

Partnership at HBOS

Summary

This case study reviews the partnership agreement signed by HBOS, Unite and Accord in July 2007. It discusses the process leading up to partnership, the implementation of the agreement and the impact on the working relationship between HBOS and Accord and the HBOS employees. It also assesses the sustainability of the partnership through the financial crisis and the consequent takeover of HBOS by Lloyds Banking Group.

Box 1: HBOS

Halifax began as a permanent building society, and maintained that status from its foundation in 1852 until 1997 when it became a plc. During the 1990s Halifax expanded through a series of acquisitions and mergers, including the Leeds Permanent Building Society in 1995, Clerical Medical in 1996, Birmingham Midshires in 1999 and finally it merged with Bank of Scotland in 2001 to form HBOS.

At the point of signing the agreement, HBOS was a FTSE top 10 company, employing 65000 people in the UK. It was one of the largest retail banks in the UK and the biggest mortgage lender.

The financial crisis of 2008 had a significant impact on HBOS, leading to its acquisition by Lloyds TSB Group plc to form the Lloyds Banking Group in January 2009. The brands remain distinct.

Box 2: Accord

Accord began as the Halifax Building Society Staff Association. It gained its certificate of independence in 1978. The staff association then changed into the Independent Union of Halifax Staff in 1994 and affiliated to the TUC in 1996. Following the merger with the Leeds Building Society, and the acquisition of Clerical Medical, the Halifax union incorporated the two respective staff associations. The Independent Union of Halifax Staff was renamed Accord in 2002.

Until 2001 Accord was the only union recognised in the Halifax. However, UNIFI (Later Amicus and then Unite) was recognised in the Bank of Scotland, and maintained that recognition through the merger with Halifax.

Lloyds TSB also recognised Unite, but in addition, recognised the non-affiliated trade union, the Lloyds TSB Group Union (LTU) and GMB for the Asset Finance business. There are now four unions recognised in the Lloyds Banking Group; Accord, LTU and Unite.

At the time of the partnership agreement, Unite and Accord had approximately 50 per cent of HBOS employees in membership between them.

The Journey to Partnership

Unlike many other partnerships, the HBOS/Accord/Unite partnership was not born of a crisis. Industrial relations between the unions and the company were broadly positive, and particularly within Halifax, progressive and cooperative ways of working were already well established at a senior level. The partnership emerged initially as a means of finding an agreement between the two unions following the Halifax Bank of Scotland merger. A government agenda favourable to partnership and a number of champions within the organisations helped ensure that this became more than just a recruitment agreement between Accord and Unite.

Although the union to union relationship may have been the trigger for the journey towards partnership, as chief executive at the time of the partnership agreement, Andy Hornby, acknowledged, 'there was a real business interest in developing this approach.' In common with many other partnerships, the company wanted greater flexibility and continuous improvement and acknowledged that achieving this would require cooperation between the company and the unions. In the dynamic financial services sector, being able to adapt quickly is crucial for success.

The company had already experienced dramatic change in the 1980s and 1990s as the regulatory environment in financial services changed, innovation increased and the company rapidly expanded. Indeed, it was this experience of Accord and Halifax working together through these difficult times that helped to forge the relationships and culture of working that would eventually lead to the partnership agreement, according to the Accord general secretary, Ged Nichols.

Accord had shown its ability to maintain confidentiality, understand the business environment, and be part of the change process rather than an obstacle to it. They had built a good relationship with the chief executive during this period, James Crosby, who saw the union's potential as strategic partners. At the Accord biennial delegate conference of 2006, Crosby publically laid the ground for partnership by confirming the importance of the union as a partner in the success of the company, and the need to alter the perception of representatives, making becoming a representative part of the career development path.

From Accord's perspective, partnership was initially a way to create a more productive working relationship with Unite. The recognition agreements following the merger meant that each union was recognised across the whole of the business, opening up the possibility for competition to emerge between them. This situation had already created some tensions as each union sought to grow their membership through recruitment activities. Both Unite and Accord were aware that valuable resources were being spent competing over members, rather than increasing their overall influence in the company.

The newly merged company also had an interest in bringing together the unions in partnership. Consulting and negotiating with two unions required far more time and resources than dealing with one. Not only that, but the two heritage companies had very different company and industrial relations cultures. According to David Fisher, the group HR director, partnership was as much about creating a joint culture for the new organisation.

According to Unite, the move towards a single industrial relations culture brought important gains. The union had previously operated on less favourable terms within Bank of Scotland than Accord had within HBOS. Following the merger, Unite was able to push for a formal agreement with the company on representation, which until that point they had been without. According to Unite national officer Gwyn Bates, the merger and partnership development allowed Unite to achieve an equal footing within the new company. The decision to enter partnership was, for Unite, met with some resistance within the union, whose leadership was sceptical about this way of working. That said, Unite did have partnerships with other financial services companies, in particular Barclays. For those Unite officials involved in HBOS, the case for partnership was sufficient for them to push for support within the union to proceed.

In July 2006 James Crosby was replaced by Andy Hornby. Hornby had until that point been chief executive of the HBOS retail operations, and then chief operating officer for the HBOS Group. The unions had already had a good deal of positive engagement with him in the context of the amount of change within the Retail division and he continued to support the emerging partnership agenda as chief executive. Although informal partnership had worked well, there was some concern on the part of the union that this way of working could be vulnerable to changes in personnel at either HBOS or Accord. The agreement was a way of embedding partnership, and widening the group of stakeholders and advocates.

To begin the process of moving towards partnership, the company funded a number of away days, facilitated by the Partnership Institute, in 2005. These brought together officers from Unite and Accord, and business and HR people from HBOS to explore what partnership might offer, and begin to negotiate the terms of the agreement. All sides agreed that bringing in a third party in the form of the Partnership Institute was important in maintaining the commitment to the idea of partnership through difficult discussions.

In February 2007 representatives from all parties signed an addendum to the partnership agreement, which set out the actions that would be taken to move 'from recognition to partnership'. The unions were required to agree arrangements for the balance of representation for consultation and negotiation, agree processes for appointing representatives, identify representatives' learning and development needs, and implement a membership recruitment campaign. In return, the company agreed to support training and recruitment activities, including providing human resources in areas where the unions had no representatives to lead recruitment, raise awareness of the partnership among management and roll out consistent consultation and negotiation machinery across the business.

Although the partnership aimed to improve industrial relations at the local level, there was also a process of extending the buy-in to the partnership among the senior leaders within the company. The general secretary of Accord met with members of the executive committee and board to discuss the partnership, what it would mean for the business, and the impact of the business strategy on the workforce. The process was valuable in ensuring that workforce issues were firmly on the executive committee and board's agenda, as Nichols describes; "For many it

would have been the first time they'd met a union leader in what could have been a thirty year career in banking. And to sit and actually engage with them on the business strategy, and what the threats might be down the line, what the values are and so on, was important."

The Partnership

The partnership agreement was principally focussed on strengthening the role of the union within the organisation through structured consultation and increased membership, and recognition of the union's aims for employment security, fair rewards and dignity at work, in return for the union's constructive engagement in the success of the company and support in delivering change. The union was acknowledged as 'partners in the process of change'. The annexes to the agreement set out the scope of collective bargaining and time off and facilities for representatives.

The agreement is informed by a rich interpretation of partnership, and a full understanding of the conditions required to make partnership meaningful. The agreement itself is not overly prescriptive, but it is very detailed in setting out the meaning of partnership and the full obligations that places on each party in terms of the actions, attitudes and behaviours. Expectations that are often only implicit in partnership agreements, such as the aim of reaching 'win win' outcomes in negotiations, the union committing to the long-term success of the company and the differing but legitimate interests of the parties, are made explicit here. The agreement also goes further than might be expected in holding the company to a set of employment principles. Although it acknowledges a manager's right to manage, the employment principles address the dignity at work and the quality of work and management which employees can expect.

A notable feature of the agreement is the company's commitment to help raise union membership. Increased union membership is listed under the 'common objectives' section of the agreement, and a specific target of 70 per cent of the eligible workforce is set. The company agrees to 'raising trade union awareness amongst managers and colleagues, and will encourage colleagues to joining unions, play an active part in them, and emphasise the importance of TU representatives as a resource.' Higher membership, from the company's perspective, was helpful in ensuring that the unions could legitimately articulate the views of the workforce, and not just the disaffected, and deliver on their responsibility to help bring all employees through organisational change.

The company was not just aiming for quantity of union members, but quality of representatives too. The competency of representatives was seen as directly relating to the extent to which their role was valued, and this in turn, made partnership at the local level possible. The company set out its expectation that the union would provide suitably skilled and qualified representatives for meetings and in return, the company would support time off with pay for training and qualifications for representatives. The agreement restated that becoming a representative should be seen as a career development opportunity.

Early involvement and consultation was recognised in the agreement as being of benefit to both parties, extending the opportunities for the unions to influence business change, beyond terms and conditions. The agreement sets this out in the partnership principles, but then also describes a framework for joint working and consultation that prescribes the form and number of meetings at strategic, operational and task level. Significantly, the joint working at strategic level anticipates that the unions will have annual meetings with Executives and functional heads.

Reflecting the original objectives of the partnership, the agreement also helps to clarify the relationship between the two unions, and their relationship to HBOS. The unions were required to clarify their arrangements for a fair balance of representation, with the requirement that each workplace should only have one representative. At the same time, the two unions came to an agreement on their spheres of influence and poaching of members. In order to fulfil the company's objectives to streamline the industrial relations structure, the company asks that wherever possible, the unions speak with 'one voice' during consultation and negotiations.

Implementation

The partnership was launched by a high level dinner attended, among others, by the chairman and chief executive of the company, the general secretary of the TUC, Brendan Barber, the general secretary of Accord and deputy general secretary and national officer of Unite. The dinner reflected the success on the part of the unions and those driving partnership within the business of ensuring that there was awareness and buy-in at the most senior level, including the board. Statements were published by the chief executive, Accord general secretary and the Unite national officer to welcome the partnership.

The challenge for both the company and the union was to move partnership from a high level agreement, to something that impacted on the day-to-day working lives of workplace representatives and employees. A series of focus groups and interviews conducted in 2008 showed that at a strategic level, partners believed industrial relations to be healthy and productive. However, only 44 per cent of managers and 29 per cent of union representatives agreed. To that end, Accord and Unite applied for funding from the Union Modernisation Fund, run by the Department for Business, Enterprise and Regulatory Reform (now BIS) to run an extensive training programme. The training would both fulfil the union and company's long held ambition to raise the skills, competencies and status of representatives, and disseminate and create buy-in to partnership working throughout the organisation.

While the funding application and approval process was taking place, Accord began to introduce the idea of partnership to the representatives and members. The half yearly round of meetings between the union leadership and representatives that took place in that year focussed on partnership. Regional conferences and magazine space were used to communicate further and the regional and national executive committees went through partnership training.

At the biennial delegate conference in the spring of 2008 Andy Hornby announced the company's support for the union membership drive, which included union membership packs being sent out to all new employees with their contract of employment, and an offer that the company would reimburse the first six month's union subscription fee to those who joined one of the unions prior to the start of their employment.

In April the training programme was also announced and pilots began in May. The programme was designed and delivered by the Partnership Institute following a series of focus groups, questionnaires and interviews to determine training needs. A series of pilot training sessions were then delivered involving 37 representatives for the representative only course, and 69 representatives and managers on the joint course. The aim was to develop training that could be rolled out across the company after the funding had ended, and so a 'train the trainer' course was also piloted, and delivered to 23 union trainers.

The result was a three day partnership training course for representatives that was rolled out from November 2008 and was structured as follows:

Day 1	Joint working in a partnership framework	Reps and managers
Day 2	Representing your members in a partnership framework; constructively challenging	Reps
Day 3	Business awareness	Reps

The HBOS employment relations team also developed an e-learning module to prepare those about to undertake the course, and the learning and development team were involved in the design of the train the trainers module.

Since November 2008, 109 representatives and 96 managers have been through the partnership training, delivered by union trainers.

Impacts and Benefits

The partnership was signed in July 2007. By September 2008 Lloyds TSB had announced its proposed acquisition of HBOS. However, even within this relatively short amount of time, the partnership had had considerable impact on the relationship between Accord and Unite, union membership and influence, the company's ability to deliver change effectively and the way in which employees were engaged.

The partnership established by the agreement built on a more informal partnership culture between Halifax and Accord. However, the process of signing the agreement, and the events and actions that were triggered by that process undoubtedly raised the profile and enhanced

the strength of the partnership. Partnership was placed on the agenda of the business leaders in HBOS, and was discussed by the executive committee and board. The general secretary and senior officers in Accord were invited to participate in conferences and events run by the business where managers were able to see the organisation's leaders engaging with the union, helping to build trust and confidence in the union throughout the company.

The vocal support for union membership from the chief executive and leaders, and the offer of subsidised membership subscriptions ensured that 80 per cent of new starters were joining one of the unions in 2008. This helped to contribute to the record rate of recruitment in that year, with 3,500 new members joining Accord between January and July 2008. As a result of the agreement between the two unions, new staff were allocated to one of the unions according to the site at which they were to be based.

The strong support for membership from the leadership of the company also helped legitimise the role of the unions for managers and employees who may have been less sure. Although many senior managers had had contact with the unions and the partnership development and had bought into the process, there were others, particularly in the first tier and middle management of the company, who had not. "The publically positive attitude to membership killed any myths about unions, and immediately impacted on local manager attitudes", said Gwyn Bates.

The agreement between the two unions on their spheres of influence and poaching of members meant that union membership rose as a whole, rather than in one union at the expense of the other. This principle ensured that the agreement fulfilled the ambition of all parties to first and foremost create a partnership between the two unions that would facilitate more streamlined employment relations and a more effective employee voice in the business. Although tensions could occasionally arise, normally at a local level, they were infrequent and quickly resolved.

For the company, the partnership was a way of managing employment relations more effectively. By increasing the number of representatives as well as their skills and competencies, more problems could be dealt with at a workplace level, rather than being escalated up through the organisation. According to the head of employee relations at the time, John Teasdale, this was achieved through partnership, bringing gains in terms of cost efficiency and freeing up managers' time to deal with other issues.

The training programme was a core part of the effort to devolve partnership in the organisation. The survey assessing the impact of the partnership training on the perceptions and attitudes of managers and representatives that were likely to impact on partnership. [G1]Some significant changes were:

Question	2008 results	2009 results
Reps' perception of their contribution being valued and being respected by managers	42%	62%
Reps' trust in managers	18%	46%

Managers' trust in reps	50%	60%
[Reps] I can contribute to developments HBOS and have a say in how things are done	31%	64%
[Managers] Reps can contribute to developments in HBOS and have a say in how things are done	55%	75%
[Reps] I represent my union effectively at meetings	68%	80%
[Managers] Reps represent their union effectively at meetings	22%	60%
[Reps]The partnership training is improving the way reps and managers work together	-	78%
[Managers]The partnership training is improving the way reps and managers work together	-	64%

It would seem that the joint training between managers and representatives has been particularly effective. The representatives interviewed for this study all indicated that the enthusiasm and understanding of managers was crucial to making partnership work. The joint training encouraged a shared understanding of partnership, and facilitated a critical discussion between participants on how they worked. Where partnership was working well, workplace representatives provided vital support to managers, which was particularly important in branches where they might not have immediate access to other managers. For example, in one branch, an experienced representative was able to work closely to advise a new manager. Describing the way in which the representative supported him, he said 'There are certain issues that we have had and have ongoing in this branch where I really use the union a lot, because I want to make sure I'm seen to be fair, and I'm following the right guidelines.' He particularly emphasised the importance of the union and his representative in managing change. This had been very noticeable in the preceding twelve months, since the takeover by Lloyds. He said;

"I see the union very much at the forefront for helping me to implement some very difficult changes. So, an example of that is when the announcement first came out that Lloyds was taking us over,...we had a huge queue of people out the door here...It was almost like a match made in heaven; I was dealing with the customers, and their concerns, and she (the Accord representative) was dealing with the staff and their concerns." Branch manager

The impact of the partnership in helping to manage change was emphasised by managers throughout the organisation. The agreement encouraged the business to involve the union early in decision making, at a strategic, operational and task level. For one senior operational leader, early involvement of the union had been critical to delivering change successfully in HBOS, and getting staff buy-in. The contrast had been apparent since the company had been taken over, and he had experienced trying to implement change in parts of the Lloyds heritage business. A lack of union involvement there had led to a confrontation with the union over new shift patterns, and the union encouraging employees not to sign up to the new rotas. He said; "I just know we wouldn't have had those problems with Accord, we would have just aired the issues

earlier; we would have been talking about those issues at the top of the funnel, not when we were spitting the solutions out at the bottom.”

For the HR and operational managers interviewed for this study, the unions were integral to the way they engaged their workforce. John Teasdale recognised that within a highly unionised organisation, engagement could not be achieved without recourse to the union. He said that, “Colleague engagement needed partnership – and partnership needed colleague engagement. ”The union provided a mechanism for employee voice, particularly after the partnership agreement when the consultation architecture was reinforced and extended. It also gave employees reassurance that they were being treated fairly, and that their efforts would be rewarded accordingly. Both these factors are important for employee engagement. The company did communicate directly with employees, through line managers, team briefings and online communications. But as a senior operational manager interviewed for this study recognised, different employees feel comfortable voicing their grievances and concerns in different ways, and some would always feel safer communicating through an independent representative. As a manager, the important thing was for him to understand those concerns, particularly where they may impact on engagement and performance.

In many ways, the partnership agreement itself is fairly flexible. Other agreements such as the Job Security Agreement are similar to those found in other organisations. But the commitment of all parties to partnership, and the exceptional value placed on the unions by the company, ensured that the unions were able to exert considerable influence. An example of this is the way in which the unions and company managed the displacement of 4,800 jobs in 2008. At the end of 2007 HBOS began a process of reducing costs in response to the changing financial climate. The unions engaged with the company and ensured that a new Job Security Agreement guided the process. Those that were displaced were placed on a central list and prioritised for new vacancies within the company and job search support was given by the company for all those leaving. The result of this process was out of 4,800 job displacements, only 63 employees were made redundant compulsorily, some of which were employees for whom voluntary redundancy was less financially advantageous than compulsory redundancy.

From the perspective of those within the business leading the redundancy process, the unions engaged early, tabled a well informed challenge, and suggested options that the company had not considered. The business acumen of the senior union officials meant that the unions were able to put forward a robust challenge which was valued by the business in confirming that they had considering every option. The consultation period was then used productively to find ways of minimising job displacement and ensuring that those leaving the company were well supported. For example, when one site in the south of England was closed, and all the alternatives had been discussed by the partners, the union persuaded the company to support those leaving the company to find alternative employment by inviting other employers from the area into the site to recruit.

None of those interviewed for this study believed that partnership had compromised the independence of the union; a view echoed in the partnership evaluation survey. Line managers and senior managers argued that the business awareness of union officials meant that if anything, the challenge provided by Accord in negotiations and consultations was much stronger than that which they had experienced from other unions. However, the trust relationship between the union and the company meant that once an agreement had been reached, the union would honour it. This, according to the head of employment relations John Teasdale, was critical to partnership; "You can't have partnership without trust, without unions being informed and able to challenge management."

Partnership brought the union greater access to senior business leaders, which they believed enhanced their influence. As Ged Nichols summarised; "We certainly didn't get our own way all of the time, and we weren't running the organisation. But if modern industrial relations is about influence, rather than the formalities of what happened in the negotiating chamber then I think we had real influence, and I think we used it in a responsible way." Nichols and other senior union officials had strong informal relationships with senior business leaders, but also more structured access opportunities. As the representative of the workforce, Nichols was invited, along with other stakeholders from the City and media, to give feedback on the company following the announcement of the annual results. The company's belief that the union was uniquely able to understand and represent the views of the workforce gave them a voice at the highest level in a company that saw its workforce as key to its success. This example also gives an interesting insight into how a representative structure leading to a single employee voice can make real the idea of employees as stakeholders.

Sustainability

The partnership was implemented at a time of considerable turmoil in the industry, and was designed to help manage change. The financial crisis and the impact of this on the company does not, therefore, inherently threaten the sustainability of the partnership. However, the change of ownership, the presence of another union, and a very different business and industrial relations culture do pose challenges.

In spite of the relatively short time between the signing of the partnership agreement and the takeover of HBOS, considerable efforts were made to embed this way of working and increase the awareness of the partnership throughout the company. The partnership agreement itself was a means of embedding and extending a pre-existing partnership culture and therefore more progress was made towards building a sustainable partnership than might have been the case in an organisation unfamiliar with union involvement and cooperative working. The training programme was particularly important in raising the awareness of partnership and increasing the number of advocates. The continuation of the training through the change of ownership has been effective in continuing to embed partnership.

The training also helped to extend the partnership from a purely strategic agreement to something that would affect day to day operations making it less easy to sweep away with a change of leadership. However, partnership could only succeed in parts of the business where there were union members and representatives, and where managers were members or at least advocates of partnership. Therefore in retail, the partnership worked well, but in certain areas such as corporate banking where union membership was low, the partnership has had a limited impact.

The partnership was strongly associated with the general secretary of Accord, head of employment relations, John Teasdale, and the chief executive, Andy Hornby. The agreement was intended to help protect partnership working against changes in personnel and differing management approaches. Although many of those interviewed did not agree that the partnership was dependent on these individuals, particularly since Hornby and Teasdale have since left the company, they did think that partnership was dependent on a certain culture and leadership style which Nichols, Hornby and Teasdale helped to foster. An open and consultative culture allowed the union to participate and influence effectively, reinforcing the value of partnership to the business and members.

Although the Lloyds Banking Group is a new organisation, there was a different industrial relations background in Lloyds TSB and this could be a challenge to the culture of HBOS which enabled partnership. The way in which change is managed, and the extent to which unions are involved early, and able to consult and respond to changes, will impact on the partnership. Local level partnership in particular is likely to be undermined if managers have less discretion and decision making powers, making representative and employee participation in consultation less important. The relationships between the Lloyds TSB Group Union (LTU), Unite and the Bank have historically been far less cooperative than Accord, Unite and HBOS, and have been conducted in a more negative manner.

The presence of another union outside the partnership also poses a threat. Not bound by any agreement on recruiting members from the other unions, the LTU has attempted to recruit within HBOS. Although this has had minimal success so far, the explicit attacks on the partnership have the potential to damage confidence and morale among Accord members and representatives. Moreover, the value to the business of the partnership in terms of reducing the time and resources spent managing industrial relations is diminished by some of the activities of LTU. From the point of view of the partnership unions, the value of behaving as a partner has also been questioned by some activists who believe that the apparent distrust between the Bank and LTU sets the tone for union-company relations.

Conclusions

By any standards, the partnership between Accord, Unite and HBOS was ambitious and has faced numerous challenges since its inception. But it was a partnership designed to manage change effectively and the strong trust relationship between the business and the unions

enabled much of the change following the takeover by Lloyds to be undertaken in partnership with the unions. The change of ownership and the introduction of managers and decision makers unfamiliar with partnership do threaten the HBOS/Accord/Unite way of working. But Accord and Unite believe that there are still many within the business who appreciate the value it brings and are prepared to defend it.

If the partnership for the unions was primarily about extending their influence in order to promote their members' interests, then the partnership must be seen as a success. HBOS had some of the best reward packages in the industry, job security was taken seriously by the business and workforce issues featured prominently on the board's agenda.ⁱ The unions had access to senior leaders and built the trust, business acumen and legitimacy to ensure that what they said was taken seriously.

The business achieved improved change management by consulting and involving the unions early, and a more cooperative relationship between the two unions made consultation and negotiation easier and less resource intensive. The unions were one of the company's main tools for engaging the workforce and the partnership helped to extend the reach of the unions through increased membership and more effective working at a local level, thereby enhancing engagement.

ⁱ See interview with chairman, Lord Stevenson; "I believe that that the HBOS Board spends more time dealing with issues concerning people than most Boards of companies of our size.", *Accord Magazine*, Issue 52, (Autumn 2007), p. 15