

INDEPENDENT REPORT
on
INDUSTRIAL RELATIONS
between
ROYAL MAIL
and
THE COMMUNICATION WORKERS UNION

SECOND REVIEW

March 2003

Lord Sawyer

EXECUTIVE SUMMARY

This review is the second I have produced since the initial Independent Review of Industrial Relations between Royal Mail and the Communication Workers' Union (CWU) in 2001.

The key recommendations were to end industrial action, and to use the subsequent breathing space to develop partnership ways of working. Since the report much progress has been made. Industrial action has fallen to a ten year low, and business performance has risen.

Partnership boards with a membership drawn from Royal Mail, the Communication Workers Union (CWU) and the CMA (Communication Managers' Association) have been launched in London, Scotland and the East Midlands, and further boards are planned across the country.

Joint project teams with membership from the three parties have been at work on the recommendations in my report, and although the pace has not always been rapid, good work has been done.

In short, foundations have been laid. But it is now time to pick up the pace and shift the emphasis to the people that will benefit most from a partnership approach. All partnership boards should make every effort to ensure that the views and priorities of employees are represented in their work.

However I believe we have now come to a critical point in the future of partnership working between the CWU and Royal Mail. The CWU suspended involvement in partnership on 14th November last year, which remains in place at the end of February. At this stage the suspension is close to a withdrawal.

The Chairman of Royal Mail, Allan Leighton, has met with the CWU Executive and confirmed Royal Mail's genuine commitment to partnership working. The government and the TUC have also expressed their strong support for the initiative and their disappointment at the ongoing suspension by the CWU.

Most importantly, feedback from the partnership boards already in place has been very positive, and many local union members have voiced their frustration at not being able to participate fully.

I know that this was never going to be an easy journey and it is to everyone's credit that progress towards partnership working has continued through some periods of difficult industrial relations. This is one of the main reasons why I find the recent actions so disappointing.

I am hopeful that this is a short-term matter that will be resolved. However, I must urge all those involved to re-enter the partnership process without further delay.

The positive feedback I have received and the disappointment shown from employees in all areas at this recent action underscores the mistaken strategy of not being involved.

I have a further meeting in early March with the external Chairs of the Partnership Boards, where we will need to consider in what ways if any we can continue to make a contribution to this initiative.

It would in my opinion be a real tragedy if the commitment and goodwill that has been built up around this initiative were to be squandered. I hope that those opinion-makers who read this and have influence within the CWU make every effort to get them back to the partnership table.

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INTRODUCTION AND BACKGROUND

In 2001 Ian Borkett of the TUC, Nicholas Underhill QC and I produced an independent review of industrial relations within Royal Mail.

The recommendations in this report are by now well known, and were accepted in full by Royal Mail, the Communication Workers Union (CWU) and the Communication Managers Association (CMA). The detailed recommendations are printed in appendix one, but the two main ones are worth repeating:

“The first main recommendation is to bring an end to industrial action. The second is to change the culture through developing partnership ways of working.”

In August 2001 I accepted the role of Independent Chairman of the National Partnership Board, which was set up as a result of the recommendations, and in so doing gave an undertaking that I would produce regular reviews of progress made in bringing these recommendations to life.

I produced a Six Month Review in March 2002 looking at the joint work done by the three parties. This concluded that industrial action had fallen dramatically and there was a strong high-level commitment to partnership working. The business performance had benefited as a result, leadership training had been increased and the foundations for partnership ways of working had been laid.

Targets I set for improvement included the involvement of employees in partnership working, the launch of partnership boards and a commitment to resolving disputes without strike action.

A summary of the Six Month Review's findings is in appendix two.

It is now appropriate to produce a further review of progress. This review looks at the work done to meet the recommendations in the initial report, and then examines the issues faced by all those involved to date. The review concludes with some recommendations on the way forward.

WHAT HAS HAPPENED ABOUT PARTNERSHIP WORKING?

1. THE MORATORIUM

Following the initial report Royal Mail and the CWU agreed a moratorium on both executive and industrial action. Royal Mail agreed not to implement changes in working practices at local level without involving the national parties and the CWU suspended any threats of industrial action.

In the 15 months prior to the publication of the report (April 2000-June 2001) Royal Mail lost 111,792 days to industrial action. In the 15 months since the moratorium was agreed 9,587 days have been lost. This represents a fall of over 91%, and is the lowest level of industrial action within Royal Mail for ten years. Royal Mail's performance has improved as a direct result of this stability.

At the end of December 2002, 91.7% of all first class letters had been delivered on target in the current financial year. This is compared to 89.4% in the previous year, a clear and sustained improvement.

Many of the people whom I have spoken to, within both the business and the union, have credited the moratorium with giving them the breathing space to concentrate on improving the business rather than having to react to a steady stream of industrial disputes.

All parties involved deserve tremendous credit for their maturity in agreeing – and keeping to – the moratorium. It is clear to me that the partnership boards would not have been launched, nor would the business performance have improved, without the moratorium in place.

The clear and creditable results should be remembered when the temptation to resort to executive or industrial action arises in the future.

2. PARTNERSHIP BOARDS

Good progress has been made here. Seventeen partnership boards have been launched in London, Scotland and the East Midlands since my Six Month Review. All of these boards are chaired by external figures, whose appointments were agreed by all parties.

It is too early to make any claims about their success, but the feedback to date has been positive. I have met with the external chairs involved and they are uniformly upbeat and enthusiastic about the opportunity created by the launch of partnership boards. There is an important position and I am confident that the right people are in place to effectively support the partnership boards.

That Royal Mail and the unions have agreed a structure, worked together to make it happen and are considering plans to launch partnership boards in all operational areas in the New Year is a genuine achievement and should be recognised as such.

However while the foundations for success have been laid, there are some pitfalls to be wary of. Firstly, all sides must maintain their commitment to partnership working as the way forward.

The original report recommended Partnership Boards because of the need to create a separate environment where people could leave any confrontational and adversarial behaviours behind and build new relationships. It is important that all those involved don't lose sight of this aim.

And the boards are a means to an end – a better working environment for all employees – not an end in themselves. Unless the members use the boards to make a difference then they will simply become another talking shop.

It is important too to remember that partnership working does not replace existing procedures for negotiation or collective bargaining. Partnership working can help build trust and confidence between management, union and employees, while there will always be issues – such as pay – which should be dealt with through collective bargaining.

Lastly, Royal Mail is currently restructuring its operational areas, and this will affect the launch of future boards. All parties will need to adopt a mature and reasonable approach to agreeing new partnership structures.

These are issues to be aware of in the coming months. In terms of the work to date, though, all parties should be proud that they have worked together to create something worth protecting and nurturing.

COMMITMENT

The commitment of all those involved to date has generally been strong. This strength is important. I believe that partnership working should not be used as a weapon when difficult situations arise between Royal Mail and the CWU.

While there is formal commitment I am concerned that this does not always translate into visible action.

It is crucially important that people see that changes are being made, and that these are a direct result of partnership working.

WHAT PROGRESS HAS BEEN MADE ELSEWHERE?

I would now like to look at the progress that has been made by the joint teams on the other recommendations from my first report. These recommendations are listed in appendix one.

Tackling unacceptable behaviour in the workplace is both the biggest challenge and the main opportunity facing Royal Mail, and the work being done jointly, under a Respect at Work banner, to deal with this is crucial.

A two-day event was held in the Midlands for 150 employees of all levels, designed to identify, and find ways of tackling, unacceptable behaviour in the workplace. The event was well received and has led to several follow-up initiatives in the East Midlands.

The emphasis on grass roots change and empowering people to make a difference themselves is the right one, and should be encouraged. To this end the project team are launching Respect at Work groups in areas with partnership boards; small groups of volunteers charged with helping to eradicate unacceptable behaviour everywhere.

The progress on joint communications has been mixed. Nationally a joint newsletter has been produced – Fusion – which has been well received. At a local level there have been examples of joint communications by unit managers and union representatives.

The communication of national agreements has not substantially changed. This means that the language used is unclear and all parties can interpret agreements differently as they see fit. This leaves room for disagreement and confusion. However, there have been some notable exceptions; an agreement on Individual Performance Standards was not deemed complete until a joint communications plan was included. The subsequent deployment of the agreement was widely recognised as having been much more successful as a result of this approach.

In my Six Month Review I noted that I firmly believed CWU reform should now be a priority for the union. Although I am disappointed that a joint project team has not been set up, the issues highlighted in the review are now being discussed as part of wider negotiations on industrial relations with Royal Mail. I would like to see a commitment from the CWU which ensures the recommendations are fully implemented as a result of this review.

Several recommendations were made on improving agreements and procedures. Progress has been slow, although good groundwork has been done in preparing joint problem solving tools, and it is to be appreciated that the upcoming IR framework review has affected the team's work. Nevertheless I would hope that in the next six months the team will be able to fully discharge their recommendations.

Leadership training has been improved over the last year. Royal Mail has doubled the number of "Leading to success" training courses for its managers, and I would hope that everyone in the business should start to benefit from the effects of this on management behaviour.

A foundation course has been launched for postmen and women interested in becoming managers, and the feedback I have received so far is promising.

The team has introduced measures to improve the management and use of acting managers, and all acting managers have been given access to electronic learning tools. This is a key area, and it is good to see it being tackled.

GREAT PLACE TO WORK

This is a commendable initiative led by Royal Mail's chairman Allan Leighton aimed at transforming Royal Mail into a place where every employee is happy at work. I welcome both the initiative and the Chairman's unquestionable commitment to frontline employees and improved industrial relations.

The scope of this initiative is broader than this review, looking at wider business issues, but many of the goals – such as better conditions for employees and improved workplace relationships - are similar.

The GPTW initiative has expressed a willingness to work with Partnership Boards. It is important that care is taken to integrate the work being done by the partnership boards and the GPTW team; any potential mismatch of aims or lack of coordination would make things harder to get right quickly.

LOOKING FORWARD – MORE FRONT LINE IMPACT IS NEEDED

The general feeling among employees I have spoken to is that very little has changed since my first report. I can't disagree with this. I believe that the success of the moratorium, the launching of the partnership boards and the achievements of the project teams means a lot *has* changed. But these changes are yet to touch employees.

It is important to realise that transformation on this scale will not happen overnight, and that most of the work done to date has been in laying foundations – establishing the structure for the boards, putting better training in place and finding ways to tackle unacceptable behaviour.

The impact of these actions should start to change employees' lives at work for the better, particularly in areas with partnership boards. Should there be a feeling that nothing has changed in my next review, six months from now, then clearly that would be unacceptable. For the time being though, it should be remembered that it is vital the foundations are firm to ensure robust improvements that last.

THE WIDER CONTEXT

When judging the progress made it is important to remember the context in which it is taking place.

At the time of the first report Consignia was losing over £1m a day, the business was crippled by industrial action and management-union relationships were at a low point. Since then Royal Mail has begun a massive restructuring, there have been tens of thousands of job losses planned and the threat of competition has increased.

Elsewhere the wider economic market has worsened, the postal market has peaked, if not begun shrinking and industrial relations in many comparable industries have worsened.

Almost every indicator points to the potential for a worsening industrial relations situation within Royal Mail. In this context, to have merely maintained the status quo could have been described as an achievement. But to have reduced industrial and executive action, to have set up the boards and to have maintained a commitment to partnership working throughout all of this ranks as a significant accomplishment.

This shows clearly the potential benefits to the business and everyone in it of a partnership approach.

RECOMMENDATIONS

As with my previous reports I would like to end with some recommendations on the next steps to be taken.

1. All parties must ensure a visible and clear commitment to partnership working as the way forward.
2. The CWU should ensure that all the recommendations in the initial report regarding their reform are acted upon as soon as possible.
3. Partnership boards should be launched in all remaining areas.
4. The members of all partnership boards must make every effort to build new working relationships based on trust and openness and avoid transferring old prejudices and attitudes into a new environment.
5. Individual partnership boards should take responsibility for communicating to their people work being done on implementing the recommendations, both locally and nationally.
6. All joint project teams should make every effort to ensure that employees' views and priorities are represented in their work.
7. No national or local agreements should be signed off without an agreed joint communication plan incorporated.
8. Respect at Work groups should be launched in all Partnership Board areas.
9. A programme to begin joint training on industrial relations should be in place by March 2003.

APPENDIX ONE

INDEPENDENT REVIEW OF INDUSTRIAL RELATIONS: RECOMMENDATIONS IN FULL

MAIN RECOMMENDATIONS

- (1) We call for a period without strikes which will give a breathing space during which our proposals for effecting a real change in the employee relations culture of Royal Mail, by the introduction of partnership ways of working, can be implemented.
- (2) We recommend the creation of “partnership boards”, at national and local level, charged with the specific job of developing partnership working throughout the business.

COMMUNICATIONS

- (1) That Royal Mail and CWU find more positive ways to communicate the challenge of commercial reality to employees
- (2) That Royal Mail and the CWU find early ways of developing and improving joint communications to employees.

MANAGEMENT DEVELOPMENT

- (1) Review its management training methods and procedures (including ongoing training) with a view to ensuring that proper emphasis is given to developing good leadership skills, including the ability to coach and counsel employees; and that training fully reflects the partnership ways of working that we discuss below.

- (2) Ensure that managers are effectively trained to implement the “Work Time Learning” programme and other communications initiatives.
- (3) Comprehensively review its capacity for people management at all levels.
- (4) Review its recruitment procedures to front-line management, giving particular attention to (a) the balance of internal promotion and external recruitment and (b) whether there are disincentives to good internal candidates taking management positions.
- (5) Review what improvements and safeguards can be made to the practice of temporary managers “acting up”, particularly when they do so in the same work areas as they normally work.
- (6) Be prepared to address firmly the cases of managers who fail to meet the leadership standards that Royal Mail sets itself.

THE CWU

- (1) Consider measures, including disciplinary measures where appropriate, to assert the proper authority of the Executive and national officials over branches or members who break union rules and collective agreements.
- (2) Be prepared to regard itself as a partner in Royal Mail, with a focus on the success of the business in a changing commercial environment and on the needs of the customer: such a focus need not involve any neglect of the interests of its members.
- (3) Comprehensively review its training programmes with a view in particular to ensuring that training of new representatives is professional and promptly available (which is likely to require some decentralisation of training responsibilities) and that training fully reflects the partnership ways of working that we discuss below.

- (4) Urgently revise its representational structure, so as to re-involve divisional representatives more fully in working with and assisting officials and representatives at branch and Area level.
- (5) Consider new ways of making policy and reaching collective agreements, through reforms to conference procedures.

AGREEMENTS AND PROCEDURES

- (1) Royal Mail and the CWU should formally remind managers and union representatives of the provisions of the IR Framework encouraging informal resolution before the use of the formal three-stage procedure.
- (2) Royal Mail and the CWU should make it plain to managers and officials that local issues should be resolved locally and that the practice of involving national managers and national officials in resolution of local issues is undermining and contrary to agreed procedures.
- (3) Royal Mail should re-affirm in straightforward terms its commitment to the proper use of the Attendance Procedure and in particular that there is no policy of issuing stage 1 or stage 2 warnings automatically, and issue a reminder to managers accordingly.
- (4) Consideration should be given to Royal Mail and the CWU introducing joint training in the use of the Conduct Code and the Attendance Procedure.
- (5) Royal Mail and the CWU should consider, under the partnership arrangements recommended below, how to develop more effective and less cumbersome methods of introducing necessary changes in ways of working for the future

APPENDIX TWO

SIX MONTH REVIEW

This is a review undertaken by Lord Sawyer six months after the publication of the Report of the Independent Review of Industrial Relations between Royal Mail and the Communication Workers Union.

The review highlights:

- ◆ A dramatic reduction in days lost to unofficial industrial action
- ◆ The improvement in performance as a result of stable industrial relations
- ◆ High-level commitment to partnership working
- ◆ The creation of a 'Partnership Vision'
- ◆ The establishment of partnership boards and a joint support team
- ◆ The doubling of the number of leadership training courses

Targets for further action

- ◆ Ongoing commitment to resolving disputes without strike action
- ◆ Continuous improvement in performance and joint recognition of the needs of the customer
- ◆ Ongoing commitment from all parties to improving behaviour
- ◆ The beginnings of employee involvement in partnership working
- ◆ Unions and management working together on a joint training programme
- ◆ A successful start to the Partnership Board pilots
- ◆ An increase in joint communications

APPENDIX THREE

THE PARTNERSHIP VISION

Produced by Royal Mail, the CWU and the CMA

To develop an organisation where all employees contribute to making the success of the business key to all our futures.

This will require managers and union representatives at all levels to work together in a different way through mutual trust and respect and involvement through the whole business.

This must provide an environment where customer excellence thrives and excellent terms and conditions exist that we are all proud of.

For this to happen employees, unions and managers must be driven by the desire to improve the organisation in order to secure its future and make it a success for all who work in it and all who are served by it.