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Achieving efficiency, equity and voice?

Labour-management cooperation in UK financial services

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ABSTRACT

Labor management co-operation is a perennial issue in British industrial relations research. Recent interest has focused upon workplace ‘partnership’ agreements, which have been a key plank of the New Labour government’s employment policy of ‘modernisation’ (Stuart and Martinez-Lucio, 2004). Although the European language of social partnership does not have an exact equivalent in the US literature, Kelly (2004) suggests that “the phrase ‘labor management co-operation for mutual gains’ comes closest in meaning (p.268). The term partnership remains notoriously ambiguous (Guest and Peccei, 2001; Terry, 2003), though most would agree that it concerns an attempt to shift the culture of employment relations away from zero-sum and adversarial relationships, towards co-operative employment relations, characterised by mutual trust and ultimately mutual gains (Stuart and Martinez-Lucio, 2004).

Much of the literature has focused on whether partnership offers a valuable opportunity for the beleaguered trade union movement (Terry, 2003), and the extent to which it delivers mutual gains. Empirical evidence is mixed, though the most recent empirical studies have been critical in tone (Stuart and Martinez-Lucio, 2004), suggesting that – despite the mutual gains rhetoric - the ‘balance of advantage’ is often skewed in favour of management (Guest and Peccei, 2001).

This paper presents the findings of a three-year research study conducted in the British financial service sector. Case studies were conducted in three diverse banking organisations, known as Nat Bank, Bu Soc and Web Bank.

It is suggested that, in order to transcend the current polarised debate on mutual gains, it is important to reconsider what partnership is expected to achieve. Existing research has tended to focus on the labor/union outcomes of partnership, while a key aim of this study was to examine the way issues were handled, and how decision decisions are made, drawing upon the analytical framework proposed by Budd (2004). It asks to what extent partnership contributes to the moderation/accommodation of the competing employment relations objectives of efficiency, equity and voice? In this way, the study avoids the crude use of labor outcomes – such as job losses or pay levels – as simple indicators of the success or otherwise of partnership working. It is argued that, when judged in this light, partnership working can be seen to demonstrate more than a modicum of success in contributing to the regulation of the employment relationship.

LABOUR MANAGEMENT CO-OPERATION AND THE 'PARTNERSHIP PHENOMENON'

Partnership is a noteworthy development in Britain under the Blair government. In 1998 Blair suggested how “*modern and successful companies draw their successes from the existence and development of partnership at work*” (DTI, 1998). Partnership has since attracted significant interest from practitioners, unions and policymakers alike. Ackers *et.al* (2004) suggest that the current period of ‘social partnership’ may be described as a distinctive phase with its own dynamics. Now, during a third term of Labour government the term remains ambiguous as ever, meaning all things to all people (Ackers *et.al*, 2004; Heery *et.al*, 2004). Indeed, Oxenbridge and Brown (2004) prefer to use the term “*collaborative union/employer relationship*”, suggesting that the term partnership “*has become too diffuse to carry much meaning*”. Others have suggested that “*we need to leave the term partnership to the politicians*” (Stuart and Martinez-Lucio, 2004, 422).

Disagreement regarding what workplace partnership means in the British context notwithstanding, most commentators agree that partnership concerns an attempt to shift away from adversarial relationships towards more co-operative, high trust relations and mutual gains. In this sense, it resonates with the US notions of ‘labour management co-operation’ and ‘mutual gains’ (Kelly, 2004; Kochan and Osterman, 1994). Initially the focus appeared to be on forging partnerships between management and unions. Lately, however, the debate has broadened to consider the possibility of different kinds of arrangements. These include agreements in union and non-union environments, and formal or informal arrangements (see for example Badigannavar and Kelly, 2003; Oxenbridge and Brown, 2004; Stuart and Martinez-Lucio, 2004).

Despite an abundance of research studies, the main debate in the academic literature centres around the impact of partnership on trade union renewal (Terry and Smith, 2003). For Ackers and Payne (1998) “*partnership offers British unions a strategy that is not only capable of moving with the times and accommodating new political developments, but allowing them a hand in shaping their own destiny*”. Some commentators, however, have remained decidedly sceptical. Radical commentators

object to partnership as a matter of principle, arguing that such a relationship is of meretricious value, and will inevitably lead to an imbalanced situation with negligible benefits for unions or their members, but leading instead to emasculation, marginalisation and incorporation (Kelly, 2004). The British business environment and structure of corporate governance focuses heavily on short-term financial performance, meaning there is little incentive to engage in genuine long-term partnerships (Deakin *et.al*, 2004; Heery *et.al*, 2002), in the same way as there may be in a co-ordinated market economy such as Germany. This raises the issue of the distinctive British institutional context. The debate remains starkly polarised as ever and the two quotes below usefully illustrate the divergent viewpoints. While Danford *et.al* (2004) argue that militant unionism is the best approach for unions, Ackers *et.al* (2004) do not view militancy as a viable option, and suggest unions need to engage in co-operative partnerships:

“Partnership does not negate Kelly’s militant unionism, it demands it...high performance work systems and partnership do not resolve the structural antagonism between capital and labour” (Danford et.al, 2004, 186).

“It may be partnership or perish and even then it may not be easy for unions” (Ackers et.al, 2004, 29).

More recently, studies have begun to identify a continuum of potential employment relations outcomes, arguing that the consequences are much less black-and-white than the polarised advocates/critics debate implies. Clearly, the outcomes are likely to be linked to the nature of the specific agreements, rationale, context, business environment, day-to-day processes, and relationships within organisations espousing partnership, rather than the actual text of an agreement (Dietz, 2004). In this sense, the critical literature is perhaps unduly deterministic. Accordingly, there is evidence to suggest that the exact nature of the processes described under the ‘partnership’ umbrella vary considerably, and different trajectories of experience are possible. For example, Kelly (2004) identifies ‘labour-parity’ and ‘employer-dominant’ agreements. He describes the former as marked by a balance of power towards an agenda of labour compliance and the latter as a more balanced relationship. Wray (2004) draws a distinction between ‘genuine’ and ‘counterfeit’ agreements. Research by Oxenbridge and Brown also (2004) makes a distinction between ‘nurturing’ agreements where relationships are informal and unionisation is normally high, and

‘containing’ agreements, where restrictive formal agreements appear to accord minimal rights and limit influence.

There are several limitations of the current research. Firstly, there is the issue of sector. It is noteworthy that many of the pessimistic studies have been conducted in traditional but declining sectors, whereas others conducted in more buoyant sectors have been more optimistic. Secondly, definitional ambiguity raises the possibility that researchers are actually comparing very different situations despite a common organisational rhetorical commitment to partnership in some way. Indeed, a key assumption in the research is that it is easy to distinguish between ‘partnership’ and ‘non-partnership’ organisations when clearly this is not the case. The debate is also politically charged and the political and ideological leanings of individual researchers cannot be ruled out.

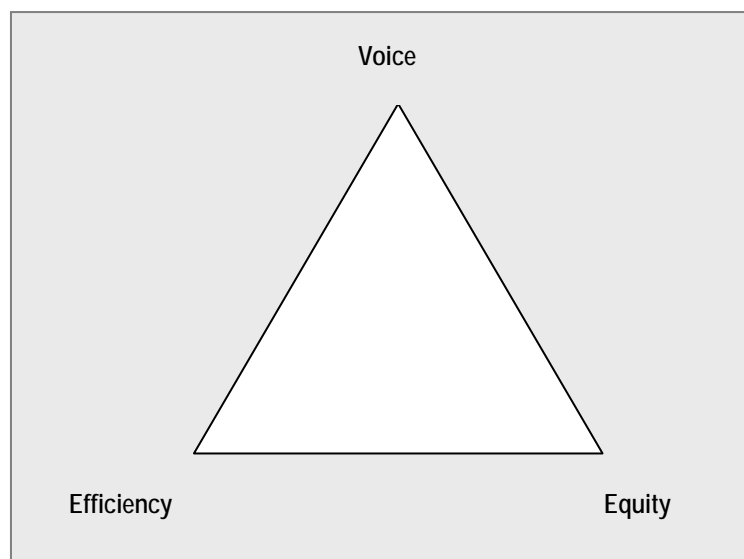
Empirical research advances the debate but beneath the surface and differences of interpretation are more fundamental ideological/theoretical controversies about the nature of modern society. This applies equally to discussions of partnership, where IR frames of reference (Fox, 1974) are particularly evident on all sides. For if you are a Marxist and believe that capitalism is mainly about exploitation and conflict of interests, you are likely to be much more suspicious of co-operation than a Pluralist or a Unitarist -and vice versa. This leads to the final, and arguably most important proposition, that there is a need to re-consider the various benchmarks for success used, and how one evaluates the success or otherwise of partnership, and much depends upon one how views the employment relationship. For example, some of the critical literature provides redundancy statistics as ‘evidence’ of the ‘failure’ of partnership. Kelly (2004) for example investigates profit margins, wage rates and working hours between partnership and non-partnership firms. Yet as Dietz makes clear: “One need not express surprise when large scale redundancies take place under partnership. *The issue is how they are agreed upon and handled* (Dietz, 2004,6, emphasis added).

A similar point has been made by Martinez-Lucio and Stuart who argue that:

“The study of partnership requires an approach that is sensitive to internal processes of decision-making, and the rationales that underpin the elaboration of strategies regarding work” (Martinez-Lucio and Stuart, 2000, 21).

In short, there is a need to reconsider how we actually evaluate the process and outcomes of partnership. A potentially useful framework is that provided by Budd (Budd, 2004).

Figure 1 – Efficiency, equity and voice



Source: Budd (2004, 30)

Budd argues that the objective of the employment relationship is to achieve some kind of balance between efficiency, equity and voice, and that extreme positions are both undesirable and untenable. He suggests that while economic performance is clearly important, this has to be balanced with ‘equity’ defined as fair employment standards and treatment, and ‘voice’, defined as meaningful input into decisions. It is often suggested that in the Anglo-Saxon countries, the balance is often tipped in favour of efficiency, over issues of voice and equity. This can be contrasted with the environment of other European countries including Germany and Sweden where a history of social democratic politics have ensured stronger countervailing pressures of voice and equity. The UK model has been criticised on the grounds that since the

election of the Thatcher government in 1979, the focus has been on economic efficiency at the expense of equity and voice, resulting in a “*representation gap*” (Towers, 1997). Since 1997, a combination of the New Labour government and increased European regulation has shifted the balance back slightly through, for example the National Minimum Wage and Information and Consultation Directive.

Budd argues employment research should be rooted in the three objectives of the employment relationship. This framework has not been used in British employment relations research, yet Budd suggests that “*they provide the dimensions for evaluating social partnerships*” (Budd, 2004, 120). Accordingly, this paper examines if and how partnership contributes to the balancing of the countervailing pressures of efficiency, equity and voice in the case of three UK banking organisations referred to as NatBank, BuSoc, and WebBank.

RESEARCH METHODS

The paper presents data from three case studies conducted in the UK financial service sector. The bulk of data is based upon semi-structured interviews with a range of managers, trade union representatives and employees. A key aim of the interviews was to explore respondent views and perceptions of the way specific issues had been handled in detail, as opposed to a more general discussion of employment relations. A particular aim was to mitigate the tendency of respondents to base their assessments based upon their most recent experiences, and to consider examples over an extended time period. It is also important to note that the research focused upon large back-office administration/customer service centres. Interviewees include a range of union officials, union/employee representatives, and employee focus groups. A deliberate aim was to interview different functional managers in order to gauge how employment relations issues were perceived in different parts of the organisation. All interviews were approximately forty-five minutes long. The interview data was supplemented by detailed examination of internal company literature where available including agreements, minutes, magazines etc. as well as news coverage of the organisation in the business press and trade magazines.

FINANCIAL SERVICES IN THE UK

The financial service sector in the UK is interesting for both practical and academic reasons. Firstly, there has been a significant increase in service sector employment generally, and in financial services specifically. Indeed in 2001 financial and business services accounted for one in five jobs in the UK compared with around one in ten jobs in 1981. This makes it the sector with the highest growth in these two decades, as part of the post-war growth in services and decline in manufacturing (ONS, 2002). The organisations under study are also highly profitable businesses. NatBank for example, has recently reported profits exceeding £4billion (£800 million in their card business which is the focus of the study). Banking organisations also employ a significant number of female employees, part-time workers and young people. In terms of the private sector, banking services is relatively highly unionised with aggregate density of 32% (Cully *et.al*, 1999). From an academic perspective, relatively little is known about employment relations in the finance sector, and where attention is given to the area, it has tended to focus on issues surrounding call centre working and the labour process (see for example Taylor *et.al*, 2002; Bain *et.al*, 2002; Rose, 2002; Knights and McCabe, 2003; Taylor and Bain, 2001). Notable exceptions include the work of Storey and colleagues in the 1990s (Storey, 1999, Storey, 1995, Storey *et.al*, 1997). The sector is also interesting as the recognition of trade and staff unions in financial services can be traced back to the 1960s, and membership has been relatively robust. The sector has also experienced intense competition and significant organisational change. In turn employment policies have shifted towards performance-related pay, flexible working and the use of agency labour. Thus, it is argued that financial services sector represents an excellent indicator of contemporary British employment relations.

PARTNERSHIP AND DECISION MAKING

It is proposed that a key test of partnership is whether it actually changes the way decisions are made. This section outlines the empirical evidence from the three case studies, by exploring decision making processes in each organisation, in relation to the countervailing pressures of efficiency and voice.

1. NatBank

NatBank is one of the 'Big Four' British banks. The organisation signed a formal partnership agreement with its recognised trade union in 2000 following an extended period of fractious industrial relations throughout the 1990s. As a large city institution, NatBank management made clear that efficiency was the primary objective and that ultimately the business is owned by shareholders who expect a return on their investment. Indeed, during the 1990s industrial relations unrest was exacerbated by a loss of City confidence in the organisation. However, since partnership, there was evidence to suggest that the business efficiency objective is being regulated to some extent by the partnership mechanism. For example, outsourcing to India for cost-saving reasons primarily through the use of cheaper labour (efficiency) was more equitable than it could have been without an agreed consultative framework. The Bank has signed a 'Globalisation Agreement' outlining commitments regarding a fair and transparent process for the management of redundancy.

NatBank also wanted all telephone staff to be encouraged to sell on calls, taking the efficiency view that call centres should be a profit centre rather than merely a cost centre but for many long-serving staff with little experience of telephony work, this was stressful and resulted in high turnover. Following discussions with the union, the Bank reluctantly decided to re-introduce a customer service-only role, even though this countered their initial aim to maximise efficiency by having all call agents trying to sell on every call. The Employee Relations Manager suggested that the sales strategy represented a pure technical model which neglected the reality and dynamics of call centre working, and the fact that some people did not like and simply were not good at selling. This also illustrates how a decision which was perceived to be

inequitable, had a negative impact on efficiency as turnover increased, suggesting a business case for equity also exists. There are several call centres in the area and NatBank employees left to seek customer service-only roles at these organisations. Hailed as an example of successful decision-making through partnership, the Customer Service Director still believed that all agents should be selling, based on a unitarist view that by not selling they are not promoting the company and in turn potentially damaging their job security. This relates to the worker/customer satisfaction mirror proposed in the new service management literature (Korcynski, 2002).

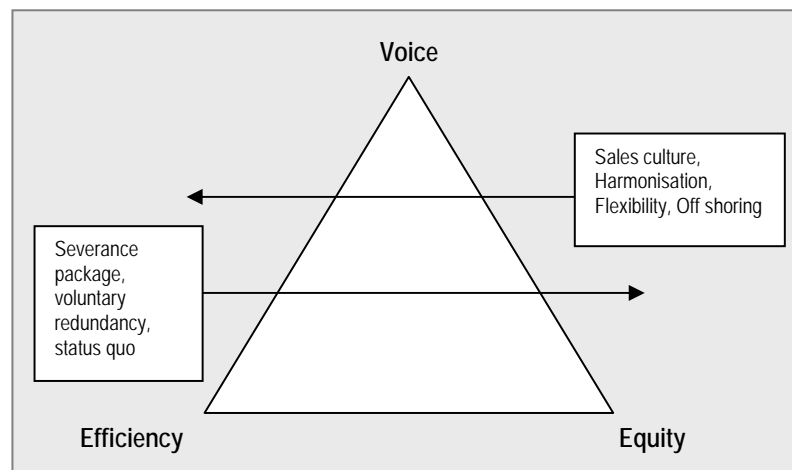
The Budd framework can also be used to examine a business idea to try and harmonise contracts from traditional 9-5 to staggered 8am-midnight pattern. This made administrative sense because customers now expected to be able to call the bank at any time of the day, yet the core of long-serving staff only worked normal office hours. The union successfully persuaded the Bank to leave long-serving staff on the old working hours should they so wish, by highlighting the potential damage to morale of long-serving staff if such a change was simply imposed (equity). The Bank acknowledged that the negative impact of employee perceptions of inequity may counter or even outweigh the proposed administrative efficiencies of contract harmonisation. This required the Bank to re-think and return to the main issue, that is, how they could staff telephones in the evening to match customer demand, and decided that the only way to do this was by recruiting a pool of new staff on new terms and conditions which match business demand. This was not the ideal situation for the business, which would prefer all employees to work on such a pattern, and neither was it the ideal situation for the union. The union took a pragmatic view, that is that they are there to protect fee-paying members first and foremost, and if that meant protecting them at the expense of new recruits then so be it. The ER Manager suggested that following discussions the final decision made much more sense, and that there was no need to upset the existing experienced workforce, and that the shortfall could be bridged by recruiting new employees to cover the evening shifts.

Another illustration of countervailing pressures is in the area of discipline and grievance. Representatives suggested that pre-partnership there had been a macho hire-and-fire culture and a high level of formal disciplinary cases. They proposed that

there was often evidence suggesting that a fair disciplinary process had not been followed, and the cases against employees would be dropped because line managers had not followed due process. Representatives suggested that this is less common now as under partnership the agreed process to be followed is now much clearer. Again, the ER Manager suggested that having a transparent process had helped to reduce the arbitrary treatment of employees, and increasingly the resolution of disputes without recourse to formal procedures.

Within NatBank, voice was a prominent issue. The local union representatives were active, employees generally knew who their union representatives were and support for the union was strong. Representatives had taken up their posts because they were keen to get involved in light of the high level of organisational change the organisation was encountering. There is evidence, therefore, that at NatBank the partnership mechanism was moderating decision-making and mitigating the worst effects of organisational change on employees. In terms of the Budd framework there was evidence to suggest that the union was able to promote equity as a countervailing pressure against pure business decisions based on a pure 'efficiency' logic. There was also evidence to suggest a business case for equity, given that decisions which were perceived to be inequitable were often deemed to be inefficient due to the negative impact on morale, and the increase in attrition as dissatisfied staff chose to leave the organisation. However, more equitable decisions appeared to represent an acknowledgement that a pure efficiency decision would not be in the business interest, as opposed to some moral imperative. The countervailing pressures are outlined in the figure below.

Figure 2 – Countervailing forces at NatBank



2. BuSoc

The triad can also be used to evaluate partnership within BuSoc. Though there is no formal union-management partnership agreement in this case, a history of co-operative employment relations, and joint commitments to business success and employment security appeared indicative of a prima facie case of partnership. Management and union respondents also agreed the notion of partnership resonated with the style of management-union relations, although the term ‘partnership’ was not used. As a mutual building society owned by members BuSoc does not have the same commercial pressures to satisfy the stock exchange. This could be viewed as a fertile environment for partnership or conversely as a barrier, as it may mean there is less pressure to proactively engage with partnership, as such relationships have often arisen out of crisis. BuSoc have used their historical image as a less ruthless and ethically guided institution to its advantage both in terms of consumer marketing and their espoused approach to employment relations. Accordingly, compulsory redundancies at BuSoc are almost unknown, the Society has committed not to offshore functions abroad, and have invested in various pioneering schemes concerning work-life balance, domestic violence, home working and equal opportunities. The HR Director suggested that they are proud of being voted best UK employer by a Sunday newspaper in 2005, and that normally their employment policies exceed the statutory minimum arrangements. Union officials agreed that BuSoc employment policy typically exceeds statutory regulations, and in union recruitment literature cite this as evidence of their success.

Yet management suggested that the organisation was risk-averse, and would normally settle tribunals out of court even if they believed they had a strong case, to avoid any potential damage to the ‘ethical’ brand image. Again, this does not suggest that management decisions are necessarily the result of union pressure, and leads to the potential criticism in some cases that a focus on equity may actually be inefficient. This is not to suggest that there has not been conflict between the union and management in recent years. Indeed, major disputes have occurred in relation to the end of the final salary pension scheme for new employees despite strong union opposition. In this case, the efficiency force was clearly greater than the equity

concerns. Union officials opined that despite their vehement opposition there was little they could do as the decision was not unlawful, and was simply presented to them as a *fait accompli*. This occurred under the leadership of the previous Chief Executive who the Union General Secretary suggested was strongly efficiency focused. He believed the current Chief Executive had a stronger interest in employment relations as well as financial performance. The Union President held a similar point of view, suggesting that the current Chief Executive appeared to be more interested in people issues as well profits. In this case, therefore, the attitudes of the personalities involved appeared to be central to the process, although the suggestion that major decisions such as pension arrangements can depend on the whim of the Chief Executive, and the relationship we has with union officials appears incompatible with the notion of partnership.

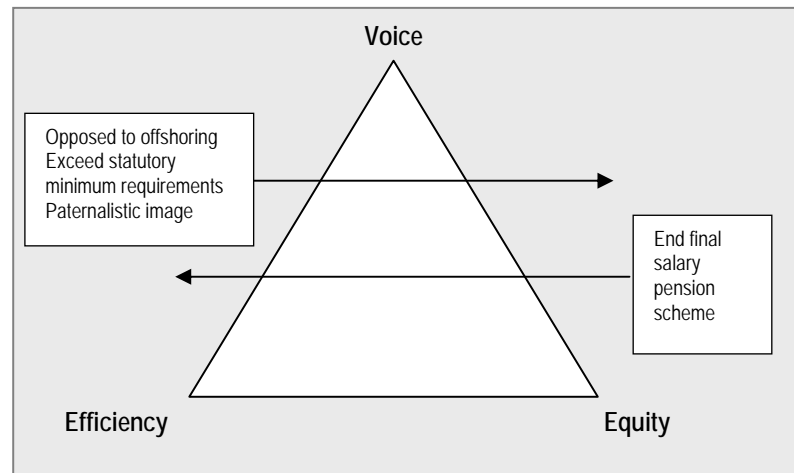
Some examples were cited where the union and management *had* worked together but this was mostly on a minority of relatively uncontroversial issues. For example they jointly devised a new performance management framework which they thought was fairer for employees (equity) but clearly driven by a desire to improve employee performance, and in turn business performance (efficiency). Moreover, in 2005 the union negotiated a record pay deal of which they were very proud, another example of where notions of equity have been a strong countervailing pressure on efficiency maximisation. Union officials agreed that on balance BuSoc is a 'good employer', at least compared to competitors in the same sector, and this makes it difficult to assess the extent to which the union is actually making a difference. On the other hand, managers suggested that a staff union was an effective medium suggesting that since most officials are former employees they can take a more balanced view of situations. In general terms, the equity pressure as a whole was more prominent at BuSoc than it was in the other case organisations, and this may have meant there was less need for the union to adopt a proactive stance as was the case at NatBank. Moreover, within this context the grassroots employee interest in voice was lower. Employees were apathetic and this apathy appeared to stem from satisfaction as opposed to disillusionment. Staff attitude surveys are normally very positive, and focus group discussions confirmed this, with most employees viewing BuSoc as a good employer overall. Where dissatisfaction did occur, this was attributed to problems of

implementation of local decision-making, rather than dissatisfaction with corporate policy itself.

Union representatives were often inactive, and had often been nominated under duress. Most of the negotiation and consultation occurred at a very senior level between Executives and one or two senior union officials. Perhaps this is partly the case because senior union officials are the few people not employed by the Society, and therefore have less fear of retribution. It is possibly more difficult for seconded officials who are due to return to work after their time on union position to voice their true concerns, although if this was the case it would also be true in the case of WebBank. BuSoc representatives had taken their roles often by default, and IR issues were not really of a day-to-day concern. Employees suggested that they would probably take more interest in employment relations matters had there been more controversial incidents as in other organisations. The union also speculated that while the Executive Board are committed to mutuality for the foreseeable future, they wondered what impact de-mutualisation would have, and how the employment relations climate may change. It was proposed that the need to deliver results to stock exchange could have a negative impact on the employment relations culture. While the employer was keen to promote an 'ethical' image, the union was keen to avoid any perception that they were 'bought-in' or co-opted.

In sum, while the equity pressure appeared to be much stronger than at NatBank, there was little evidence to suggest that this was because of a partnership relationship between the union and management, and highlights the significant possibility that BuSoc may still be a good employer irrespective of the union. For example, there was still evidence to suggest that when external forces did result in an efficiency 'crisis', such as the problems funding the final salary pension scheme, the efficiency force would prevail over equity with minimum voice afforded to employees or the union. Contrary to what may have been expected, there was little evidence of partnership contributing to the balance of efficiency, equity and voice at BuSoc. The countervailing forces are outlined in Figure 3 below.

Figure 3 – Countervailing forces at BuSoc



3. WebBank

WebBank was set up in the 1990s with the aim of being different and ‘radical’ in the conservative UK banking market, offering competitive products aimed at young, educated and affluent consumers. The company does not recognise a trade union, and in this context partnership concerns an in-house representative body known as the WebBank People Forum. Management suggested that since the company was listed on the stock exchange two years after launch, the pressure to satisfy shareholders that WebBank is a satisfactory investment has had a significant impact on day-to-day operations (efficiency). Despite a high degree of UK success, WebBank was a loss-making business due to a combination of high start up costs but in particular the failure of their overseas expansion project. The company was supported by the parent company, an international financial organisation, breaking into profit for the first time in 2005. In terms of voice, WebBank decided to set up an internal Employee Forum in preference to recognising an external trade union. It was suggested that management perceived unions to be too adversarial and at odds with the culture of a new organisation. Only 5 years old, the Forum is still evolving but appears to be run very much on terms set by management, and the representatives and management were both clear of the fact that it is not a negotiating body. Most of the representatives did not seem to have a problem with this role: One did, however,

express some doubts regarding the ability of the Forum to challenge in the face of severe adversity:

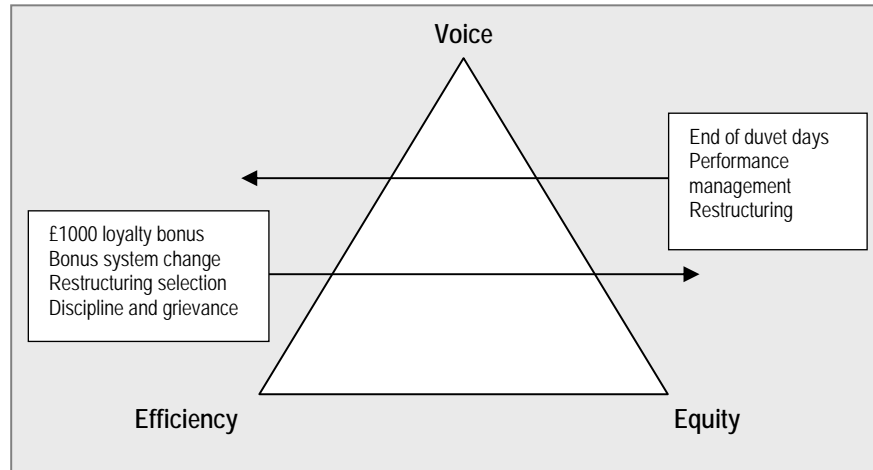
“My vision of WBPF is that we need to be more challenging. It’s all nice and lovely at the moment, but we are going to hit big things. Big things will happen. Can we challenge them successfully? Do we have information to challenge...That’s my concern really. You are doing this ‘business case’ and you are telling me you need to close this department down, can I see those figures? And do those figures mean anything to me?”

The existence or role of the Forum was not a priority for most employees. Many had limited knowledge or interest in the Forum. At most, it was considering to be a counselling service, offering advice in the event of discipline and grievance cases. However, as was the case with NatBank, there was *some* evidence of the Forum acting as some kind of efficiency-equity arbiter. For example, the Forum challenged the arbitrary selection procedures being used to decide new posts following an IT restructure which they believed were initially based on personalities and friendships rather than competence. The Forum is also active in ensuring that disciplinary and grievance procedures are followed in a fair way and that due process is followed (equity). Overall though, on the efficiency-equity continuum WebBank would be much closer to efficiency than to equity as it was very much involvement on terms defined and controlled by management. Even where decisions were ostensibly made in relation to equity, this was often underpinned by sound business rationale. For example, for a period the organisation was put up for sale by the parent organisation. Many employees had obvious concerns regarding their job security with the organisation should a takeover or merger occur. WebBank offered employee £1000 loyalty bonus in return for a commitment to stay with the organisation. For some employees this was perceived to be recognition from a caring employer, but appears to be driven for business reasons, given that the organisation faced a potential exodus of experienced staff in light of the uncertainty.

There was still the general appearance the representatives did not want to be seen to ‘rock the boat’ too much, and this was the impression given by the Employee Chair who advocated a softly-softly approach. Indeed, there was a sense of vulnerability given that the structure has no statutory protection and could be wound up at any time. As one senior manager reflected, *“at some point, if they went off in a direction we*

were totally unhappy with, we would have to deal with it”. Nevertheless, there was moderate evidence of the forum addressing the countervailing forces of efficiency, equity and voice, illustrated in Figure 4 below.

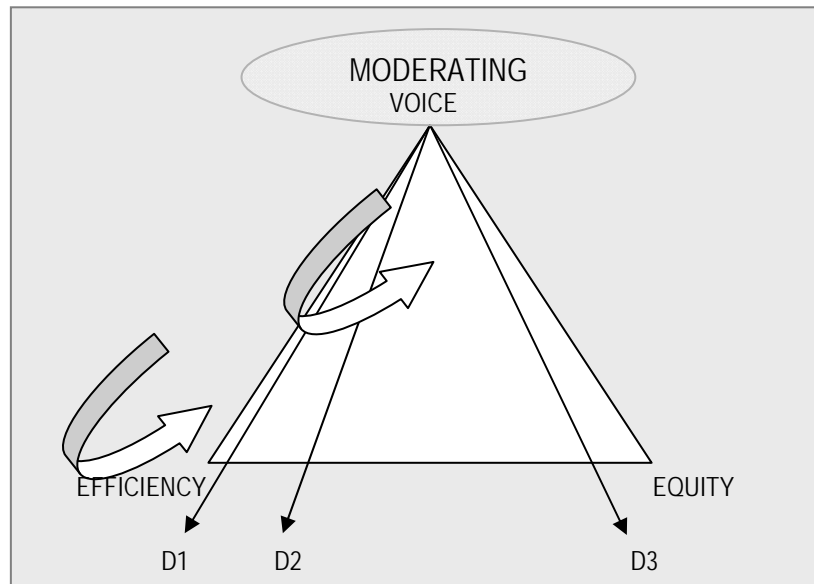
Figure 4 – Countervailing forces at WebBank



DISCUSSION

By employing the analytical framework proposed by Budd (2004), there was evidence to suggest that as a result of voice and dialogue, union/ employee representatives were often able to moderate decisions to mitigate the worst effects for employees at NatBank and WebBank. To illustrate, in Figure 5 management may have proposed an efficiency-oriented decision to make 100 compulsory redundancies (D1). Traditionally, the union may have opposed the redundancies on philosophical grounds. However, at NatBank for example, the union and management team worked together to reach an agreement regarding a ‘fair’ redundancy policy. This includes firstly discussing alternatives to job losses such as redeployment/relocation, minimising the number of losses, generous voluntary payments, career counselling and extensive notice period. The mitigation of the pure efficiency decision is reflected by arrow D2 reflecting 50 voluntary redundancies. The research revealed that *moderation* and *mitigation* appeared to be the dominant characteristics of decision-making under partnership. While the ideal decision for the union may have been D3 (no job losses), partnership may enable a compromise to be struck.

Figure 5 – Moderating decisions at NatBank

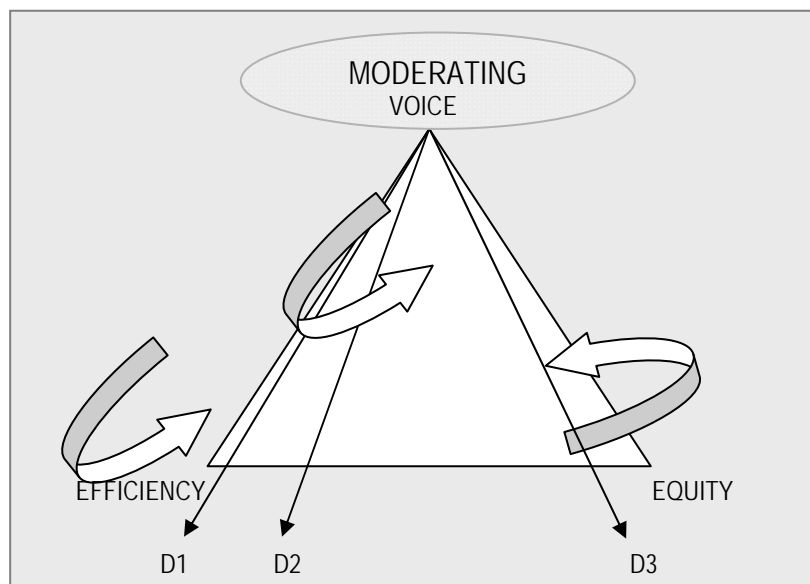


- D1: 100 compulsory redundancies
- D2: 50 voluntary redundancies
- D3: no redundancies

The framework can also be used to illustrate the dynamics of discipline and grievance at WebBank. High turnover and discipline cases were highlighted by senior managers at WebBank to be a significant problem especially in the call centre environment. A key area of involvement for the Forum was acting as an intermediary in disputes between employees and line managers. A team manager recounted an incident involving a high performing employee who suddenly developed a poor attendance record. It was believed that after several warnings an efficiency-oriented decision would need to be made to dismiss the employee. The team manager admitted that he was slightly bewildered and disappointed by this, as the employee concerned was a consistently high performing member of staff, and therefore decided to ask a Web Bank People Forum representative to try and find out what was wrong. It transpired that the employee had a poor relationship with her line manager, and believed that she had been the victim of bullying. After investigation, the team manager transferred the employee to another team, and the employees attendance record improved significantly. The team manager believed that had there been no opportunity for forum intervention a high performing employee would probably have been dismissed,

and the root of the problem never identified. In other words, management may have dismissed the employee following several warnings, on the grounds that it was the most efficient decision (D1). However, it was believed it was better to invest some time to ascertain the underlying cause and to try and resolve the situation. This resulted in a decision which was both efficient for the organisation as a high performing was retained, but also more equitable for the worker, as she was able to air her grievance and did not lose her job as a result of a relationship breakdown (D2). Indeed, the ostensibly efficient decision (D1) may actually have been inefficient given that an experienced and popular employee may have been dismissed (Figure 7 below).

Figure 6 – Moderating decisions at WebBank

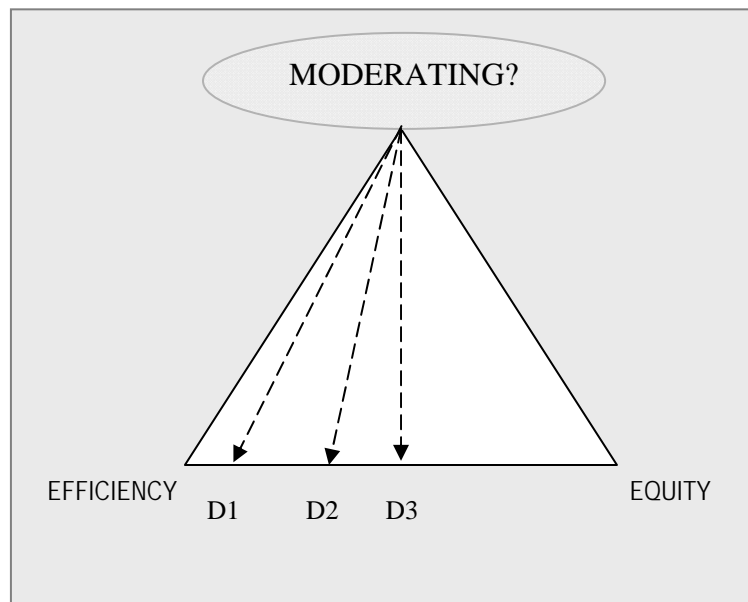


- D1: employee dismissed
- D2: absenteeism resolved
- D3: no action against the employee

The same regulatory effect could not be identified in the case of BuSoc. It was suggested that in the previous five years employment relations had generally been good with few major controversies. The main recent incident was identified as the end of the final salary pension scheme to new entrants. This has become a significant issue among mutual organisations, as spiralling pensions costs are seen to be eating into their ability to compete with their banking rivals. Increasing subsidies for the

funds is controversial as often the main beneficiaries are executives. In 2001, the society took the decision to close the fund to new employees (D2). A more drastic but efficient decision may have been D1 (close the scheme to all staff). D3 represents a more equitable but less efficient approach of the employer increasing their contributions and lump some payments to help maintain the fund. Yet there was little evidence of the decision being regulated by the union. Indeed the decision was said to have been imposed without consultation. So while the decision may have been D2 (end final salary scheme to new members) and not perhaps the more drastic D1 which was the course of action taken by Kent Reliance and the Newbury Building Society at a similar time, there was little evidence of this being a result of union involvement. This is indicated by the dashed arrows in Figure 8. In 2006, D2 remains the case although other organisations such as Clydesdale Bank and Co-operative Bank have recently opted for D1. At BuSoc the union have since agreed to increases in employee contributions in return for lump sum payments by the employer, but the future of the pension fund remains uncertain and is still a significant concern for the union.

Figure 7 – Moderating decisions at BuSoc



- D1: Final salary pension scheme closed to all staff
- D2: Final salary pension scheme closed to new staff
- D3: No change to pension scheme

In other words, two of the cases demonstrated evidence of ‘partial success’ in many instances with the voice process appearing to ‘moderate’ decisions. The same could not be said in the case of BuSoc, with the most important decision in recent years being made without consultation, and limited evidence to suggest that more positive decisions were actually the result of union engagement. The Budd framework is therefore useful in illustrating how – and whether - voice moderated countervailing pressures between efficiency and equity. However, an important caveat must be raised in relation to Budd’s call for ‘balance’: what exactly is meant by *balancing the objectives of the employment relationship*? The phrase appears to suggest some kind of stable equilibrium and raises concerns therefore as to whether is actually achievable (Estreicher, 2005; Adams, 2005; Estreicher, 2005; Hyman, 2005). It is not surprising that radical scholars such as Hyman are dismissive, as Budd acknowledges “*critical industrial relations views the labour problem as inherent in capitalism and seeks to replace it with worker ownership and socialism*” (p.103). For pluralists, on the other hand, the ideas are highly attractive and provide a useful framework for analysis (Bamber, 2005). However, it is proposed that balance may not right be the most appropriate term; indeed it is difficult to imagine what a balance of efficiency, equity and voice would look like in reality. Adams (2005, 115) proposes a slightly modified objective, “*optimality within minimally accepted bounds...societies should attempt to optimise efficiency, equity and voice – but the result might not be an equal weighting of all three objectives*”. In other words, the aim should be to achieve sufficient levels of voice and equity compatible with high levels of efficiency. Admittedly, Budd (2005) acknowledges such criticisms, and suggests that ‘balance’ need not necessarily be thought of as an equal weighting between the three components, but rather as “*the search for arrangements that enhance one or more dimensions without undue sacrifices in other dimensions*” (p.196), and that they can usefully be viewed more as a ‘regulative ideal’, even if it is never realised. He comments that ‘respect’ could be an alternative term to ‘balance’, but suggests this creates a new question of how much respect is enough? This study, however, prefers the use of the terms ‘accommodation’ or ‘moderation’ as it is believed that these are the most compatible with the pluralist view of the employment relationship, without implying that their ought to be an equal weighting which new pluralism cannot offer.

Overall, it is argued that the framework proposed by Budd is useful when exploring the subtle processes and outcomes of partnership. Studies such as those by Kelly (2004) which rely on raw quantitative indicators such as the number of redundancies or pay differentials, overlook the qualitative aspects such as the way the process was handled, and clearly this is also of great importance to workers. This echoes problems experienced in establishing a link between HRM and performance due to problems in establishing causality, inconsistency of HR practices applied, variations in the proxies used to measure high commitment HRM and performance, and the reliance on self reported scores from HR managers (Marchington and Wilkinson, 2005). There is therefore evidence to support the arguments of Findlay and McKinlay (2003) that it is from the process of partnership itself, i.e. the benefits of both influence over management and real involvement in governance processes, that employees may stand to gain from partnership. This requires a broader, more holistic assessment of outcomes beyond narrow institutional union interests or raw labour outcomes.

CONCLUSION

To conclude, it is suggested that different trajectories of experience are possible, and indeed likely. There is also a need to re-think exactly what partnership means, and what it is expected to achieve and assess accordingly. The paper has also demonstrated the value of exploring the process of partnership as well outcomes, and Budd (2004) offers a useful analytical framework for doing this. There is also a need to compare the actual outcomes in real contexts of decision making shaped by partnership, and to compare outcomes not just with the 'ideal' outcome, but with the other possible alternatives. As these cases demonstrate, several decisions were better than they could otherwise have been for staff, and the partnership approach had resulted in several compromises to the benefit of employees by mitigating the impact of decisions. There was evidence to suggest that *without* the partnership dialogue decisions may have been more focused on short-term efficiency, with scant regard for the equity outcomes. Interestingly management acknowledged that decisions based solely on 'profit-maximising' and 'efficiency' are often inefficient because they are met with staff resistance and union opposition, whereas compromises which may appear to be less efficient and slower are actually moreso because of greater

legitimacy and acceptability. In other words, managers suggested that often there was a sound business case for equity. Partnership is unlikely to 'balance' the objectives of the employment relationship, but it is quite possible that the outcomes were more balanced than they would have otherwise been, and indeed it is difficult to imagine what a balance would actually look like. Partnership may not lead to the development of three perfectly stakeholder-oriented organisations, but rather three organisations which were more stakeholder-oriented than they may otherwise have been. When evaluated in this light, partnership can be seen as delivering more than a modicum of success.

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