

Building new relationships at East Midlands Electricity

by Sue Milsome

Privatisation, changes in ownership, and pressure from the regulator to reduce costs and improve services have resulted in a roller coaster ride for staff, unions and management at East Midlands Electricity over the last decade. This case study outlines how a 'partnership environment' has been created to help workers and their representatives understand the need for change, to have a voice in the direction of the business and to share in its success.

The UK electricity supply and distribution companies, including East Midlands Electricity, were privatised in 1990. The organisation, which then had around 6,900 staff in total, was soon taken over by American owners Dominion Resources, but it was not until the mid-1990s that the new commercial climate began to have an impact. In 1997, the company set about negotiating an agreement on flexible working practices with its five recognised trade unions – EMA (now Prospect), Unison, the AEEU (now Amicus), the GMB and the TGWU. At the time there were three separate sets of negotiating machinery, one each for industrial, technical and administrative staff. Industrial relations were harmonious, although underpinned by traditional expectations of conflict rather than co-operation.

The proposed agreement, which was put to the workforce in 1997, would have changed 'normal' working hours to those worked between 8 am to 8 pm, Monday to Friday, and 8 am to 4.30 pm on

Saturday. Many employees already worked these hours, but received overtime or premium payments for doing so, so the effect of the deal would have been to cut earnings, although basic salaries were to be increased to compensate to some extent for the loss of overtime. The agreement would also have rationalised allowances.

Despite a recommendation from the unions for acceptance, the deal was decisively rejected and the unions balloted for industrial action. Employees objected to the cut in earnings and the change in working patterns, particularly the requirement to work on a Saturday. At this point, management realised that although they had had a long history of working constructively with the unions, and its workforce, the relationship needed to be reinvented so that it could deliver the understanding of the need for change that was required by the external business climate.

SUMMARY

Organisational profile: East Midlands Electricity is a distribution company which provides the infrastructure for electricity supply in an area stretching from Milton Keynes to South Yorkshire, and from Coventry to Lincolnshire. It is one of Powergen's four UK businesses. PowerGen is currently in the process of being taken over by the German utility Eon.

Employees: the company has 1,100 employees, down from 3,500 in 1997 but up from 1,000 in 1999. It recognises five unions: Prospect (previously EMA, which has now merged with IPMS), Unison, Amicus (previously AEEU), GMB and the TGWU. Union density is around 72% overall, though above 90% in some areas.

Company objectives: the need to reduce costs meant that the company had to cut jobs, change its working practices, particularly working hours, modernise its pay and reward arrangements and relocate every employee. It also wanted to streamline its bargaining arrangements – in 1997 there were still three separate sets of negotiating machinery, one each for industrial, technical, and administrative staff.

Action: the company sought to achieve its objectives by trying to create a partnership

environment for employee relations. The IPA facilitated the establishment of joint working parties, representing different parts of the business, to look into partnership, and also arranged 'best practice' visits to other organisations. The joint working parties together came up with a set of new core values, which formed the basis of the subsequent relationship with the unions. Since then management and unions have worked together in joint groups to tackle issues as they have arisen.

Result: there were no compulsory redundancies, despite heavy job losses, everyone has relocated, new working practices have been adopted, an innovative green/teleworking agreement has reduced premises costs and improved work-life balance, a new broad-banded pay structure which rewards individual performance has been introduced, and staff have benefited financially from the organisation's success.

What has been learnt: the importance of communication cannot be overstated, says the company. Although the trade union representatives understand fully the need for change, this has not always been the case with the membership, and constant effort is required to ensure that staff understand the reasons for the constant change that is now a way of life in the organisation.

Joint working parties

On the advice of the IPA, three working parties, representing different parts of the business, were set up to look at partnership as a way forward. These consisted of managers, local union representatives and full-time officers. The IPA facilitated the working groups, and arranged visits to organisations, such as Blue Circle, which were well known for their partnership arrangements.

The three groups met regularly over a period of three months, first separately and then as a single working party, and drew up a set of core values which all agreed would henceforth govern the relationship between unions and management (see box). These core values have not been promulgated to the workforce, to avoid confusion with the company's overall values statement, but instead are understood by the representatives as the basis for their dealings with management.

A new bargaining and consultation structure was also drawn up. The over riding principle was that all issues were to be dealt with at the lowest possible level. There are now 25 elected union representatives for 1,000 staff, and these representatives have been trained jointly with management. The representatives sit on three 'process' forums (infrastructure, operations and commercial) which deal with issues relating to their individual 'business stream' only. From these, a smaller group of union representatives are elected to sit on the single distribution business forum, which also includes the most senior managers, senior HR staff and full-time officers of the five unions, 23 people in all. The strategic health, safety, welfare and environment forum sub group reports to the distribution business forum.

The distribution business forum is responsible for negotiating core terms and conditions, and for consultation on business strategy, change management, company policy, training and development, communications and equal opportunities. The forums have no constitutions, meetings are informal, with 'action/decision logs' rather than minutes. The action/decision logs are accessible to all employees through the company intranet. The meetings are facilitated, rather than chaired, by lay union representatives, who have been specially trained for the task.

PowerGen takeover

During the process of establishing the new arrangements, East Midlands Electricity was taken over by PowerGen. The experience was quite different from the previous takeover by Dominion Resources. PowerGen had a much more 'hands-on' management style, and began to apply real pressure for cost reductions and productivity improvements. In addition, tighter regulatory pressures imposed on electricity suppliers resulted

in a 25% cut in income. These developments resulted in a major restructuring and substantial job losses, with the new core values being tested by the need to deal with unpalatable truths about the company's ability to survive in the new climate.

The restructuring was to result in the disposal of two substantial parts of the business – metering and contracting - outsourcing, and the relocation of just about every job in the organisation. This reduced headcount from 3,500 to 1,000. Building on the previously discussed arrangements, joint working groups were convened around the formal consultation processes, which included an overhaul of the pay and reward structure, meeting initially almost every day over a seven or eight week period. Overall the unions were involved for about six weeks on working with the company to establish a way forward. Management wanted single-table bargaining, a performance culture and pay linked to market rates; the unions wanted a share in the organisation's financial success and salary protection.

Timetable	
1990-	privatisation of electricity supply and distribution
1997-	rejection of new working practices agreement
1998-	setting up of joint working parties to examine partnership
	- best practice visits
	- adoption of new core values for the conduct of industrial relations
	- takeover by PowerGen
	- disposal of two businesses and loss of 1,500 jobs
1999-	proposal to relocate all staff from head office and 25 depots to one central office and four regional offices- proposal to cut directly staff from 2,000 to 1,000
	- first ever two-year pay deal, introducing pay for business performance
2000-	'new ways of working' agreement signed, Introducing 'green' days and teleworking
	- single table agreement – terms and conditions
2001-	introduction of broadbanded pay structure and pay for individual performance.

Changes in working practices

Although the original 1997 agreement was rejected by the workforce, subsequent negotiations were more successful for the company and new working arrangements were agreed. In return for the adoption of a 'working window' of 8 am to 8 pm Mondays to Fridays, and 8 am to 4.30 pm on Saturdays the company agreed to flexible working hours, four-day weeks and nine-day fortnights. In addition, more people

agreed to work 'direct to site', which means that they travel from home to the job for that day, instead of reporting to the depot first. These changes proved useful as a basis for the 'new ways of working' agreement signed in 2000.

Core values on which the new relationship is based

- 'We' and 'Us'
- Joint problem solving
- Look forward
- Face difficult decisions
- Keep it 'people relevant'
- Honest
- Consensus
- No blame
- Open minded
- Listen
- Involve everyone
- Confidentiality
- Give local reps more say
- Senior managers visible
- Informal style

Source: East Midlands Electricity

Until 1999, the company was managed from six more or less autonomous major county centres around the East Midlands. In total there was a head office and 25 large offices and depots. In January of that year it was proposed to reduce this to one central office and four regional offices, and also to cut the directly-employed workforce from 2,000 to 1,000 over two years, with some of the work to be taken on by contractors. Unions and management thus had the task of coming up with a support package for those leaving the company.

This was a traumatic time for all concerned, and senior management believed that it was vital that, if the workforce was to understand the necessity of the changes, managers must be really honest about what the changes would mean for them personally as well as for the organisation. The entire management team of over 100 people was put through a series of training sessions on 'communicating high concern messages'. The 25 union representatives were trained together with management on counselling processes. Managers and union representatives were thus equipped for the next stage of the process, which was to explain the nature of the changes ahead to everyone.

All members of staff had at least two face-to-face counselling sessions with their manager, with a view to finding out whether people wanted to stay with the organisation, to seek work with a sub contractor, to make a career change or to retire early. These sessions established that the number

of people who wanted to stay with the company was actually lower than the number of jobs available, so everyone who wanted to remain could do so. Those who left received a generous severance package and training and support from outplacement professionals to help them move into alternative jobs. All redundancies were voluntary. There was also a job shop on each site for a year.

Relocation and teleworking

Once it was decided who was going to leave and who was going to stay, the next issue that arose for management and unions was the need to come up with new ways of working to deal with the new locations. Many of the remaining 1,000 staff were due to move to a new central office and four regional offices, and many of them had further to travel than before. The new central office was designed to accommodate 400 people at any one time, even though 500 people were officially due to work there. In addition, as part of the local authority commuter plan, there were not enough car parking spaces for the 400 people who could be accommodated. It was decided that a special consultative group should look at new ways of working so that travel could be kept to a minimum and the effectiveness of working time maximised. This would also be of benefit to the environment, reduce employee stress by cutting travelling time, optimise office utilisation and enable employees to be more productive since they would be spending more time working and less time travelling.

The working party carried out a survey among the people due to move into the new central office. This found that 74% would consider car sharing and 89% wanted to be able to work from home regularly. This strong support for car sharing and teleworking enabled the working party to construct a joint framework agreement on teleworking and travel planning which provided employees with acceptable alternatives to their previous working and travel arrangements. The framework which was agreed formally in the distribution business forum.

The working group was strongly influenced by the then Department for Education and Employment's 2000 work-life balance initiative (www.dti.gov.uk/work-lifebalance). This acknowledges that people at all stages of their lives work best when they are able to achieve an appropriate balance between work and all other aspects of their lives, and says that an employer should develop policies and practical responses that meet the needs of the employee and the organisation. It points out that employees should be valued for their contribution to the business not their working patterns, and suggests that the employer and the employee have a joint responsibility to discuss workable solutions. The initiative also advocates that managers should

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lead by example, and that the organisation should communicate its commitment to work-life strategies to its employees.

Joint framework agreement on teleworking and travel planning – outline proposals

Good employers agree working arrangements with their people which help each individual balance work and home demands so that unnecessary travelling is avoided and staff are

Framework agreement

The agreement was designed to discourage people from driving to the central office five days a week. Every employee – managers and staff – was asked to commit to two 'green' days a

week, when they either don't go to the office at all, perhaps

because they are working from home or have arranged a four-day week, or they travel to the office by means other than their own individually occupied car. The alternatives could be cycling, car sharing, motor cycling, or public transport.

The company provided a financial incentive for employees to commit to green days by means of compulsory transfer arrangements. These enable employees to claim, on a sliding scale, for six years, for the increase in miles travelled from home to the new workplace compared with the old place of work. The arrangement will be reviewed at the end of the six-year period.

The company is running the car share scheme. This introduces employees to others who have similar journeys and working times. People who sign up to the scheme are provided with a reserved preferential car parking space, providing they have a multi-occupancy vehicle. The

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This resulted in the signing in April 1999 of the organisation's first long-term (two-year) pay deal, and an acceptance of the principle of paying for business performance. These payments are based on safety, customer service, and cash cost per customer, all measures used by the regulator, and can amount to up to 3% of salary for everyone. Management was also able to secure the agreement of the unions to significant changes in working practices affecting emergency working and the 'devolvement of operational duties', which involved a reduction in demarcation between the work undertaken by people with different skills.

By April 2001, management and unions seemed about to be able to agree further radical changes to the pay system. Up to this point there had been 41 grades in three separate pay structures, but

company is also working with local transport companies to amend timetables and stops so that more people are able to use public transport, and timetables are provided for everyone working at the central location.

Teleworking is defined by the company as remote working (that is, away from the office) using computers and telecommunications over a short or long time span in an employee's own home, or from another place. The policy has given many employees the opportunity to work from home for the first time, and the company has provided guidance notes for staff, covering:

- how to plan for the work they are going to undertake at home
- how long people should work at their PC before taking a break
- how to handle interruptions from within the home and from outside
- how to keep focussed in a flexible working environment, when there are opportunities to break the day with leisure time.

Modernising pay

It was the failure to secure agreement to the 1997 changes in working time and pay that made East Midlands Electricity realise that a different approach was required to industrial relations. And the overhaul of its pay and reward structure has been a priority for the company since that time.

Once the workforce began to appreciate the nature of what was happening to the organisation, agreement was secured in 1997 to changes in working hours and patterns. As partnership methods began to be embedded in 1998, management adopted an open book approach to negotiations, sharing business and market data in a manner unknown before, and explaining the regulatory environment.

this was to be replaced by a new broadbanded pay structure with just seven bands covering the whole workforce. Just as importantly, the new agreement was to introduce pay for individual performance, with further payments of 2% available for those rated as good, and 3% for those rated as excellent. This brought the maximum possible payments for business and individual performance to 6%. Finally, the agreement tried to address the issue of market pay. It is generally agreed that the company used to pay upper quartile or upper decile rates, while it now wanted to pay nearer to the median depending on the area of specialism.

The 2001 agreement tried to deal with this by reducing rates for clerical staff, whose pay could most easily be compared with those of competitors in the labour market such as banks

recommendation by the trade union negotiators and the company the deal was rejected, with employees not affected by the pay cuts rallying round those who were. The negotiators met again and came up with a compromise acceptable to all. This cushioned the effects of the cuts to the clerical pay rates.

Is it partnership?

The term partnership is little used at East Midlands Electricity. Many organisations, such as the TUC, ACAS, and the IPA, have come up with definitions of partnership. These have much in common. The IPA's model for example contains:

- workforce commitment to the success of the enterprise
 - building trust
 - recognising legitimate roles and interests
 - addressing employment security
 - information sharing/transparency
 - sharing in the success of the enterprise (for example, financially)
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- independent representation of the workforce
 - consulting employees on organisational policy
 - training and staff development.

The relationship between management and unions at East Midlands Electricity appears to conform to this model in most regards. The workforce has co-operated with all the radical changes needed to make the company viable and successful, and both management and unions recognise each other's legitimate interests. All redundancies have been voluntary, with a generous severance

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have been no redundancies for the last 12 months, and the workforce is slowly growing again. The open book policy means that information is very widely shared, and the revised pay structures have directly rewarded employees for the company's financial success since 1999. The unions are consulted on all aspects of organisational change, though not perhaps as far in advance as they would like, while training and development are being increased by the new individual performance review system which appraises every individual and offers training on the basis of a personal development plan.

Many organisations have widely publicised their partnership arrangements, believing that it brings them good publicity. Why has East Midlands Electricity not done this? It seems that the company prefers to focus on action rather than concerning itself with defining specifically the nature of the relationship. Reaching a formal partnership agreement suggests a legalistic approach to industrial relations that it considers inappropriate. And the unions, who are happy that the relationship between them and the company has improved, are not particularly bothered by what that new relationship is called. It may also be that a partnership is considered by a few die hards as selling out. Some union members may reject the idea, as may old-style command and control managers. For all these reasons, both management and unions prefer to concentrate on the substance of their relationship rather than the label attached to it.