Trends and emerging values in human resource management

The UK scene

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Abstract *Trends in UK human resource management (HRM) are shaped by its cost-driven and competitiveness-enhancing nature. The drive for leaner organisations has led to increased use of labour flexibility, downsizing and outsourcing, whilst rewards have become more performance related and benchmarking is seen as a tool for HRM practitioners. Such trends have received strong government support. Since 1997, and the new Labour government, there have been signs of more protective values towards employees. However, it is the influence of EU membership that has become a greater source of initiatives aimed at employee welfare and involvement. This scene must be placed in context, with an ageing population and an uneven distribution of employment, to gain some understanding of the challenges facing HRM in the UK.*

Introduction

The UK, with France, Germany and Italy, is one of the four largest economies within the European Union (EU) with a working population of 28 million. Of the four major economies, it has the highest proportion of employment (72 per cent) in the service sector. This reflects a particularly dramatic fall in employment in the manufacturing sector. Despite this, the current unemployment rate is below the EU average. Within this context of change, a critical influence upon HRM practices was the change in government in 1997 from the right wing (Conservative) party to a left of centre (Labour) party. Broadly, there was a move from a government hostile to the interests of labour to one which claimed a greater concern for protecting labour interests through regulation.

The UK has a range of statistics illustrating trends and emerging values in HRM which include data from the Office of National Statistics (ONS) and the results of the Workplace Employee Relations Survey, 1998 (WERS98). WERS98 is based mainly on a sample of over 2,000 workplaces and over 25,000 employees (Cully *et al.*, 1999; Millward *et al.*, 2000). The general context within which HRM changes have taken place in the UK is a reflection, primarily, of changing regulatory frameworks, globalisation and strong pressures to drive costs downwards. The latter are often focused on labour issues, because labour costs (both direct and indirect) make up a significant proportion of total costs in many sectors of economic activity.

The key role of labour, and thus HRM, in modern organizations is emphasized by Kroger *et al.* (1998). They demonstrate that, amongst the social

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and psychological barriers to the restructuring of organizations, the failure to achieve employee commitment is clearly the most important. They conclude that "getting the people issues right is critical". This perspective is reflected in the increased professionalism of the HRM function in the UK. From 1 July 2000, the Institute of Personnel and Development received chartered status, with a membership of greater than 100,000.

Any individual review of national trends is necessarily selective. The discussion below is informed by Budhwar and Sparrow's (forthcoming) comprehensive framework of factors determining a nation's HRM practices.

Regulation

HRM practices in the UK are influenced by increasing levels of regulation arising both from the UK government and from membership in the EU. The UK government's tighter legislative controls on labour unions are a major contributory factor in the dramatic fall in strike activity. Working days lost annually per 1,000 workers plummeted from 330 between 1980 and 1983 to only 11 days in 1997/1998 (Office of National Statistics, 1999). It may be that the tighter controls on unions have made membership less attractive, for there has been a sharp pattern of decline in the aggregate union membership density from 65 per cent in 1980 to 36 per cent in 1998. It would appear from these measures that UK HRM is now less about conflict or at least about public and organised displays of conflict. HRM practitioners, for the most part, have less concern with organised labour. Millward *et al.* (2000) observe that, in the UK overall, there has been "a major shift from collective, representative, indirect and union-based voice to direct, non-union channels".

However, it must be remembered that the overall trends mask the fact that union recognition is found in 78 per cent of larger workplaces. It is more likely that these larger workplaces will have well-established HRM functions, where HRM professionals will continue to be involved in the discussions and negotiations with union officials. Employers' attitudes to union recognition have long been seen as a major factor influencing the growth of unions (Wood, 2000). One government initiative with implications for possible future change is the establishment of statutory procedures for union recognition under the Employment Relations Act 1999, which was introduced after two decades of no legal support for recognition in the UK.

The establishment of more employee supportive legislation is found in the introduction of the minimum wage (Metcalf, 1999), which sets a minimum legal wage per hour and provides a floor of protection for the lowest paid workers. Nevertheless, much of current UK employment legislation remains restrictive and controlling of labour. Policies emanating from the EU have worked in the opposite direction and seek to emphasise employee welfare, involvement and commitment. The present Government's willingness to sign the Social Chapter, a European initiative to secure basic employment rights across member countries, is further indication of a change to more employee-centred policies. Recent examples of EU influences on legislation with HRM implications

include provision of paid parental leave and more rights for part-timers, usually women. The implementation of the EU Working Time Directive in 1998 has placed controls on the number of hours worked per week. This is an important issue for a nation which has consistently worked longer hours than other member countries. The EU policies on the introduction of Works Councils came into effect in September 1996 and impact on UK companies employing substantial numbers in mainland Europe (Wills, 1999) The Works Councils are essentially designed to provide a way for a company to keep its employees informed of the company's progress. It is here that HRM professionals can play an important role in developing and designing appropriate intra-corporate patterns of communication.

Benchmarking

Benchmarking is beginning to appear in discussions of HRM in connection with the development of total quality management (TQM). WERS98 shows that there are marked variations in indicators of employee wellbeing across different sectors of the economy, suggesting that there are opportunities for HRM practitioners to bring their organisations up to best practice levels. For example, a challenge for HRM professionals in the public sector is to match the low levels of absenteeism in the private sector. Work-related illness (often related to stress) in the predominantly public sectors of education and health is high but, in the predominantly private financial service sector, illness levels are much lower.

An attempt to widen perspectives in performance management beyond short-term financial measures, as found in Kaplan and Norton's (1993) "balanced scorecard", proved popular with many leading UK companies. Similarly, wider vision, as seen in human resource systems that embrace TQM through the implementation of high performance work systems. These systems tend to be characterised by high commitment HRM and linked with a set of practices such as job security, job flexibility, teamworking and minimum status differences.

Incentive compensation

In addition to well established incentives for equal pay between men and women, there are strong pressures to move away from standard pay scales towards systems which reflect individual performance and behaviour and the specific demands and characteristics of particular (regional) labour markets.

Despite the 1970 Equal Pay Act and the subsequent 1983 amendment incorporating the concept of equal value, a gender pay gap still exists in the UK. For example, in 1998, in manufacturing the average wage of full-time male employees was £415 per week compared with £273 per week for women (Office of National Statistics, 1999). Such contrasts are typical of all sectors. The monitoring of equal opportunities on the basis of sex, and indeed, race and disability, remains a high priority for HRM professionals.

The continued move towards increased use of performance related pay presents a particular challenge to the HRM professional, since the systems, while motivating those receiving the payments, can have a considerably negative effect on the commitment and motivation of those who do not receive them. No matter how fair the system appears to be, it is unlikely that an organisation has sufficient resources to reward all those meeting their targets and, in the longer term, such schemes may be problematical, as there will be strong upward pressures in salary costs.

A particular problem in the UK is the overheating of the South East economy such that highly skilled manpower, tied to national wage rates (for example, teachers and Civil Servants), finds it difficult to meet local living costs. HRM professionals, particularly in the public sector, may experience problems in recruiting and selecting for key positions in the South East. In the long term, under such conditions, standard national rates for public sector workers may break down and be replaced by more localised pay and performance packages (Thornley, 1998). This is an important issue, as public sector workers make up most of the 15 per cent of UK employees in the public administration, defence, education, social work and health sectors.

Globalization

Owing to globalization, the UK economy has been driven by a push for greater productivity with the resultant outcome of downsizing or total closure of plants (Kirkham *et al.*, 1998). Maintaining commitment when an employee's friends and relatives have been downsized can prove a major difficulty. One way that HRM practitioners have responded is by developing outplacement programmes. Such programmes provide details of other job opportunities within the firm, develop skills in job search outside the firm and provide counselling to support employees in coping with the outplacement (Doherty, 1998).

A second major challenge arising from globalization has been inward (foreign) investment in the UK. In manufacturing, almost one-fifth of UK workers are employed in foreign companies. Inward investment both in manufacturing and other sectors has brought with it new HRM practices, which can spill over into domestic firms. For example, employment in Japanese manufacturing firms has risen from fewer than 5,000 in 1980 to over 60,000 by 1999. Japanese plants have brought new HRM strategies focused around team working and TQM. However, some have seen such strategies as being designed to ensure worker compliance through a sophisticated mix of recruitment policies communications, surveillance and performance monitoring.

Shifting demographics and work-life issues

Like many advanced economies, the UK has an ageing population. By the year 2040, one in four will be a pensioner and barely half the population will be under 45 (Office of National Statistics, 2000). It may become a necessity to make fuller use of the older employee. Indeed, hiring older employees is a strategy

already adopted by some UK companies, which raises issues about resources to deploy in the training and development of older employees (Lyon *et al.*, 1998).

UK employees work longer hours per week than employees in other EU countries. The average working week is 44 hours (Office of National Statistics, 1999) with only 28 days' holiday per year (excluding official holidays). Breaking this long hours culture may become a major task for the HRM professional.

It is also necessary to recognise that the household form is changing with households being characterised as the work rich and the work poor. Today, in households with at least one member of working age, 53 per cent have all members working, while, at the other end of the scale, 17 per cent of the households have no one working. Increasingly, HRM has to recognise that employees are concerned not only with their own work activities but also with the employment patterns of the other members of their household, and how these relate to home and domestic commitments. Indeed, the emergence of so-called "work rich" households has proved compatible with the drive towards numerical flexibility in the workforce.

Because of restrictions, immigration in recent years has had a relatively small impact on the UK workforce. Inward investments do bring small numbers of nationals of the investing firms. They probably play a role in HRM which is rather greater than their numbers suggest because of their positions of power within organisations and their ability to mould HRM practices at the sites in which the parent firms have invested. More recently immigration has moved up the UK agenda because of labour shortages.

Labour shortages

From the mid-1990s there has been a general tightening of the labour market in the UK. From October 2000, changes in the UK work permit system have made it easier for immigrants to fill gaps in the labour market. Nevertheless, the experience of HRM managers in different UK regions will vary in that the unemployment rate in South East England was 4.3 per cent in 1998 compared with 8.2 per cent in the North East.

In all UK regions, recruiters can find a significant pool of unemployed in the 16-24 age group but these often lack formal qualifications. When hired, they present a challenge to HRM in providing induction, training and the development of commitment. As labour markets have tightened and political agendas changed, concern has been expressed about the marginalisation of the young unemployed. This has prompted the introduction of the New Deal, a Government initiative, which seeks to improve the employability of the long-term unemployed and particularly younger people (Atkinson, 1999).

Flexible working

A particular interest in the UK has been the debate about the extent of new forms of working, which include outsourcing, flexible working patterns and the emergence of new forms of work.

Outsourcing

The move towards the flexible firm has seen a trend towards the outsourcing of activities outside the core. This may take the form of outsourcing to new suppliers or changing employment contracts to hire individuals as consultants rather than employees. A crude indicator of this trend is the increase of 1.1 million people in self-employment from 1981 to 1991. More direct evidence from WERS98 shows a wholesale move to outsourcing in the mid- to late 1990s. Of all workplaces over five years old, only 28 per cent had contracted out services which five years earlier had been undertaken by the firm. From an HRM perspective, the UK may have reached the end of a process and there may be little likelihood of buying-in further services. If this is the case, issues relating to the transfer of employees between undertakings or handling outplacement, as internal departments are replaced by outside suppliers, are less likely to be of concern. In contrast, some commentators have suggested that outsourcing will continue to increase, as we move towards the "hollow" corporation. It is perhaps inevitable that HRM professionals will need to look more closely at employees' perspectives on outsourcing (Kessler *et al.*, 1999).

Increasingly too, UK firms are externalising actual HRM activities. For example, a period of downsizing often sees the hiring of outplacement specialists. More recently, further externalisation of HRM activities has been made possible through the development of information technology. Recruitment can take place through Web sites seen, for example. Other forms of outsourcing include telephone help lines for provision of counselling services and counselling online through e-mail.

Flexible working patterns

Using Storey's (1989) contrast between the "hard" HRM approach (with its emphasis on cost reduction and numerical flexibility) and the "soft" HRM approach (with the emphasis on commitment, employee involvement and training), it might be argued that the paramount values supporting flexibility in the UK have echoed the "hard" model.

An indication of the importance of numerical control of labour costs is seen in patterns of short-term contracts, temporary working and part-time working. Estimates from WERS98 suggest that the proportion of workplaces characterised by the first two forms of flexible working increased from 19 per cent to 35 per cent between 1980 and 1998 (Millward *et al.*, 2000). Similarly, increases have been recorded in the numbers of part-time workers. By 1998, the UK had 6.6 million part-time workers. Although critics have seen the increasing part-time work as exploitative, many part-time workers did not want a full-time job (40 per cent of male part-timers and 80 per cent of female part-timers) or were students who were not available for full-time work (just over a third of male part-timers and 10 per cent of females). There have also been attempts to introduce new forms of shift working to cover fluctuations in demand over the 24-hour cycle.

Functional flexibility is associated with new forms of work organisation, especially team working and multiskilling. Team working is now found in one third of workplaces. However, there is little evidence of employees developing a variety of skills (see, for example, Cully *et al.*, 1999). Multiskilling requires both time away from the normal work activity for training (which is increasingly difficult, as staffing levels are cut and output per person is rising) and gains in the new skill have to be offset by some loss of performance in the original skill.

New forms of work

Perhaps the most striking new types of workplaces are call centres (Incomes Data Services, 1998). These tend to be located where labour costs are low. Because of their newness, they have employed individuals with little experience of office work. Much of this employment has been female. Work patterns tend to be tightly controlled with staff trained to work to scripts, with performance measures specified and calls monitored by team leaders (Taylor and Bain, 1999).

Teleworking is another emerging trend. In the UK, the number of teleworkers increased by 19 per cent between 1999 and 2000 and is now estimated to total 1.5 million (Institute for Employment Studies, 2000). HRM practitioners need to develop skills appropriate to the recruitment, selection and motivation of the workforce of a "virtual office".

Conclusion

A danger of any overview of HRM within a nation is that it can hide the variety that exists and thus over-simplify what can be a complex picture. Nevertheless, this review has sought to bring out the main trends and the principal tasks facing HRM professionals in the UK in the twenty-first century. Today's HRM professional in the UK needs the ability to operate within an increasing degree of labour regulation and to simultaneously respond to a wide range of changing individual and organisational needs in new and creative ways. The range of issues discussed above, plus the sheer variety in HRM experience, provides significant challenges for HRM practitioners in the UK over the next decade.

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