

Corporate Personnel Management

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with contributions from
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Pitman

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PITMAN PUBLISHING
128 Long Acre London WC2E 9AN

© Bryan Livy, Greville Janner, Len Peach, Paul Roots, The Baroness Seear 1988

First published in Great Britain 1988

British Library Cataloguing in Publication Data

Livy, Bryan

Corporate personnel management.

1. Personnel management

I. Title

658.3 HF5549

ISBN 0-273-01950-3

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Typeset by Wyvern Typesetting Ltd, Bristol

Printed and bound in Great Britain

Preface and acknowledgements

Until the 1970s most contributions to the study of personnel management had been of American origin. Few British texts had appeared. Then a spate ensued. So why now another one?

The story goes back several years, to one summer's afternoon in the garden of Professor Paul Pigors (then retired from MIT) in Framingham, USA. Over tea of delicious waffles we discussed the emergent British literary scene. Leaving aside the obvious cultural differences across the Atlantic we both agreed, as it seemed to us, that line management bore a prime responsibility in spite of the existence of specialist personnel functions and thriving professional associations. Policies for planning the management of people should be linked closely to corporate strategy. Personnel management is a corporate responsibility – at both strategic and operational levels.

Any book is a personal statement by the author; it is a reflection of his or her own interpretation. For that reason I would have liked to adopt Pigors and Myers own sub-title: 'a point of view and a method' because that is what my own book would be if ever it took form and flesh.

My own teaching experience spans some eighteen years – mostly at City University, but including a spell at Ealing College. I shudder to realize that my occupational experience now spans nearly three decades. If this my fifth book were going to be written, it could not be deferred much longer.

Encouraged to embark on this formidable task, I considered a number of other issues. First, the constantly changing scenario in which personnel management operates could render any book obsolete quickly. On the other hand, there is a permanency of many human resourcing functions, although refinements to methodology are continuous. Any book would have to strike a balance between key issues and other circumstantial issues transient within a fluctuating environment.

To me, so many management books seemed dull, turgid and difficult to read. I set out with twin ambitions: clarity and readability. I hope these pages are 'user-friendly'.

To me, it seemed some books had attempted to encompass too much. My own efforts narrow to a finer focus. Important as the historical development of personnel management in any one country has been on the influence of the function – important as the organizational, role problems and social context

of a specialist personnel function remain – of more utility to the present or potential practitioner would be a handbook elaborating on the ‘what?’, ‘how?’ and ‘why?’ of the subject-matter. No book can be prescriptive, but at least some normative base must be offered which seeks to generate understanding in the mind of the reader, so that principles and exemplary applications can be sensibly modified in approaches to novel situations.

This book takes a ‘professional’ model and discusses the functions of personnel management and the principles behind policies and procedures. It is aimed at line managers as well as personnel specialists, either practitioners or students. It should provide useful material for courses leading to IPM, BA Business Studies, DMS, MSc, MBA qualifications and management programmes generally, whenever the planning and control of human resources is considered. Discussion questions have been included at the end of each chapter to facilitate a participative approach in classroom teaching.

Deliberately, this book is not specifically about industrial relations or organizational behaviour. These subjects are well and fully documented elsewhere. It is a book about personnel management itself. Contextually, of course, behavioural science and industrial relations enrich the pastiche. Within the canvas of this book the warp and weft of their threads are interwoven. But the montage itself is a personnel one.

The book is a corporate effort. If it was to be a substantial volume it seemed prudent to seek the contributions of eminent persons, particularly in the areas where I felt I would have needed most support. To this end, Greville Janner, Len Peach, Paul Roots and Nancy Seear were invited to join in. It is with immeasurable thanks to them – for their efforts, patience and expertise – that this book was ever born. Both Nancy and myself would like to express our thanks to the late John Brock of the Runnymede Trust who contributed much of the material on ethnic minorities. All the co-authors were involved in the planning stage. As coordinating author I allowed free rein to my colleagues with regard to presentation and format. Their chapters are distinctively their own. Responsibility for continuity, coordination and overall content is mine. Inevitably there are differences in style between the contributors – less so than would occur in an edited book of readings – but enough perhaps to add variety.

A host of people have proffered advice and guidance at various stages, among them Professor Sid Kessler, Valerie Hammond, Dr James Vant and my own students, who fed back constructively. Thanks are also due to the Engineering Industry Training Board, Ford Motor Company, IBM (UK), and the Petroleum Industry Training Board for kind permission to reproduce illustrative examples. A heavy load fell to Professor Keith Thurley and Baroness Seear who both read the first draft of the manuscript in full – heavy, because it was far too long. The painful decision was taken to reduce. Inevitably, sacrifices were made. Even so, I hope the final compendium is not too daunting, nor the sacrificial omissions too deleterious.

Several stalwarts merit special gratitude. Throughout the preparation my editors at Pitmans were steadfastly encouraging. Anne Stewart at City

University was constantly typing with accuracy and dexterity. Professor Brian Griffiths, then Dean of the Business School (now Head of the Prime Minister's Policy Unit) kindly made financial assistance available.

Needless to say, all matters of analysis, interpretation, judgement, opinion, error or omission are entirely my responsibility. Finally, I would wish all readers happy and successful careers in personnel management.

Bryan L. Livy

CITY UNIVERSITY 1987

Biographical notes on the contributors

Bryan Livy (coordinating author) read economics at Exeter University and manpower studies at Birkbeck College, London, obtaining a master's degree with distinction. He is a Fellow of the Institute of Personnel Management.

In 1959 he took a Short Service Commission in the Royal Army Educational Corps, serving in Germany. Thereafter he worked mainly in industry, with Ford, British Steel (and after a spell of teaching at Ealing College) with Glaxo.

Since 1971 he has taught personnel management on MBA programmes at City University Business School where he is IPM course tutor. From there he has also undertaken a number of research and consultancy assignments – as External Specialist, Petroleum Industry Training Board, involving three Manpower Services Commission sponsored projects for the development of personnel selection criteria in off-shore North Sea oil drilling and gas operations, and assessment centres for rig management; as External Collaborator, International Labour Organization, Geneva, reviewing international practices in job evaluation; a DHSS project for the recruitment and retention of ancillary staff in NHS hospitals; a Nuffield project on the 'hidden economy'; management training for Barclays Bank; job evaluation for the National Joint Council for Local Authorities Services; and *ad hoc* assignments for the Equal Opportunities Commission and the National Economic Development Office.

He is Chief Examiner in Human Aspects of Management for the Chartered Institute of Bankers; and has been external examiner to Middlesex Polytechnic, North East London Polytechnic, the Polytechnic of Central London, and the London School of Economics.

He is the author of *Job Evaluation: a Critical Review* (Allen and Unwin, 1975); also published in American and Spanish editions; *L'Évaluation des Emplois* (ILO, 1984); *Management and People in Banking* (Institute of Bankers, 2nd edition 1985) the ILO book (1986) *Job Evaluation*, and various articles and research papers.

Greville Janner, QC, is MP for Leicester West. He was an Exhibitioner at Trinity Hall, Cambridge; President of the Cambridge Union 1962; Full-

bright Scholar at Harvard Post Graduate Law School; Harmsworth Scholar, Middle Temple; and holds an honorary PhD from Haifa University.

A distinguished lecturer and broadcaster, Mr Janner is Chairman of the All-Party Parliamentary Industrial Safety Group; a member of the House of Commons Select Committee on Employment; a Fellow of the Institute of Personnel Management; a member of the National Union of Journalists; and has had many years of boardroom experience.

He is the author of over 50 books on employment and industrial relations law, and on public speaking. These include *Janner's Compendium of Health and Safety*, *Janner's Compendium of Employment Law*, *Janner's Employment Letters* and *Data Protection – the New Rules*.

Other activities include President, Board of Deputies of British Jews since 1979; President, Commonwealth Jewish Council, 1982; European Vice-President, World Jewish Congress; Founder Member, International Committee for Human Rights in the USSR.

Len Peach is Past-President of the Institute of Personnel Management. He read modern history at Oxford University and personnel management at the London School of Economics. For a while he was research assistant to Randolph Churchill, and in 1962 joined his parent company IBM (UK) Ltd, becoming Director of Personnel in 1971, Group Director of Personnel, IBM (Europe) in Paris in 1972, returning to the UK in 1975 as Director of Personnel and Corporate Affairs.

In November 1985, he was seconded by IBM for three years to the National Health Service Management Board, first as Director of Personnel, then as Acting Chairman, and since October 1986 as Chief Executive and Director of Personnel. He has now completed 30 years in personnel management, marked by high office in the IPM as Vice-President, International Committee, and later (1983–5) as President.

Other activities include Council Member, Institute of Manpower Studies; Governor, Portsmouth Grammar School; Trustee, Devonshire House Management Club; Trustee, Institute of Public Relations; Vice Chairman of the Court of Governors, Polytechnic of Central London; Fellow of the Institute of Directors.

He is a Visiting Professor at the University of Surrey, was Loudon Lecturer at Glasgow University 1975; and is the author of numerous publications.

Paul Roots was until recently Director of Industrial Relations, Ford Motor Company Ltd. After leaving school and a period in industry, he spent seven years in the Royal Navy. Thereafter, he studied personnel management at the London School of Economics and re-emerged into industry, including a period with the UK Atomic Energy Authority.

Mr Roots joined Ford in 1961 during the setting up of its Halewood plant

and has spent nearly twenty-five years in various positions within the Company's Industrial Relations Staff. He was the Company's chief negotiator for over 12 years and was appointed Director of Industrial Relations in March 1981, and a Board Director in June 1981, and retired in 1986.

He has been Chairman of the CBI Health and Safety Policy Committee, and the CBI Health and Safety Consultative Committee; and a member of: CBI Council; Council of Management; the CBI Education Foundation; the CBI Working Party on the Employment of Disabled People; the CBI Employment Policy Committee; the IPM National Committee on Employee Relations; the IPM Joint Standing Committee on Discrimination. He has been a member of the NEDO Committee on the Supply and Utilization of Skilled Engineering Manpower, was a Vice-President (Employee Relations) of the Institute of Personnel Management 1981/83, and has served on the Subcommittee for Social Affairs of the CBI.

He is author of *Financial Incentives for Employees*, co-author of the IPM's book on practical employee involvement and participation, and chaired the group which produced the Institute's book on introducing new technology. He is a companion of the BIM and IPM, and is a member of the Engineering Industry Training Board, The Civil Service Final Selection Board and industrial tribunals.

The Baroness Seear is a Privy Counsellor and Leader of the Liberal Peers in the House of Lords since 1984. She has been Spokesman on Employment and Treasury matters. She became a Life Peer in 1971.

After reading History at Newnham College, Cambridge, and studying Social Science at the LSE Nancy Seear spent ten years in personnel management in industry. She later became Reader in Personnel Management at the LSE and was responsible for the Graduate Course in Personnel Management.

She has sat on numerous government and national committees including the Top Salaries Review Body, British Standards Institution and the Council of the Industrial Society. She is a past President of the Institute of Personnel Management. She is a Honorary Fellow of Newnham College, an Honorary LLD of Leeds University, an Honorary DLitt of Bath University, and Visiting Professor in Personnel Management at the City University.

Her various publications include *Married Women Working*, *A Career for Women in Industry*, *The Position of Women in Industry* and *The Re-entry of Women into Employment*.

Introduction

by Bryan Livy

Personnel management is part of the process of management in general. It is a constituent element in the complex business of running an enterprise. Personnel management is both a function (something which is done) and a discipline (a body of knowledge). Its contribution is specifically related to the 'people' side of things. Personnel management is the practice of managing people at work.

For most of this century, researchers, consultants, and managers themselves have investigated all manner of human problems at work. The core issue is always the quality of human organization in pursuit of common goals.

Whilst our knowledge has increased, we still cannot be prescriptive in novel situations, although we can offer systematic approaches in many instances. 'People' problems at work are dynamic. This makes the study of human relations more, not less, imperative.

Designing, producing and marketing a product or service has obvious technical, cost and profit constraints. Pure engineering is not enough. People have got to work the enterprise and make it grow. People must respond positively. At the heart of management lies a neat balancing act – reconciling the 'needs' of individuals with the 'needs' of the organization.

The employer seeks an optimum deployment of manpower. His prime concerns are costs and productivity. The personnel manager knows this. The personnel manager is at the fulcrum in balancing employers' and employees' interests.

A pertinent question is: who is the client of the personnel manager? Personnel managers occupy mediative positions in the middle ground of the employer–employee relationship. But personnel managers are part of the management team, paid for as such. Personnel management is a cost centre. The personnel manager is a manager first. His clients are other managers and the workforce. For the workforce he has a shared responsibility, but he is not their 'representative' nor is he directly responsible for the management of the organization. Personnel managers act reciprocally as representatives of management and as their advisers. Any attempt to develop the personnel function independent of business considerations is unlikely to succeed. Personnel managers are expected to find acceptable solutions and develop mutual strategies. Primary allegiance may be to management but the 'clientele' has duality. There are two sets of clients: employers and employees. There is often a dilemma in the diplomatic role.

Personnel managers work not only with the workforce whether in office, factory, plant, bank, hospital or local authority – but also with other managers. The management of people is interactive and cuts across formal functions. The personnel manager needs to ‘talk turkey’ with his managerial colleagues. He must first know the business: the nuts and bolts of the industry he is working in. Without this grasp he will be in a wilderness.

The personnel manager contributes to the team effort. His daily work will not just include interviewing prospective candidates or handling grievances or redundancies. He will sit on planning committees and steering committees, bringing in new products or services. He will be involved in feasibility studies. He will be concerned with staffing and manpower implications, productivity, work methods, manpower ratios, organization planning and design. He will be concerned with earnings settlements and trends, with manpower costing, with negotiations. He will give presentations and hold discussions with line management. He will be *expected* to contribute. Not least he must be an expert in his own field, a competent ‘professional’.

To the casual observer, personnel management may appear as an uncoordinated array of activities. Often it is. Coherence is called for. It helps to have some classification of activities in accordance with their natural relationships – a systematic approach, which identifies the threads in the fabric, sets objectives, determines methods for attaining them, monitors events, validates and evaluates the outcomes. Validation is ‘quality control’. Evaluation is ‘cost control’. In personnel work many of these systems interrelate, whether for selection, payment, training or whatever. What an organization is paying for, hiring for, training for is a unit of work. Personnel policies are interactive. To that extent they should be based on clearly defined, and possibly common, *criteria*. The determination of criteria against which results and performance can be measured is a recurrent theme of this book.

Personnel management cannot take place in a vacuum. It is a complementary constituent of corporate strategy. Policies must be *planned* and specifically tailored to present and future needs. To use the vogue term ‘human resource planning’ is the development of forward-looking personnel policies which help to ensure that organizations have taken positive steps to recruit, retain and develop their staff in the light of changes likely to affect the survival and well-being of the enterprise. ‘The “business manager” model of personnel management has started to emerge in the last decade. Personnel specialists within this model integrate their activities closely with top management and ensure that these are serving long-term strategic objectives.’ (Tyson, 1985)

Reference

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PART ONE

Planning Functions

CHAPTER I

Corporate strategy and personnel policies

by Len Peach

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Immediate Past President, Institute of Personnel Management

Introduction

It is over three decades since Peter Drucker in his seminal work *The Practice of Management*, described the personnel manager's conception of his own role as 'partly a file clerk's job, partly a housekeeping job, partly a social worker's job and partly "fire fighting" to head off union trouble or to settle it'. He argued that line management tends to see 'personnel' as concerned with problems and 'headaches that threaten the otherwise smooth and unruffled course of production' (Drucker, 1955). Indeed the status and contribution of a personnel manager is often judged by his 'fire brigade' activities – his ability to handle the unions, conduct the daily or annual negotiations, to keep the track running. Yet the real requirement is proactive and constructive rather than defensive and reactive. To discharge their true role personnel managers must anticipate the needs of the organization in the short and the long term. They must develop the policies to produce solutions to anticipated problems resulting from the external and internal environment, whilst influencing and creating the attitudes amongst employees needed for the enterprise's survival and success.

But policy should not be developed independently of the strategy of the business. Personnel managers exist to forward the aims of the enterprise not to regard their companies as sociological laboratories.

All bodies, public or private, have objectives in common. They exist to satisfy a demand, whether for service or for products and they should seek to satisfy that demand in the most efficient, productive and low cost manner. Central and local government provide services which are paid for by the taxpayer and the ratepayer. Nationalized industries provide services and products supported by the consumer and the State with taxpayer's money. The private sector is concerned with the customer. Bob Ramsey writing in the *Financial Times* made the point that 'Morality in business must start with

morality towards the customer. It is the satisfaction of customers' needs that provides employment. The whole gambit of progressive industrial relations policies and the like is only the means to that end, not an end in itself. The self-interest of the producer cannot be indulged at the expense of the customer'.

If the shareholders in any enterprise are the Government, the customers, the employees, the contractors and the community in general, then they all have an interest in the efficiency of the bodies which serve or use them and the quality of the product, since ultimately they must foot the bill.

Whilst there is a common need for customer orientation amongst all enterprises there will be different emphasis on the key areas of measurement in the various businesses, depending upon their marketplace, size or stage of growth. Drucker argued that there are eight areas in which objectives of performance and results have to be set: 'market standing; innovation; productivity; physical and financial resources; profitability; manager performance and development; worker performance and attitude; public responsibility'.

Industry and commerce may use as their prime objectives and measures the level of profitability, market share, production volumes and costs, returns on investment, amount of research and development. The public sector may have similar measurements though government borrowings may be an alternative or additional financial measure. Local government may have different measures for the public services it provides, though it too must return to the level of service provided in relationship to costs and customer satisfaction, in the form of the acceptance and reaction of the local inhabitants to those services and level of the rates which pay for them.

Thus personnel managers of all organizations are concerned with common problems of enabling line management to obtain improvements in productivity through changes in working methods and the implementation of new technology, and in improving the output of the organization in qualitative and quantitative terms, whether in services or goods. At the same time they must encourage that same line management to provide the maximum degree of satisfaction to employees in their assigned tasks.

The scope of the personnel strategist will vary according to the task he has been allocated within the organization and the nature of the organization itself. Some personnel directors are asked to limit themselves to the 'personnel management of management' and policies are formulated for this purpose. This is a feature of the headquarters function of a company which is a conglomerate and which judges its subsidiary businesses by their financial success, but recognizing that they are in disparate industries does not wish to have any coordination of their personnel activities other than that relating to the management. Another company may decide that it wishes to pursue common personnel policies and practices and since it is operating in one industry is well aware that different conditions in different locations will provoke unrest. So it pursues a centralized policy with controls over local action held firmly at headquarters. One company decides that to achieve growth it must proceed by acquisition with all the problems of different