Optimising Employee Engagement and Conflict Management

CATRIN MILLS
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EXECUTIVE SUMMARY

EMPLOYERS AND employees alike have had a difficult time in recent years. Companies have been forced to make business closures and redundancies, and we have seen employees finding themselves without work, often after many years of loyal service. There has been a rise in employment related legal complaints and the figures for stress-related illness are not improving. With employment disputes seemingly at their highest for some time, unnecessary costs are being swallowed up in litigation, whilst those employees who survive redundancy are overworked, stressed, and often demotivated. In such a climate, can organisations hope to be productive and profitable?

Conflict is everywhere. Employment tribunal claims have risen exponentially in the last year and litigation is a major concern for employers. Employees are more stressed than ever and this has been exacerbated in no small part by the recession and the financial strains being suffered by individuals and companies. Employers are struggling to deal with the short term situation while, at the same time, employees feel worried for their job security as they are under increasing pressure to work harder or improve their performance, despite workload increases and reductions in headcount. In times such as these, learning and development, training, and employee wellbeing are at the bottom of the list of employers’ priorities.

If there is anything positive to have come from the period of economic pressure, it must surely be that the recession has prompted businesses, both private and public sector employers and of course governments, to consider how better to stimulate and sustain growth. Improving productivity and competition is therefore high on the political and economic agenda. The recession has brought into sharp focus those factors that have for some time cultivated inefficiency and ineffectiveness, but which during more prosperous times went unnoticed or unaddressed.

Nowhere is this more evident than in the area of employee relations. Areas ripe for improvement are employee wellbeing and conflict management, and the links between individual employee engagement, conflict avoidance and business productivity are becoming increasingly seen as issues demanding promotion and education.

During the writing of this report, the UK government announced its creation of an independent Employee Engagement Task Force. According to the announcement on the Department for Business Innovation & Skills (BIS) website¹ the Task Force comprises leading professionals from the public and private sector and it “will ensure that there will be opportunities for organisations wanting to learn about engagement. It will share good practice, generate debate and offer support". Building on previous reports and research, including the 2009 MacLeod Report² (which will be examined in more depth in later chapters), the purpose of the Task Force is to promote understanding
amongst employers that productivity and employee wellbeing are inextricably linked.

The Prime Minister was quoted as welcoming the initiative: “This taskforce has my full support because I know that it will work to bring together two of my government’s top priorities – delivering sustainable growth across the UK, and coming up with new approaches to help people improve their wellbeing...I am delighted that the Employment Engagement Taskforce has come together to develop practical ways to help all employers learn from the best, to break down barriers to engagement and to raise the profile of this whole agenda.”

So as employers need to look for ways of staying ahead of the increasing global competition, individual employee productivity is an obvious place to start.

However, employers remain reluctant to take seriously issues relating to employee health or wellbeing, conflict management and dispute resolution. For many employers, such topics are ‘soft’ and have no place in the hard-nosed business world. What current thinking shows, however, is that employee wellbeing and good employee relations are far from an idealistic utopia. They are fundamental cornerstones of profitable and effective business organisations. There is, as this report will demonstrate, a very solid business case for embracing these practices.

There are also additional benefits that are built in. Improved employee engagement will not only lead to an increase in profitability, but it must inevitably mean a reduction in cost – the cost of litigation, the cost of employee absence, and the general price of conflict in the workplace.

Research for this report has shown that employers are now quickly falling into two categories – those who ‘get it’, and those who don’t. Those employers who do get it and who are early leaders in the areas of employee engagement and wellbeing are showing signs of better employee retention, improved business and client relationships, lower employment related complaints or disputes, and most importantly, therefore, increased profitability. We will look at how they do it, and how early advocates of employee engagement are presenting a very real economic and financial argument in favour of optimising employee engagement.

While employee engagement prevents conflict, it would be wrong to suggest that employee engagement can eradicate conflict completely. Both are intrinsically linked in that disengaged employees are more likely to be in dispute with their employers and an engaged workforce means less conflict. Where conflict does happen, however, by communicating and mediating with employees it is possible to deal with that conflict positively and constructively. A natural partner for employee engagement is therefore positive conflict management, and this report will look at the role mediation has in this.

By embracing these two areas – employee engagement and conflict management – businesses can create a virtuous circle of wellbeing, motivation, productivity and success.

There is a significant amount of research being carried out currently – for example by the organisations ACAS and CIPD – on both engagement and mediation. The aim of this report is to bring these concepts, and the results of some of this research, to HR professionals and managers in a digestible way. This report will argue that there is a very solid business case for embracing these two related approaches. The success of engagement and mediation can be difficult to measure. This report therefore offers
examples of businesses that are adopting these philosophies and that are seeing real, tangible benefits.

We will look in particular at how employee engagement is gaining momentum as a way of ensuring commitment, productivity and of avoiding conflict in the workplace, and how mediation is showing impressive results as a way of handling conflict more positively and constructively when it does arise. This report will show how effective these approaches can be in promoting productivity and reducing disputes. Moreover, this report advocates that there should be a ‘joined up’ approach. Both employee engagement and mediation are based on fundamental principles of investment in employees and communication. They provide an accessible, achievable and logical answer to the UK’s current employment problems and need to be more widely investigated and promoted.

In Chapter 1 we will look at today’s ‘workforce in conflict’. We will see how employment litigation has increased exponentially during a time when measures were already in place to try to reduce it. We conclude that the measures already explored are patently not working. This chapter also considers to what extent conflict is present in other forms, litigation being only the tip of the iceberg. Not all workplace conflict manifests itself as litigation.

In Chapter 2 we examine in greater depth the statutory procedures that were introduced to assist with dispute resolution in the workplace and why they failed. We reflect on the Gibbons Review and look at where we are currently in terms of finding a solution for resolving workplace issues. We examine how disciplinary and grievance processes inherently make the employment relationship more adversarial and how they are focused on reaching a finding – deciding who is right and who is wrong – rather than repairing the employment relationship.

In Chapter 3 we look at the relationship between stress and conflict. We will see how both are intrinsically linked, one often causing the other. We will see how conflict causes stress but also how stress can lead to conflict. We also introduce the idea that it is possible to have positive stress and to deal with conflict constructively so as to conclude that a degree of healthy stress and conflict is helpful to an organisation. We will also look at how ‘human capital’ and ‘human resources’ in themselves are unhelpful ways of defining what people management should be all about.

Chapter 4 introduces the concept of employee engagement. It explains where the idea of employee engagement has originated from in recent times, and introduces the MacLeod Report and its objectives. This chapter looks at the importance of employee engagement in improving employee wellbeing but also in eliminating unhealthy disputes. It looks at the importance of putting the individual at the centre of an organisation’s priorities.

Chapter 5 sets out some of the fundamental principles of employee engagement, involving primarily ideas of good line management and leadership. We look at the importance of good communication, understanding your employees, employees understanding their role in an organisation and personalising relationships. We will look at how effective leadership is synonymous with minimising stress. The elements of effective leadership include effective communication, developing rapport, making employees feel understood and making them feel good in the workplace. These are tried and tested methods in the area of sales and they can be applied equally to employee
management and leadership. Where stress is present, effective leadership cannot happen and motivation will be non-existent. Similarly, where motivation is non-existent or where leadership is ineffective this causes stress and therefore conflict.

In Chapter 6 we look at the value of allowing employees to bring their home and work life together. We see how flexible working can assist in maximising employee engagement and how allowing greater flexibility can actually bring about unexpected benefits to an employer, including maximising resources and employee commitment.

Chapter 7 looks at mediation, its importance as an alternative way of resolving workplace disputes and how it can be introduced as a way of eliminating employee complaints and other issues at an early stage, and promoting co-operation and respect between employees. We discuss how mediation can be useful not only as a way of dealing with an individual dispute, but also in improving working relationships long-term.

Finally, in Chapter 8 we set out the business case for change. We will look at why, despite the fact that all of the above involve such simple principles, they have not yet been widely adopted. We will argue the financial case for embracing employee engagement and mediation and will set out the benefits already being seen in practice by early adopters. Particularly at a time of economic challenges one of the most effective ways to increase competitiveness is to motivate employees to do more, without more pay – in other words to maximise ‘discretionary effort’. It boils down to getting more out of your employees. What is more, achieving this is not expensive and does not require a significant budget. In the most simple of ways, employers can engage their workforce to eliminate stress and conflict and to maximise productivity. We would go so far as to suggest that such methods are essential for survival let alone growth in the longer term.

Part Two sets out some case studies involving HR professionals, business leaders, and consultants who share their experiences of using employee engagement and mediation positively to eliminate negative conflict and stress in the workplace.

References
4. Gibbons, M., Better Dispute Resolution: A review of employment dispute resolution in Great Britain, March 2007, DTI.
CATRIN MILLS read English and Related Literature at the University of York before studying law at the College of Law in York and London respectively. Catrin joined City firm Reynolds Porter Chamberlain, where she spent the early part of her career as an employment lawyer representing employers and employees.

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Foreword

THERE IS a fundamental misconception that underpins employment relations – that employees sue because their employer has acted in breach of employment law. Employees do not bring legal claims because an employer has acted unlawfully or because they have breached employment legislation. An employee brings a legal claim or a grievance because they are unhappy.

This is the starting point for analysing any type of dispute or conflict in the workplace – it all stems from how an employee feels in work. If an employee feels stressed, mistreated, unappreciated, bullied or in any other way unhappy, the likelihood is that some form of conflict or dispute will arise. The employee may bring a grievance that will lead to a grievance procedure needing to be carried out. Alternatively that employee may feel demotivated and will make mistakes or underperform causing the employer to commence disciplinary or capability procedures. Ultimately that dispute can lead to an employment tribunal claim if it is not resolved earlier.

The progress of a complaint therefore has very little to do with employment law. It is relatively rare for an employee to see their lawyer with any idea of which legal provisions their employer is said to have contravened. Rather, they are more likely to consult with an adviser because they feel they have been treated unfairly, passed up for promotion, unjustly sacked, or that they have been subjected to unpleasant or even abusive behaviour. Faced with a complex set of employment rights legislation an employment lawyer can readily attribute a legal action to almost any given set of facts.

And so it is that what begin as relatively minor complaints become sometimes complex pieces of costly litigation. Few employment lawyers will have acted for an employee client who has not said at some point “all of this could have been avoided if only they had talked to me about it” or “all I really wanted was for someone to apologise and accept they were wrong”.

With this in mind, a logical question must be, why can’t employers resolve these types of issues sooner? Why can’t such workplace issues be nipped in the bud, preventing unnecessary conflict and expensive legal action? For such a seemingly straightforward question, there has as yet been no simple answer. The various initiatives introduced over recent years, such as mandatory internal disciplinary and grievance processes, have not worked. If anything they have made the problem worse.

To look at employment relations from another perspective, another question employment lawyers are often asked is: “What are the minimum benefits I must give my employees?” Our employment rights legislation ensures that there are minimum requirements for the provision of notice, holidays and sickness benefits, for example, which means that a common approach for employers is therefore to consider their minimum obligation to staff. Employment lawyers are frequently asked questions
by business owners, managers and HR professionals as part of the routine day-to-day management of employees such as, “Do we have to pay employees who can’t attend work due to extreme weather conditions?” or, more recently, “Do we have to allow our employees the day off for a Royal Wedding?” The legal answer is “maybe not” but what is the effect on the morale and commitment of an employee who loses a day’s pay if through no fault of their own they are unable to attend work, or who has to use up annual leave entitlement on a statutory bank holiday?

Employment lawyers are often asked about flexible working. Employers want to know “Do I have to allow employees to work part time?”, “Do I have to allow working parents time off to deal with childcare issues?” or “Do I have to allow employees flexible working arrangements to look after elderly relatives?” The answer to all of these questions is often “no, you don’t have to”, but whilst that might be the correct legal answer, what is the best approach for the business as a whole, for the morale of the workforce and ultimately for productivity levels? If you make an immediate saving of a day’s pay, are your losses greater in the longer term?

It is very difficult to reconcile minimum employment rights with what makes good business sense in terms of ensuring employees are committed, productive and ultimately profitable. It can be no accident that those employers who offer only the bare statutory minimum in terms of benefits and entitlements, and who carry out the basic minimum management and development, experience more difficulty in recruiting and retaining talent. These are the employers who have to deal with more grievances, employment tribunal claims and sickness absence that is stress-related.

These employers will find it difficult to grow their business because they are not able to attract, develop or realise the full potential of quality candidates. They may have stayed within UK employment law, but have they achieved their full business potential?

There are a number of fundamental truths relating to employment that are as straightforward as they are obvious. The happier employees are, the harder they will work and the less likely they are to lodge complaints or bring claims. The harder employees work and the fewer disputes an organisation has to contend with, the more productive it will be.

Despite the apparent simplicity of these fundamental truths, it is clear that many employers are not embracing them. While several measures have been introduced over recent years to address the rise in employment disputes, employment related litigation has continued to rise. Similarly, despite the prolific publication of management theory and the availability of training, workplace stress levels are still as high as ever. Employee stress and employment disputes are part of the same vicious circle. Stressed individuals are more likely to be absent from work, or to bring complaints and cause disputes, while having to deal with absent employees or conflict in the workplace leads to greater stress for managers. Stressed out managers take out their feelings on their teams and so the cycle continues.

Many of the commentators who have contributed to this report agree that we have reached a point where a fundamental change is needed, a culture shift. Following the recession, improving competition and stimulating growth are high on the agenda, but our contributors agree that current practices and systems will not achieve this. They say that the current situation is in any
event completely unsustainable. The only way organisations can survive, let alone be more competitive, is by radically changing their approach to employing people.

The difficulty is there are barriers to such radical change. Employers are often baffled by management theory and they are understandably more concerned about their short-term survival. Many dismiss issues of employee wellbeing, workplace stress and conflict management as having little to do with the hard-nosed realities of business finance, especially in a time of recession. A widespread attitude is that those employees who have been able to survive redundancy should be thankful to remain employed and employers consider that promoting wellness at work is an expensive luxury.

In this report, we look at an alternative: an approach that takes ideas relating to employee engagement and mediation and presents a ‘joined up’ or holistic approach to employment that is founded on simple truths and basic principles, and is presented in a way that is accessible to employers large and small.

Implementing this approach is far from a soft option, as our commentators will attest, and the benefits are tangible; they are financial. There is a real business case for this type of holistic organisational management and the key is in allowing employers to access its principles quickly and without unnecessary jargon. The concepts behind change are simple and they need to be put in plain English so as to educate, rather than legislate, on methods of good employee relations.

So this report is about what can be gained from a very simple joined up approach to employment that has a straightforward objective – to get your employees working with you rather than working for you.