

HRM in the private sector PLCs almost always employ teams of HR specialists to carry out much of their people management work. A substantial HR division or department will exist, headed by a senior director who will often report directly to the chief executive. Companies vary in terms of how powerful their HR directors and HR functions are, but the trend is towards the functions assuming a higher profile. In recent years HR in large PLCs has become increasingly strategic in its orientation, focused on longer – term decision – making and proactively supporting the achievement of key business objectives. Administrative HR work has tended to be delegated to line managers, outsourced or centralized in shared – service arrangements. The same trends can be observed in larger partnerships, but here they tend to be less well advanced, the bigger law firms, for example, have started to set up discrete HR functions in recent years. But HR managers' report to senior partners and often struggle to develop cutting – edge HR strategies of the kind we associate with publicly limited companies. Smaller private Companies, partnerships and sole trading organizations do not in the main have sizeable HR functions. They may employ an HR specialist or two to carry out basic HR tasks (recruitment, payroll, training, and so on), but they do not generally have sufficient numbers of employees to justify the presence of a sophisticated, strategically focused HR department. Such organizations invariably rely on outside help when managing HRM matters. Many nowadays pay for advice from employment law consultancies and outsource their payroll function. They often make extensive use of recruitment consultants and buy in required training as and when they need it. HR managers in smaller organizations thus tend to be generalists, taking responsibility for the full range of standard HR activities we described in Chapter 1 and, often, many other management tasks too. In smaller firms there remains a preference for informality in the way that managers deal with staff (Edwards and Ram 2010). Features of HR practice that are almost standard in larger companies – such as performance appraisal, clear disciplinary procedures, standardized induction programmes, pay spines, pension schemes and written policies on employment matters – are often absent or undeveloped in smaller firms. There are advantages and disadvantages arising from informality. On the positive side, it allows the retention of a family atmosphere which is conducive to effective team working and high levels of job satisfaction. Flexible working is also the norm in an informal employment setting, as is open communication between managers and employees. On the negative side, informality can easily lead to perceptions of unfairness and undue favoritism arising. The absence of clear policies which are generally applied means that one rule does not apply to all. The result is demotivation and reduced job satisfaction. Larger private sector companies, particularly those operating in the knowledge economy, have pioneered most of the new approaches to the management of people that have proved influential in recent years. These have tended to focus on delayering management hierarchies and empowering employees, the aim being to benefit from positive engagement, a willingness to share ideas and the extra effort that can result when a sustained and genuine attempt is made to involve and inspire people. Another major recent trend in the private sector has been a reduced role for trade unions and for collective bargaining as the major means of determining pay and conditions. Trade unions remain a significant presence in transport, mining energy production, construction and in car manufacturing, but across most of the private sector their role is nowadays, at best, marginal. The most recent Workplace Employment Relations Survey (WERS) (conducted in 2011) reported that only

6 % of private sector workplaces use collective bargaining to determine rates of pay , while 49 % of UK workplaces employing more than 25 people have no union members at all , which means a good majority of private sector organizations (Van Wanrooy et al 2013) . This trend has allowed the HR function to revolutionize itself in many organizations, whereas 40 years ago most large companies participated in national – level collective bargaining exercises which set the same terms and conditions for all employees across an industry, it is now more common for pay determination to be individualized. Pay rises are conditional on effective personal performance, other conditions of employment being set by managers without the need for union negotiations. As a result, companies have been able to develop their own distinct HR strategies and to develop employee value propositions (EVPs) which are deliberately distinct from those of their major competitors. The result is considerable competition between employers to attract and retain the best performers. Moreover, as unions have withered away, HR managers have had to find new ways of establishing what employees are really thinking about their employer, we have thus seen much more use of staff survey tools and of upward and downward communication exercises of various kinds.

THE PUBLIC SECTOR The major types of public sector organization are:

- central government departments
- local and regional government organizations
- public service providers
- QUANGOs (quasi – autonomous non – governmental organizations)
- Publicly owned corporations.

These are largely if not wholly funded by the taxpayer. They are also subject to a degree of public accountability, being managed either directly or indirectly by elected officials such as ministers, or the majority group on a local council. In the case of public corporations and some QUANGOs, ministers have no direct day to – day responsibility for their management. Around 20 % of the UK ' s workforce is employed in public sector organizations. There used to be large numbers of public corporations in the UK, but they have almost all now been privatized and have thus become PLCs. However, public corporations remain a major feature of the commercial landscape in many countries. In the UK there are currently three major public corporations: the BBC, the Royal Mail and Network Rail. A fourth, the Bank of England, is technically a publicly owned corporation. In practice, however, despite the extent of its independence, it has become an integral part of government. In recent years governments have sought to encourage public service providers to organize themselves according to commercial principles, not only having to meet government targets, but also having to compete for business with other organizations in internal markets ' and sometimes external markets too. Public sector organizations tend to have large HR functions which carry considerable managerial clout. HR directors are prominent and influential members of most senior executive boards, enabling them to insist that good HR practice is followed, particularly in respect of legal compliance. HR divisions carry out a wide range of tasks, specialists often being employed to work alongside generalists and to head up recruitment, employment relations, reward management and HRD departments. In recent years, as in larger private sector organizations, moves have been made to make HR more business – focused, more strategic in its activities and less cautious in its approach, but older styles still survive and thrive in many places. As a result, HR practice in the public sector is often criticized by other functions for being a touch old – fashioned, overly bureaucratic in its approach and limited in terms of the value that it adds. In recent years the major pressures faced by HR managers working in the public

sector have derived from the recent recession and the subsequent need to reduce public spending in order to reduce the government's financial deficit. This has led to recruitment freezes, extensive reorganizations and to many thousands of redundancies. The HR function is not generally classed by ministers as providing any kind of front – line service and so has been a major target for savings itself. In the process a lot of fat has had to be cut, which has resulted in less bureaucracy, more use of outsourcing arrangements and slimmer HR departments. There are a number of features which differentiate HRM in public sector organizations from that which prevails across most of the private sector, First, as Bach (2010, p563) points out employment decisions are subject to levels of public accountability and transparency that arise from the government's role as a custodian of public funds'. This inevitably means that a reasonably high standard of management practice has to be observed. People have to be treated with respect and fairness. This tends to be achieved by having in place quite detailed written policies that have to be followed by everyone without exception. There is thus less room for spontaneity in people management than is the case in the private sector and much less opportunity for maverick managers to develop innovative approaches that differ from the norm. HR managers in the public sector tend to be keener than their private sector counterparts to avoid employment tribunal proceedings and are not in a position simply to pay people off with lump sums in order to ensure that cases are not lodged. The result is a tendency towards bureaucracy and much less freedom of manoeuvre for line managers in terms of how they go about leading their teams. Another distinguishing feature of HRM in the public sector is the continued presence of trade unions. Membership levels vary greatly, but there has not been anything like the decline that has characterized the experience of private Companies and PLCs in recent years and the 2011 Workplace Employment Relations Survey found that 57 % of public sector employees are members of a trade union (Van Wanrooy et al 2013). Despite attempts by Successive governments to introduce performance – related pay and decentralized bargaining arrangements, national pay scales still survive across many of the public services. The amount each person is paid thus owes much more to how their job is graded than it does to their individual performance in that job. This means that managers have fewer levers to use in order to motivate their staff and hence exercise less Control. If someone is not suitable for promotion, little can be done to motivate them extrinsically. Pay scales are also transparent, everyone effectively knowing what all their colleagues at all levels are paid in relation to them, ' Trade unions also have the right to be consulted on employment – related matters and can be intransigent in their dealings with managers. Low – trust employment relations climates thus often prevail, which tends to make HR managers rather more cautious in their approach than is the case in many private sector organizations. The Third Sector: This comprises organizations that do not fit either into the public sector or private sector categories. They are either · co – operatives · campaigning organizations or pressure groups · charities · controlled by boards of trustees and are subject to the law of trust Or · are chartered bodies such as universities and professional bodies These organizations are run on a not – for – profit basis and are neither subject to direct government control nor to company law. In some countries the terms community sector and civic sector ' are more commonly used to describe the third sector, HR varies vastly across the third sector organizations. In some it is well resourced and operates very much as it does in a large

PLC or public sector organization. Resources, however, are often a problem, particularly in charities and in smaller campaigning organizations. Here HR tends to have quite a peripheral role, is not represented on the senior management team and carries out what are essentially basic, administrative activities. HR practices therefore tend to lack sophistication and there is little opportunity for HR managers to add significant strategic value. Developing a more sophisticated, commercially minded approach to HR has thus tended to preoccupy senior HR people working in the third sector in recent years, Kelleher and Party (2011), drawing on analysis of the data on voluntary organizations collected for the 2004 Workplace Employment Relations Survey, conclude that there have been major attempts in recent years to professionalism HRM in the sector and that these have had considerable success. In particular they found evidence of increased use of formal performance management mechanisms, employee welfare programmes, written policies of various kinds and employee involvement initiatives, interestingly they conclude that the model the voluntary bodies tend to imitate is closer to that of the public sector than to the private sector's commercially oriented alternative. This, they think, is because government and particularly local government, exercises a growing and profound influence over the third sector, Voluntary organizations are increasingly involved in contracting for services that are either wholly or partially publicly funded. They do not secure these contracts unless they are able to satisfy public bodies that they operate the same high standards of HRM practice. James (2011) agrees with this analysis, but argues that reductions in available resources in more recent years are forcing voluntary sector organizations to downgrade HRM standards again, reducing pay and conditions in order to secure public Contracts.