Chapter 12 Review questions and answers

1. How do you think treating staff as a ‘valued resource’ will impact on the employment relationship? What if employees are seen by management as a ‘commodity’?

The relationship forged between employer and employees can be significantly affected by the way the organization, mediated through its managers, deals with and treats its employees. This in turn can influence the way this relationship is experienced by these main participants (parties).

If staff are regarded as a valuable resource—and hence a valued asset to the company—the parties are going to feel quite positive about the relationship, seeing it as being helpful and constructive. The employment relationship is more likely to be one of mutual trust. This approach will be conveyed by the organization’s attention to investing in its staff through, for example, consideration for their welfare and their development. It also sees merit in involving workers in decision making processes. In return workers are more likely to demonstrate their levels of commitment to achieving the goals set out by their employer.

By contrast, if staff are viewed as a commodity—and hence no more than a unit of cost that has to be controlled—the parties are going to feel quite negative about the relationship. Managers will assert their right to manage ‘their employees’ as they think fit. They will see no point in consulting or involving workers in decision making. In return, employees are more likely to demonstrate resistance to this perceived management domination. Employment relations are likely to be marked by a lack of trust. Consequently, workers might perform their tasks with relatively low levels of commitment towards achieving the goals specified by their employer.

As explained in chapter 12, these divergent approaches to managing the employment relationship can be linked to high commitment and low commitment HR strategies, respectively. The former seeks to win the psychological engagement of employees, striving to sustain employees’ contributions towards achieving long-term organizational success. The latter tends to focus on short-term goals and keeps the organization-worker relationship at arms-length, typically leading to the use of hire and fire tactics, as part of a cost-cutting mentality.

We can deduce, therefore, that management’s approach to its workforce can have a significant effect upon the employment relationship it has with them. However, the distinction between the ‘resource’ and ‘commodity’ approaches is not always as obvious in everyday organizational life. Companies may oscillate between them, dependent upon circumstances and management’s interpretation of these. They might also adopt a different approach for different types of staff. For example, they could show
consideration for those staff with scarce skills, but not for those who can easily be used and dispensed with to suit management’s changing priorities.

2. With particular reference to the economic and political dimensions of the employment relationship, explain why inherent conflicts of interest exist alongside management-worker cooperation.

For any organization to both survive and flourish there has to be a satisfactory working relationship between management and workers. There must be a reasonable level of co-operation within the organization, so that departments can be coordinated in a purposeful way and tasks completed to the required levels of quality and productivity. This will be the usual, everyday situation for most companies.

However, we also learn from chapter 12 that there are inherent conflicts of interest between the two main parties. From an economic perspective, workers, as the sellers of their skills and effort, will be seeking to increase their wages and other rewards. From the other side, their employer, as the hirer of these skills and effort, will generally endeavour to minimize these rewards. The employer’s economic rationale, as buyer, is the need to minimize labour costs, not only to balance the books, but to also increase profit and other financial returns.

We should also be aware that the outcomes of these conflicts of economic interest are influenced by the relative power of each of the main parties, which chapter 12 discusses in terms of the political dimension. The impact of this dimension is usefully understood by reference to the positions of the parties in relation to the balance of bargaining power (see question 3 below).

It is argued that management typically has more power, since it has hired people who have agreed to do management’s bidding. In other words, management has both a legal and a de facto ‘right to manage’. Ultimately, this permits them to dismiss the employees they initially hired, whether because they are surplus to requirements, because they are poor performers or because they have broken company rules. These examples reinforce the reality of management’s authority.

In addition to adding clout to the economic causes of conflict, power can also be a source of conflict in its own right. The thinking here is that people do not always take kindly to being controlled by another person. Yet management-worker relations are inherently those between supervisor and subordinate. As a result, it is quite likely that subordinates may try to resist management’s efforts to exert their control. They might also resent management. In this scenario, therefore, managers may devise ways to strengthen their authority and to outmanoeuvre workers’ efforts at subversion.
3. **What do you understand by the ‘balance of bargaining power’ between employer and employees and how can each side strengthen their respective positions?**

The concept of the balance of bargaining power refers to the respective power held by the two main parties, management and worker, in relation to each other. Quite simply, what is the ability of each side to influence the decisions and actions of the other?

We have already noted in question 2 that management’s ‘right to manage’ places the employer in a favourable position when bargaining with the workforce. Usually bargaining is conducted over the employee’s ‘terms and conditions’ of work, which might concern wages, benefits, workloads, holiday entitlements, the working environment, performance measurement, rules of behaviour, disciplinary processes, promotion policy, and work allocation.

In some companies, however, the actual practice is not visible collective bargaining between two sides, but management reaching decisions on its own, that it then communicates to its workforce. However, even in this situation the outcomes of such management decisions will be influenced by a perception of the relative balance of power. As noted in chapter 12, one factor is the state of a particular labour market. If workers are found to be in short supply then the power balance may swing towards the employee. However, if such skills are ‘ten a penny’, then management will feel more able to dictate terms.

This explains how the demand and supply of labour might help determine wage levels. However, we also noted in chapter 12 how each side may strive to strengthen its respective position. Historically, workers have joined together in trade unions in order to act collectively. Employers, on the other hand, can seek advantage by, for example, pointing out to their staff the possibility of ‘their jobs’ being relocated elsewhere. This observation reveals how the balance of bargaining power is a dynamic process, not a static situation.

4. **If the psychological contract is inherently implicit and not formally stated, why is it so important for our understanding of the employment relationship?**

We know that a written contract of employment explicitly states the terms and conditions under which an individual is employed to do a job of work. Yet we also know that if we are to have a proper understanding of employment relations we must take account of arrangements that have been implicitly agreed, i.e. not formalized in writing.

Through two-way communications, promises can be made by both sides of the employment relationship. This reciprocal exchange of promises can also be assumed or inferred by the two sides, based perhaps on the parties’ prior expectations.
Indeed, these promises may be taken as given in the event of such expectations not being contradicted or disputed. We often hear what we choose to hear, giving messages an interpretation favourable to ourselves.

Such deliberations and personal interpretations result in a psychological contract, which is the collection of mutual expectations between the organization and the employee. However, because these matters are openly discussed only rarely, the psychological contract often becomes evident only when it is felt to have been broken.

It follows then that a psychological contract is subjective rather than objective, and that it can differ between individuals. This gives us the clue as to why this psychological relationship is so important for our understanding of employment relations.

Individuals may share the same terms and conditions of employment, yet it is quite possible for their perception and interpretation of this relationship to be different because of their respective psychological relationships, which are influenced by their own personal agenda and priorities. As a result, this psychological dimension will impact on an employee’s general attitude towards their employment relationship as well as on their feelings and emotions.

In effect, individuals doing the same job and for the same pay and conditions may have different employment relationships with their employing company. This can lead to different outcomes. Thus, in chapter 12, we compared one employee, who showed a high level of personal commitment to her employer, with one who held a more detached attitude.

In short, identical economic, political, and legal relationships that employees may have with their employer can be blended with different psychological contracts. This has the effect of delivering quite distinct employment relationships—with the potential for quite different patterns of behaviour, attitudes, and feelings. This has implications for managing each individual in light of the particular psychological dimension of their employment relationship.

5. Thinking of examples that illustrate where a lack of trust exists between managers and employees, why is mutual trust of particular importance in the successful management of employment relations?

Both academics and practitioners consider trust between managers and employees to be a crucial factor for a constructive and productive employment relationship. If workers trust their management they are more likely to ‘buy in’ to proposals that, they are assured, are intended for the long-term good of their company and their jobs. This will be the case even though the changes might look as if they will be disagreeable and painful in the short term. Such trust may well be based upon a history of mutual
goodwill, honesty, and fair treatment. This describes a situation where a decision by management that is potentially harmful to employees is accepted because of their trust in management.

By contrast a lack of trust between the parties can mean that a well-intended, even benevolent, gesture by management towards its workforce is rejected on account of the suspicion that exists. Such mistrust may well be the result of previous ‘bad blood’—caused by management being unmasked as guilty of misrepresentation, hiding the truth, or of downright deceit and double dealing.

These examples illustrate employees’ perceptions towards their management and how important it is for workers to trust them. However, the question specifies mutual trust. So, in the same way, managers must be able to trust their workers. If workers abuse a manager’s trust by, for example, slacking in their work or not complying with safety or quality standards, then the manager may feel justified in withdrawing his or her trust and behaving in a more guarded and doubting way. Ideally, then, a manager will have workers in whom he or she can place their trust in. This will enable a manager to offer workers support but not surveillance; encouragement and not close supervision.

Finally, chapter 12 reminds us that a co-operative and productive employment relationship relies not only upon trust but also upon mutual respect and fair dealing. In theory this should assist a company towards enhancing its organizational performance. However, chapter 12 also offers a word of caution, whereby personal trust between workers and their manager can be seriously undermined by the high degree of management control inherent in some forms of task design. In effect this type of work has its own impersonal forms of monitoring, which imply a lack of trust in the workforce.

6. In its conduct of the disciplinary process how can management demonstrate to employees that it is being ‘consistent, fair and reasonable’?

Since managements have the ‘right to manage’, it is not unusual for workers and their managers to presume that disciplining a worker for doing something wrong is about punishment; exacting retribution on the ‘culprit’ and setting an example to others. This view fits in with a low commitment approach to employment relations.

On the other hand, if we adopt a high commitment viewpoint, disciplinary procedures will be designed to resolve issues over employees’ unacceptable behaviour or work performance. This seeks to repair and re-establish the employment relationship through a process of rehabilitation, based upon a desire to correct the employee’s conduct or capability problems. In this sense, ‘correction’ emphasizes the meaning of ‘discipline’ as one of ‘self-control’ and ‘mastery’ on the part of the individual.
Influenced by this more constructive way of thinking, all those concerned (management and workers) will feel reassured if management’s conduct of the disciplinary process is recognized as consistent, fair, and reasonable. To maintain employees’ trust, therefore, management is advised to adhere to the principles of natural justice. This will enable it to demonstrate that its conduct of the disciplinary process will indeed ensure an impartial, just and justified outcome.

Chapter 12 sets out the conditions for demonstrating the process of natural justice. Initially, management should seek to demonstrate procedural justice through the perceived fairness of the processes used. First, a thorough preliminary investigation would be required before any allegation of a disciplinary breach is made against an employee. Secondly, the full nature of the allegations and supporting evidence should be made available to the employee, to enable the individual to prepare their response. Thirdly, there should be a disciplinary hearing, which is seen to be impartial. In this the individual should be given the opportunity to put their side of the story and to be represented or accompanied. To do otherwise would be to risk perceptions of management’s vindictiveness or of victimisation.

In relation to distributive justice and the perception of the fairness of the outcomes, any decision by management should correspond to the severity of the offence, taking into account any extenuating factors. Hence, decisions might range from the exoneration of the employee from all ‘charges’, through to a verbal or written warning, and right up to summary dismissal.

Any handling of the processes should also show interpersonal justice, which management can achieve by treating the individual with respect and sensitivity. Finally, managers can also demonstrate informational justice in the eyes of employees by taking steps to carefully describe the procedures and to explain the rationale for any decisions made.

In conclusion, in order to promote trustworthy employment relations it is important that employees’ suspicions of persecution or unfair treatment by management are dispelled. This is especially critical when employees are formally disciplined. Management is following a process whereby it can undertake the roles of investigator, interrogator, jury, and judge. It is vital, therefore, that trust is gained by management’s attention to impartiality through natural justice and procedural correctness. Yet even here we must advise caution. Perceptions of management being ‘consistent, fair and reasonable’ may not be shared by those being subject to their employer’s discipline.
7. Applying your answer to Figure 12.1, what might a company do to combine the Avoidance – Commitment approaches for its employment relations strategy?

MNEs have, in theory, a number of options in how it manages employment relations. Figure 12.1 depicts decisions as to how to manage employees: both as individuals and collectively. The former offers choices ranging between high and low commitment approaches. In figure 12.1 the latter is depicted as ‘command and control’. The other collective dimension, which concerns how the MNE deals with employees as a whole, is best understood in the MNE’s stance towards trade unions. Thus, they range from the MNE seeking to: avoid unions; accommodate them; or to actively embrace their presence by working in partnership.

The figure offers the possibility of various combinations between how the MNE manages workers as individuals and also collectively. It simplifies the complexity of organizational life by permitting six such combinations, from which avoidance-commitment is one.

This particular combination translates as the MNE seeking to avoid any dealings with trade unions whilst also endeavouring to engage and win the commitment of employees to the aims of the employing organization. As such it would appear to have some inherent logic, whereby each part complements and supports the other. An anti-trade union stance can be bolstered by being a very caring employer, who wishes to deal with employees individually and who acts to promote goodwill. This will feature high commitment HR methods, which focus upon trusting relations and viewing each individual as a valued asset.

By way of example, an MNE following the avoidance–commitment permutation might practise an alternative non-union strategy through union substitution. This would mean offering high wages and good conditions of employment, designed to counteract any desire by employees to join a trade union. Employees would come to trust their employer to provide what they wanted, removing any need to resort to join a trade union or to resort to collective action.

8. What does it mean for management to seek to resolve conflicts of interest with its employees by unilateral action, consultation and negotiation, respectively?

This classification—of how a company can try and deal with and settle conflicts of interest that it may have with its employees—is not covered as explicitly in this chapter. Rather it can be derived from the case study examples, which feature companies opting for one or other of these methods.
The assumption is that an MNE does generally want to minimize any disputes it might have with its workforce, but not at any cost, as will be understood from the example of the cabin crew strikes at British Airways. In this example, the formal method adopted was to **negotiate** with the workers’ trade union representatives. In in theory at least, management enters discussions in order to search for a lasting agreement with the union, which is acting collectively on behalf of its members.

This arrangement typically depends upon the goodwill of both sides to reach a compromise, whereby each might ‘give ground’ on its initial demands, offering a concession in order to arrive at an acceptable deal, i.e. a collective agreement. However, in the BA example, both sides sought to gain advantage by using tactics that potentially damaged the other side. This is one view of strike activity by workers; and of management’s determination to use legal and other retaliatory methods.

Where MNEs are not prepared to enter discussions with trade unions or where the workforce is not represented by a trade union, other choices are more attractive. Both scenarios represent a non-trade union regime, and allow senior management either to take **unilateral action** by deciding its own solution to the dispute and communicating this to the workforce; or to **consult** with its employees. This would entail management providing workers with information and seeking their views—before then reaching its own decision. The latter represents a form of worker involvement, but does not ask workers to actually participate in the final decision making.

Whichever method is used, they offer MNEs the same aim of seeking a solution to issues where there exist conflicts of interest with their workers, whether over wages, working conditions, or other aspects of employment.

9. **Thinking of the disputes like the one involving British Airways cabin crew, to what extent does the use of retaliatory methods by both sides serve to make it more difficult to resolve the dispute and restore goodwill in its aftermath?**

In an industrial dispute the two sides (of workers and management) are each seeking to secure a deal that meets their own expectations. This, however, is likely to be at the expense of the other side. In theory though there is always the possibility of a win-win outcome, where each side is satisfied with the final agreed outcome.

More typically, the end result is often a compromise agreement, with neither party getting quite what they wanted, but perhaps achieving a reasonable result. In this situation each side tends to make sure that the other side does not lose face. This ensures that any agreement can be seen as acceptable to management and workforce in the longer term.
However, in the case of the cabin crew’s dispute over management’s decision to reduce staffing levels on BA’s long-haul flights, there was not much evidence of either side giving ground. A compromise agreement did not seem the likely outcome, notably when arguments became based on each side’s deeply held principles. Management asserted the right to manage the business in order to make a profit. This included making savings from staffing costs. However, from the workers’ viewpoint, this threatened their jobs and hence their livelihoods.

Such an impasse was fuelled by considerable mutual distrust amid intense emotional turmoil amid those most heavily involved, including both sets of negotiators, their respective supporters, and those affected such as passengers and government ministers.

Given such a simmering pot of animosity, and with neither side prepared to give ground or show any sign of weakness, there was always likely to be the use of further tactics that might influence the other side to move their position, not through persuasion and the logic of argument, but through the potential costs inflicted on the other side.

From the workers and their trade union organizers there was the strike weapon. In all 22 days of walkouts were carried out over a period of months, but targeted for holiday periods when any damage would be at its uppermost. This was to ultimately cost BA over one hundred million pounds in lost revenue caused by flight cancellations.

From the management there was a refusal to back down on its job cuts. This certainly damaged staff morale and their trust in management, an issue that was further exacerbated by a subsequent removal of employees’ substantial travel concessions coupled with harsh disciplinary measures against some union members.

This dispute continued for two years at immense cost to BA, but the final agreement did not reverse the staff cuts that triggered strike action. So, it would be difficult to rebuild goodwill amongst those cabin crew retained by the company. It would be even more difficult in view of the punitive steps taken by management against the strikers.

Yet if BA is to win back its customers and re-establish its reputation through outstanding customer service, it will surely need to restore its employees’ commitment towards their employer. However, after such an acrimonious dispute, exacerbated by retaliatory methods, this would appear to be a major challenge for both sides. Bad blood exists that is not easily forgotten or dismissed. Mutual trust will be at an all-time low and the costs of the dispute to both sides will weigh heavily over time. The need to move on with a more robust employment relationship is paramount, and surely a condition for the success of the business.
10. Thinking of a multinational organization that plans to transfer its employment relations practices to its overseas subsidiaries, why might it find that they are ‘implemented in full in some countries, partially in others and not at all in others’ (Edwards et al., 2007: 215)?

Rather than adopt local employment relations practices, an MNE may decide to transfer its own corporate systems to its overseas subsidiary. This may or may not be appropriate in view of cultural and institutional differences. Notwithstanding this possibility, an MNE should not assume such practices will be implemented. This is partly because of the political dimension between headquarters and local managements.

In simple terms, a subsidiary’s managers may well use their experience and knowledge of local institutions and employment laws to shape, amend, or even subvert, the transfer process. This might be to protect or further their own interests, but it is just as likely to be based upon an informed interpretation of the unsuitability of these imported systems and practices.

Thus, dependent upon local managers’ reactions and their power and ability to take actions of their own, Edwards observes that the proposed transfer of employment relations practices ‘may be implemented in full in some countries, partially in others and not at all in others.’