

# **HIGH ROAD TO WORK ORGANISATION**

## **CASE STUDY**

### **LEGAL and GENERAL**



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#### **Abstract:**

Legal and General, one of the country's largest providers of insurance and related financial services has survived the industry's own internal regulation restructuring. An existing adversarial relationship with their union exacerbated by problems with working practices at one of their locations paved the way to a path of joint problem solving, consultation and eventually partnership agreement.

Communication is paramount within the company now, highlighted by the many board meetings and forums currently in situ.

An injection of union membership, programmes of education and training and a continued atmosphere of trust and openness are ideals with which the company aim to survive against what it sees as threats from the consequences of the UK and World financial markets.

# HI-RES Case Study: LEGAL and GENERAL

## Sector

Insurance.

## Key Words

Partnership; communication; openness; flexibility; accessibility of information; strengthening relationships.

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Sector

Key Words

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## 1. Background Information

Legal and General (L & G) is one of the UK's leading insurance companies. It employs approximately eight thousand staff, across locations in the UK (Hove, Kingswood, Cardiff and Birmingham and London and various regional sales offices), France, Holland and the United States.

The company is currently one of Britain's top 50 FTSE companies and professes to have over 3.5 million customers. Their position within the market appears to be quite stable, with varied products and subsidiary companies such as General Insurance (GI) and deals struck with Barclays Bank and Alliance & Leicester 'to provide financial services to over 20 million customers' distributing their products through channelled networks.

Unlike other insurance and related firms, L & G have managed to resist mergers and take-overs quite successfully with a bid by Natwest Bank being turned down only a few years ago.

Much of the success of L & G's survival has been down to their business strategy and the nature of their distribution, not being solely reliant on Independent Financial Advisors or similar that other insurance companies seem tied to. This is in the face of such adversity as the regulation of the insurance industry in the mid-to-late Eighties and the 'immense' consolidation of the UK financial services sector, including huge changes such as redundancies and branch closures.

Financially, L & G sits within the middle quartile and readily admit to redundancies taking place frequently amidst a constant flow of staff but also maintain that they are an absolute last resort.

## 2. Drivers for change

The company has a tradition of trade union representation, although it has not always been as strong as it appears today. The relationship was always adversarial and during the aforementioned industry regulation, union membership across the country and within the firm was less than thirty percent.

The only recognised union within L & G is MSF, especially 'for collective bargaining purposes' (terminology which is not used by either the company or the union and is a good example of the issue of language within partnership). MSF is the trade union that represents the **M**anufacturing, **S**cience and **F**inance industries.

This is not to say L & G rate them as exclusive, especially with the new incoming EU Domestic Information and Consultation directive. L & G say: 'anything that we need to do in terms of representation MSF would be the first place that we would go to. If that doesn't fulfil what we need to achieve by law, then we'd need to look at someone (else)...'

There were poor relations within the locations, at Cardiff particularly, which became a site for call centre operations. Some staff were working flexible hours whilst others were not, leading to some staff leaving unattended workstations with colleagues who could not do their jobs as a consequence of these absences. Conflict, over who could/could not and was/was not working these flexible shifts caused dissent.

As a result, both management and the union began working together, solving the Cardiff situation with proper working time contracts. When this synergy of working methods turned to conflict, so began a path to joint problem solving which developed into the partnership agreement, although the terminology of 'partnership' was not used during this period. There was, however 'a cosy, almost paternal relationship' between trade unions and management in L & G.

This is not to say that management and union agreed on all issues, although disagreement is seen by some as advantageous for the scope of discussion and compromise available, rather than an all encompassing formal and rigid structure which leaves no room for negotiation.

It was realised some time ago that, from a union membership point-of-view, re-marketing and re-injection of young blood was needed to swell the ranks of the membership, as well as addressing issues of career progression, something of a problem in Hove.

**MSF:**

'It requires people to think more about the long term but we live in a short term society and unions are going to have to address how they convince people that it's a long term investment...the strategy for recruiting people was to send out that booklet of cheap insurance, car insurance etc. That's not why people want to join a union'

The relationship between union and management is not, of course, without it's key 'actors'. On an individual level, there is proactive support for partnership from senior management including the Chief Executive, the Managing Director and the Communications and Resources Director who is seen to be very pro-union, favouring it as the preferential method of representing his staff.

In addition to proactive management support, there have also been structured 'drivers'.

One such practice has been the successful bid for monies from the Department of Trade and Industry (Dti) Partnership Fund, which saw L & G receive twenty five thousand pounds (or forty three point five percent of costs). The programme from which the awarded money will go towards is aimed at putting the union at the heart of the key strategic decision making process by equipping the representatives with necessary skills. This is another example of the empowerment of the reps, touched upon earlier.

The partnership between MSF and L & G is considered strong enough for the two parties to come to a decision jointly. The company saw the partnership agreement as changing the way the union functioned in their layout and constitution. There exists an atmosphere and acknowledgement of mutual influence between both management and the union through the agreement, the issue of pay being a readily cited prime example.

### **3. Characteristics and Process of Change**

At this juncture of the company's history, around the time of the industry regulations, L & G started to look at strategic decisions as to whether or not they wanted to work with the unions, together with the acknowledgement of union representation figures, by this time close to around twenty five percent, and whether to de-recognise MSF or give them time to rebuild their numbers. L & G wanted to work with the union, deciding that it was the best way of achieving the change that was going to come from regulating the industry.

A resulting partnership agreement was subsequently published, after consultation with all of the union reps and these, in turn speaking to their managers, in the internal magazine 'The Gazette' and through the union magazine 'Dispatches'

Again, the union is cited as having made an important contribution to the partnership debate.

The company has an organised internal structure of union and management meetings consist mainly of:

- Several boards, including those for the group as a whole and the various sections within L & G.
- A workshop style annual section conference for divisions such as Insurance and Finance, in addition to the MSF annual conference. This used to be purely for delegates but now incorporates reps.
- Once-a-month pay meetings.
- Six-weekly meetings (in London) and consultations by the MSF (L & G section) National Secretary, with Directors' level management and all Personnel Managers. At

the time of writing, a new employers management package was being initiated across the whole group.

- In addition to these, there are sub groups and project groups that work on the basis of equality. It is here that the main principles of any agreement are applied (at this level).

All consultations are formal, calendared and have minutes taken. As for the impetus of these meetings, MSF maintain that they do make a noticeable difference.

The partnership agreement did allow for the removal of what the union called 'stupid negotiations' and L & G were acknowledged for completely opening the books, making way for a mutual conclusion on the issue of pay. The agreement itself was designed for a 'no surprises' policy (indeed, actually having this term in the document) and the effect on union representation, membership and the relationship with management has been many-fold.

Both L & G and MSF recognise the characterisation of the partnership agreement process as being 'consultation across a wide range of issues and joint decision-making' (choices given from the Pathfinder Template). At one point, as MSF point out, the word 'consultation' was not to be used in this context. Joint decision-making and trust are also key components, although the issue being discussed is the critical factor. The deal with Barclays Bank is cited as an example where MSF would 'allow L & G to make that decision' whereas a merger with another union would call for reciprocated trust by the management from MSF.

The union has been involved in the process from a very early stage and this is illustrated by the reoccurring theme of MSF's contribution to the consultation and agreement processes. 'Even when it is not consultation, MSF's viewpoint and input is always sought and valued...' A mutual acknowledgement of the discussion procedures is in place to consult with the union within the L & G's business objective, rather than simply to shed jobs to meet performance or product target figures.

The 're-emphasis' of trade union membership was achieved by joint feedback, where both members and management were approached for their opinions. In terms of partnership, it was decided against going to ballot as this was seen to be detrimental to the process. As the company recalls 'if it had gone out to be voted on there would be no partnership agreement'.

#### **4. Obstacles to Change**

Although relationships went from bad to good, trade union membership was still very low and did not increase for some time. There was very much an anti-partnership feeling and the company was by its own admission 'very old school'. Money was being poured into training but L & G were losing members 'hand over fist'

Consultation was not an altogether black and white procedure. The issue of some management individuals being anti-partnership or at least anti-negotiation is again clear by MSF's recognition of at least one director who will not open a dialogue and thus will not move forward on agreement.

#### **5. Risk Analysis**

Legal and General have been in the process of distributing MORI surveys that gives them scope to measure and gauge improvement. At the time of writing this report, one such survey had been distributed which asked specific questions about partnership. The surveys may also help to quantify the effect partnership has had on turnover (a main issue of their Cardiff site) and pay (which again is of major importance considering the two year pay monitoring introduced by the company), especially as the agreement was at the heart of both of these initiatives.

Although these surveys are now being sent out, prior to this L & G maintain that 'there was never any discussion of our measures, it was simply almost like an act of faith'.

Education, training and lifelong learning and education are issues, which L & G are approaching as part of the partnership agreement as well as assessing both the impact and requirements in terms of the EU Domestic Information and Consultation Directive. The development of representatives' skills and the broadening of their ability with regard to communication, reports and presentations are the main aims of these approaches.

## 6. Benefits of Change

The partnership process is seen within L & G as resolving conflict. There is a strong union presence, as can be seen throughout this literature alone. MSF state that they consider L & G not to warrant recognition or representation of non-members, an issue that has raised its head in other similar organisations.

### L & G:

'What we want to do is really strengthen the partnership even more, there's some work we need to do around leadership and developing keeping trade union (relations)...but it's also about education, and making managers understand why we do it and what the business imperatives are...what results and what we want to get...'

Of matters of benchmarking, MSF do admit to not taking on board yet any such procedures in terms of the behaviour of their reps or performance.

The L & G partnership agreement has had a profound impact, both on the company and MSF. The union is still recognised and acknowledged by L & G, as MSF themselves maintain. They have 'access at all levels', which is mirrored by increased information sharing and input from staff.

The process itself has helped the company in terms of repositioning, allowing for appropriate action to rapid changes in the market place.

Both L & G and MSF agree that one of the main successes of partnership has been flexibility. This is encapsulated by a lack of bureaucracy, the speed of decision-making and the communication skills on both sides.

## Conclusions

The issues of partnership are both apparent and significant, especially given the corporate and public nature of Legal and General in terms of their position in the UK market place. They credit their survival in the often changing and quite turbulent climate of financial services to their own business strategy, which by definition has seen the growth of trade union representation and the process of partnership flourish in recent years.

An adversarial relationship between management and said trade union has, however led to conflict but this in itself has only witnessed a path to joint problem solving and a synergy from which has emerged a partnership agreement.

Concerns for union membership rates prompted the decision for L & G to acknowledge a desire to continue working with MSF and, spurred on by a successful bid to the Department of Trade and Industry (DTi) partnership fund, the partnership agreement leading to consultation on issues such as pay and a 'no-surprises' ethos to the agreement itself.

Consultation and joint decision making appear to be the characteristics that both L & G and MSF recognise as emerging from the process, whilst factors such as education, training and lifelong learning programmes have also seen fruition.

The future, say the company, will be dependent on and reflect what is happening in the UK and World financial markets. What happens there will usher in changes to the internal practices of the organisation, in terms of policy and structure, especially where affecting partnership itself.

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