

Issue 7 January 2007

Inside the Workplace: the 2004 Workplace Employment Relations Survey

In this issue of Acas' *Employment Relations Matters* we concentrate on the recently published findings from the 2004 Workplace Employment Relations Survey (WERS). There are articles on:

- The main findings from the WERS survey
- The findings relating specifically to Small and Medium sized Enterprises
- Individual dispute resolution in the UK: a view from abroad.

Employment Relations Matters appears quarterly and is distributed free of charge by post and email. Copies can also be downloaded from www.acas.org.uk. Further reading will be suggested where appropriate, but there will be no notes or references.

Features will mostly be written by members of Acas' Strategy Unit or other Acas colleagues. From time to time, however, they may be especially commissioned externally, as in the case with the last feature in this issue.

We welcome your comments and opinions. These should be sent to strategy@acas.org.uk

The views expressed in *Employment Relations Matters* are those of the editor and not the Acas Council.

The fifth Workplace Employment Relations Survey (WERS) was published in July 2006. Funded by Acas, the Department of Trade and Industry DTI, the Economic and Social Research Council (ESRC), the Policy Studies Institute (PSI), WERS is the largest survey of employment relations and working life in Britain – and possibly the world. It captures the views of managers in around 2,300 workplaces together with the views of 20,000 employees and 1,000 employee representatives.

Based on one of the most authoritative sources of information available, this article presents some of the main findings on how employment relations in Britain have changed since 1998, when the previous WERS was conducted. Following its election in 1997, the Labour Government introduced a programme of legislative reform with the intention of setting minimum standards in work. The 1998 survey was conducted prior to the implementation of most of this legislation, therefore providing a baseline against which change in some key national policy areas can be assessed. As highlighted below, WERS 2004 suggests that increasing numbers of employers are offering provision in areas such as leave for working parents, access to flexible working arrangements, equal opportunities policies and formal disciplinary procedures. However, employment practice in areas such as workforce

representation and consultation shows less evidence of the impact of legal change.

Work-life balance

The 1999 Employment Relations Act (ERA) gave parents the right to unpaid parental leave and to time off for dependents. It also included enhanced maternity leave provisions. The 2002 Employment Act further enhanced maternity leave and pay and introduced the right for fathers to take paid paternity leave as well as placing a duty on employers to consider seriously the request for flexible working from parents of young and disabled children.

In line with these policy developments, comparison between the 1998 and 2004 survey data shows substantial increases in leave arrangements for parents, most notably in the case of paid paternity or discretionary leave for fathers. While under half of workplaces (48%) in the WERS Panel survey provided paid leave for fathers in 1998, the majority (92%) did so by 2004. In addition, in 2004 parental leave was provided by nearly three-quarters of workplaces (73%, up from 38% in 1998). WERS 2004 also indicates notable increases in flexible working arrangements, for example:

- workplaces allowing some (non-managerial) employees to work flexitime (26%, up from 19% in 1998)

- to switch from full-time to part-time employment (64%, up from 46% in 1998)
- to use job-sharing (41%, up from 31% in 1998)
- term-time only contracts (28%, up from 14% in 1998); and
- homeworking (28% of workplaces, up from 16% in 1998).

There is further evidence that employers are helping their employees to achieve work-life balance. In 2004, two-thirds of managers believed that it was up to individual employees to balance their work and family responsibilities, down from 84% in 1998. However, findings from the employee survey add a note of caution to this picture of positive progress. There has been little change in employees' views on how managers understand their needs to meet their responsibilities outside of work. In 2004, 58% of employees said that managers were understanding compared to 55% in 1998.

Equality and diversity

Employers in 2004 were more likely than those in 1998 to have a formal written equal opportunities policy (78% up from 64% in 1998). There was a substantial increase in policies specifically referring to the new and, at the time of the survey, forthcoming statutory discrimination on grounds of:

- religion (82% of workplaces with any formal policy, up from 72% in 1998)
- sexual orientation (70%, up from 56% in 1998); and

- age (68%, up from 61% in 1998).

Representation and consultation

The ERA introduced a right to statutory trade union recognition. However, there is no suggestion that this legislation has halted the long-term pattern of decline in collective labour organisation. Rather, findings from the 2004 survey indicate that the decline identified in previous WERS has continued. Overall, employees were less likely to belong to a trade union in 2004 compared to 1998 (34%, down from 37% in 1998), and workplaces were less likely to recognise unions for bargaining over pay and conditions (27% in 2004, down from 33% in 1998).

However, the level of decline varied in different kinds of workplace. Among workplaces with 25 or more employees, for example, the incidence of recognition remained stable at around two-fifths (39% in 2004, compared with 41% in 1998). The decline was largely confined to small, private sector workplaces: 18% of workplaces with between 10 and 24 employees recognised unions in 2004 compared with 28% six years earlier.

WERS does not suggest that trade union representation has been replaced by other forms of representation, such as joint consultative committees (JCCs) or stand-alone non-union representatives. Neither of these forms of representation increased between 1998 and 2004, with JCCs being present in 14% of workplaces with 10 or more employees.

Collective bargaining

In line with the decline in trade union representation, the incidence of collective

bargaining continued to fall between 1998 and 2004, as it did over the 1980s and 1990s. This more recent decline was confined to the private sector, and slowed among workplaces with 25 or more employees. In the public sector, collective bargaining was stable between 1998 and 2004 and the percentage of employees whose pay was covered by collective bargaining in this sector actually increased. Managers also made increasing use of performance-related pay over this period.

Workplace climate

WERS provides conflicting evidence on change in the employment relations climate in British workplaces. Managerial perceptions of the employee relations climate improved between 1998 and 2004, whereas employees' perceptions suggested little improvement. Generally, employees were less positive about relations than managers. Only 13% of employees rated employment relations more positively than their managers.

Workplace conflict

Comparing 1998 and 2004, the proportion of workplaces experiencing industrial action remained stable and low, and the incidence of collective disputes over pay and conditions also remained unchanged. Managers in only 5% of workplaces in 2004 reported some collective dispute of any kind in the year prior to the survey (compared to 6% in 1998).

Looking at individual conflict, we see an increased formalisation in procedures for handling disciplinary issues but a static picture in the level of disciplinary action. The proportion of workplaces with a formal procedure for handling

disciplinary issues increased (91% in 2004, up from 85% in 1998). This increase was largely due to an increase in the presence of procedures in small, non-union firms in the private sector. The rate of disciplinary sanctions issued by managers – namely written warnings, suspension with or without pay, and deductions from pay – was similar in 1998 and 2004.

In contrast to this pattern of stability there was an overall decline in the proportion of workplaces where grievances had been raised over the past year (47% in 2004, down from 56% in 1998). The 2004 survey also suggests a shift in the focus of individual grievances:

- a decline in the proportion of workplaces that had seen a grievance about pay and conditions, promotion, job grading and appraisals
- an increase in the level of workplaces that had faced at least one grievance relating to bullying (up from 3% in 1998 to 7% in 2004).

The use of Acas

The use of Acas has grown considerably since 1998, when 16% of workplaces with 10 or more employees had used at least one of the range of Acas services in the past year. In 2004, this percentage had increased to 26%. The growth in the use of Acas was concentrated in private, rather than public sector, workplaces.

More information about WERS

- Detailed findings of WERS are available in two major publications:
Inside the Workplace: Findings from the 2004 Workplace Employment Relations Survey (ISBN 0-415-37813-3) by Barbara Kersley, Carmen Alpin, John Forth, Alex Bryson, Helen Bewley, Gill Dix and Sarah Oxenbridge is published by Routledge. (Pb: £23.99, Hb: £80). Editors are welcome to reproduce any of the figures or tables contained in the book. To order a copy please email: book.orders@routledge.co.uk or call 01264 343071. You can also order books online at: www.routledge.com
- *Small and Medium-sized Enterprises: Findings from the 2004 Workplace Employment Relations Survey* (ISBN 0-85605-361-9) by John Forth, Helen Bewley and Alex Bryson is published by DTI. Editors are

welcome to reproduce any of the figures or tables contained in the book. To order a copy please email: publications@dti.gsi.gov.uk or call 0845 0150 010. The publication is also available to download from the DTI's Employment Relations website: www.dti.gov.uk/employment/research-evaluation/wers-2004/index.html

In addition Acas has commissioned John Forth and Lucy Stokes from National Institute of Economic and Social Research to conduct a regional analysis of WERS data. Their report *A Regional Perspective on Employment Relations: Tabulations from the 2004 Workplace Employment Relations Survey*, is available on the Acas website at www.acas.org.uk.

Small is beautiful? WERS findings on small and medium-sized firms

There is little quantitative data on the employment practices of SMEs, despite the fact that 94% of all private sector firms in the UK have fewer than 250 employees. In a bid to bridge the gap, this report uses the WERS data to describe the employment practices in private sector workplaces of this size.

As both managers and employees were surveyed within organisations, the study is able to compare employees' views of the employment relationship with those of their managers. It also makes comparisons between the practices of small, medium-sized and large firms. In line with official classification, firms with fewer than 50 employees are categorised as 'small', those with between 50 and 249 employees are 'medium-sized' and firms with 250 or more employees are classed as 'large'.

Management matters

The 2004 study found that, in small firms, it was much more common for employment relations to be dealt with by an owner-manager than by a personnel specialist: for example, 8% of workplaces in small firms had a personnel specialist compared to 22% in medium-sized firms and 26% in large firms.

Employment relations managers in small firms were less likely to have relevant qualifications and more likely to turn to external sources of advice such as Acas. However, two-thirds of managers in small firms had at least 10 years' experience in the personnel role and carried out a wider range of tasks than those in an equivalent position in large firms.

Recruitment, training and work organisation

The study found that SMEs were less likely to use formal recruitment channels than their larger counterparts. For example, 13% of small firms relied on direct approaches such as referrals or word of mouth compared to 5% of medium-sized firms and just 2% of large firms. The study attributes this to the lower incidence of personnel specialists in small firms.

Only a quarter of small firms offered off-the-job training to employees compared with around half of large firms. However, where small firms did invest in this form of training, employees were less likely to be dissatisfied with the training compared to employees in large firms.

On work organisation, the survey indicated that 'high involvement' approaches such as team-working arrangements, problem-solving groups and functional flexibility were less developed in SMEs than in large firms.

Information and consultation

Union representation was 'unusual' in small firms, according to the study: only 7% of employees were members of a trade union, and union members formed a majority in just 2% of such workplaces.

SMEs were also less likely to share financial information with employees on a regular basis. For example, a third of managers in small firms regularly supplied this type of information compared with nearly half of managers in medium-sized firms and three-quarters of those in large firms. Owner-managers were particularly unlikely to share financial information with the workforce.

However, in contrast to employees in medium-sized and large firms, staff in small workplaces said that their managers were good or very good at keeping people informed about changes to the running of the organisation, to staffing or to their job.

Pay determination

Unions were rarely involved in pay-setting in SMEs, according to the WERS findings: just 2% of employees in small firms and 6% of employees in medium-sized firms had their pay determined by negotiation, compared with 29% of employees in large firms. In contrast, pay was set unilaterally by management for over four-fifths (84%) of employees in SMEs. Variable pay – that is, compensation that varies according to performance – was less common in SMEs than in large firms, although such reward systems were still used in a significant proportion of SMEs.

Interestingly, remuneration levels were found to be higher in medium-sized and large firms, but satisfaction with pay was highest in small firms. The study suggests that this could be because large firms had greater pay dispersion.

'Conflict and dissonance'

The findings show that grievances were most likely to have arisen in medium-sized firms, while managers were least likely to have used disciplinary sanctions over the past year in small firms. On the incidence of formal individual dispute resolution procedures, three-fifths (63%) of small firms had in place a grievance procedure compared to 90% of medium-sized and 99% of large firms.

The study still found that 72% of employees in small firms thought that their managers treated them fairly compared to 59% of employees in medium-sized workplaces and just over half (53%) of those in large firms. Employees in small firms were also most likely to rate the relationship between staff and managers as good or very good in small firms – 79% of employees compared to 64% in medium-sized firms and 59% in large firms.

The incidence of employee grievances and employment tribunal claims were both found to be highest in medium-sized firms, with an average of 3.3 claims brought per 1,000 employees compared to a rate of 2.6 in large firms and 2.1 in small firms. The rate of absenteeism was lowest in small firm workplaces, with an average of 3.2% of working days lost per year compared to 4.7% in medium-sized enterprises and 5.1% in large firms.

Equality and diversity

Workplaces in small firms were less likely to have a formal equal opportunities policy in place than workplaces which were part of larger firms, the study found. Just over a third (36%) of small firms had such a policy compared to two-thirds (69%) of medium-sized firms and 93% of large firms. And less than a quarter (23%) of small firms had an equal opportunities policy that covered gender, race and disability. Although it was unusual for SMEs to have reviewed a range of activities such as recruitment and promotion procedures to identify discriminatory practices, these reviews were also rare in large firms.

The study also found that workplaces within small firms were less likely to

have practices in place to support employees with caring responsibilities than those in the large firm category. Despite the fact that managers in SME workplaces were more likely to believe that it was up to employees to balance their work and family responsibilities than those who managed in large firms, employees who worked in small firms were more likely to expect that they would be able to take advantage of flexible working arrangements if required.

Around three-quarters (72%) of employees in small firms agreed that managers at their workplace were understanding about work-life balance issues compared with 62% of those employed in medium-sized firms and 54% in large firms.

The right attitude

On employee attitudes, the level of organisational commitment was found to increase in inverse proportion to the size of the organisation. The study reported that four-fifths of employees in small firms said that they felt loyal to their organisation, compared with 73% in medium sized firms and 67% in large firms.

Managers in small firms were also more likely than those in large firms to report that they had involved employees in decision-making when making changes at the workplace. Furthermore, 59% of employees in small firms reported that they had a lot of influence over how they did their job compared with 53% in medium-sized firms and 49% in large firms. Employees in small firms also reported lower levels of work intensity – 31% said they never had enough time to get their work done compared with 35% in medium-sized firms and 38% in large firms.

A welcome window

As the study notes, the significance of small and medium-sized firms is often overlooked by analysts and commentators. SMEs represent a significant section of the private sector economy – over eight million employees at the beginning of 2004, which equates to 36% of all employees in the UK. Their importance as a provider of employment is reason enough for this business sector to be of interest to those in the employment relations field.

This study, derived from the 2004 WERS findings, is therefore timely and welcome. It also throws up a range of findings that should prompt calls for further research.

Individual dispute resolution in the UK: a view from abroad

The following article was written by Ken Anderson, a member of the New Zealand Employment Relations Authority

In July 2006, a detailed analysis of workplaces in Great Britain was published. The Workplace Employment Relations Survey (WERS) is widely recognised as one of the most in-depth studies of a single country's employment relations in the world. *Inside the Workplace* (WERS 2004) is the latest in a series of five surveys that, as the introduction points out: "have generally been considered to be one of the most authoritative sources of information on employment relations in Great Britain."

Inside the Workplace is based on data gleaned from interviews with managers and employee representatives in 3,000 workplaces and from questionnaires completed by over 20,000 employees. WERS was sponsored by the Department of Trade and Industry, the Economic and Social Research Council, the Policy Studies Institute and Acas.

The study contains complex data, some of which may appeal to those that have cause to view workplace relations from an academic perspective. This article focuses on some of the findings of the survey that have practical relevance for managers and employees who deal with the employment relationship on a day-to-day basis. These include the use of dispute resolution procedures within the existing legal framework. The article also makes a comparison with the dispute resolution processes that exist in New Zealand.

Individual dispute resolution

The survey found that disputes between managers and individual employees are much more prevalent than collective disputes in the UK. This is not surprising given that there are many more individual employment relationships than those of a collective nature.

This conflict between employees and their managers often takes the form of personal grievances, with employees believing that they have been unjustly treated. The difference may be created by factors such as the work environment, a breach in the individual's terms and conditions, or disciplinary action initiated by the employer in response to employee performance, capability or misconduct issues.

The increase in the volume and complexity of employment law means that the formal procedures for handling conflict between individuals and their employer have expanded significantly in recent years. For example, the Employment Act 2002 imposed a legal requirement on employers to have in place formal internal procedures for dealing with grievances and disciplinary matters.

Much of the WERS survey work was carried out before the implementation of the statutory changes. Nonetheless, it was found that formal procedures for dealing with grievances and disciplinary matters were already widespread: 88% of workplaces had in place a formal procedure for handling personal grievances while 91% had adopted a disciplinary procedure. The survey also found that:

- formal grievance procedures were less likely to be found in small establishments

- the incidence of procedures varied considerably across different industries
- 30% of workplaces in the construction, hotels and restaurants sectors did not have a formal grievance procedure in place.

Conversely, formal grievance procedures were universal in many other service sector industries, particularly those with a high degree of public ownership. A similar picture was revealed in regard to the existence of formal disciplinary procedures. Formal procedures are also more common in workplaces with recognised unions, in private and public sector workplaces.

The procedures in practice

Inside the Workplace examined three key areas:

- whether the employee (or the employer, in a disciplinary situation) is required to put their concerns in writing
- whether employees are asked to attend a formal meeting in either situation; and
- whether the employee has a right of appeal against the final decision.

The survey revealed that the requirement to put matters in writing, and the use of formal meetings was quite widespread in disciplinary situations, but markedly less so in personal grievance circumstances. The requirement for attendance at a formal meeting is reasonably widespread but appears to depend to some extent on the perceived gravity of the issue. Again, we need to be mindful

that much of the field work for the survey was carried out prior to the implementation of the Employment Act.

It is notable that the principles of natural justice, and the opportunity for an employee to be able to appeal against a decision of the employer, are concepts that were clearly well appreciated by employers in advance of the statutory requirements to make provision for these. In the WERS survey, formal grievance procedures were evident in 94% of organisations and disciplinary procedures in 95% of workplaces. It appears that employee representatives are broadly happy with the grievance and disciplinary procedures in operation at their workplace, with 63% of representatives indicating they were "satisfied" and 10% saying they were "very satisfied."

Grievances and disputes raised

In the year prior to the study being conducted, grievances were raised in just under half of the workplaces surveyed, an 8% decrease compared with the 1998 WERS. It also appears that the larger the workplace, the more likely a grievance is to be raised. Indeed, a workplace with 500 or more employees is more than half (57%) as likely to have a personal grievance raised compared to a workplace with 10-24 employees. Grievances are also more likely to be raised in the electricity, gas, water and construction sectors and least likely to occur in the financial services sector.

The field work for WERS was carried out prior to the introduction of the new statutory dispute resolution changes in October 2004. It is therefore not possible to use these findings

as a basis for evaluating the impact of the changes on the level of employment tribunal claims. But other, early sources of data do not suggest that the new provision is having the desired impact of reducing the number of tribunal applications. For example, the *Acas Annual Report 2005/06* does not show the hoped for fall in the number of cases. The reasons for this are outside the scope of this article. But what is apparent, even at this early stage, is that the Employment Tribunal Services and Acas conciliators are required to cope with an increasing caseload. Consequently, some thought could be given to alternative, and possibly more efficient, methods of employment dispute resolution.

A possible alternative?

As an experienced employment law practitioner and a mediator and adjudicator with the New Zealand Employment Tribunal, and its successor, the Employment Relations Authority, the UK's individual dispute resolution framework may find some benefit from an examination of the New Zealand mediation system.

This was introduced by the Employment Relations Act 2000 (ERA), effective from 1 October 2000. Essentially, the system is comparatively – and procedurally – simple. The main focus is on mediation. The aim is that the mediation of individual disputes should take place as quickly as possible – ideally, before the ultimate breakdown or termination of the employment relationship occurs.

In order to deliver mediation, the New Zealand Department of Labour Mediation Service employs 45 to 50 full-time mediators. The mediators come

from a variety of backgrounds and have diverse skills.

Both employees and employers can gain access to the Mediation Service (either with or without a representative) by making a written application setting out – in plain language and not legalese – the nature of the difference prompting the recourse to mediation. The application is processed within a short period of time and the file passed to a mediator.

Depending upon the nature of the (potential) conflict, mediation can be conducted by telephone and/or correspondence, but it is more likely that a mediation meeting with the parties will be deemed necessary. Occasionally, one or both of the parties to a dispute sometimes try to avoid the mediation process by attempting to obtain adjudication with the Employment Relations Authority. But the provisions of the ERA effectively makes mediation mandatory before adjudication is available unless there is an exceptional reason why mediation is not practicable or why urgent adjudication is needed.

The work of New Zealand mediators appears to be similar to that carried out by Acas conciliators and the respective personnel have similar skills sets. The major advantage of the New Zealand system compared to the UK one is that, under the former arrangements, employees and employers have direct access to mediation. This means that the dispute is routed directly to mediation rather than having to be processed by the Employment Tribunal Services administration before the parties can gain access to an Acas conciliator.

Conclusion

Acas have carried out a mediation pilot exercise. While a small number of mediations were conducted, the parties involved seem to have been largely satisfied that direct mediation was of some benefit and it appears that most would use it again if made available.

The scope of this article does not permit further analysis and/or comparison of the UK and New Zealand employment dispute resolution methods. However readers may wish to question if an amalgamation or modification of the two systems might lead to more timely and effective dispute resolution.

If you would like to order extra copies of *Employment Relations Matters*, please fill the details in below and send to the address, or fax to the number, below. Alternatively, you can write your request to the Acas Strategy unit. Please also let us know if any of your details are incorrect.

Name
Address
Organisation
.....
.....

I would like extra copies.

I no longer wish to receive *Acas' Employment Relations Matters*, please remove my name from your mailing list (please tick the box)

I would like to receive *Employment Relations* by email in future at the following address.....

Acas, Brandon House, 180 Borough High Street, London SE1 1LW
Fax 020 7210 3687 c/o strategy@acas.org.uk

