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Human Resource Policy and Practice in a Devolved Structure: A Failed Experiment or the Way of the Future

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Abstract

Much has been written on changes in the public sector human resources (HR) function in recent years. It might be expected from the literature that the role of HR as a leader of change has been resolved. HR should have completed the transformation from administrator of staff needs to strategic facilitator over the last twenty-five years, but the reality is that in many organisations the HR function is still grappling with the changing role.

This study found that the HR function in local government is poorly equipped to drive change and support line managers seeking to achieve higher organisational performance. HR is still bogged down in its traditional personnel management role and struggles to develop the HR expertise amongst managers that is needed to achieve the promises made in the 'excellence' literature so many years ago.

Introduction – Human Resource Management in Contemporary Local Government

In 1998 the Local Government Association (LGA), the Employers' Organisation for Local Government (LGEO) and the Improvement and Development Agency (IDEA) produced, in consultation with local authorities, a national framework for Human Resource Management in local government (IDEA/DETR, 2000). The purpose of the Framework is to reflect the HR needs of local authorities but not to propose tasks at the national level that are more effectively undertaken locally (DETR, 2001).

The framework relies upon reports of successful adoption of certain approaches to HR in organisations to validate its message that successful organisations adopt a strategic approach to people management (Diamond, 2001). The Framework suggests that the practice of strategic H.R.M has a clear business benefit and can effect or sustain significant organisational performance through alignment of HRM and Organisational Strategy (Cunningham and Hyman, 1995, 1997; Tamkin, Barber and Dench, 1997).

This approach to human resource management (HRM) is shared by other guidance coming to local authorities from central government, such as that from the Department of the Environment and Transport (DETR, 1998). This advice promotes the importance of a well-trained and motivated workforce for the delivery of high quality services and the role of HRM in achieving continuous improvement. Various quality standards have been recommended to authorities in support of a strategic approach to HRM and Best Value (BV), which support a developmental approach to staff management seeking to engage people and obtain their commitment (Stoker, 1999). New public management in many council's, however, has been interpreted as less developmental and more objective driven in seeking a culture of service excellence, continuous improvement and innovation. Getting a positive outcome in obtaining BV services requires a blend between the objectives driven and cost-effectiveness sought by new public management (NPM) and the commitment driven approach of HRM if local council managers are going to effectively support new services and new working arrangements (DETR, 1998; DTLR, 2001). The Labour government has offered not only guidance but also legislative pointers to the sort of employment relationship local authorities have with their employees, and the sort of management style required in local government to sustain that relationship (Finlayson, 2003). Since 1997 a host of new regulations have been introduced which significantly increase the legal obligations of local government and commercial employers towards their employees (Lowndes, 1999). These regulations make it

important for authorities to consider the legal and contractual implications relating to the workforce when approaching Best Value or other potential changes.

Making Line Managers Lead on HRM

The objectives of both HRM and NPM are to focus the role of line management on the task of improving organisational performance through people. This approach seemed to integrate well with the right to manage arguments of the Conservative government and the cost-centre approach to financial control, which produced decentralized and devolved council structures in the 1980s (Tamkin, Barber and Dench, 1997; Keen and Scase, 1998). The Conservative ambition that council services should mirror the claimed efficiencies of the employment relationship and working environment in the commercial sector, where line managers were thought to drive people management issues, also fitted in well with the introduction of HRM to local government (Keen and Scase, 1998). The arguments deployed also met the objectives of the Labour government of 1997 and after, that HRM in local government should be led by line managers (Diamond, 2001). Two problems arise from the assumption of Conservative and Labour governments. Firstly, the inherent contradictions that exist between the objectives of NPM and HRM (Newman, 2001). Secondly, the loss of political accountability as managers in local authorities are refocused away from the needs of the local electorate as consumers; and, towards that of quasi-commercial manager while the political leadership is drawn to community governance (Clarke, 2004). A further pressure on local government managers through the modernisation of local government is the greater involvement of Councillors in the quality and quantity of services and greater contact between service providers and the local electorate. Local government managers, therefore, need to deal with the contradictions in their role and the different pressures of NPM and HRM within a political and a public arena (LGA, DTLR, HO, CRE, 2002).

The Contribution of HRM

It is clear that the traditionally pragmatic approach to industrial relations and personnel management, associated with the centralized command and control of local councils, was responsible for many of the failures of local government organisations, in the past (Cunninham and Hyman, 1999). There have been numerous changes in the world of human resources management (HRM) in local government in the past few years, with the function becoming intimately connected with helping the council achieve higher performance through the greater involvement of line managers. HR Departments are now more pro-active in support of managers whereas in the past they were forced into being reactive to the pressures they were experiencing (Keen and Scase, 1998). It seems premature to suggest that the reactive days have gone, when so many councils are still struggling to achieve a satisfactory level of performance. Much depends on the ability of local government managers to achieve a satisfactory balance between the demands of HRM and NPM, and accept their role as people managers working with the hr department to improve staff performance and develop new ways of working (Diamond, 2001). The HR Department in councils, these days, is under pressure to prove its contribution to the bottom line of the organisation, it needed to raise its profile and be seen to add value. This meant moving away from much of the day to day workload of, effectively, people management, the true responsibility of line managers, to become more strategic and help shape the organisation (Cunninham and Hyman, 1999).

The transition has been far from easy with pressures on HR to carry on doing what it is doing from both within itself and from the line based on the comfort of the familiar.

The line managers in many councils have also displayed much reluctance too assume their responsibilities under HRM. The line can feel very pressured, and be unwilling to take on additional responsibility, especially responsibility that is frequently uncomfortable and where there has traditionally been the comfort of HR being there to accept the blame when things go wrong (Newman, 2001).

The Findings of the Case Study and Analysis of the Results

Introduction

This study approached a sample of local councils approached at random. Sufficient numbers were approached to ensure that the study sample would be representative of the entire population of local authorities. Out of the 388 local authorities in England a total of 163 responded to the postal survey sent to them being a return rate of 42%. The postal survey asked the head or director of human resources to form a view on who lead on specific areas of the HR function within his or her council, line managers or HR. A series of interviews with 10 heads of HR and 10 line managers from different councils, carried out by telephone, examined in detail the interviewees reaction to the overall findings of the survey and explored the relationship between the HR Department and line managers in more detail.

Local Government in England

Local Government Organisations in England in 1999		Local Councils Surveyed as a Percentage	
69 (100%)	London Boroughs and Metropolitan Authorities	23 (33%)	London Boroughs and Metropolitan Authorities
47 (100%)	English Shire Unitary Authorities	7 (15%)	English Unitary Authorities
Two-Tier Authorities			
34 (100%)	County Councils	26 (76%)	County Councils
238 (100%)	District Councils	107 (45%)	District Councils
388 Local Authorities in England in Total 163 (42%) Surveyed			

Findings of the Survey

This section presents questionnaire information on the structure of local councils with an emphasis on the placement of HR units. The questionnaire explanatory notes ask respondents to state whether their council is multi-sited or single-sited establishments referring to the main administrative offices of the council. This restriction was designed to identify multi-divisional forms of organisation and any influence structure may have on HR practice.

Would you describe the HR function in your organisation, currently, as?

Centralised	67
Decentralised	18
Combination of Control	78

Respondents identified their HR function as being, in the main, a combination of central and decentralised. It is worthy of note that these combination HR authorities are County Councils, Unitary or Metropolitan authorities, large enough to gain benefits from HR practioners being closer to operational managers. The size of the establishments has encouraged HR staff being decentralised due to operational managers being placed so far, both hierachically and geographically from the centre of the organisation. The economies of scale apply to these organizations. The span

of control of central HR staff is limited to those departmental managers within easy communication. Managers further away from the centre in the organisations structure are not so easily reached. Decentralised HR staff have the additional benefit of being based in service departments where they can develop a HR perspective entirely grounded in the culture, function and even legislation and statutory duties relevant to that service area. The centralised HR functions described in 67 of the surveyed organisations apply entirely to the middle and lower ranks of district authorities. Oddly perhaps the lowest level of district local authority is also characterised by being totally decentralised with little or no strategic core, just a HR Manager working across the authority with administrative/secretarial support in each department, directorate or functional area.

Is your organisation managed from its centre, is management devolved or is the organisation managed by a combination of the centre and devolved?

Central	40
Devolved	9
Mix	114

In terms of management control, the majority of authorities surveyed describe the managerial control of the authority as being characteristic of HRM in terms of a mix of stategic centre and devolved operational management combining to achieve agreed and set organisational objectives. Six smaller authoritities and one county council stated that they had totally devolved structures for management purposes with a very small organisational core. These authorities had been run by Conservative administrations previously and seemed to have retained a strong strategic/operational split. The trades union presence in these authorities varied from none existence to minimal.

HR functions performed by Central HR, Line Managers and Others
(Percentage of Councils Identifying where Responsibilities for Functions Lie)

Function	Human Resources	Line Managers	Combination	Other	Total
Training and Development					
Identify individual staff development needs	11	35	53	1	100%
Staff Appraisal	1	72	24	3	100%
Staff Performance Review (linked to pay)	3	59	35	3	100%
Identify staff training needs as a group	10	21	69	0	100%
Recruitment					
Recruitment Selection	21	38	40	1	100%
Recruitment Administration	43	20	13	24	100%
Terms and conditions of service advice to staff (eg maternity rights)	50	24	23	3	100%

Employee Relations					
Redundancy and other Dismissals	76	13	10	1	100%
Handling Grievances	52	34	13	1	100%
Controlling Sickness Absence	50	24	23	3	100%
Dealing with local trades union representatives	33	23	43	1	100%
Dealing with full-time trades union representatives	77	6	15	2	100%
Specialist Areas of People Management					
Job Evaluation	62	6	29	3	100%
Health and Safety	48	17	20	15	100%
Welfare	36	10	39	15	100%
Occupational Health	48	5	5	42	100%
Equal Opportunities	40	15	39	6	100%
HR Strategy Development	45	6	48	1	100%

As the table shown above states, the most common role played in relation to generalist HR tasks was that HR staff make decisions in conjunction with line managers. This was the norm in 9 out of the 12 general HR functions listed. This joint approach attracted more responses than any single alternative, that is that HR staff or line managers had sole responsibility for decision-making. The exceptions were that managers took responsibility for appraisals and pay related performance review and HR staff took overall responsibility for redundancies and other dismissals. This data, then, suggests that while it is least common for personnel professionals to make operational decisions independently, it is most common for them to share tasks and joint decision making with the line. In industrial relations issues a combination approach was again the most popular, even when dealing with full-time union officials, however this accounted for consultation on change issues and other business related matters at a non-contentious stage of the process, or dealing with matters related to individual staff members. Managers avoided direct personal contact with full-time officials without an HR representative present, especially on contentious issues. Managers avoided, and were excluded from collective-bargaining issues, formal negotiations, and the handling of final stages in the use of formal industrial or employee relations procedures. Examples of their involvement in employee relations procedures is shown in the degree of combined and HR control over absence and grievance management.

The table above also shows the degree of involvement of line managers in the selection part of the recruitment process. While some authorities have chosen to outsource elements of their recruitment administration, advertising and selection testing, rarely do line managers surrender the right to select their own staff, even if

an HR presence is required at the selection stage, as is the case in many authorities. While many smaller authorities have retained a centralised recruitment function due to the economies of scale, others have sought to negotiate shared arrangements for recruiting staff, with other authorities in close proximity, in the form of a recruitment bureau in order to reduce their own costs.

Discussion

Decentralisation in Local Government Organisations and the impact on HR, and HR specialists

There is considerable evidence, from the survey and interviews, to suggest that the divisional form of organisation, as opposed to the traditional local council functional form is now the most common model. Associated with this change has been an emphasis, in many organisations, on the decentralisation of authority to divisions/business units and away from the corporate centre, with many councils referring to themselves as decentralised. However, as the interviewees reveal, there are considerable differences in the degree of HR autonomy which individual business units have gained, and the HR related financial controls to which they are subject by the centre. Indeed, such a variety of arrangements are subsumed under the title of decentralisation that it defies definition.

The interviewees believe that in the majority of councils individual business units are set HR performance objectives, with a degree of autonomy about how these are achieved. They are also often set specific budget targets, staffing levels, job grading levels, absence levels, and a variety of other targets to meet, which effectively means that they may have less autonomy. It is clear that in council's decentralisation of the HR structure is not necessarily associated with the decentralisation of genuine discretion in HR issues, which suggests to the interviewees, that in these councils decentralisation does not necessarily reduce the central control of the HR Department. While divisionalisation and decentralisation has been introduced to councils to increase efficiency and performance, because, according to the interviewees, HR activity in the business units is closely related, and, on occasion, governed by collective agreements, there is a continuing pressure to centralise.

There is also, due to the expertise held by the HR Department in employment law and procedure, difficulty in the separation of strategy from operations. While often in decentralised organisations the centre is concerned with strategic issues (in terms of portfolio planning and management) while the businesses units involve themselves in operations, in HR in local government this is not always the case.

It is generally regarded amongst the interviewees that, from an operational perspective, a major advantage of decentralisation is that it encourages local ownership of issues, however, the central HR Departments concerns with comparability of treatment and equality and the collective nature of local council employment relations undermines this ownership. In part, this ownership by local business managers is further undermined by their focus on dealing with short-term HR pressures and issues rather than any long-term strategic corporate initiatives.

As the table above shows, there is a fine balance, which needs to be struck between divisional flexibility and the degree of corporate integration, if managers are to achieve ownership of HR issues while not losing input to corporate HR strategy.

Getting the Balance Right

Decentralisation has profound implications for HRM and in particular for strategic HRM. The argument of the majority of interviewees is that the manager of the devolved business unit is accountable for unit performance and, therefore, must have some control over the factors that will influence that performance, including direct control over their staff and resources. This means that operational managers need to have a human resources function located within their division and an increased level of knowledge on HR issues amongst line managers. The transfer of HR staff from the centre to business units should support a greater degree of devolution and decentralisation, leaving a small central HR function with no involvement in the operational HR field. The experience of HR staff, from those interviewed, based in council business units shows that such roles do offer the opportunity for them to become more widely involved in the management of the business, and improves, in the eyes of managers the legitimacy and relevance of HR. However, decentralisation rarely makes the HR function leaner and fitter, as the interviewees in this study evidence, duplication of activities and the employment of an increasing number of HR staff has been the usual outcome of devolution and decentralisation. Decentralisation provides some new opportunities for HR specialists to become more deeply involved in the business, but at an operational rather than a strategic level, where often additional HR experts are recruited. Rarely though, it seems, does the split between strategy at the centre and operations in the business, appears to be a functioning reality.

Perspectives on Decentralisation in the Human Resources Function

The interviewees account of the extent to which local councils have devolved responsibility for human resource depends on whether or not HR issues have been decentralised to an HR unit at departmental level, or straight to line managers.

HR decentralisation is important as it has an influence on the extent to which the business unit has a co-ordinated and consistent approach to human resources management, and reflects on the level of ownership of human resource issues. Managers interviewed for this study feel more ownership if there is a local HR unit although they also feel that such a feeling depend upon how compliant their local HR staff are to their wishes. To some extent the compliance of local HR staff to managers wishes relies on where the boundaries between the role of the business HR unit and the central HR unit lay. Some business managers by-passed their unit HR and went directly to the centre if they believed their own unit lacked the expertise or if their opinion or decision would be countermanded by the centre.

Any lack of clarity, according to the interviewees, resulted in the duplication of some activities and a degree of conflict arising from such ambiguity, often focussing on the role of corporate HR staff.

The views of the heads of HR were clear, that their role was to drive the corporate change programme, set standards, carry out benchmarking, and take the responsibility for time-consuming HR projects and ensure unit level HR teams followed corporate policy and procedures. The business unit managers interviewed acknowledged the centre's role in HR policy, but felt that since HRM was a shared function in contemporary local government, there needs to be a far higher level of consultation with the business units and unit level HR staff.

The cost of the central HR function, often a subject debated in the era of compulsory competitive tendering, still exercises the minds of business managers today. The interviewees from management all were aware of debates in their councils about the cost of central HR, who the majority believed, should act as internal consultants providing expertise and guidance or be outsourced or done away with. Both these expectations appeared to be unmet at present. The interviewees from HR and the line both agreed that the advantages of decentralised HR were seen in the speed of response and the ability to focus on the needs of the business. However, both sides realised the reality of life for the local HR staff pulled in two directions between the business managers and the needs of central HR.

The HR interviewees all stated that the dilemma was the local HR staff's need to compromise professional standards for operational expediency on occasion when managers wished to make change quicly or remove troublesome staff'.

Both sets of interviewees disagreed with the idea of altering the reporting relationships of the unit HR staff from the head of the business unit to central HR, rather predictably, and the unsatisfactory compromise of a dotted line relationship was offered by both sides of interviewees as a way of linking the unit HR staff to HR in the centre. This was considered by the heads of HR to be better than no relationship at all which was often the case in their experience of local government.

It was recognised by the heads of HR that if HR in business units were to report to central HR this would constitute the failure of decentralisation in the council but a minority of the group believed that if, as a result, the HR centre had become isolated this to would constitute a failure.

The charge raised by the management interviewees that the heads of HR were distance from operational reality was noted by the heads of HR and this was attributed by the managers to a general lack of communication and consultation over why corporate HR policies sought to achieve the objectives they did, which were seen by the business managers interviewed to be unrealistic and not related to business needs.

Re-aligning Human Resource Practice and Practitioners

To achieve true change in the HR profession in pursuit of alignment with the needs of line managers in devolved structures the HR function and its staff need to achieve the following competencies identified by the heads of HR and line managers interviewed.

Business Understanding - HR needs to know the operational and strategic aspects of the local government business in its entirety, identifying customers, products, markets, trends, partners, pressures, performance criteria, quality and stakeholder's and their profile and mission

Financial acumen - HR should translate into negotiating deals and partnerships that are financially beneficial for the organisation.

Strategic Thinking - Designing, creating and implementing people strategies that have a long term and fundamental impact on institution building are a part of strategic thinking.

Partnering - HR as a "partner" with line managers building a successful local

government business together. HR needs to be a function which can provide the edge through understanding the dynamics of labour market and trends and insights into what best motivates the people in the organisation.

Organisation Design and Architecture - HR as holder of skills and abilities covering organisation structure, people mobility, succession strategy and knowledge management at organisational level.

Job Analysis - HR with in depth understanding of the jobs carried out by different people, and can build very effective recruitment, performance management and compensation & rewards strategies.

Ambassador - HR as an ambassador for the organisation with the capacity to effectively influence potential employees, partners, customers and other business referrals.

Human Capital Analysis - HR devising indices and metrics for measurement and improvement of performance, merit, compensation and talent. In order to attract the and retain the best talent HR has to devise parameters and indices for performance, employee satisfaction, market value of the employee, and design monetary and other retention strategies.

Conclusion

From this review we see some key tensions for the HR function in devolution that councils are still seeking to resolve. The line managers are frequently unwilling to assume any greater responsibility, or accept a role that is obviously difficult and frequently contentious. Also, where there is less direct power from the centre, this puts the HR function in a position of asking line managers permission to act. Where the standing of HR is high, then influence can be strong; where the function is more peripheral and not well thought of, influence can be minimal. The market nature within which some units operate adds a further barrier to meaningful partnership and will continue to do so unless there is a stronger identification between HR and managers through re-alignment and adoption of the competencies shown above. Increasing devolvement to the line and the adoption of a business partnership model where the primary role of HR is to support the line, but are deemed by the line to offer a more relevant outlook, means that the function retains its strategic role but draws the meaning of this role more from line and operational managers needs that corporate needs. Inevitably the horizon of the line tends towards the immediate issue, whereas a strategic role requires a more long-term perspective and the gap between these perspectives and the reality of the political environment of local government needs to be considered.

However, as units devolve, or these days are outsourced in many councils, the centre with its political notions of HR's role, become increasingly isolated and are seen by the interviewees, both heads of HR and managers as peripheral. If the trend of devolution or outsourcing of central HR continues, then it may be that what the interviewees have seen happen to the centre in some organisations could happen to all local government where if HR does not become a business partner, the HR support unit may be seen to be redundant.

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