Acas submission to the Business and Enterprise Committee on the future role of Regional Development Agencies

We welcome the opportunity to contribute to the inquiry into Regional Development Agencies (RDAs). Acas is a national organisation with regional offices throughout Great Britain. Its services include dispute resolution in the form of collective and individual conciliation and mediation, workplace advice and training, and a national helpline.

Its mission, rooted in statute, is to improve organisations and working life through better employment relations. The support Acas provides to businesses to improve workplace relations can be a key component in business success and the subsequent impact that this has on national, regional and local economies.

Whilst publicly funded, with links to the Department for Business, Enterprise, and Regulatory Reform (BERR), it is statutorily independent of government.

Workplace relations and the regional agenda

Improving workplace relations, is in our opinion, central to the current debate on regional development. However, the issue of employment relations was notable in its absence from the Sub National Review. Although Acas has worked very successfully in partnership with some RDAs, others have been reluctant to engage with this important area of economic development. This may be a result of an apparent lack of understanding of the link between high involvement management and productivity.

A recent report by the National Institute of Economic and Social Research (NIESR)¹ revealed that for every pound of tax payers money spent by Acas, £16 is returned. At a conservative estimate, this means that almost £800 million of benefits a year are generated across UK businesses, employees and the economy as a result of Acas interventions. If the work of other agencies such as trade unions, employers associations were to be included then the figure would clearly be far higher. The need for RDAs to effectively engage with organisations such as Acas is therefore key.

Competing in the global economy

The importance of good employment relations is a key factor in terms of increasing inward investment. Acas services address both immediate problems of actual disputes but also the promotion of better relations in the longer term. As the NIESR study emphasises: “In the longer term there are likely to be dynamic impacts on the whole economy from the existence of more productive and harmonious workplaces, both through the potential it offers for a more relaxed macroeconomic policy, and

¹ A review of the economic impact of employment relations services delivered by Acas, Pamela meadows, National Institute of Economic and Social Research, 2007
through a greater level of confidence among investors, both domestic and international, in the UK as a place in which to risk their money. This higher investment in turn offers the potential for a higher growth rate, which provides benefits.”

For the purposes of this inquiry we would like to share some of our experiences of working with RDAs, and regional and sub regional bodies, and to emphasise the way in which the partnership has benefited local and regional economies. We would also like to highlight how the benefits offered by proposed changes to the regional agenda might be enhanced.

**The need for a level of economic development/business/regeneration policy delivery between central and local government**

There is undoubtedly a role for regional governance at a strategic level, and we support the approach for greater engagement at sub regional and local level. Certainly our experience of working with employers, employees and their representatives on a daily basis in Britain’s workplaces is that there are noticeable variations in the quality of workplace relations at a regional level. This is backed up robust research including regional analysis of the Workplace Employment Relations Survey (WERS), studies by Office for National Statistics (ONS), and Acas’ own research and evaluation of its services.

As a specialist in this area, with both practical and academic knowledge of workplace relations, Acas can offer valuable intelligence to RDAs, and other sub regional and local partners in developing economic strategies that are sensitive to local needs.

We look briefly at some of the regional variations in workplace relations, below, and how they are linked to the wider regional agenda.

- **Levels and types of dispute both collective and individual**

  There are notable variations in the manifestation of disputes in the workplace.

  **Individual disputes**

  The WERS 2004 cross section survey asked managers in workplaces of five or more employees whether any claims had been brought to an employment tribunal in the past 12 months. In London, 36% of employers said that they had had one or more claim, compared with 21% in the East of England, and 27% in the North West.

  If we look at the most recently published figures from the Employment Tribunal Service there are vast differences in the numbers of employment tribunal claims across regions and subregions. In 2006/7 19,863 ET claims were registered in Newcastle compared with 3,458 in Liverpool, and 5,732 in London Central). Importantly, some of these differences can be explained by large multiple equal pay claims
brought against local government, and although not likely to be a long term trend, it is an example of the type of intelligence that regions and subregions need to be aware of in order to respond strategically in terms of resource allocation.

Even if multiple claims are excluded, there are still variations regionally and subregionally.

**Collective disputes**

According to the ONS, working days lost to strike action are highest in the North West (55 days per 1000 employees) and lowest in the East Midlands (19). However, collective conflict can occur without there being strike action. Acas deals with a range of collective disputes both where strike action is threatened but also where conflict exists but the possibility of strike action has not been raised by the union.

Again there is a notable difference between the demand for collective conciliation between regions. In the North West, collective conciliators dealt with 134 cases in 2007/8 compared with 69 cases in the North East, and 27 in the South East.

An interesting observation by our collective conciliators is that in recent years they have seen a lack of experience of negotiating collectively among HR professionals, and younger, less experienced trade union officials. Acas conciliators often find themselves in the position of educating the parties and walking them through the processes involved. Whereas trade unions have their own mechanisms for training reps in these skills, the gap in HR negotiating skills is something that could be addressed as part of the regional economic strategy. Without these skills the danger is that conflict that could be dealt with informally, including through Acas conciliation, will evolve into full blown disputes.

• **Employer support of innovative working practices**

Regional analysis of the Workplace Employment Relations Survey 2004 identified significant differences in the use of flexible working practices. In the East of England only 32% of organisations use flexible working compared with London where flexible working is found in 53% of organisations.

Flexible working can mean a reduction or flexibility of working hours, or the ability to work from home. There is a direct impact on business costs in terms of estates spending and a potential reduction in transport and congestion difficulties where people are working from

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3 A regional perspective on employment relations: tabulations from the 2004 Workplace Employment Relations Survey, Ref 02/06, John Forth and Lucy Stokes, NIESR report to Acas
More flexible hours can allow those with domestic responsibilities, disabilities, and older workers to enter, and/or remain in the labour market when they would previously have been excluded, resulting in a far more diverse workforce, and one that is far more conducive to the health and wellbeing of the economically active population.

**Employer support of high involvement management**

The WERS regional analysis also found significant differences between regions of the incidence of practices associated with ‘high involvement’ management.

In the East Midlands 10% of managers strongly agreed with the statement that “most decisions at this workplace are made without consulting employees”. This compared with an average score of only 2% across all other regions.

Managers have a key role in motivating and encouraging discretionary effort, something that is vital for improving productivity and enhanced service delivery. Studies have shown, for example, how high levels of trust and cooperation, a prerequisite for workforce commitment, act as a mediating factor in the relationship between workplace practices and business performance (see for example Ashton & Sung, 2001); and, the relationship between employee satisfaction, engagement and business outcomes (see for example Harter et al, 2002).

To be an effective manager however, there needs to be available training in relevant people management skills. For small businesses who cannot afford to bring in consultants regional initiatives are essential to ensure that as many organisations as possible are able to access support in developing management capability.

Moreover if organisations are to successfully address the worklessness agenda and bring vulnerable groups into the workplace, managers need the skills to ensure that they stay. This might include their role in developing an inclusive workplace culture, and supporting and developing low skilled, poor performing or otherwise vulnerable workers. Without these skills the benefits of investment to bring more people into work will be unsustainable.

**Why RDAs need an awareness of intelligence on workplace relations**

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There are a number of factors affecting differences described above including the trade union density, range of organisational size, differences in type of sector, diversity of the population etc. What is important from the RDAs’ perspective is to understand how this plays out in their region, how their region compares with other parts of the country and to work with organisations such as Acas to develop a relevant regional strategy with sub regional and local bodies.

**The effectiveness of RDAs and their role in adding value.**

**Acas’ experience of working with RDAs and other regional and sub regional bodies**

As a regionally based organisation Acas has developed a range of partnerships with RDAs, public, private and voluntary sector organisations throughout Britain. It organises employment relations fora in most regions which bring together employers, unions and employee representatives to discuss topical employment relations issues and looks for ways to work together to improve economic development, business growth and sustainability in the region.

One of the most successful models of partnership working at regional and sub regional level has been in the North West. An Acas senior advisor spent two years on secondment with the agency with the objective of aligning and integrating our business support services as a key partner contribution to the North West Development Agency’s Regional Economic Strategy (RES). This has resulted in improved co-ordination, Acas taking a lead role in supporting the promotion of good practice in employment relations and equality & diversity within the Regional Economic Strategy, and the signing of a Memorandum of Understanding between the two organisations (2005), that has been renewed annually.

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<th>Acas North West office and the North West Regional Development Agency</th>
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<td>Acas North West is working closely with NWDA and its sub regional economic partnerships as a lead partner to improve the co-ordination, focus and delivery of publicly funded business support. It is active in working in partnership with the mainstream business support agents in seeking to provide integrated products and services that reflect customer needs and add value. Acas, as a partner and stakeholder, is involved directly with a number of key Agency project initiatives including; Regional Equality and Diversity Strategy, Ethnic Minorities’ Business Forum, Women’s Strategic Forum, Leadership &amp; Management, Fair Employment Zone and RDA funded research targeting SMEs that focuses on employment practices and workforce development activity.</td>
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The NW RDA, with Acas, is a founder member of the North West Employment Relations Strategy group, that seeks to engage with the region’s key economic and social partners in discussing the contribution and impact that good employment relations practice has on
productivity, business growth and a successful regional economy. This role has been extended to the five subregions where the Agency is a partner in the newly established sub regional employment relations fora.

More of our focus is now placed upon developing our relationship with the RDA’s sub regional economic partnerships (SRPs). These bodies will be the key drivers and co-ordinator of business and skills support activity and will play a leading role in the new Regional Integrated Strategy. We have developed good working relations with each of the five SRPs, engaging colleagues at senior level, evidenced by their partnership in our employment relations fora.

We continue to be a stakeholder in the NW Regional Assembly (now reshaped as the North West Leaders’ Forum), and are working with partners such as Business Link, Learning and Skills Council, Jobcentre Plus, Higher Education Institutions and many other business support intermediaries to provide a demand led, integrated employment and skills support package. This partnership approach adds considerable value to our work, helping Acas to reach many more businesses across the region, and through projects such as the Fair Employment Zone, has produced very successful employment and skills outcomes.

We are working closely with NWDA, Jobcentre Plus and partners to develop a joined up approach to tackling worklessness. This involves working with employers to make the business case for employing Jobcentre Plus’ priority client groups and advising on policy, procedures and management skills required to ensure successful recruitment, retention and employee development.

Acas is working with partners to achieve equality in the workplace via the Regional E&D Strategy, ongoing Fair Employment Zone support for retailers in Manchester (Trafford Centre) and more recently Liverpool (major retail development at the heart of the city’s regeneration programme), in both instances working alongside public and private sector partners including the RDA.

**Acas and East Midlands Development Agency (lead RDA on employment relations)**

Acas currently sits on the steering group of the mature workforce initiative. As well as presenting at EMDA hosted ageing workforce events, Acas was funded for a supply chain initiative aimed at communicating the ageing workforce message to small employers via big companies they supply. Most recently Acas received funding to run a series of five ageing workforce consultation events, culminating in a final summit and research paper.

Acas is currently working with EMDA to develop a project on work organisation and management leadership.
In other regions it has been more difficult to persuade RDAs to engage with the importance of workplace relations. There is a danger that those regions that ignore the importance of employment relations in contributing to economic growth in their area will find it harder to meet the government’s aim to reduce disparities between poorest and richest performing regions.

**How the RDA performance has been measured in the past and will be measured in the future**

**What more can be done?**

The government clearly supports the importance of good employment relations, and understands the cost to the economy if things go wrong, evidenced by reform to the dispute resolution system, and the additional £37 million committed to Acas over the next three years to resolve disputes at an earlier stage. However the government could do more to mainstream the message that good employment relations practice and effective workforce development are intrinsic to its aims of achieving regional economic growth. RDAs should have a strategic role in delivering this message so that at sub regional and local level good employment relations are taken seriously by local authorities in objectives and targets drawn up in future Local and Multi-Area Agreements.