issues of fragmentation discussed above. If an employee's direct employer does not have any real control over the pace or content of work, and if the competitive nature of winning contracts also means that there is very little margin for negotiating over wages, then unions may increasingly have to focus their organising and bargaining strategies on subcontracting chains and on procurement processes rather than on single employers or individual workplaces.

Unions are also likely to address the presence of multinationals employing migrant workers, where they exist in a vacuum outside the industrial relations framework in Britain despite having a significant impact on the state of employment relations in the sectors where they operate. Trade unions may well look more to international instruments such as the Ethical Trading Initiative, International Framework Agreements, and European Works Councils to support their capacity to organise outside the limitations of the domestic industrial relations framework.

Unions will also be seeking new issues around which to organise. Given the profile of existing members, trade unions are likely to shift their priorities to a greater focus on the gender pay gap, pension entitlement and public sector employment. Although pay

and terms and conditions will always remain central to trade union members, other issues are also finding their way onto the collective agenda such as equality, dignity at work, bullying and harassment, stress and skills utilisation. However, if they are to expand or even stand still trade unions will have to engage with younger workers.

The recent student demonstrations over the increase in tuition fees have demonstrated that collectivism is still alive and kicking, and the union movement is looking to galvanise popular opposition to cuts in public spending. It is also well aware of the collective power of the green movement and it is pushing for environmental reps to have the same status as health and safety reps. It is also likely to organise strong resistance to plant closures in energy intensive industries unless finance is provided to make the transition to new green industries.

The use of social media by unions to reach both a younger generation and a more dispersed workforce is already well underway. Commentators believe that the unions are moving from the services model of the 90s through the organising model of the noughties to the more sophisticated social movement model with its greater appeal to a younger audience.

Web 3.0 technology with its seamless integration between data bases will enable much greater interactivity between users and the web. This will enable trade unions to refine their recruitment practices where individuals can be attracted to a social movement website first and then directed to trade union sites.

## Rules, regulation and litigation

For most of the twentieth century the regulation of employment relations were largely conducted via the voluntarist system of collective bargaining. Over the past 30 years this has gradually been replaced by a plethora of individual legal rights covering everything from unfair dismissal and paternity leave to the protection from discrimination on the grounds of sexual orientation. Although the legislative shift towards individualisation of employment rights and more restrictive laws for trade union action was in some part intended to create a greater scope for the exercise of management prerogative within the workplace, the result has been an increase in the role for rules, regulations and litigation.

The introduction of the prescriptive three step procedure in 2004 for discipline and grievances provides an example. This aimed to stem the tide of cases flowing to tribunals by encouraging employers and employees to deal with issues informally in the workplace. In fact evidence suggested that the unintended consequence was to encourage those involved to take up entrenched positions early on which, perversely, may have prevented many disputes being resolved in the workplace.

The mandatory three-step procedure has been repealed and yet the law and litigation remains the default position for many employees and employers, both when they think about their rights and responsibilities on a daily basis and when they encounter a problem in the workplace. But taking a case to tribunal will not generally solve issues of poor employment relations. Rather it will simply remove the individual problems from the workplace and reward one litigant and

punish the other. The employee will rarely return to the workplace and the effect on the working environment for existing employees is more likely to lower morale than to enhance the quality of employment relations. The legal framework, furthermore, does not address with a huge number of issues which cause conflict in the workplace whether that be bullying, interpersonal conflict due to relationship breakdown or personality clashes.

The challenge in the years ahead will be to shift the default position away from the law and time consuming and expensive litigation, in favour of searching for a solution where employees and employers are well informed of their rights and responsibilities; where managers are able to facilitate those rights and responsibilities; and where the culture and behaviours at work are conducive to conflict being handled effectively.

## Managing the workforce

The ongoing trend in mergers and acquisitions is arguably creating organisations where decisions over how to increase shareholder value take precedent over the longer term interests of the business and its employees. This leaves management caught between the competing interests of running the business of the organisation and the need to increase share price in the short term, whilst ensuring that there is an engaged, innovative and high performing workforce<sup>8</sup>. Whereas takeovers have, in recent years, been dominated by US and Western European companies, we are likely to see them being dominated by the BRIC\* economies in future. This may well introduce new and unfamiliar management cultures into organisations.

\* Brazil, Russia, India and China



























