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Public sector restructuring and the re-regulation of industrial relations: the three-decade project of privatisation, liberalisation and marketisation in Royal Mail

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ABSTRACT

The British postal service, Royal Mail, was privatised in 2013, following failed attempts at divestiture in 1994 and 2009. This article analyses processes of marketisation, liberalisation and privatisation, highlighting how strong workplace-centred union presence allowed for considerable influence and bargaining gains within such highly sensitive political projects of restructuring.

1 INTRODUCTION

Following five hundred years in public ownership and attempted privatisations in 1994 and 2009, Royal Mail, the British postal service, was privatised by the Conservative–Liberal Democrat coalition in 2013 (Parker, 2014). Nationalisation and privatisation remain contested forms of ownership, as seen with the Labour Party’s 2017 election commitment to bring Royal Mail back into public ownership; therefore, more research on the characteristics and nature of industrial relations in organisations under different forms of ownership is required. Studies of the postal service have contributed significantly to the historical development of public sector-focused industrial relation literature (e.g. Batstone et al., 1984). From the late 1980s, industrial relations in Royal Mail became increasingly conflictual (Darlington, 1993; Gall, 2003), wide-ranging human resource management interventions were introduced (Beale, 2003; Martinez Lucio et al., 1997; 2000a; 2000b), followed by liberalisation and active state promotion of competition since 2006 (Beale and Mustchin, 2014; Beirne, 2013), and ultimately, privatisation through share divestment. These developments have impacted markedly on work and the labour process, but union influence, particularly at the level of the workplace, has remained comparatively strong in Royal Mail. This compares starkly with the highly precarious, low paid and weakly regulated employment typically generated by competitors, which increases market-driven and regulatory pressure on the established model of employment and industrial relations in the former state corporation.

This article draws on qualitative research conducted between 2009 and 2016 to explore how marketisation, liberalisation and privatisation have impacted on industrial relations and the labour process in Royal Mail. This raises wider questions about the impact of market competition, state-regulated market creation and the prioritisation of shareholder interests on industrial relations and the labour process, demonstrating tensions between strategies of labour cost minimisation competing with those focused on quality and maintaining ‘decent’ employment conditions (Schulten and Brandt, 2014: 137). The wider question of how sustainable the latter form of employment relationship is given market and shareholder pressures on employers (Thompson, 2013) is also addressed. The case highlights new forms of conflict building on longstanding employee resistance to management interventions and restructuring. Particular political contingencies (Ferner and Colling,

1991) associated with the privatisation ‘project’ allowed for significant capacity for labour to mediate the impact of these changes.

2 PRIVATISATION, LIBERALISATION, MARKETISATION AND INDUSTRIAL RELATIONS

Advocacy of privatisation is typically premised on beliefs that private owners convey greater efficiency incentives to managers and workers than ministries, have increased access to capital investment and capacity to innovate and that labour costs are excessive in public corporations (Florio, 2006:179). Three main forms of privatisation include the following: formal privatisations, or changes to the legal form of an organisation without the sale of shares, freeing companies from administrative or budgetary constraints; substantial privatisations, or the complete or partial sale of state-owned enterprises; and functional privatisations, concerning contracting out and the execution of formerly public responsibilities by private companies (Zohlnhöfer et al., 2008: 97). Related but distinct processes include liberalisation, where public monopolies are abolished with the state encouraging competing providers, and marketisation, where market elements are introduced as part of internal reorganisation (as seen within New Public Management) but without explicit facilitation of competition from alternative providers (Hermann and Verhoest, 2014: 7–9).

Globally, privatisation proceeds peaked in the 1990s in the context of mass restructuring in the former Soviet Union and China, pressures on national governments in the EU deriving from the Maastricht criteria and the promotion of privatisation in developing countries by transnational institutions such as the World Bank and International Monetary Fund (e.g. Kikeri and Kolo, 2005). Britain was an enthusiastic early adopter of mass privatisation; numbers employed in industries privatised after 1979 (chiefly utilities, telecommunications, energy, manufacturing and transport) fell by 800,000 or 60 per cent in the period up to 1996; 638,000 of these jobs were lost between 1979 and privatisation itself (Florio, 2006:184–186). This era of substantial privatisations was followed by an emphasis on functional privatisation during the 1997–2010 New Labour governments; public–private partnerships in health, local government and infrastructure development demonstrated notable continuity with their Conservative predecessors (e.g. Shaoul, 2011). Since 2010, Conservative-led governments have accelerated and deepened these processes of privatisation and marketisation; in Jessop’s periodisation of the post-1979 period, their approach was characterised as ‘radical Thatcherism redux’ (Jessop, 2015: 23). Further privatisations and public sector job cuts were implemented under the auspices of balancing the budget deficit and premised on an ideological conviction that public sector employment has the effect of ‘crowding out’ the private sector, necessitating a reduction in the size and role of the state (Grimshaw and Rubery, 2012:120).

The Royal Mail is the largest substantial privatisation of the post-2010 period; further education colleges were formally privatised, and functional privatisation was expanded in health, education, the civil service, justice and law enforcement including the probation service and local government. Attempts had been made to privatise state agencies including the Land Registry and the Forestry Commission, and the emphasis on public agencies attracting commercial income has increased. Attempts to privatise the Royal Mail had been made in 1994 and 2009; the former failed due to widespread political opposition including from within the Conservative Party, and the latter failed due to opposition from unions, sections of the Labour Party and failure to find a buyer in the aftermath of the financial crisis (Beirne, 2013; Gall, 2003). The 2013 privatisation was pushed through by a government that ‘used the economic crisis to establish a pro-austerity frame that has legitimated deep cuts in public sector employment and involved measures to refashion public sector employment relations.’ (Bach, 2016: 13).

The impact of privatisation on industrial relations has varied considerably. Following privatisation, some managements adopted more confrontational approaches to their workforces, whereas others maintained institutional aspects of their industrial relations practices. In some privatised industries, pay improved due to new technology, productivity increases and freedom from Treasury control (Pendleton, 1997). Three key changes salient to industrial relations following privatisation include the following: reduced political control and the refashioning of the privatised organisation's relationship with the state, prioritisation of shareholder interests rather than those of 'political masters' and new forms of regulation, including arms-length regulatory agencies (Ferner and Colling, 1991:393). Liberalisation and market creation in formerly public industries present two main strategic options for employers; they can compete on the basis of quality, innovation, productivity increases and maintaining a motivated workforce with decent terms and conditions of employment, or alternatively, they can compete on labour costs through, for example, casualisation, bogus self-employment and low wages supported by state subsidies (Schulten and Brandt, 2014: 137).

The disconnected capitalism thesis (Thompson, 2003) highlights an increasingly financialised political economy privileging shareholder value within growth strategies involving 'squeezing of labour and more active management of corporate assets, manifested in delayering, disaggregation, downsizing and divestment.' (Thompson, 2013: 473). These pressures are likely to promote work intensification, reduced job security, downward pressures on pay and reward and controlling, neo-Taylorist management strategies rather than 'best practice' or high-performance work system models, with their rhetorical aspirations of encouraging autonomy, human capital development and participation (Thompson, 2013: 478–480). Market conditions and shareholder concerns in privatised organisations within liberalised sectors present major challenges to 'traditional' forms of relatively well-regulated public sector-style employment, meaning competition on the basis of labour costs becomes more likely. However, political dynamics, new forms of regulation and the relatively resilient nature of public sector trade unions remain influential; the agency of institutions and organised labour within restructuring processes are sometimes understated despite the capacity of labour to influence how 'external, economic imperatives for change are politically mediated and represented.' (Martinez Lucio et al., 1997:268)

3 LIBERALISATION, PRIVATISATION, INDUSTRIAL RELATIONS AND THE LABOUR PROCESS IN POSTAL SERVICES

Reforms of postal services in Europe since the 1980s were initially concerned with the fragmented nature of postal regulation and standards across Europe. The first EU Postal Directive in 1998 sought to harmonise standards and introduce competition. While remaining neutral on questions of ownership, the prohibition of state subsidies for public corporations and the stringencies of the Maastricht criteria led many EU states to implement privatisation. The 2002 Second Postal Directive opened up services to greater competition, to be enforced by national regulatory agencies monitoring market conditions and universal service obligations (commitments to ensure access to postal services for all). Britain introduced the directive relatively early in 2006, but introduction was delayed until 2011 in France, 2008 and 2009 in Germany and the Netherlands, respectively, and as late as 2013 in some cases (Hermann, 2011: 255–6).

Employment levels, conditions and union coverage have generally deteriorated following liberalisation, notably in states with relatively strong labour market regulation. In Germany, the Ver.di union negotiated a long-term agreement protecting employment following the privatisation of Deutsche Post, but soon after it elapsed in 2008, the government introduced a minimum wage for postal services as new market entrants engaged the majority of their workforce as self-employed and therefore covered by neither sectoral agreements nor labour law (Brandt and Hermann, 2014: 67).

Postal operators in liberalised markets have squeezed labour costs through outsourcing, reduced employment levels, lower wages and casualisation. Large organisations have benefited most from liberalisation through negotiating lower rates for bulk mail, but individuals and small organisations typically suffer from reduced service provision and higher prices (Hermann, 2011: 269). Work intensification has accompanied marketisation processes elsewhere in the public sector (e.g. Carter et al., 2013) and has been prominent in formerly nationalised postal services. The use of GPS systems to monitor delivery drivers along with automated mail-sorting processes demonstrate increasing levels of management control over the labour process with work simultaneously more demanding and more monotonous (Hermann et al., 2008). Market conditions dominated by competition on the basis of labour costs make strategies focused on quality, innovation and decent terms and conditions of employment increasingly difficult to sustain, in line with Thompson's (2003, 2013) argument.

Marketisation, as a precursor to liberalisation and privatisation, has been a longstanding feature of organisational change in Royal Mail. Between 1961 and 1978, Royal Mail adopted commercial-style accounting practices, or 'market proxies' seeking to run the organisation like a private firm including obligations to meet financial targets and a required rate of return on investment (Batstone et al., 1984). Since the 1980s, the government's prohibition of borrowing or reinvesting surpluses placed pressure on labour costs, which led to increased use of part-time workers, casual staff and technological replacement of workers (Gall, 2003: 37–38). New HR practices were introduced and met resistance; strikes took place in 1988 against team briefings (Beale, 2003) and, in 1996, against attempts to impose teamworking (Martinez Lucio et al., 2000b). Attempts to introduce total quality management-inspired working groups were also opposed initially (Darlington, 1993). During the 1990s, such practices expanded with the use of employee opinion surveys, direct communications with staff regarding business conditions, video presentations and the formalising of team briefings. Opposition and cynicism from the workforce arose as these initiatives were associated with attempts to marginalise the union, reduce staffing and erode employee control over work organisation as a precursor to privatisation, but some degree of engagement with these initiatives emerged (Martinez Lucio et al., 1997: 279). The union leadership in the 1990s advocated 'social partnership' but strong opposition from the membership led to new officials being elected (Gall, 2003: 246).

Opposition to these managerially driven changes was catalysed by their association with attempts to prepare Royal Mail for privatisation (Martinez Lucio et al., 2000b). Union representation remained resilient with approximately 90 per cent of Royal Mail staff unionised, strong workplace organisation and once-new management practices largely neutralised as a threat to established industrial relations practices (Beale and Mustchin, 2014). Despite this enduring adversarial climate, major changes involving new technology, closure of mail centres and quality programmes such as the World Class Mail initiative have been implemented with union agreement and cooperation over the last decade (Beirne, 2013). Royal Mail was privatised at the third attempt in 2013; the Postal Services Act 2011 allowed for sale of up to ninety per cent of shares in Royal Mail, the specialised regulator Postcomm to be replaced by the existing communications regulator (Ofcom), the in-deficit pension fund to be effectively nationalised and to allow greater access to private capital investment. It was also defended by ministers as a means of reducing government debt. Shares were distributed among a wide range of financial institutions including investment banks, sovereign wealth, pension and hedge funds, along with the establishment of employee-owned shares.

Ownership change (Pendleton, 1997), the increasing prominence of shareholder interests (Thompson, 2013), processes of market creation (Hermann, 2011), regulatory change (Hermann and Verhoest, 2014) and political contingency (Ferner and Colling, 1991) all have a major influence on industrial relations and the labour process in privatised organisations within liberalised markets. Three interconnected questions are generated by the theoretical framework outlined above and explored in the empirical findings below. First, how have political contingencies associated with the privatisation

project, new regulatory priorities and a changed relationship with the state influenced industrial relations and the institutional role of organised labour within Royal Mail? Second, what impact does an increasingly financialised ownership structure and shareholder orientation have on work and the labour process? Finally, how does market competition based on low-wage labour and casualisation impact on industrial relations and employment within Royal Mail?

4 RESEARCH METHODS

The empirical research discussed below began with a colleague collecting data in a particular region of Royal Mail in 1997–99. This large branch was deemed to be broadly representative of the national context as its geographical spread contained both rural and urban areas and largely reflected the national politics of the union. The 1997–99 research is discussed elsewhere (Beale, 2003) and was followed up with 20 interviews with 23 participants from the same region in 2009–10 (Beale and Mustchin, 2014). Interviewees included workplace union representatives in deliveries, processing and distribution and regional and national officers of the Communications Workers Union (CWU). This work largely focused on management practices and union responses, but considerable data were collected in 2009–10 related to the impact of liberalisation after 2006, the 2009 privatisation attempt, conflict in the period and the changing nature of postal work that has not been published elsewhere. The region was revisited, and 12 interviews (with previous interviewees or their replacements) were conducted in 2014–16 to explore developments since privatisation. The 2009–10 data were re-analysed to address the impact of liberalisation processes and the threat of privatisation on the employment relationship and work, analysing how this developed over time, how the union, employer and the state shaped these changes and the subsequent impact on industrial relations and the labour process. These qualitative data were triangulated with secondary sources collected over a nineteen-year period. A limitation of the three stages of research was the lack of management interviewees. In the initial stage of the research, it was felt that management would be reluctant to take part due to the CWU's involvement, and vice versa. Approaches to management could have created difficulties in maintaining access and long-term relations with the union region in question. Studies elsewhere that involved Royal Mail management saw cooperation being withdrawn after a relatively short time, following scrutiny from their external relations department (Beirne, 2013: 120).

The findings below are structured in line with the three main research questions. The first section analyses the process of privatisation, associated political contingencies, new forms of regulation, the impact of these changes on industrial relations and the institutional position of labour within these new structures. The second section assesses how the new ownership structure and shareholder orientation influenced work and the labour process within Royal Mail. The final empirical section analyses the impact of liberalisation, market creation and the expansion of low wage, casualised competition on industrial relations and employment.

5 THE POLITICS OF PRIVATISATION, NEW REGULATORY FORMS AND INDUSTRIAL RELATIONS

The Conservative-led coalition government privatised Royal Mail in October 2013; valued at £3.3 billion, 60 per cent of shares were initially sold with a further 10 per cent allocated to approximately 150,000 employees (Parker, 2014). Following the 2015 election, the sale of the remaining 30 per cent was announced, including 1 per cent in further staff share allocations. Shares were relatively dispersed; the 2009 attempted Royal Mail privatisation sought another postal operator to buy a controlling stake in the firm, whereas in 2013, 67 per cent of shares were allocated to institutional investors with a maximum stake of between 5 and 6 per cent, with the remainder acquired by retail

investors. On the first day of trading, share price rises valued the firm at £4.45 billion, rising to £5.84 billion by 1 November 2013, leading to widespread criticism that the initial share price was seriously undervalued given the worth of the organisation, the high value of its property portfolio, and the low-risk nature of investment, especially as the Royal Mail pension fund, with over £30 billion of assets but in deficit, had been transferred to the Exchequer (Parker, 2014: 253). The investment banks Goldman Sachs and Lazard advised the government on pricing of shares; the chairman of Lazard International (an arm of the bank consisting of senior advisors representing the bank internationally) at the time was Peter Mandelson, who had been instrumental as a Labour minister in promoting the 2009 attempted privatisation and directives on liberalising postal services in his time as a commissioner in the EC. Continuity in terms of a political consensus (e.g. Zohnhöfer et al., 2008) favouring privatisation since the early 1990s was acknowledged by interviewees: ‘every government since the 1990s has tried to privatise us.’ (CWU area representative, deliveries: 2010).

Historically, the postal workers union had not been especially strike prone, but this changed in the 1980s and 1990s (Darlington, 1993). An annual average of 768 working days were lost per 1,000 workers in Royal Mail between 1990 and 2001, compared with 27 working days lost per 1,000 workers in Britain in the same period (Gall, 2003:60). Major national strikes took place in 2007 over pay, attempts to introduce an employee share scheme and other changes including job reductions and casualisation. A further national strike in 2009 centred on job losses and restructuring in breach of the agreement settling the 2007 dispute. Along with national industrial action, Royal Mail saw relatively frequent instances of unofficial industrial action deriving from workplace disputes, which are increasingly uncommon in Britain. The agreement following the 2009 strike attempted to address the conflictual nature of industrial relations in Royal Mail, acknowledging problems with authoritarian, sometimes bullying approaches from management. Significantly, the agreement also led to the CWU negotiating with the employer over restructuring, including closure of mail centres and sorting offices premised on the introduction of new technology and attempts to reduce costs.

In October 2013, the CWU balloted for national strike action within Royal Mail and its subsidiary Parcelforce over commitments regarding pay, conditions and job security in the new privatised firm. The strike threat was cited by ministers as a key reason why shares were priced relatively low when Royal Mail was privatised. Workplace-level opposition, despite £300 bonuses, promised to any worker who broke the strike, and the national ballot contributed notably to the CWU’s negotiating position and the agreement that was ultimately reached:

‘once the deal was struck, people were going to the managers saying, ‘can I have my £300, we never went out on strike.’... that aided the union in negotiations; at Christmas we got an extra £200....It was part of the pay deal... So it backfired on them.’ (CWU branch chair: 2015).

Initial industrial action including a planned 24-hour strike in the first week of November 2013 was called off and negotiations progressed. The agreement that followed, the Agenda for Growth, Stability and Long Term Success, was reached in December 2013 and approved through a membership ballot in February 2014. The threat of strike action had little impact on share trading but had the effect of lowering the valuation of the shares at divestment. This indirectly benefited the workforce as their shares saw greater rises than would have been the case without the background of potential industrial action.

The agreement itself has some unique features compared with the typically voluntarist nature of collective bargaining in Britain. Building on the 2010 agreement that settled the 2009 national strike, the five-year 2014 agreement sets out a ‘shared vision of modernisation’ committing the CWU to work with Royal Mail on restructuring, the future of the organisation and its efficiency, a review of existing employee involvement activity with ‘more progressive’ replacements, protecting the Universal Service, and building ‘a climate of sustainable trust with a can do culture based on the

involvement of employees in decision making and approaches to consensual change in the workplace.’ Senior CWU officials and Royal Mail management would oversee this work through a monthly growth forum; the agreement does not use the term ‘partnership’ but entails considerable engagement with the company’s concerns regarding efficiency, business development and market conditions:

‘we have regional growth forums, as well as this huge national one, where we can look at what do we do, TNT are opening up new places all the time,... Amazon are... all over the place, and we’ve got to combat this, otherwise it moves from steady decline into a much, much smaller industry.’ (CWU branch secretary: 2015).

These fora were used by the union to promote new forms of competition, including suggestions for expanding next-day delivery services in line with competitors who were building market share by servicing online retailers; this would entail investment in Royal Mail and protect employment levels, ‘keeping sight of our trade union values, as opposed to getting dragged into becoming pseudo-capitalists.’ (CWU regional organiser, 2016).

The quasi-contractual nature of the agreement is highly unusual if not unique within British industrial relations, including legally binding provisions prohibiting outsourcing, recruitment of new staff on inferior terms including zero-hours contracts, compulsory redundancies, agency work assignments longer than twelve weeks and enshrining CWU recognition, industrial relation processes and collective bargaining arrangements. A three-year pay deal amounting to an overall compound base pay increase of 9 per cent increases in overtime rates, the £200 lump sum argued for in the absence of industrial action in 2013, and commitments regarding existing pension arrangements constituted a markedly superior offer to employees than typically seen in the public sector in recent years. These provisions could be revoked by the employer in cases of national-level industrial action sanctioned by the union leadership.

Institutional accompaniments to the 2014 agreement included new joint training programmes for managers and CWU representatives and regular regional union-management meetings to review disagreements and local disputes. A four-stage mediation procedure was introduced, with ‘early warning’ systems to identify ‘flashpoints’ and bring together union and management representatives to address localised problems, followed by voluntary mediation at regional level and ‘special mediation’ involving senior national union and Royal Mail officials. An external mediator, chosen from a panel managed by ACAS with the agreement of both employer and union, would be brought in over national disagreements or unofficial action lasting more than 48 hours. These steps were introduced to prevent unofficial industrial action, which had remained relatively common in Royal Mail. Some isolated incidents of unofficial industrial action had occurred following privatisation but did not escalate into threats to the wider settlement. Examples were given of local disputes contained through mediation, which was cautiously welcomed by union interviewees but with some reservations: ‘I don’t want a manager to mediate for me when I’ve not trusted them for thirty years... that us-and-them scenario is always going to be there.’ (CWU branch secretary: 2015). Benefits from mediation processes in localised cases of bullying and harassment were acknowledged, but union officials at the regional level saw mediation as a distraction from more fundamental issues: ‘they have no place in industrial relations because they don’t make agreements...I don’t have a relationship problem, I have an industrial problem.’ (CWU regional organiser: 2016).

The inferior employment conditions perpetuated by the liberalisation of postal services in turn impacted on the regulatory context. Executives from competitor firms had publicly criticised Royal Mail for its relatively high labour costs. Ofcom had taken over the regulatory function of Postcomm following privatisation, with an increased focus on efficiency and productivity rises, including

concerns that the post-privatisation agreement ‘may restrict Royal Mail’s ability to make its workforce more flexible.’ (Ofcom, 2014:22). There were concerns within the union about the widening remit of Ofcom; notions of efficiency were benchmarked against the employment practices of competitors, placing pressure on established terms and conditions and used as a ‘proverbial whipping stick’ (CWU regional organiser: 2016); ‘start making your wages look a little bit more like the competitors, and [Ofcom] think you’ll be efficient.’ (CWU area organiser: 2015). The regulator, rather than the employer, shareholders or government was viewed as a more significant threat to terms and conditions in Royal Mail following privatisation, and the union had launched campaigns critical of Ofcom. The relationship between senior management and the state had also changed. Senior managers had previously been publicly critical of Royal Mail and the union, but since privatisation had made open criticisms of the regulator and competitors in an attempt to strengthen Royal Mail’s position, an approach not taken when political influence aiming to develop a liberalised market was stronger. Joint criticism of Ofcom from both employer and union had ‘helped soften Ofcom’s quite aggressive attitude towards us.’ This more critical leadership orientation arose following union pressure on management who then sought to avoid being seen as ‘in cahoots with Ofcom, trying to destroy our jobs.’ (CWU regional organiser: 2016). A changed relationship with the state, new regulatory frameworks and political contingencies (Ferner and Colling, 1991) underpinned the privatisation process, creating not only pressures on work and industrial relations but also vulnerabilities that the union could exploit.

6 MARKETISATION, SHAREHOLDER ORIENTATION AND THE LABOUR PROCESS IN ROYAL MAIL

Prior to 2009, attempts had been made to introduce a profit sharing scheme, but these were dismissed by officials as ‘a bribe’ (CWU area organiser: 2009), with management subsequently criticising the union for opposing such commercialising reforms. These initiatives, as with new management practices since the 1990s (Beale and Mustchin, 2014; Darlington, 1993; Martinez Lucio et al., 2000a), were perceived as attempts to strengthen identification with the employer rather than the union and a precursor to privatisation, tensions that were integral to the dynamics of industrial relations in Royal Mail since the early 1990s.

Interviews conducted in the two-and-a-half years following privatisation suggested notable continuity in terms of management personnel, organisational structure and work. The shares allocated to staff were viewed as having had little impact on the workforce, although the initial undervaluing of the shares had seen employees gain considerably: ‘Everybody turned up for work. You do your same job. It’s not affected you in anyway. It’s just a matter of, hang on a minute... we’ve got a lot more money than we actually anticipated.’ (CWU mail centre representative: 2015). The union opposed privatisation and the share offer, and while 368 employees nationally refused to take their share allocation on principle, the union did not oppose it more generally as ‘we’re not going to tell our members to refuse free money... a minimum of £2,000 worth of shares... if the inevitable happens, then why would we tell our members to refuse it?’ (CWU branch chair: 2014). This situation, with dispersed investors and notable continuity within the organisation, was often described by interviewees as a ‘vacuum’; many of the shares sold initially could not be traded for three years, and the collective agreement between the union and Royal Mail following privatisation enshrined terms and conditions for a five-year period. This was likely to deter other postal operators with markedly less regulated employment conditions from taking over Royal Mail. While concerns about pressure on employment standards from institutional shareholders were evident, the dispersed nature of investors meant that shareholder activism undermining working conditions was less of a threat than would be expected following a takeover by a competitor.

Work intensification was noted within Royal Mail during the processes of commercialisation and introduction of new technology and management practices in the 1990s (Martinez Lucio et al., 2000a:284). This increased markedly following liberalisation in 2006. Increasingly, managers were drawn from graduate schemes, the private sector or the military and were often unused to working with unions. Some managers were noted to have an authoritarian and bullying manner: ‘it’s only that white shirt that probably saves you from a good hiding on occasion, because if you treat somebody like that in a public place... you’d probably get knocked out.’ (CWU area processing representative: 2009). Local managers were under increased pressure from above: ‘managers, against managers, shouting at each other on the shop floor, which we’ve never really had until this last couple of years.’ (CWU branch secretary: 2009). Following privatisation, ‘a lot of the managers were hoping that some of the union’s powers would be diminished under this new agreement but in fact, I think, they’ve been strengthened.’ (CWU branch chair: 2014). This served to contain some of the more combative junior managers, but bullying behaviour remained. Managers drove out to conduct surveillance on delivery workers, exacerbating the increasing lack of trust between them. The new management regime was increasingly rule-bound; elaborate systems of dispute resolution and mediation meant that workplace disputes and grievances that once could have been settled informally were dealt with less flexibly. Rigid application of rules on conduct led to numerous examples of unfair treatment, especially among long-serving employees and in relation to sickness absence. An additional problem for the union in defending its members in such circumstances was the introduction of employment tribunal fees. The union was supporting members with these costs, but applications had fallen markedly, and it was felt that managers exploited difficulties in accessing tribunals when implementing disciplinary procedures and dismissals.

Following liberalisation in 2006, the World Class Mail initiative had been introduced. This involved, for example, operatives in mail centres taking greater responsibility for maintaining and repairing equipment with a much greater emphasis on efficiency. More insidious features relating to intra-workforce competition and work intensification were noted:

‘it looks to me to be simply internal benchmarking. So if office A can do it, why can’t office B?...it’s a continuous improvement programme, it’s the old Kaizen and all that... they’re creating an internal competition, and benchmarking it office against office.’ (CWU area representative, mail centre: 2009).

Increased use of internal communications promoted privatisation and its supposed benefits and repeatedly claimed that letter volumes had gone down to justify increased pressure on performance levels. However, reduced staffing and increased parcel traffic meant that delivery workers typically had far heavier loads than before.

In the initial months following the 2013 privatisation, there was notable uncertainty:

‘you have got mid and senior managers who really do not have the same tight control as they had beforehand. It’s almost like a waiting game for whoever’s going to take it over... what do we think that these new people when they come in will want the business to be? The obvious one is to be lean and mean and high productivity... at senior management level it’s a case of “when these new people come in, what will keep us in a job?”’ (CWU branch secretary: 2014).

Work intensification and an increasing emphasis on performance had a significant impact on workplace relations:

‘there’s been a big push on performance...there’s a lot more bullying going on because once again management are trying to bully people into working harder, doing more... we’re a lot busier because they’re just making up things as they go along.’ (CWU mail centre representative: 2015).

This was carried out in an ad-hoc way: ‘they’re not doing time and [motion]...it’s just like the manager on the shop floor going, ‘I don’t think you’re working hard enough.’ (CWU mail centre representative: 2015). Bonus systems for management were linked to efficiency savings, and the proportion of pay linked to forcing through efficiencies had increased to approximately twelve-and-a-half per cent for junior managers and up to 25 per cent for the middle managers that supervised them. This overall climate can be traced back to liberalisation in 2006 and to some extent before this, but the process of privatisation and increased emphasis on shareholder interests had a notable impact on staffing levels (reduced by not filling vacancies and a voluntary severance scheme), overtime and the intensity of work:

‘trying to strip out hours...to get people to take redundancy before the end of the financial year, to remove heads from the industry so it looks better on the balance sheet, we’re now running on this amount of hours rather than that.’ (CWU national officer: 2015).

Functional flexibility, particularly in mail centres, saw increasing rotation between different machinery and functions, breeding some resentment among more trained, experienced staff who would most commonly be moved. Overall staffing levels were increasingly based on those required during the quietest periods with more temporary staff brought in, creating further pressures in terms of employment levels; work intensification and heightened flexibilisation are common features in liberalised postal markets in other countries (Hermann et al., 2008) and marketised public services elsewhere (Carter et al., 2013).

7 LIBERALISATION, MARKET CREATION, LABOUR COST COMPETITION AND INDUSTRIAL RELATIONS

Liberalisation and market creation in postal services had a more significant impact than the initial changes following privatisation. Following the 2002 EU Postal Directive, limited competition was introduced with full competition established from 2006. Initially, liberalisation consisted mostly of ‘downstream access’, where postal operators would collect mail from a customer, sort it then transport it to Royal Mail for delivery, estimated as representing between £350 million and £500 million of business per year. More recently, end-to-end competition had been introduced involving competitors undertaking the full process of collecting, sorting and delivering mail without Royal Mail involvement. Liberalisation allowed competitor firms to ‘cherry pick’ the most profitable work, eliminating a significant source of income that Royal Mail historically used to cross-subsidise less lucrative work such as rural deliveries under the universal service obligation. This restructuring contributed towards the problems identified in the government-commissioned Hooper (2010) reviews of Royal Mail, which highlighted financial difficulties, including the pension fund deficit, leading to a major rationalisation process involving closure of mail centres and widespread redundancies. These changes meant that many high-value properties including former sorting offices were being divested, further boosting returns to private investors. Most mail was now sorted in large, mechanised mail centres with little indoor sorting work remaining, with smaller offices and mail centres closing as a consequence. Employment in Royal Mail fell from 181,000 to 150,000 between 2000 and privatisation in 2013 (Gall, 2003: 318; Parker, 2014).

Downstream access was highlighted as a threat to employment conditions as private operators would commonly use self-employed or agency drivers to move mail between customers and delivery offices. Competitors such as TNT in the Netherlands increasingly used casualised delivery staff and employees in ‘mini-jobs’ in their home markets, adopting similar employment practices in their British subsidiary Whistl. In mid-2015, approximately 95,000 people worked in the postal and delivery sector outside of Royal Mail and Post Office, with around 40,000 of these classified as self-

employed.¹ The management orientation of competitors was a problem; Amazon had invested heavily in their own logistics functions, delivering directly from their warehouses to Royal Mail delivery offices, in part due to fears regarding contact between their employees and unionised workers elsewhere. Liberalisation provided considerable resources and subsidy to new market entrants; regulation restricted what Royal Mail could charge, whereas competitors could charge more but still insist on Royal Mail delivering for the regulated price: ‘it’s death by a thousand cuts, downstream access, simply because we’re not playing on a level playing field.’ (CWU area representative, deliveries: 2009). The government and the regulator were blamed for this situation, being ‘more concerned about bringing in competition than actually protecting the Universal Service which was our primary function.’ (CWU regional secretary: 2010). Restructuring in Royal Mail meant that many experienced staff, including managers, had left and moved to competitor firms, a further cross-subsidy in terms of resources. However, regulatory change since privatisation allowed Royal Mail to charge higher prices from downstream access operators rather than the disadvantaged position initially imposed by government and regulator when building the liberalised market in postal services.

Employment conditions in competitors were inferior in terms of pay, typically set at around minimum wage for delivery workers, job security and pensions. Whistl had withdrawn from letter deliveries in early 2015 due to difficulties in securing investment to expand. Other new entrants into the postal market had struggled and gone bankrupt: the private equity-owned parcel firm CityLink collapsed in December 2014, without consultation with the workforce and with outstanding debts to contractors, highlighting widespread use of zero-hours contracts and bogus self-employment. Competitor firms were typically hostile towards the CWU organising their employees; Whistl and Citylink had agreements with Community and the RMT, respectively, and while the TUC had been involved in mediating over recruitment, the CWU did not want to ‘poach’ these members retrospectively (CWU national officer: 2015). Attempts to organise among competitors met problems due to the challenges of the statutory recognition process, employer hostility and the casualised status of their workers. Workers in competitors were often told by their managers that Royal Mail were ‘bullies in the market’ and the union did not want to become involved in ‘a race to the bottom’ with firms premised on casualised, low paid employment (CWU regional organiser: 2016).

Work intensification, flexibilisation, increasingly conflictual workplace relations with managers under considerable pressure themselves, an increasing influence of shareholder interests on work organization and a heightened focus on efficiency are established elements of the changing labour process more generally, including in the wider public sector, manufacturing and other large employers. In Royal Mail, two decades of state-driven marketisation of the sector (Beale and Mustchin, 2014; Darlington, 1993; Gall, 2003; Martinez Lucio et al., 1997) building up to eventual privatisation have embedded these changes in an employer once relatively insulated from such market pressures. New institutional arrangements and actors including the strengthened regulator, competitors and shareholders had an increasing impact on work and employment (Ferner and Colling, 1991), most notably in terms of how staffing levels and efficiency were informed by year-end financial results, share value and market conditions. However, the political sensitivity of the privatisation project meant that the union was able to secure concessions within this new environment, suggesting more agency on the part of organised labour than might be assumed within such otherwise challenging circumstances.

¹ Figures derived from ONS Labour Market Statistics, Royal Mail and Post Office Annual Reports.

8 DISCUSSION

This article addresses three main research questions: how have political contingencies associated with the privatisation project, new regulatory priorities and a changed relationship with the state influenced industrial relations and the institutional role of organised labour within Royal Mail? What impact does an increasingly financialised ownership structure and shareholder orientation have on work and the labour process? Finally, how does market competition based on low-wage labour and casualisation impact on industrial relations and employment within Royal Mail?

The first question highlights political contingencies associated with privatisation (Ferner and Colling, 1991). Ownership change (Pendleton, 1997) and regulatory change (Hermann and Verhoest, 2014) lead to fundamental shifts in industrial relations and institutional structures within privatised organisations, as well as a transformed relationship with the state. Royal Mail was privatised by a Conservative-led government ideologically committed to reducing the size of the state (Grimshaw and Rubery, 2012). However, liberalisation and earlier privatisation attempts, encouraged by key members of the political elite (as with Mandelson as a Labour minister, earlier as a European commissioner and in 2013 as an advisor to the bank advising the government on share pricing), demonstrate considerable political consensus regarding marketisation and privatisation (Zohlnhöfer et al., 2008). Privatisation constituted a major, highly sensitive political project connected with the wider strategy of austerity, implemented by a vulnerable coalition government without the capacity to confront unions in the manner of the Thatcher administration, which meant that the CWU could not be marginalised to the extent that labour often is within such processes.

Union strength derived in part from the organisation's historical public sector monopoly status but was also derived from mobilisation over previous privatisation threats, managerial interventions and widespread workplace bullying. These resources allowed the union to negotiate an unusually strong collective agreement with a contractual legal underpinning, including significant pay increases in the first few years after privatisation. Government and employers in Britain have generally been opposed to the introduction of such regulated forms of collective bargaining, favouring more voluntarist agreements. The preparedness of Royal Mail, under the influence of government, to support such an agreement demonstrates the high priority given to the privatisation process and the lengths gone to in ensuring that industrial conflict did not damage the political project of privatisation while protecting the interests of shareholders and financial institutions. The mediation processes introduced go beyond what typically exists in terms of conflict resolution in British employers, highlighting the determination of the government to ensure the project 'succeeded'. The divestiture of Royal Mail did not weaken the union as hoped for by some managers; the union constructively engaged with Royal Mail over efficiency, restructuring and new services but retained the capacity to resist some aspects of work reorganisation and managerial authoritarianism. Major challenges were expected when the 2014 agreement comes up for renegotiation; if disputes driven by the employer at local or national level, the regulator, competitors agitating for a takeover or shareholders were to arise then the agreement would be at risk, and attempts may follow to undermine employment conditions including pay, hours, job security and representation. Although beyond the scope of this article, in early 2017, disputes were arising due to Royal Mail's moves to change the defined benefit pension scheme to a weaker defined contribution scheme, presenting a considerable risk to the overall agreement.

The second question relates to a strengthened 'shareholder orientation' (Ferner and Colling, 1991) and the impact of financialisation on work and the labour process (Thompson, 2013). Interviewees acknowledged the potential for invasive changes to work and employment deriving from the short-term priorities of financial institutions. However, a key dynamic within this sphere relates to

power resources held by different stakeholders; shares were relatively dispersed, and a dominant shareholder had not yet emerged. This meant less immediate, overt pressure on working conditions from such external actors; a wider concern was that another large postal operator would purchase a majority shareholding and reorganise employment along the casualised, non-union, low-paid basis that was prevalent among competitors. Management initiatives that constituted forms of employee involvement (Beale and Mustchin, 2014) and were opposed in some earlier cases (Darlington, 1993; Gall, 2003; Martinez Lucio et al., 2000b) had developed a harder emphasis on efficiency and competition, resonating with analyses of financialised organisations and the pressures that militate against ostensibly more ‘progressive’ HR strategies such as resource-based approaches or high-performance work systems (Thompson, 2003, 2013). The increasing emphasis on efficiency and performance had a direct effect on the labour process and the nature of work. The management culture historically described as ‘institutionalised authoritarianism’ (Gall, 2003: 28) was exacerbated by liberalisation and privatisation, as managers strove to create the kind of lean organisation presumed desirable to a majority shareholder. The multiple sources of pressure driving authoritarian managerial relations and work intensification led to further weakening of (already low) trust relations between workforce and management.

The final question addressed the impact of liberalisation and competition on industrial relations and employment within Royal Mail. Competitive advantage for firms in liberalised postal markets derives from a strategic choice over whether to invest in quality, innovation and decent terms and conditions of employment or to compete through labour cost reductions (Schulten and Brandt, 2014: 137). The twenty years prior to privatisation saw the development of proxies and simulations of commercial behaviour, including restructuring, management techniques derived from the private sector and manufacturing, and greater emphasis in managerial communications on competition and performance improvements (Beale and Mustchin, 2014; Gall, 2003; Martinez Lucio et al., 1997). Privatisations in the 1980s and 1990s typically saw the most drastic changes in employment levels in the build up to privatisation rather than in its aftermath (Florio, 2006). The long-term processes of liberalisation and changing management practices prior to divestment had a more significant overall impact on work and employment than change in ownership. The role of the regulator was strengthened with a new remit to focus on efficiency and by extension employment conditions. State intervention establishing and regulating the market, and the employment practices of competitors, had both direct and indirect effects with the casualised, low-paid employment conditions of rival operators increasingly used as a benchmark in order to challenge the relatively secure, unionised employment relationship within Royal Mail.

9 CONCLUSION

While the Royal Mail is a highly particular organisation, some wider points arise from the analysis in this article. Privatisation, marketisation, liberalisation and regulatory conflict can be presented in a monolithic fashion that neglects the agency of trade unions and their capacity to mobilise, resist and gain concessions within such political projects. In a context of ongoing restructuring and austerity, the benefits negotiated by the union in this case are particularly significant. However, the history of post-privatisation collective agreements, in the UK and elsewhere, indicates the likelihood of conflict once the relatively long-term agreement is subject to renegotiation. The settlement is severely constrained by rationalisation strategies, automation and work intensification, processes driven by the regulator and the pressures deriving from a liberalised market dominated by competition on labour costs rather than quality, innovation and decent employment conditions. The difficulty of maintaining ‘traditional’ public sector-style employment conditions in light of market, regulatory and shareholder pressures is self-evident. The challenges presented by pressures within the wider political economy of the industry

militate against the union goal of maintaining decent employment, as well as the capacity of management to preserve such conditions, resonating with the disconnected capitalism thesis (Thompson, 2013). However, the enduring capacity of organised labour to disrupt, influence and apply pressure within political projects such as privatisation and restructuring, which need to be at least perceived as ‘successful’ to ensure their political patrons’ survival, demonstrates more worker-and-union agency and a stronger role for political contingencies than is often suggested.

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