

THE THEORY AND PRACTICE OF PEOPLE MANAGEMENT: A CRITICAL REVIEW OF THE BRITISH EXPERIENCE

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Abstract

The purpose of this paper is to review the literature on industrial relations in order to consider how the theory and practice of people management has changed in Britain during the last 35 years. It commences with a discussion of the theoretical unitarist/pluralist debate on the nature of organisations and considers the implications of each theory for how people should be managed. The paper then illustrates the nature of people management by examining the shortcomings of both labour economics and labour law perspectives on the employment relationship. Changes in the practice of people management after 1979 are examined by considering the statistics on trade union membership and the coverage of collective bargaining. This is followed by a discussion of the rise of Human Resource Management (HRM) and the extent to which it has been adopted, and whether the 'financialisation' of business has led to the marginalisation of people management. The paper concludes with a discussion of how people should be managed and the changes needed for its introduction.

Keywords: People Management, Human Resource Management, HRM, Trade Unions, Financialisation

1. INTRODUCTION

The severe international recession caused by the 2008 financial crisis has focused attention on business efficiency and competitiveness. This therefore seems an opportune time to examine the contribution employees can make to business competitiveness by considering how 'people management' has changed during the last 35 years, a period during which globalisation has had an increasing impact. The paper aims to answer two questions by reviewing the literature on industrial relations. Firstly, do we know more about how workers should be managed than we did 35 years ago? And secondly, are today's managers better at managing people than previous generations of managers? The first question is essentially an academic question about our state of knowledge, whereas the second question is a practical question about what managers have actually been doing.

The term 'people management' is used in this paper in preference to the more commonly used 'human resource management' (HRM) because, although HRM has become de-rigueur for how people are, or ought to be managed, it remains a theoretically incoherent and controversial concept. Whilst this paper reflects the British experience, the arguments discussed have a wider relevance.

2. THE NATURE OF ORGANISATIONS – THE UNITARIST/PLURALIST DEBATE

During the ten years from 1966, an important debate took place in Britain about the nature of organisations and whether they were unitarist or pluralist (Fox, 1966a, 1966b). It is sufficient for our purposes to examine the basic argument about whether organisations are 'unitarist' or 'pluralist' in nature and the implications for people management, rather than the more complex arguments developed during the 1970s (Clegg, 1975; Fox, 1973, 1974; Hyman, 1978).

A unitarist organisation is one in which all members are united in seeking to achieve a common objective. Analogies with teams and families are commonly used to describe these types of

organisation, which are metaphorically described as being 'like a football team' or 'like a family' and characterised by statements such as 'we are all on the same side' or 'working' or 'pulling' together. By contrast a pluralist organisation comprises a collection of individuals and groups, each with their own separate aspirations, perceptions and interests, with the organisation being viewed as a coalition of these separate interest groups.

These two opposing views of the nature of organisations have major implications for both the theory and practice of people management. Unitarist organisations stress team work and team spirit as defining characteristics and expect trust, loyalty and obedience from their workforce. Leadership and social skills are seen as key attributes of good managers. When conflict occurs, it is viewed as a symptom of organisational ill health and caused by misunderstandings, breakdowns in communications, personality clashes, or the work of agitators or troublemakers. By contrast, the defining characteristic of a pluralist organisation is that conflict is seen, not as pathological, but simply normal. The central task of managers in pluralist organisations is to manage this conflict, either by addressing the causes of errant employee behaviour, or if this cannot be achieved, by negotiating the terms on which conflicting interest groups agree to cooperate. Managers need to be good social scientists in order to understand the causes of workers' behaviour. Various case studies at the time found 'structural' causes for strike-prone industries, notably casual employment in the docks (Mellish, 1972) and inappropriate piecework payment systems which produced fluctuating earnings and chaotic pay structures in which pay was unrelated to effort in the coal, engineering and automobile industries (Brown, 1973).

Trade unions are valued in pluralistic organisations as 'the managers of discontent', to use the phrase coined by the American sociologist C. Wright Mills (1948:8-9). Unions have an essential job to do - to provide what is now often referred to as the 'employee voice' by diagnosing and articulating workers grievances and bringing them to the attention of management so that they can be resolved, usually through collective bargaining. Trade unions therefore 'institutionalise conflict'. When it is impossible for managers to address the causes of conflict, a major task of management in a pluralist organisation is 'engineering consent' by agreeing the terms on which collaboration takes place.

During the 1970s, most social scientists accepted that pluralism was an accurate description of most organisations and, whether they were believed it or not, most managers at least paid lip service to pluralism and engaged in realistic behaviour by recognising trade unions and negotiating with them (Fox, 1966b).

One implication of pluralist organisations which was influential during the mid 1970s was 'stakeholder theory' which questioned why managers were charged with running the organisation solely in the interests of the shareholders, when other groups also had a stake in the organisation. However the only stakeholder which received active consideration was how workers interests could be taken into account by directors, and whether this should be through collective bargaining or through the adoption of some new measures such as the appointment of worker directors or works councils (Batstone and Davies, 1976; Brannen et. al., 1976; Sturmthal, 1964). Whilst worker directors and works councils had long been common place in French and German organisations, they did not exist in Britain except in the nationalised Steel Industry. The 1974-9 Labour Government was committed to introducing compulsory worker directors, the only question to be decided was *how* and a Government Inquiry was set up to make recommendations (Bullock, 1977; Elliot, 1978). However, opposition from trade unions who believed that workers' participation should be through collective bargaining and, from employers whose unitarist ideology did not accept that there was a conflict of interest between workers and shareholders, ensured that no substantive progress took place and the initiative was moribund by the time a Conservative Government was elected in 1979.

3. THE NATURE OF THE EMPLOYMENT RELATIONSHIP

An appreciation of the peculiar nature of the labour market is central to considerations of people management and this is illustrated by reference to employment law and labour economics perspectives on the employment relationship.

Contract law tends to view the contract of employment as a contract freely entered into by two equal partners. Neo-classical economics approaches the relationship from a different angle, but reaches conclusions which are similar in effect. According to the general equilibrium/full employment model, all workers with the same skill set would receive exactly the same wage in a perfectly competitive labour market, wherever they were employed and if any workers were paid less than their marginal product, they would leave to find higher paid work elsewhere. An implication of this is that there is no reason why workers should have any attachment or commitment to any particular employer, in exactly the same way as a sack of potatoes is indifferent as to whether it is purchased by a small boy or an old lady. However unlike potatoes, as McCarthy graphically pointed out, 'Workers cannot be burnt or stockpiled to maintain their price' (1985:14). Faced with evidence that labour markets are patently not in equilibrium, labour economists have sought to refine their model by developing economic explanations for revealed wage differences, initially by developing the notion of a local labour market to take account of geographical differences, and later by considering 'non-wage' rewards, transaction and search costs in changing jobs and the wage effects of employment discrimination (Robinson, 1972).

To industrial relations academics, this was nonsense. First, the employment relationship is highly unequal, with the individual worker being weak vis-à-vis their employer. During the 1970s, specialists in people management viewed collective organisation and collective bargaining as 'a good thing' because it was the only way to mitigate the imbalance in power between workers and their employer, indeed, most industrial relations academics still hold this view. However, neo-classical economists continued to regard collective bargaining as a 'sin' because it introduced 'market imperfections', producing 'a sub-optimal' solution which reduced economic efficiency and increased unemployment. Economists were also concerned about the economic effects of strikes which equate to lost output in a full employment, general equilibrium model. By contrast, industrial relations writers tend to view strikes as an essential part of the collective bargaining process, because without each party having the power to inflict costs on the other, genuine bargaining could not take place. Also, output lost during a strike maybe made up afterwards through increased morale and overtime working. Second, if full employment and wage equilibrium cannot be assumed, workers have a stake in the company which employed them. Economic success brings wage increases and economic failure leads to redundancy, the consequences of which can be severe for employees and their families.

Consideration of both economics and contract law gives an important insight into the management process and priorities for people management. Economics has traditionally viewed labour as one of the three factors of production, along with land and capital, with wages being the price of labour, determined by the forces of supply and demand, but is generally silent on the way in which these inputs (factors of production) are converted into outputs which remains a 'black box'. Nor is the contract of employment particularly helpful in enabling us to understand what happens in the economists' 'black box'. Workers are expected to obey reasonable orders, but the contract of employment is silent on what is a reasonable order. All we know is that workers have agreed to sell their labour (or more accurately their labour power or ability to work) for a specified price, but they have not agreed how much work they should do and under what conditions. Some workers on annual salaries have not even agreed how many hours they are expected to work. A further complication is that the contract of employment is of indeterminate length – it does not say how long the agreed price (wages) are expected to prevail and is silent on when and how revisions to the contractual wage rates are to be made. Thus it is far from clear what has actually been traded on the labour market - the contract of employment is open-ended, incomplete and indeterminate (Sisson, 2008). As Colling and Terry note 'unlike virtually every other form of contract evident in

production, the labour contract involves the exchange of money not for actual goods and services, but for the capacity to provide something' (2010:7).

By contrast, the detail of what goes on in the 'black box' is central to people management which is concerned with the complex processes that determine what workers do and under what conditions, and how wages and working arrangements are changed. Unlike other factors of production, workers have a view on what they consider to be fair and do not allow themselves to be treated as a commodity if they have the power to do something about it, either formally through collective organisation, or, informally through individual and group resistance. Workers have to be motivated by a complex array of inter-related forces - encouragement, threats, loyalty, discipline, money, competition, pride, and promotion. Resolving competing notions of 'fairness', not just between workers and employers, but also between different groups of workers, and increasing efficiency by changing 'custom and practice' working arrangements are central elements of people management whether workers are unionised or not.

People management in practice is about the 'frontier of control' with conflict and cooperation, power and governance being central to both the theory and practice of employment relations. Notwithstanding the overall general weakness of trade unions, these issues can still result in major industrial conflict in unionised workplaces. Recent high profile disputes have taken place in Britain over workloads and fairness involving disputes at the Royal Mail, London Underground, Railways, British Airways, and the Fire Service (Beale, 2003; Darlington, 2001; Darlington 2009a; Seifert and Sibley, 2005).

4. THE COLLAPSE OF COLLECTIVE EMPLOYMENT RELATIONS IN BRITAIN

If pluralism requires 'management by agreement' through collective bargaining (McCarthy and Ellis, 1973), it is appropriate to examine what has happened to trade union membership and the coverage of collective bargaining. In 1978 membership density peaked with 56% of all employees in Britain being members of trade unions, but since then has fallen steadily until 2012 when only 26% of all employees were union members[†]. However this average figure masks substantial disparity between the public sector with a union density of 56% and the private sector where it is just 14%[‡].

The number of employees covered by collective bargaining in Britain has similarly declined steadily, from 71% in 1984 to 29% in 2012 (BIS, 2013; Kersley et al, 2006:180; Millward and Stevens, 1986:78; Millward et al, 1992:92). Only 16% of employees in the private sector are covered by collective bargaining in 2012 compared with 64% in the public sector. However there are substantial differences between small and large workplaces with 42% of workers in establishments with over 50 employees being covered by collective bargaining compared with 16% for those with less than 50 employees (BIS, 2013).

There are several causes for this collapse in collective representation: first, the changing structure of employment, with the collapse of employment in highly unionised manufacturing industries like coal, steel, shipbuilding, and automobiles together with the growth of service industries (75% of all employees in Britain now work in the service sector) (Marchington et al, 2011); second, the decline in the number of large establishments and the growth in the number of

[†] 1978 figure calculated from the *Annual Report of the Certification Officer*, London: Certification Office for Trade Unions and Employers' Associations, 2009. 2012 figure is taken from BIS (2013) and based on the Labour Force Survey.

[‡] Note this picture is replicated in many other countries. Density reduced substantially between 1970 and 2003 in Australia, Austria, France, Germany, Ireland, Japan, New Zealand, USA. See Blanchflower (2006).

small workplaces; third, the increased number of employers who are increasingly hostile to trade unions and collective bargaining which has prevented unions from gaining recognition, particularly in new workplaces (Machin, 2000:6); and fourth, the raft of labour legislation extremely hostile to unions passed by the Conservative Government during 1979-97, which made it very difficult for unions to hold a lawful strike, legislation which was not reversed by the incoming 'New-Labour' Government in 1997.

Pay is now unilaterally determined by managers in over 80% of private sector workplaces and most workers are no longer protected by trade unions. Pluralism is rarely discussed outside the classes of aged industrial relations lecturers and the academic industrial relations community is in crisis with an active debate taking place about whether the study of industrial relations has a future (Darlington, 2009b). Those managers, who argued that trade unions and collective bargaining prevented them from managing their workforce in the way they wanted, now have the freedom to design and operate systems to their liking. Arguably 'human resource management' has filled this void and this is examined in the next section.

5. HUMAN RESOURCE MANAGEMENT

Although HRM gradually eclipsed personnel management during the 1990s, it is far from clear what HRM actually is (Legge, 1995; Pinnington and Edwards, 2000:6-23). At one extreme, HRM is simply another name for personnel management. Alternatively, it has been argued that it is 'a generic term for managing people' and as such is aimed more at line managers than personnel managers (Emmott, 2005:15). At the other extreme, HRM can mean the integration of the personnel function into strategic management so that HR policies and practices are aligned with business strategy, with personnel officers being known as 'business partners' (Singh, 1992:128; Sisson and Purcell, 2010:86). HRM is less about personnel administration and more about increasing efficiency and competitiveness through elevating the contribution made by employees. Controversially, this usually involves prescriptive solutions aimed at achieving 'high performance' organisations with committed and engaged workers. Rigorous appointments processes ensure that only workers with the 'right attitude' are employed or promoted, direct communications with the workforce and team briefings ensure employees are 'engaged', motivation is achieved through performance appraisals and individually based performance related pay, although it is far from clear how the latter produces team work (Ramsey et al, 2000). HRMs attitude to trade unions is not clear, 'hard HRM' believes employees should be treated as individuals and is opposed to trade unions and collective bargaining whereas 'soft HRM' believes individually based HRM techniques can co-exist with traditional collective mechanisms for communication and negotiation.

HRM has been widely criticised by industrial relations academics for ignoring power and the wider context in which workplace relations are located, for being unitarist and therefore unable to explain conflict, and for being little more than a prescriptive set of techniques, the success of which is not critically assessed.

'Too often, HRM teaching accepts management's objectives uncritically, concentrates on activities at company level without exploring the societal and institutional environment, and has its disciplinary basis primarily in psychology and organisational sociology rather than the social sciences broadly. It thus lacks the multi-level and multi-disciplinary character of industrial relations. Particularly as taught in business schools, it is often understood as a prescriptive toolkit for managers' (BUIRA, 2008:49).

Similarly, Dickens (2009b:65) contrasts industrial relations favourably with:

'the kind of HRM which can be characterised as descriptive, prescriptive, unitarist, uncritical, soft on power, single (firm) in focus (rather than multi-level), and which is concerned teaching techniques and disseminating 'best practice'.

The next section looks at what has happened to people management in practice and the extent to which HRM has been adopted.

6. PEOPLE MANAGEMENT IN PRACTICE

Employers may claim to be 'the employer of choice' and to practice HRM, or be a 'learning organisation', but it is what they do in practice which is important. Successive surveys of British workplace employment relations have found that once employers were freed of the constraints imposed by trade unions they have not widely adopted HRM or any other progressive people management policies and their approach to people management has been described by Guest as 'bleak house' or a 'black hole' (Guest, 1995:125; Kersley et al 2006:82-103; Sisson, 2006:24). In 2011, only 14% of workplaces which do not recognise a union had any form of employee representation structure (calculated from Wanrooy, 2013:14-15). Paradoxically, it is those companies which recognise trade unions that are more likely to practice HRM and also more likely to comply with employment legislation (Brown et al, 2000).

One element of HRM which has been widely adopted is 'performance management' with annual appraisals and individually based performance related pay (PRP) (Wanrooy, 2013:24-5). However most studies have found PRP to be problematic in practice - the vast majority of variations in performance are due to both organisational and environmental circumstances rather than individual effort, and so PRP produces 'game playing', a reluctance to take risks, a blame culture and de-motivation of those not rewarded.

Nor has the collapse of trade unions led to a re-assertion of the common interests associated with unitarist organisations, far from it, employee interest groups have found that their interests are simply ignored, while the interests of shareholders have reigned supreme with emphasis on achieving 'shareholder value' and adherence to 'the bottom line' with the proportion of profits paid out to shareholders rising from 40% in the 1960s to 70% in the 1980s and 90s. Income distribution has also been changing dramatically in favour of the highest earners.[§]

The collapse of collective bargaining has resulted in substantial changes in management style. Although many employers claim to treat workers as individuals and oppose collective agreements, in practice most staff are employed on standard rather than individual contracts. When annual pay increases based on inflation have been replaced with pay increases based on merit, most employees still find that their pay increase is usually very close to the rise in the cost of living. But perhaps more important is the widespread adoption of 'command and control' management styles, in part driven by an emphasis on key performance indicators (KPI's). Computerised systems enable head office to monitor performance daily or even hourly. The result has been a growth in what is termed 'management by numbers' which causes managers, struggling to meet targets, to emphasise direct control, and introduce work intensification and de-skilling. Employees increasingly complain of

[§] UK hourly real earnings increased for all groups from 1986 to 1998 but were static from 1998 to 2011 except for the bottom 5% of earners who benefited from the introduction of the National Minimum Wage and the top decile whose real hourly earnings continued to increase. The situation in the United States is even worse where despite dramatic improvement in labour productivity, the average hourly income has barely changed during the last 30 years (Ferguson, 2012: 312-3).

Real Earnings Growth in UK hourly earnings, 1986-2011.					
	Bottom 1%	Bottom 10%	Median	Top 10%	Top 1%
1986 (at 2011 prices)	£3.48	£4.80	£7.78	£14.78	£28.18
2011	£5.93	£7.01	£12.62	£26.75	£61.10
% increase	70%	47%	62%	81%	117%

Source: Office National Statistics (2012a).

bullying and harassment, stress and unreasonable workloads. Hours of work have increased to such an extent that 'it is widely recognised that British workers employed in full-time jobs work longer hours than any others in Western Europe' (Taylor, 2010:10).

Nor is it clear that the collapse of trade unions has reduced conflict. Whilst collective industrial action has become minimal, 'command and control' management styles, cost cutting, work intensification and performance management have generated conflict and resistance albeit 'individualised' with high absenteeism, high labour turnover, low morale, low productivity and a rapidly increasing number of employment tribunal cases. Employment tribunal cases ran at around 40,000 during 1976-88, and then increased every year until they reached 130,000 in 2000 (Sisson, 2008:20). Thereafter, the Government introduced various procedural measures aimed at reducing the number of cases.

In theory, the collapse of collective bargaining could have been replaced by HRM, but successful HRM requires levels of investment in human capital and a long term approach to people management that many British organisations have either balked at, or have been unable to implement. In 2011 only 34% of employees thought that managers allowed employees and their representatives to influence decisions. Off the job training was predominantly very short (less than 5 days) and mainly related to training in health and safety (Wanrooy, 2012:18,36). There are a number of reasons why HRM has not been more widely adopted and why progressive people management aims have decreased in importance.

(i) *Competition*. There is no doubt that competition has been intense for many employers, especially from China for manufactured goods and from India for IT and that this has resulted in an emphasis on cost-cutting and the decline of these industries in Britain.

(ii) *Changes in the financial system*. The de-regulation of UK financial institutions in 1986, known as 'big-bang', resulted in a rapid expansion in the supply of credit and led to the rapid growth in highly leveraged, takeovers during the next 20 years, often conducted by venture capitalists **. Previously profitable companies became highly indebted and had to engage in severe cost cutting in order to cover the interest payments on bank loans used to finance the takeover, usually by reducing the number of employees, and/or relocating manufacturing production overseas. The takeover of Manchester United by the Glazier family turned the richest football club in the Premiership into one of its most debt ridden. When the US firm Kraft took over the confectionary firm Terry's of York in 1993, production was moved to Slovakia and Poland and the factory closed in 2005, and when it took over Cadbury's in 2010, it quickly closed the factory near Bristol and the company was split into two in 2012 with over 100 of Cadbury's brands being hived off into a separate company based in Switzerland.

(iii) *Financialisation*. During the last twenty years there has been a more or less 'permanent restructuring' of private businesses with widespread takeovers, companies being split, particular units being floated on the stock market as separate business units or sold off, sometimes to management buy-outs. The attention paid to financial league tables has produced a pre-occupation with 'short term' financial results. Large bonuses and share options for those at the top encouraged high risk decision-taking as exemplified by the collapse of the Royal Bank of Scotland ††. Arguably, one consequence of this is that how people are managed has become less important because financial engineering or 'financialisation' has become a more important source of profit than the traditional business activity of spotting a gap in the market, developing a profitable product and achieving a competitive advantage (Sisson and Purcell, 2010). Models of good people management usually require a long-term and consistent approach, which has become impossible due to the constant restructuring of private businesses. This neglect of people management has been

** Similar deregulation of financial services took place in the US, notably with the repeal of the 1933 Glass-Steagall Act in 1999.

†† See Ferguson (2012) for a detailed discussion of the conduct of the financial services industry in the US.

exacerbated by the development and rapid expansion of 'high frequency trading' during the 1990s with shares purchases and sales carried out automatically by computers using complex algorithms. Computer trading is estimated to be 30% of all share transactions in UK and over 60% in US. This does not encourage responsible owners taking a long-term view of business success (Government Office for Science, 2012:19).

(iv) *Labour market Deregulation* Successive British governments have introduced labour market de-regulation which they term 'flexible labour market policies'. There is concern that this has resulted in a 'race to the bottom' as companies try to protect their competitive position by reducing costs. There have been a number of elements to this cost-cutting. Occupational pension schemes, especially final salary pension schemes have been an early casualty of cost-cutting in the private sector and are increasingly under threat in the public sector. There were 8.1 million workers in private sector occupational pension schemes in 1967, but this has fallen to 6.2 million in 1995 and just 2.9 million in 2011 (Office of National Statistics, 2012b:5). Training is expensive, and once freed of a statutory requirement to pay for training, employers increasingly adopted a 'beggar your neighbour' approach by attempting to recruit workers who have been trained by their competitors. When every employer pursues the same strategy the result is a serious shortage of training. Outsourcing and the employment of agency staff has been another way of reducing costs and evading employers' legal responsibilities, resulting in insecure and temporary employment for many workers. By 2007 well over a million workers were employed as agency workers (BERR, 2008). Employees who have been outsourced have found that their pay and other conditions of employment have been reduced, with only limited protection being provided by the 2006 Transfer of Undertakings (Protection of Employment) Regulations. By 2004, 86% of workplaces had contracted out some services, the most common being building maintenance and cleaning (Kersley et. al., 2006:106). British companies, unlike Japanese, have not sought to get involved in the management of their subcontractors and as a result subcontracting has not been without its problems as illustrated by a number of recent industrial disputes. British Airways (BA) baggage handlers went on strike in 2005 in support of 800 workers, previously employed by BA, who had been sacked by Gate Gourmet for refusing to sign new contracts which dramatically reduced their pay. In 2008 BP found its supply of oil severely affected when workers at the Grangemouth oil refinery (which had been sold by BP to a private equity company) went on strike over changes to their pension scheme. In the Metronet debacle, the contractor appointed to take over the maintenance of London underground went into receivership in 2008 and had to be taken back into public ownership. When Nike became involved in a 'naming and shaming' campaign, the company discovered that they could not evade responsibility for the terms of conditions of workers employed by its subcontractors in Cambodia and Indonesia. Similarly, the reputation of several large UK clothing retailers was damaged when a textile manufacturing building collapsed in Bangladesh in 2013, killing over 1,000 workers. More recently, the increasing use of zero-hours contracts which severely limit employees employment rights has become highly controversial ^{††}, (Wanrooy, 2013:10).

This emphasis on a cost cutting approach to people management has produced, what is increasingly being referred to as, the 'hour glass' economy with a small group at the top who have high skills and enjoy high incomes and a large and expanding group at the bottom who have low skills, low productivity and low pay. The number of workers in middle levels who enjoy good pay and secure jobs, typically skilled or semi-skilled manual workers, have been declining.

The public sector in Britain has not been immune from the sort of changes which have affected the private sector although the increased competition and associated cost cutting has been driven by

^{††} Estimates of the number of workers employed on zero hours contracts vary widely between 250,000 (Office of National Statistics labour force survey 2012) and five and a half million (Unite Union). Workers on zero hours contracts get no guaranteed hours, no sick pay, no paid holidays.

government inspired marketisation strategies which have made privatisation, competitive tendering, market testing and contracting out commonplace across the public sector (Bach, 2010:154-8). Centralised targets and the creations of semi-autonomous management units (Executive Agencies in the civil service, National Health Service Trusts and new school structures - Grant Maintained, Academy, and Free Schools^{§§}) has led to a growth in 'managerialism'. These changes have increased workloads and substantially reduced workers involvement in decision-taking, with the result that problems of workload and stress have become higher than in the private sector (Kersley et al, 2006:100).

7. RECOMMENDATIONS: THE THEORY OF PEOPLE MANAGEMENT

Having critically commented on the way in which people management has been conducted during the last 35 years, it is worth reflecting on how people management should be conducted. High performance working requires some quite dramatic changes in the way in which most organisations are managed – as Sisson notes managers have got to 'stop trying to do the wrong things better' (2006:24). A number of themes emerge from the literature. First, worker engagement (high motivation and commitment) is critical for organisational performance and cannot be achieved without employees achieving some measure of job satisfaction and emotional rewards from work (Sisson, 2006:19). The 'psychological contract' between employees and their employer requires 'fairness' and 'trust' and this will only be achieved as a result of a positive long term relationship (Conway and Briner, 2005). Treating workers as a commodity by adopting a cost-reduction approach to people management is to focus on the short-term and definitely not the way to get worker engagement. Too many managers take cooperation for granted, adopt a short-term, cost-cutting strategy and then express surprise when employees no longer trust them.

Second, Taylorist approaches to work organisation with traditional control structures based on hierarchy and bureaucracy are not going to achieve high performance working. At present, one in seven of the British workforce describes themselves as managers, compared with just three percent in Sweden. Thirteen percent of the workforce report that they are involved in supervision. More managers means more 'command and control'. More 'command and control' means more alienation. British car plants abandoned Taylorist management approaches when they found that they could not compete with the quality of Japanese imports. Total quality management and just-in-time production methods required employees to be engaged, not alienated.

Third, effective team working requires a degree of genuine self-management. While Seventy two percent of British workplaces claim to have team working, further investigation reveals that these teams only have very limited influence on how work is done and even less on the tasks they perform (Kersley et. al., 2006:95-97). Genuine team working requires that traditional control structures be dismantled by reducing the number of layers of management. Only by giving managers a wider span of control will they shift from being 'commanders and controllers' to becoming 'enablers and developers'.

Fourth, a climate of genuine involvement and consultation appears to be strongly associated with employee satisfaction and commitment.^{***} Consultation needs to improve management decision taking by giving employees a real 'voice'. This will only happen if consultation no longer

^{§§} Grant Maintained Schools were introduced by the Labour Government in 1988 and Academy Schools in 2000. These were directly funded by the government, rather than through Local Government and had considerable autonomy. In 2010, the Conservative Government made it easy to establish new state funded but independent 'Free Schools'. They are similar to Grant Maintained Schools and do not have to follow the national curriculum, employ qualified teachers, or pay nationally agreed rates of pay.

^{***} See Blumberg (1968) for an authoritative re-appraisal of the literature.

takes place on decisions which have already been taken and shifts instead to consultation on 'options'.

Fifth, the elements of high performance work systems discussed above require extensive training and development. Training budgets have to be seen as a core element of success, rather than something which can easily be cut when finances become tight. Expensive training requires that employees are not seen as a commodity, to be made redundant when times are hard and replaced when demand picks up, but as a genuine 'human resource'.

8. CONCLUSIONS

For the vast majority of employees work provides much more than a livelihood, having a profound effect on all aspects of their non-working life. Work determines status, job satisfaction and general well-being. Workers who are not treated fairly or are treated as a commodity are unlikely to be satisfied at work and this affects their life outside work.

Thirty five years ago, industrial relations writers viewed organisations as pluralist and thought workers should join trade unions which would negotiate collective agreements with the employer. Although they thought that these agreements would regulate all aspects of work, the demarcation lines between collective agreements and management prerogative was never specified. At the same time, industrial sociologists were exploring the structural causes of worker behaviour, largely through case studies. During the 1960s and 1970s many senior academics interested in the world of work were actively engaged in helping governments to formulate and implement policy (McCarthy, 1994; Lyddon, 2003:94,101-2). British employers were generally sympathetic to the approach being espoused, although many American subsidiaries operating in Britain remained hostile to trade unions, especially those operating in the IT sector.

This all changed with the election of a neo-conservative government in 1979. Most academics, especially industrial relations academics no longer had influence with either governments or employers. Employers became less supportive of collective employment relations which declined substantially. Many employers paid lip-service to the HRM agenda, but there is little evidence that it has been widely introduced. Intense competitive pressures associated with globalisation, together with the effects of short-term and predatory financial systems resulted in people management becoming marginalised as a business priority. However, concern remains that attempts to achieve competitiveness through cost-cutting strategies are short sighted and destined to fail. In a globalised world most developed countries are unlikely to be able to compete with China and India and other developing countries on the basis of a low-wage, low skilled workforce. As recent German economic performance has demonstrated, it is possible for high wage developed countries to compete, but employees need to be seen as a major source of competitive advantage, not as a commodity or factor of production. If employers are going to continuously improve performance, they need workers to do more than simply comply with instructions; they need co-operation and commitment from a highly trained workforce which is 'engaged'. This requires some dramatic changes in management style.

Contrary to popular opinion, it is the weakness of trade unions in Britain, rather than their strength, which has been damaging to competitiveness. Conflict is no longer 'institutionalised' and effective communications are inhibited because employees are often reluctant to voice their views, except through a representative. Trade unions need to be strong enough, not just to be able to protect workers from arbitrary treatment by management, but also to prevent organisations being run entirely in the interests of just one stakeholder, and also to be able to 'close off' cost-cutting and low investment competitive strategies in favour of high investment in research and development, capital equipment and workforce training. This cost-cutting approach has been disastrous for the British economy - unable to compete on costs, manufacturing industry has declined dramatically. Financial services have grown and now represent 8% of GDP, but it is this reliance on 'casino

capitalism' that has caused the British economy to be so badly hit by the recent financial crisis. There are widespread demands for the reform of financial services with banks returning to their traditional function of lending to business for investment, and for financial institutions to adopt a long term view of profits. If this takes place, then people management may return to centre stage in business strategy. However the financial industry remains a powerful lobbyist and to date neither the British nor the USA Governments have been willing or able to force substantial change on the financial industry.

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