

# HL IB Business Management



Your notes

## 2.7 Industrial Relations

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## Sources of Conflict with Employees

### Sources of Conflict with Employees

- Conflict at **all levels** in the workplace can arise as a result of **differences in goals, values, personalities** or **communication styles**
- It can **occur at all levels** within a business

#### Reasons for Conflict in the Workplace

Inadequate Leadership & Communication	Power Struggles	Relationships
<ul style="list-style-type: none"> <li>Poor management or leadership styles</li> <li>Lack of support from supervisors</li> <li>Differences in communication styles</li> </ul>	<ul style="list-style-type: none"> <li>Struggles for influence/authority</li> <li>Competition for limited resources or promotions</li> <li>Budget constraints leading to tension</li> <li>Pressure to outperform colleagues</li> </ul>	<ul style="list-style-type: none"> <li>Personality clashes</li> <li>Incompatible work styles</li> <li>Personal biases or prejudices</li> <li>Differences in cultural backgrounds</li> </ul>
Workplace Inequities	Stress & Role Ambiguity	Differences in Values and Goals
<ul style="list-style-type: none"> <li>Perceived favouritism</li> <li>Unequal distribution of resources/opportunities</li> <li>Discrimination or harassment</li> <li>Employees feeling undervalued/unrecognised</li> </ul>	<ul style="list-style-type: none"> <li>High levels of pressure</li> <li>Overworked employees with unrealistic expectations</li> <li>Unclear job responsibilities</li> <li>Lack of role definition leading to confusion</li> </ul>	<ul style="list-style-type: none"> <li>Varied opinions on what is important or priorities</li> <li>Conflicting personal or professional goals</li> <li>Intolerance/inability to compromise</li> </ul>

- Unresolved** workplace conflict can lead to a range of issues
  - Lower productivity** as workers are distracted from the task at hand
  - Reduce employee morale** as a result of anxiety/stress
  - Limit opportunities for **collaboration**
  - Create negative **workplace 'politics'** which can undermine business efficiency

 **Examiner Tip**

Conflict in a business **does not always lead to negative outcomes**

It can help to **solve problems** and encourages workers to **recognise differences in opinions and perceptions**

If it is **managed effectively** conflict can lead to **better outcomes in the future**



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## Approaches to Conflict

### Employee Approaches to Conflict

- A trade union is an organisation whose **members come together to achieve common goals**
- They **negotiate with employers** to **improve terms and conditions** of employment for workers
  - Improved pay
  - Increases in paid holidays
  - Reduced hours of work
  - Sufficient rest breaks
  - Improved training and development
  - Better facilities
- Trade unions can also give individual **advice** when employees have a problem at work
  - They also **lobby governments** to pass laws that favour employees such as improved health and safety regulations
- Union members pay a **membership fee** and **elect representatives** to represent them in the employment relationship
- Approximately one third of British workers are represented by **trade unions**
  - In the UK the largest trade unions represent workers in the public sector and previously nationalised industries
    - Members of **Craft unions** share a specific skill or craft such as printing
    - **Industrial unions** recruit members from a particular industry such as education
    - **General unions** accept members from a range of manual industries such as manufacturing
    - **White collar unions** recruit non-manual workers such as those employed in banking
- **Membership** of trade unions is generally in **decline**
  - Government **legislation** has weakened their powers
  - Many economies have moved away from manufacturing
  - **Part-time** and **flexible workers** tend not to be unionised

#### Examples of European Trade Unions

	<p style="text-align: center;"><b>Communication Workers Union (CWU)</b></p> <ul style="list-style-type: none"> <li>▪ For people working for telephone, cable, digital subscriber line and postal delivery companies in the UK</li> </ul>
	<p style="text-align: center;"><b>IG Metall</b></p> <ul style="list-style-type: none"> <li>▪ The dominant metalworkers' union in Germany, making it the country's largest union as well as Europe's largest industrial union</li> </ul>



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### Unión General de Trabajadores (UGT)

- Spain's major general trade union, representing production workers in a variety of industries

- Trade unions can use a range of **approaches to resolve conflict in the workplace**
  - Collective bargaining
  - Work-to-rule
  - Strike action

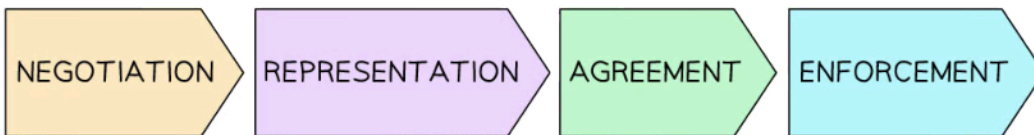
### Collective Bargaining

- A process where trade unions negotiate with employers to reach agreements on terms and conditions of employment
  - It is a structured way for employers and employees to come to a **mutually acceptable agreement**
  - Trade unions have **greater negotiating power** than individual employees
  - Negotiations typically cover a range of issues, including wages, working hours, benefits and workplace conditions

### Diagram: The Collective Bargaining Process



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*This process leads to conflict resolution and collective agreement*

- The goal of collective bargaining is to reach a **collective bargaining agreement**
  - This is a **legally binding** document that determines the employment relationship for a specified period
    - Both parties **must adhere** to the terms of the agreement
    - If further disputes arise tools such as mediation and arbitration can be used

### Other Forms of Trade Union Action

Industrial Action	Explanation	Example
<p><b>Work-to-Rule</b></p>	<ul style="list-style-type: none"> <li>▪ Workers <b>adhere strictly to their terms of employment</b> <ul style="list-style-type: none"> <li>▪ <b>Complete only tasks explicitly stated</b> in the contract of employment</li> <li>▪ <b>Goodwill</b> is withdrawn               <ul style="list-style-type: none"> <li>▪ Work begins and ends at times stated in the contract</li> </ul> </li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ The UK's NASUWT union has instructed its members in schools and colleges to work to rule</li> <li>▪ This includes refusing to carry out extracurricular activities, midday</li> </ul>



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	<ul style="list-style-type: none"> <li>▪ Staff refuse to cover for absent colleagues</li> <li>▪ Reduces <b>productivity</b> or <b>delays production</b> whilst making it difficult for the employer to take disciplinary action</li> </ul>	<p>supervision and work during lunch breaks</p> <ul style="list-style-type: none"> <li>▪ The union is campaigning for improved funding for schools and pay increases for staff</li> </ul>
<p><b>Strike Action</b></p>	<ul style="list-style-type: none"> <li>▪ Workers collectively <b>refuse to work</b> <ul style="list-style-type: none"> <li>▪ They are <b>not paid</b> when taking strike action</li> <li>▪ Action may take place <b>continuously</b> or on <b>specified days</b> of work</li> </ul> </li> <li>▪ Strike action is normally legal if a successful ballot of trade union members finds a <b>majority in favour</b> of taking such action <ul style="list-style-type: none"> <li>▪ <b>Changes in law</b> in many countries have <b>reduced the ability of workers to take strike action</b></li> </ul> </li> <li>▪ This is an <b>extreme form of industrial action</b> intended to <b>force an agreement</b> with management</li> </ul>	<ul style="list-style-type: none"> <li>▪ Two of the biggest unions representing French ski resort workers called for unlimited strike action during the height of the 2023 ski season</li> <li>▪ The intention was to disrupt operations during the peak tourist season to achieve pension reforms, better pay and improved working conditions</li> </ul>

 **Examiner Tip**

Instances of employees taking action against their employers - usually through collective trade union action - are frequently in the news

Find examples in the media in your own country and investigate why the conflict has arisen and how it is being solved



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## Employer Approaches to Conflict

- Resolving conflict in the workplace is of great important to business owners
- Organisations may **resolve conflicts in-house** using highly-skilled senior leaders
  - **Senior leaders** with HR skills form a negotiation team
  - This team is **empowered to act on behalf of the business** in reaching a **mutually acceptable agreement** with employees or their representatives
- Alternatively it may use external specialists such as management consultancies or align with employer organisations
  
- Businesses have a **range of tools** they (or their representatives) can use to resolve workplace conflict

## Threat of Redundancies

- The **threat of job losses** can be used as a powerful tool to persuade trade unions or employees to end industrial action
  - Trade unions may be more **willing to compromise** if the alternative is members losing their jobs
  
- In August 2023 large-scale redundancy threats helped to bring about a swift settlement to a dispute between British Airways and the Unite union over employee pay and conditions

## Changes to Contracts of Employment

- Employers can, in some circumstances, make changes to terms and conditions of employment
- The use of **fixed term contracts** can support this - workers may not be re-employed if they dispute changes
- Trade unions may become involved in larger-scale negotiations

## Threat of Closure

- In extreme cases businesses may choose to **threaten to close the business** rather than concede to employees' demands
- This can be a **powerful persuasive tool**
  - **Employees are not generally paid** during periods of closure
  - Permanent closure means **workers are made redundant**

## Lockouts

- Lockouts are another **extreme measure** taken during a period of dispute
- Employees are prevented from entering the workplace
  - Security guards are often employed or premises access codes changed
  
- During the period of lockout **employees do not receive any pay**
- Lockouts are used to **pressure workers to defy trade union instructions** and return to work without concessions being made



- In 2012 contract negotiations between **American Crystal Sugar** and its workers' trade unions broke down
  - The business wanted workers to agree to higher payments for health coverage and increased outsourcing
  - Its unionised workers refused to accept their demands
  - Following a period of strike action the company locked them out and hired replacement workers on lower wages
  - Workers gradually returned to work and, largely, accepted the employer's contractual changes



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 **Examiner Tip**

Ongoing conflict between a business and its employees not only presents financial risks - but also reputational risks

Customers may avoid businesses that they perceive to treat workers poorly and attracting new employees may be challenging where there is existing conflict

Investors are often turned off by workplace conflict as the business is unlikely to be as productive or profitable as a more harmonious organisation



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## Conflict Resolution Processes

### Resolving Conflicts

- Conflict resolution is the steps taken by **leaders and employees** (or their representatives) to **solve disagreements** in the workplace
  - Successful conflict resolution usually requires the needs of **both the business and its employees to be met**
  - There is a range of ways to resolve workplace conflict
    - Conciliation & arbitration
    - Employee participation
    - Industrial democracy
    - No-strike agreements
    - Single-union agreements

#### Approaches to Conflict Resolution

Approach	Explanation	Example
Conciliation & Arbitration	<ul style="list-style-type: none"> <li>▪ <b>Conciliation</b> involves an independent mediator <b>supporting negotiation and compromise</b> between conflicting groups</li> <li>▪ <b>Arbitration</b> involves an independent mediator <b>making a decision</b> to resolve a dispute <b>on behalf of conflicting groups</b> <ul style="list-style-type: none"> <li>▪ <b>Non-binding</b> arbitration decisions can be accepted or ignored by conflicting parties</li> <li>▪ <b>Binding</b> arbitration decisions involve a compromise that must be accepted by both parties</li> <li>▪ <b>Pendulum</b> decisions are a binding decision that makes no compromise - they declare entirely for one party</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ In 2019 Prospect union and airports company <b>Hial</b> invited the Advisory, Conciliation and Arbitration Service (Acas) to conciliate in a pay dispute</li> <li>▪ Air traffic controllers increased pay demands were at odds with Hial's refusal to increase wage budgets</li> </ul>
Employee Participation	<ul style="list-style-type: none"> <li>▪ Employee participation involves <b>giving authority to workers to take on responsibilities</b> and have <b>some level of authority</b> in the organisation</li> <li>▪ Examples include <b>teamwork</b>, suggestion schemes, quality circles and worker panels</li> </ul>	<ul style="list-style-type: none"> <li>▪ Animation studio <b>Pixar</b> has a successful culture of collaboration which enables teams to work together on complex creative projects</li> <li>▪ Employees are encouraged to share ideas, actively</li> </ul>



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		participate in the creative process and make decisions
<b>Industrial Democracy</b>	<ul style="list-style-type: none"> <li>Industrial democracy involves workers having <b>significant involvement in the decision-making</b> process</li> <li>Worker-owned businesses and worker co-operatives have strong commitments to industrial democracy</li> </ul>	<ul style="list-style-type: none"> <li>Workers at the UK's <b>John Lewis Partnership</b> influence how the business is run through their elected representatives in local forums</li> <li>Staff, known as partners, also receive a generous share of business profits</li> </ul>
<b>No-strike Agreements</b>	<ul style="list-style-type: none"> <li>An agreement with trade union members <b>not to take strike action</b> when workplace conflict arises</li> <li>These agreements can improve the reputation of a trade union <ul style="list-style-type: none"> <li>Builds trust and increases the likelihood of businesses being willing to negotiate</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>An "Olympic truce" was declared following meetings between unions including the National Syndicate of Air Traffic Controllers (SNCTA) and the <b>French Directorate General of Civil Aviation</b></li> <li>Despite ongoing conflict French air traffic controllers' unions agreed that no strike action would take place until after the 2024 Olympics in Paris</li> </ul>
<b>Single-union Agreements</b>	<ul style="list-style-type: none"> <li>A business agrees to <b>negotiate with one, rather than multiple, trade union organisations</b> to resolve conflict</li> </ul>	<ul style="list-style-type: none"> <li>After refusing for many years <b>Starbucks</b> started, in 2023, to negotiate with the Starbucks Workers United union</li> <li>Early agreements include a \$20 per hour starting wage, a 32-hour minimum working week for full-time employees and credit card staff tipping at all stores</li> </ul>