

Overview  
(/study/ap  
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cid-  
762729/o

Teacher view



Table of  
contents



Notebook



Glossary



Reading  
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## Index

- [The big picture](#)
- [Sources of conflict in the workplace](#)
- [Approaches to conflict in the workplace](#)
- [Approaches to conflict resolution in the workplace](#)
- [Terminology exercise](#)
- [Checklist](#)
- [Reflection](#)

2. Human resource management / 2.7 Industrial/employee relations (HL)

# The big picture

‘If you are lucky enough to be someone’s employer, then you have the moral obligation to make sure people do look forward to coming to work in the morning.’ (John Powell Mackey, CEO of Whole Foods)

On May 1st every year (or May Day), workers around the world gather to highlight the challenges faced in their industries. The day is also used to commemorate and celebrate successful attempts to improve the pay and working conditions of many workers globally.

The question is why do workers around the world come together? The answer is that it is part of a process of collective action to improve employee–employer relations, or the manner in which employees and employers treat each other. Each stakeholder is interdependent and yet there are often conflicts between them. May Day demonstrations highlight the power struggles that exist in many companies, the inequality, the lack of voice and the striving towards valued and meaningful work.



Student  
view



Overview  
(/study/app/hl/sid-351-cid-762729/o)



**Figure 1.** Workers gathering during a May Day demonstration.

Credit: FG Trade, Getty Images

May Day is used to provide a voice for those who feel ignored. Many businesses strive to extract maximum value from their employees through long hours and low pay. There are businesses that place little value on good employee–employer relations and worker welfare. This subtopic explores the consequences of this approach and the methods that can be used to enhance employee–employer relationships.

However, there are also many businesses that recognise the importance of workers within their organisation. They understand the long-term benefits of good employee–employer relations. This subtopic also explores the benefits of this approach.

## Concept

### Ethics

Ethics refers to moral principles that govern the behaviour of a person or groups. Every business decision has moral implications, and businesses are often engaged in the question of ‘What is the right thing to do?’ Ethical responsibilities in business come from the relationships and networks that are formed when business organisations are established.

Businesses have a duty to engage positively in reciprocal relationships with both their stakeholders and their natural environment.

Employee–employer relations have an ethical component. Employers have a moral duty to provide decent working conditions, fair pay and a safe working environment. Employees have a moral duty to be loyal, respectful and considerate of the needs of the business.



Student view



Overview

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hl/sid-

351-

cid-

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Many larger organisations have a code of conduct that outlines the shared commitment to responsible behaviour.

Ethical values are not always considered. There is often a disconnect between the needs and wants of the worker and the goals of the organisation. Pilots who train for years to develop their skills, for example, may seek remuneration (pay) that reflects their skillset. They may also wish for a good work-life balance and recognition for the job they do. However, management at the budget airline they work for may wish to keep costs down to increase profitability, forcing the pilots to work long hours for a wage that is not reflective of their input. In addition, if the management are on high salaries and the company is making a significant profit, then the workers may feel they are being unfairly treated.

Without careful management, this disconnect can lead to a breakdown in relations between the employee and the employer, to the detriment of both the business and the employees. Some negative consequences of this breakdown include:

- poor reputation and brand image
- demotivated employees
- high labour turnover
- inability to recruit qualified employees
- disruption to operations

On the other hand, good employee–employer relations can be a source of competitive advantage. They may help large organisations to retain skilled employees and attract recruits, thus increasing productivity and sales revenue.

## International Mindedness

The International Labour Organisation (ILO) has 187 member states. It exists to help workers around the world by linking together governments, employers and employees to help set labour standards, develop policies and promote decent work.

In this subtopic, you will explore how employee and employer relations are defined and the possible solutions that can be implemented when difficulties arise. You will look at the role of unions, employee groups, management and human resource teams in trying to mitigate risks that arise from changes within or to a business organisation.



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## Learning objectives from the IBDP Business Management guide with assessment objective level:

- **Analyse** sources of conflict in the workplace (AO2)
- **Examine** different approaches to conflict in the workplace through:
  - employees: collective bargaining, work-to-rule and strike action
  - employers: collective bargaining, threats of redundancies, changes of contract, closure and lockouts (AO3)
- **Evaluate** the following approaches to conflict resolution: (AO3)
  - conciliation and arbitration
  - employee participation and industrial democracy
  - no-strike agreement
  - single-union agreement

2. Human resource management / 2.7 Industrial/employee relations (HL)

# Sources of conflict in the workplace

Sources of conflict in the workplace (HL)

In [Section 2.4.3 \(/study/app/business-hl/sid-351-cid-762729/book/labour-turnover-hl-id-39416/\)](#) on labour turnover, you may have carried out a research activity on the ‘Great Resignation’. As a result of the COVID-19 pandemic and some trends already in place before the pandemic, many workers have either quit their jobs or are planning to quit. The reasons are varied, but surveys suggest that many people have decided to look for better jobs, change careers or leave a workplace because of the way they were treated before and during the pandemic. [This BBC report ↗](#) (<https://www.bbc.com/worklife/article/20210629-the-great-resignation-how-employers-drove-workers-to-quit>) explains how Microsoft surveyed around 30 000 global workers and found that 41% of workers were considering changing or quitting their profession. Other researchers found similar trends in a wide range of industries and countries.





Overview  
(/study/app/business-hl/sid-351-cid-762729/o)



**Figure 1.** Employees quit their jobs in record numbers during the COVID-19 pandemic.

Credit: Audtakorn Sutarmjam / EyeEm, Getty Images

The changing circumstances have led many businesses to understand that their success is dependent on their relationships with their employees. The [International Labour Organisation \(ILO\)](https://www.ilo.org/global/lang--en/index.htm) (<https://www.ilo.org/global/lang--en/index.htm>) suggests that wages, conditions of work, work-life balance, non-discrimination, protection from harassment and violence and ensuring purposeful work are crucial elements of good employee–employer relations.

Conflict is a natural and frequent occurrence in dynamic businesses. Conflict refers to disagreements that arise from differences between people's perceptions, values and needs. There are disagreements in businesses related to decisions made by the management, conflicting personalities, views on working conditions and treatment of staff and/or recognition or remuneration for work carried out. Conflict is a natural part of any organisation. However, it is important to ensure that conflict does not damage the business or harm employees, and that some growth or improvement can come out of it.

## Activity

**Learner profile:** Reflective

**Approaches to learning:** Considering perspectives

Think about your own relationships with people at school, at home and in another community (such as in a sports team or place of part-time work).

1. Make a list of the factors you would consider important for good relationships.
2. Rank these factors in order of importance.



Student view



Overview  
(/study/app/business-hl/sid-351-cid-762729/o)

3. Consider how the breakdown or absence of any of these factors may impact on your relationship with the people in that context.



## Activity

Learner profile: Caring

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762729/book/the-big-picture-id-39400/print/)

Assign

Many individuals have a bias that may have been built up based on their experiences in school, at home, in the workplace and within social circles.

Discuss the following with a friend or group of friends.

- How can businesses manage such bias and ensure that any bias that occurs does not lead to conflict within the workplace?
- Propose two strategies that businesses could use to manage bias within the workplace.
- Explain how these strategies could help to make the business community a more caring and considerate place to work.

## Sources of conflict in the workplace

There are a number of common causes of conflict within a workplace. These include:

### Values

People have different beliefs and values and make different judgements about what is important in life and work. Values may include attitudes towards diversity and inclusion, or the recognition and understanding of the importance of staff members' mental and physical health. If people's values are ignored, then tension can arise and workers will feel aggrieved and resentful towards their employers or towards each other.

### Communication

As you learned in Subtopic 2.6 (/study/app/business-hl/sid-351-cid-762729/book/the-big-picture-id-39399/), communication is important for healthy relationships in the workplace. Positive communication can create productive relationships between management and workers. An open, transparent workplace clarifies expectations, and makes it possible to identify challenges and solve problems. The organisational structure and culture of the organisation affects and is affected by the channels of communication between management and employees.

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In organisations where the diverse views of the employees are considered, through democratic leadership styles and decentralised decision-making, employees tend to feel more secure and content. **Video 1** highlights the ways in which employee voices are heard in a garment factory in Vietnam.

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**Video 1.** An insight into a garment factory in Vietnam highlighting the importance of good communication.

## Power

Abuse of power occurs when someone in a position of authority uses their position to make an employee do something they would not normally do. A person with power over another can use coercion, threats and punishment as a way to control an employee. Under an autocratic leadership style ([Section 2.3.2 \(/study/app/business-hl/sid-351-cid-762729/book/leadership-styles-id-39394/\)](#)), workers may feel undermined by the centralised decision-making that takes place and may feel that their voices are not heard.

## Insufficient resources

Having the resources (time, financial and material resources) you need to do your job is very important. However, there are limited resources and unlimited wants. This can lead to managers having to make decisions about what is essential in order for an employee to do their job. The manager's decision about resources may clash with the employee's own perception of what they need, which is where problems can arise.



Student view

## Perceptions

Overview

(/study/app/business-hl/sid-351-cid-762729/) People have different ways of interpreting decisions and events. As a result, when people see a situation quite differently, conflicts can occur. Often, these misperceptions can be fixed by having clear and open channels of communication. You will often see these misperceptions flare up in times of change or during economic downturns.

## Change

Changes in the internal business functions (human resource management, finance and accounts, marketing or operations) and external environment (STEEPLE factors, [Section 1.1.5 \(/study/app/business-hl/sid-351-cid-762729/book/tool-swotsteeple-analysis-id-36504/\)](#)) may require adaptations from the business. Change can be stressful, and people respond to change in different ways. For example, the move towards more people working remotely, as happened during the COVID-19 pandemic, could create new problems. Some staff may find the different style of working a challenge, and this can lead to tension between employees and management.



**Figure 2.** Many employees were able to move to remote work during the COVID-19 pandemic; for some this created a challenge and a source of conflict.

Credit: Ijubaphoto, Getty Images

## Performance

When people do not perform their job in a satisfactory manner, problems will occur. How this situation is handled can cause disruption in the work environment. This is where capable leadership and management becomes very important so that the situation is handled in a way



Student  
view

Home  
Overview  
(/study/app/business-hl/sid-351-cid-762729)  
hl/sid-  
351-  
cid-  
762729/o

that enables it to be resolved quickly. Appraisals are an important source of feedback on performance, but some people may not take criticism well. Additionally, some people may feel as if they are being watched all the time, or micromanaged, which can create tension.

## Inequity

If workers feel that they are not given a fair chance to secure promotions, take on extra responsibility or receive fair pay, then tensions can result. In some industries, discrimination may be the source of grievance for some workers who may voice their displeasure at being unfairly overlooked. Higher Level students learned about equity theory in [Section 2.4.2](#) ([\(/study/app/business-hl/sid-351-cid-762729/book/motivation-theories-2-hl-id-39415/\)](#)). Perceptions of equity may be important factors in employee motivation.

## Redundancies

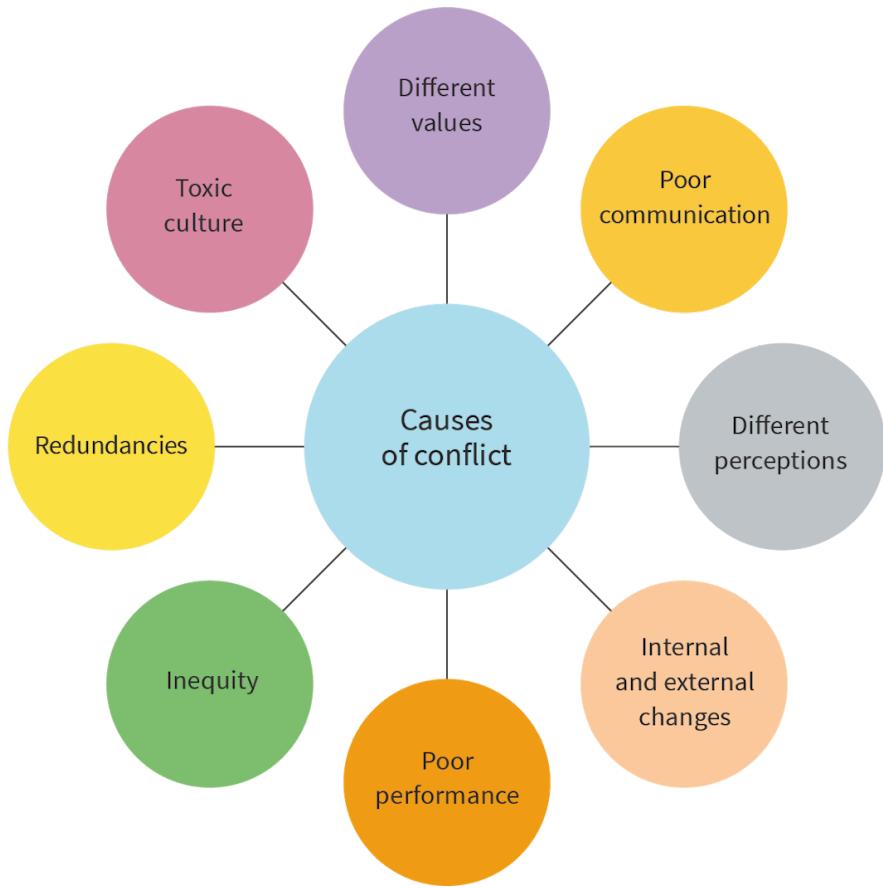
Economic downturns may cause declines in consumer demand. As a result, businesses may need to cut costs, including labour costs. A recent merger or acquisition may also result in job losses. This is likely to create tension and hostility, and workers may feel demotivated. Redundancies can create a work culture defined by fear, and this can cause conflict.

## Toxic workplace culture

In some organisations there may be a toxic, or poisonous, environment. Poor decisions, tensions between colleagues and management, recent redundancies, bullying or discrimination are all things that can lead to conflict.



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**Figure 3.** Factors that can cause conflict in the workplace.

[More information for figure 3](#)

The image is a diagram showing eight factors that can cause conflict in the workplace, arranged in a circular pattern. At the center is a blue circle labeled "Causes of conflict." Radiating out from the center, connected by lines, are eight circles, each with a different label: "Toxic culture," "Different values," "Poor communication," "Different perceptions," "Internal and external changes," "Poor performance," "Inequity," and "Redundancies." Each factor is in a circle of a different color, enhancing the visual distinction between each cause.

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### ! Exam tip

It is important to consider the impact of leadership styles and organisational culture when thinking about the reasons why conflicts emerge. In case studies, you should look for clues as to how the employees are treated within that business and link those to these sources of conflict.

In your extended essay or internal assessment, you may wish to investigate the impact of organisational structure and culture and leadership styles on employee—employer relations in a specific business context.

## Case study

### Industrial relations issues at Activision Blizzard

Activision Blizzard, the developer of the video games Call of Duty, World of Warcraft and Overwatch, is under pressure following allegations of inappropriate behaviour of male staff towards female staff, and of female staff being repeatedly ignored for promotions. Current and former staff have stated that the toxic workplace culture contributed to conflict within the workplace and resulted in a number of staff leaving the company. Employees also cited a lack of trust in management and human resources as many issues were not dealt with. Employees felt that it was difficult to communicate their issues with management.

Within the quality assurance and customer service departments, workers have complained that the structure and leadership make employees feel undervalued and exploited. Constant rotations of staff and unpaid breaks between short-term contracts led to job insecurity. Low pay and long working weeks during ‘crunch periods’ led to issues with mental and physical health for some staff. Many felt pressured or compelled to work long hours to avoid losing their jobs. Workers spoke of power imbalances between full-time staff and contract staff, and many staff felt that their contributions were not recognised.

Source: [Polygon ↗ \(<https://www.polygon.com/22622396/activision-blizzard-toxic-culture-qa-customer-service-report>\)](https://www.polygon.com/22622396/activision-blizzard-toxic-culture-qa-customer-service-report)

### Questions

- Explain **two** causes of conflict within Activision Blizzard. [4 marks]
- Explain **two** negative consequences for Activision Blizzard if these conflicts are not resolved. [4 marks]

#### Question 1

Conflict refers to disagreements that arise from differences between people’s perceptions, values and needs.

One cause of conflict is a difference in values between the male and female staff members. The attitudes and the conduct of some male staff members have made the working conditions difficult for female staff. This has created tensions, as standards of working have fallen below the expectations of the female staff affected by such actions, and this has led to conflict.



Overview  
(/study/ap  
hl/sid-  
351-  
cid-  
762729/o

A second cause of conflict is a lack of trust between staff and management. Staff perceptions suggest that they have little confidence in the leadership of the management team. This means that staff feel that management are not making adequate decisions or upholding codes of practice, which leads to tension between staff and management.

**Explain** is an AO2 level command term, requiring a detailed account including reasons or causes. Explain means to consider *how* and *why* something may impact something else.

- In this example, you are explaining *why* there may have been a difference in perceptions or values and *how* that may have therefore resulted in conflict between the people involved.
- To achieve full marks, you must always include theory and application to the case study in your responses to the explain command term.

## Question 2

Labour turnover refers to the number of people leaving an organisation relative to the number of people employed at a given point in time.

One consequence caused by the conflict at Activision is a higher labour turnover. This is because demotivated staff are likely to leave the workplace for a better alternative. This could lead to issues with the development of games; a loss of skilled programmers could result in Activision being unable to complete projects. This would then result in deadlines being missed and delays in the delivery of games to customers, which could negatively impact on the revenues from game sales.

Another consequence is a poor reputation. Activision could develop a reputation as a poor employer, which could impact on future workforce planning and recruitment. It may be more difficult to attract skilled developers as such workers may not be willing to work for an organisation that has poor working conditions.

**Explain** is an AO2 level command term, requiring a detailed account including reasons or causes. Explain means to consider *how* and *why* something may impact something else.

- In this case, the *how* and *why* link to reasoned arguments explaining *how* poor working conditions could impact the company and *why* it would lead to negative consequences for Activision.
- To achieve full marks, you must always include theory and application to the case study in your responses to the explain command term.



Student  
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Overview  
(/study/ap  
hl/sid-  
351-  
cid-  
762729/o  
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## 3 section questions ^

### Question 1

Which term refers to the disagreements that can arise due to differences in perceptions, values and needs?

Conflict



### Accepted answers

Conflict, Conflicts

### Explanation

Conflict arises when people feel that their needs are not being met. It also occurs when the perceptions and values of others do not match up to their own. For example, differences in work ethic or different attitudes towards what is fair (such as fair pay and working conditions).

### Question 2

People's core beliefs can sometimes be the source of conflict. This is known as a conflict of:

1 Values



2 Perceptions

3 Communication

4 Power

### Explanation

Values refer to people's beliefs. These are the thoughts, feelings and ideas that people hold on to. If these beliefs are not upheld by others, or if they are disregarded or dismissed by others, then conflict can result.

### Question 3

Contractual changes, such as amendments to working hours or employee rights, can create uncertainty in the workplace. Sometimes a business may remove staff if it is felt they are no longer needed or in demand. These are known as [redundancies] and they may occur in order to cut costs. These could lead to tension between management and employees, especially if such decisions are poorly communicated. This could then create conflict and may lead to industrial action in some cases.

Student view



Overview  
(/study/ap  
hl/sid-  
351-  
cid-  
762729/o

Accepted answers and explanation

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2. Human resource management / 2.7 Industrial/employee relations (HL)

## Approaches to conflict in the workplace

Approaches to conflict in the workplace (HL)

When significant conflicts arise in the workplace and are not quickly resolved, both employees and employers may take industrial action. Industrial action is a form of protest that puts pressure on the other party to resolve a dispute. You may be familiar with one form of industrial action called a strike. This and other forms of industrial action will be discussed in this section. Industrial action tends to escalate complicated situations and can be damaging for both the employees and employer. At times, however, it can be the only way to break an impasse in negotiations.

## Collective bargaining

One of the ways to avoid damaging industrial action is through collective bargaining.

Collective bargaining is when employees work together with management to negotiate wages and working conditions.



**Figure 1.** A collective bargaining agreement between a manager and an employee representative.

Credit: Pollyana Ventura, Getty Images



Overview

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hl/sid-

351-

cid-

762729/o

Collective bargaining can occur through formal trade unions and it can also occur when no formal union is present. Where trade union membership is common, workers find it easier to negotiate with management. However, higher levels of collective bargaining and higher density of trade union membership may lead to increased rates of industrial action, as workers may seek to pressure their employers for higher pay and better working conditions. In countries where union membership is lower, collective bargaining is usually more difficult to implement.

The benefit of collective bargaining for workers is that workers have more power together than they do as individuals. This makes it more likely that they can reach their goals in terms of pay and working conditions. However, collective bargaining also has benefits for the business because the business only has to negotiate with one group rather than several individuals. And, when the agreement is found, all the workers will abide by it.

## Theory of Knowledge

How might emotive language and faulty reasoning be used in collective bargaining negotiations?

For example, language and reasoning could be used differently to deal with conflict, sometimes using false or incorrect reasoning. An approach that is worth mentioning here is called the Thomas-Kilmann Conflict Instrument. This approach sets out five primary styles for managing conflict:

- **Forcing.** In this style, one's authority or power is exercised without concern for the other party.
- **Accommodating.** Here, you would neglect your own concerns or interests and allow the other party to have their needs met.
- **Avoiding.** In this style, you would refuse to acknowledge the conflict.
- **Compromising.** In this style, both parties get some of the things they want, but not everything.
- **Collaborating.** This style requires both parties to sit down and understand each other's viewpoint in order to try to reach a mutually satisfying decision.

The appropriate style is a matter of judgement, and the approach could determine the language used and the outcome achieved.

Student  
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# Employee industrial action

Overview

/study/ap

hl/sid-

351-

cid-

762729/o

Failure of collective bargaining can lead to more significant action on the part of both the employees or the employers.

There are various actions that employees can take to put pressure on the business to resolve disputes. While these actions can be effective tools to resolve disputes, they share similar downsides for both the employer and the employee, including:

- increased costs of production
- loss of output and sales revenue (and thus profits)
- damage to the reputation of the business, permanent loss of customers and difficulties with recruiting
- damaged relationships with employees
- job losses if profits decline or losses occur due to the industrial action

Employees may find it difficult to take part in industrial action if they are not unified. Some workers could undermine the action by not participating at all, or not as much as the group needs in order to pressure the business. Workers may fear for their jobs if industrial action is not protected by law in the country where they work. Or they may fear for their jobs if the business is harmed by the industrial action, and redundancies occur later.

## Work-to-rule

Employees often go above the minimum required in their work to support the business. This is particularly true when they feel motivated and there is a positive work culture. These extra efforts can benefit a business greatly. A work-to-rule action is when employees only work at the minimum level required by their contract.

If you work in a factory, for example, you might work an extra 30 minutes at the end of a shift in order to fulfil an order. In work-to-rule, you would stop your work and go home. Again, no overtime would be worked. Like a go-slow action, a work-to-rule reduces worker productivity and output. Obeying the strict requirements of the contract creates a scenario whereby management cannot find fault with workers, but would be forced to come to a negotiating position to re-establish some positive flexibility among workers.



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## Overtime ban

Overview

(/study/app/hl/sid-351-cid-762729/o

An overtime ban is when workers refuse any overtime work. Like go-slow and work-to-rule, this is a very effective method when there are fast-approaching deadlines for work to be completed. This is particularly useful in manufacturing, games development or service sector work such as retail. During periods of high demand, the impact on customer service would be great. Poorer delivery of service could then result in loss of business reputation.

## Strike

A strike is when workers refuse to work. It is the most radical action that employees can take to reach their objectives. Often, local laws require workers to give advance warning to management that they are going on strike, and there may even need to be a vote cast by members of the union with majority rule. Otherwise, the strike is deemed illegal and the courts can make workers return to work. Knowing that a strike may be imminent, management can sometimes hire additional workers to ensure there is no work stoppage.

Strike action is the most disruptive form of industrial action for a business's output. Strikes typically receive a lot of media attention and can also lead to public relations issues for both the employer and the employees, especially if the strike is a significant one that disrupts the daily activities of a large number of people, as in the transportation sector.

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In March 2022, there was a general two-day ~~strike of 50 million workers in India that disrupted the banking, manufacturing and public transport sectors in six states. The workers were protesting about what they claimed to be anti-labour government policies. While 50 million people sounds like a lot, the strike was smaller than expected; it was smaller than previous strikes which attracted multiple hundreds of millions of people. Some observers claim the low numbers reflect the vulnerable position of many workers in India in the face of low wages, inflation and the continued impact of the COVID-19 pandemic. When strikes are short and have less than expected numbers, they may not achieve their goals.~~

### ① Exam tip

In the case studies, you should look for clues that may indicate union activity. This may influence the choice of business strategies. For example, a business may be more reluctant to make redundancies or outsource production if there is a chance of industrial action.



Student view



Overview  
(/study/ap-  
hl/sid-  
351-  
cid-  
762729/o

## 🌐 International Mindedness

Different methods of industrial action occur around the world. Workers in some countries are more active than in others. In some countries, strike action is discouraged and in other countries it is more commonplace.

The political, social and legal situation in a country has a significant impact on the type of industrial action methods that are used.

# Employer industrial action

On the other side of the bargaining process, the business also has objectives. The business may wish to reduce costs of production, increase productivity, and reduce labour turnover. It is in the management's interest to do what it can to ensure employees are happy at their jobs; however, the management may have objectives that run counter to what the employees want. This may result in differing perspectives which, as mentioned earlier on, may lead to conflict.

Just like employees, management has a set of tactics to use in negotiation, including collective bargaining, threat of redundancies, changes of contract, closures and lock-outs. These actions can involve the same downsides for the business as were listed in the section on employee industrial action, including higher costs, loss of output and sales revenue, damage to reputation, permanent loss of customers and difficulties recruiting.

## Redundancy

Redundancy refers to when a business cuts back on personnel where their roles are no longer necessary or there is no longer any work available. Management can use the threat of redundancies as a means of coercion and control. This can help them to limit union power or gain leverage over the employees. In some countries, there are laws protecting workers from redundancy and dismissal related to union membership and industrial action.

## Contract changes

These may result when an employee ends their contract and a new contract needs to be negotiated. At this point, the terms of the contract can be altered. This may include changes in pay and benefits. However, the changes cannot be so drastic as to be coercive. The extent to which an employer can use contract changes as an industrial action tactic depends on the strength of the labour laws in that country.



Student  
view



Overview  
(/study/ap  
hl/sid-  
351-  
cid-  
762729/o

## 💡 Concept

### Ethics

Contractual changes and threats of redundancy are strategies that management can use to pressure employees. However, as with workers, the action of management must comply with labour laws in the country. Even where labour laws are weak, businesses should not take advantage of power differences between the business and workers in order to exploit workers.

Both businesses and their employees have an ethical responsibility to find resolution to their conflicts. Not finding resolution can result in significant negative consequences for a wide range of stakeholders, some of whom are powerless.

## Closure

This occurs when management shuts down the business in response to employee strikes. This is extreme and is not often used because it creates animosity between managers and employees. This management action is intended to be severe in order to force employees back to work rather than lose wages or be made redundant.

## Lock-out

A lock-out occurs when an employer locks out its employees, preventing employees from coming to work, with a loss of pay, until an agreement is found. This can have the effect of breaking the unity of the workers; some employees may need the work more than others.



## Activity

**Learner profile:** Inquirers

**Approaches to learning:** Research skills (information literacy)

**Inquiry question:** Why are ethical and sustainable organisations more likely to recruit top talent and have higher employee retention?

1. Research examples of 'good employers' and consider the following questions:
  - What do these businesses have in common? What strategies do they have in place that makes them good places to work?
  - How would these strategies help to attract and retain skilled workers?
2. Which social factors are likely to be the main factors influencing the change to a business model based around sustainable/ethical employment working practices?



Student  
view



Overview  
(/study/ap  
hl/sid-  
351-  
cid-  
762729/o

## Case study

### P&O Ferries

DP World, the owner of P&O Ferries, experienced public scrutiny and backlash in March 2022 after suddenly firing 800 workers and replacing them with workers earning lower wages. The wages of the replacement staff started at 5.15 GBP per hour, as compared to the previous average staff salary of 36 000 GBP per year. A wage of 5.15 GBP per hour is far below a living wage in the UK. The decision was made without any communication to trade unions, and staff were informed via Zoom. Labour laws in the UK state that employers must give 45 days' notice to the authorities when making large scale redundancies and must consult the workforce, including unions, before carrying out such decisions.

The company has been accused of ignoring some of the most fundamental principles of employee relations. It has also been accused of significant ethical breaches. The UK government has criticised the behaviour, and P&O is being investigated. The company's CEO, Peter Hebblethwaite, stated in testimony, 'There is absolutely no doubt we were required to consult with the unions. We chose not to.' The company chose to risk breaking the law and to receive fines rather than to negotiate higher payoff settlements with their staff. The staff were given smaller payoffs and told to accept swiftly without discussion or lose the offer completely.

The CEO of P&O argued that the dismissals were necessary to cut costs and save the business after the losses suffered during the COVID-19 pandemic. He stated that the company deliberately chose not to consult with unions as required by law, because they saw no chance that collective bargaining would result in a solution.

Several months before the dismissals, the employee relations chief had stated that P&O was 'not just a place, a job or career, but a family'.

### Questions

1. Define the term collective bargaining [2 marks]
2. Explain why P&O's sudden dismissal of 800 employees is both a legal and an ethical issue. [4 marks]

#### Question 1

Collective bargaining refers to the negotiations between employees and employers, mostly in relation to pay and working conditions.

**Define** is an AO1 level command term, requiring the precise meaning of a term.

- One mark is given for a vague definition.
- Two marks are given for a complete definition.
- No application to the stimulus material is required for definitions.



Student  
view

#### Question 2



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A legal issue is something that is enforceable by law. Breaking the law could result in fines or criminal prosecution. An ethical issue is a moral judgement which is not legally enforceable.

P&O's decision is a legal issue, since they did not give the required notice to authorities before making their decision. As employment law within the UK states, employers must give 45 days' notice before making large scale redundancies. Therefore, by failing to provide this notice P&O has breached a legal clause and may be subject to a fine or criminal proceedings.

P&O's decision is also an ethical decision because the company had stated previously that workers were seen as 'family'. By making such a decision, the company went against their own values and principles. This means that they made a decision that was unethical, since they chose to disregard the needs of their staff in favour of the needs of the company.

**Explain** is an AO2 level command term, requiring a detailed account including reasons or causes. Explain means to consider how and why something may impact something else.

- In this example, you are explaining *why* such decisions were legal and ethical issues.
- To achieve full marks, you must always include theory and application to the case study in your responses to the explain command term.

## 3 section questions ^

### Question 1

Which of the following refers to a situation whereby employees decide to withhold or refuse to work until their demands are met?

1 Strike



2 Work-to-rule

3 Overtime ban

4 Redundancy

### Explanation

Student view

A strike, where employees refuse to work, is an extreme form of industrial action. It is seen as a last resort when the demands of the workers are not met. This form of action is designed to cause maximum disruption to the business.



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**Question 2**

If a business decides that workers are no longer needed, they can decide to make staff redundant. This change in staffing can lead to demotivated staff, who suffer from low  morale  and poor motivation. This can result in further conflicts between staff and management.

**Accepted answers and explanation**

#1 morale

**Question 3**

What form of action takes place when an employer excludes employees from their work?

1 Lock-out

2 Strike

3 Work-to-rule

4 Lock-down

**Explanation**

A lock-out is a form of action taken by management. It seeks to put pressure on staff by restricting them from working. This is designed to gain power or authority over staff by limiting their ability to earn a wage. This could help a business to gain an advantage in negotiations, especially if workers need the income.

2. Human resource management / 2.7 Industrial/employee relations (HL)

# Approaches to conflict resolution in the workplace

Approaches to conflict resolution (HL)



Student  
view

Conflict resolution involves actions taken to reduce tensions and manage conflict in the workplace. Before employees or employers take potentially damaging industrial action, they can try a number of approaches to avoid conflict.



**Figure 1.** Communication is key to conflict resolution.

Credit: LaylaBird, Getty Images

Common methods of conflict avoidance include:

- **Employee participation and industrial democracy.** These involve workers making decisions and sharing responsibility and authority in the workplace. This is often referred to as ‘team working’; workers can participate in running the business. They may have ownership over the means of production (producer cooperatives), have a seat on the company’s board, own shares or simply work in autonomous groups, all of which involve having some form of decision-making authority.
- **No-strike agreements.** Many unions include a no-strike clause in their contracts to combat negative publicity from stoppages. This means precisely what it says: workers will not strike. No-strike agreements are usually made once an agreement has been made with management, for example to keep pay in line with inflation, or to refer all disputes to an arbitration panel.
- **Single union agreements.** These are agreements whereby the employer will only negotiate with a single recognised labour union. This minimises disruption and conflict that might be caused by dealing with multiple unions, as different unions may have different objectives. Under a single union agreement, that union represents the workers, and the employer only deals with the one union.



**Table 1.** Strengths and weaknesses of conflict avoidance methods.

Method of conflict avoidance	Strengths	Weaknesses
<b>Employee participation and industrial democracy</b>	<p>Employees may feel more motivated and empowered. (This links to <a href="#">Section 2.4</a> (/study/app/business-hl/sid-351-cid-762729/book/the-big-picture-id-39054/).)</p> <p>Employees may feel a greater sense of belonging and may have better job satisfaction if their input is valued and considered. This is a powerful non-financial motivator.</p> <p>It is linked to a democratic leadership model (<a href="#">Section 2.3</a> (/study/app/business-hl/sid-351-cid-762729/book/the-big-picture-id-39392/)) and can result in greater constructive input from staff members, who may contribute effective ideas and improvements for the organisation.</p> <p>Organisations with greater employee participation tend to have fewer strikes, less conflict and often see a reduction in labour turnover.</p>	<p>Democratic systems with greater employee input could delay decision-making, which may be a competitive disadvantage in fast-moving industries.</p> <p>Employees may not agree on a strategic direction or consensus, which may create issues between workers.</p> <p>Management expertise may be overlooked or ignored in favour of the collective decision-making of the whole staff body.</p>
<b>No-strike agreement</b>	<p>This reduces the risk of disruption caused by strike action. It will help to avoid any issues of production being halted by striking staff.</p> <p>It also reduces the possible risks of poor public relations created as a result of strike action.</p>	<p>This may limit the impact or bargaining power of the union. It may also reduce the union membership over time and weaken labour power.</p> <p>Employers may use their power and force to coerce unions into signing a no-strike agreement in favour of certain agreements that may be less favourable than what could have been achieved if strike action was an option.</p>



Method of conflict avoidance	Strengths	Weaknesses
<b>Single union agreement</b>	<p>This avoids wasting time negotiating with and managing multiple unions that represent employee groups. It also avoids rivalry between unions to negotiate better pay for members.</p>	<p>Some workers may feel the union that is doing the negotiating is ineffective in defending their interests.</p> <p>It may limit the union's power to interfere with management functions.</p>

If such actions fail to avoid conflict or indeed lead to increased tension, then there are strategies that can be used to resolve conflict. The two main methods of conflict resolution are conciliation and arbitration:

- In conciliation, a third party acts as a go-between and attempts to listen the demands of both sides, relay those demands to each party and then, through negotiation, reach a compromise that is satisfactory to both parties.
- Arbitration is similar, but different in one important respect: both parties agree beforehand that they will abide by the third party's decision. You can think of the arbitrator as someone who is acting like a judge, listening to both sides, weighing the evidence and then rendering a decision. The decision by the arbitrator is legally binding and both parties must do what has been decreed by the arbitrator.

In both of these processes, employers and employees agree to have a third party come in to resolve the discord between them.

**Table 2** summarises some of the strengths and weaknesses of these two methods of conflict resolution.

**Table 2.** Strength and weaknesses of conflict resolution methods.



Method of conflict resolution	Strengths	Weaknesses
<b>Conciliation</b>	<p>The privacy of the parties is preserved, so there is no risk to reputation.</p> <p>The conciliator is normally a legal expert in the disputed area.</p>	<p>There is no legally binding obligation to observe the agreements made.</p> <p>There is no guarantee that such action will result in a favourable outcome or will necessarily resolve the dispute.</p>
<b>Arbitration</b>	<p>This method is much cheaper and quicker than a lengthy court battle.</p> <p>Parties have greater control over the conflict resolution process.</p> <p>The arbitrator is selected by the parties and will usually be someone with expertise in the matter.</p>	<p>The final decision is made at the discretion of the arbitrator, which may leave room for bias.</p> <p>It is not possible to appeal the final decision.</p>

### ① Exam tip

You should be able to analyse different methods of conflict resolution. A question may ask you to compare and contrast the effectiveness of different methods of conflict resolution.

Depending on the situation, a manager or leader may adopt different styles in order to solve the problem. In [Subtopic 2.3 \(/study/app/business-hl/sid-351-cid-762729/book/the-big-picture-id-39392/\)](#), you learned about the situational leader, who responds to the situation and employees' different strategies to achieve an outcome.

Approaches to conflict management are similar. Each situation may necessitate a different style of conflict resolution depending on the context. If time is of the essence, then forcing outcomes may be the only option. If it is not a high stakes decision, and is of little importance in the grand scheme of work objectives, accommodating the request may be the best move. When there is an important decision to be reached that involves a lot of people and their work, collaboration may be the best way forward. As a general rule, the more important the issue, the more likely it is that you would want to use collaboration.



Overview  
(/study/app/hl/sid-351-cid-762729/o)

## Case study

### Conflict resolution at Systemair

In 2021, the Turkish Union Birleşik Metal filed a complaint with the OECD (Organisation for Economic Cooperation and Development) against Swedish multinational company Systemair, a company producing ventilation equipment around the world. The issue is connected to Systemair's Turkish manufacturing subsidiary. Birleşik Metal represents over 50% of the workers at the Turkish manufacturing facility.

The dispute was caused when local management at the manufacturing subsidiary refused to engage with the union, and instead opted to use the COVID-19 pandemic as an excuse to place staff on unpaid leave. Systemair claims that all of its strategic suppliers (including its Turkish manufacturing facility) comply with the company's code of conduct when making decisions impacting labour. Yet when some workers decided to support terminated workers who were protesting, they were fired by the local management. The company has recruited new workers to replace the unionised workers placed on unpaid leave.

The communication between local management and the union has broken down and neither party has managed to engage in constructive dialogue.

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Assign

(Source: IndustriALL Global Union (<https://www.industriall-union.org/swedish-systemair-union-busting-in-turkey>))

### Questions

1. Define the term trade union [2 marks]
2. Explain **two** approaches to conflict resolution that could be used to end the dispute. [4 marks]

#### Question 1

A trade union is an organised group of workers formed to protect and improve worker interests and rights.

**Define** is an AO1 level command term, requiring a precise meaning of a word.

- One mark is given for a vague definition.
- Two marks are given for a complete definition.
- Definitions do not require application to the stimulus material.

#### Question 2

Conflict resolution involves actions taken to reduce conflict in the workplace.

One method of conflict resolution that could be used is conciliation. A third party could be called in to help resolve the dispute. This third party is likely to be an expert within the manufacturing industry and may provide impartial solutions

Student view



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to the problems by acting as a go-between for the union and local management. They may be able to negotiate terms that offer a compromise for both local management and workers.

A second method of conflict resolution is arbitration. A third party arbitrator could help both parties to come to agreements that are within the interest of both parties and, more importantly, agreements that are enforceable. This would ensure that the decisions made by the arbitrator during the negotiation process are implemented and are also unbreakable.

**Explain** is an AO2 level command term, requiring a detailed account including reasons or causes. Explain means to consider *how* and *why* something may impact something else.

- In this example, you are explaining *why* different methods of conflict resolution may help to resolve issues within this context.
- To achieve full marks, you must always include theory and application to the case study in your responses to the explain command term.

## 3 section questions ^

### Question 1

If a business wanted a legally binding resolution to a particular dispute, they could call for a third party to come in and resolve the dispute. This is known as:

Arbitration



### Accepted answers

Arbitration

### Explanation

Arbitration is usually carried out by an arbitrator. An arbitrator is a neutral party that has the power and authority to help resolve a situation by enforcing concessions or action points agreed by the two aggrieved parties (for example, management and staff).

### Question 2

Every country has their own labour laws , which provide a set of enforceable rules and principles that must be followed. In some countries, rules are quite relaxed, which can lead to possible exploitation of workers by businesses.



Student  
view



## Accepted answers and explanation

Overview  
(/study/app/business-hl/sid-351-cid-762729/o)

#1 laws

Legislation

### Question 3

A situation where both parties get some but not all of what they want is known as a:

- 1 Compromise ✓
- 2 Conflict
- 3 Consequence
- 4 Commitment

### Explanation

A compromise is an agreed set of concessions that both parties may make in order to avoid conflict and manage a situation. Both parties may agree to disagree and may have different perceptions or values, but may decide to sacrifice some of those demands, values or principles in order to ensure other more important demands are met.

2. Human resource management / 2.7 Industrial/employee relations (HL)

## Terminology exercise

### Section

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Feedback



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Overview  
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### Check that you understand the terminology used in this subtopic by dragging the correct word into each space.

Employee–employer relationships are important for many businesses. Management and employees should have shared and should strive to work together to achieve common goals.

Sometimes those values are not shared, and may emerge. For example, an leader may behave in a way that upsets workers, such as through coercive behaviour. This may create tension leading to a workplace culture.

Often communication and are needed to ensure values are shared. In workplaces where communication is good, workers will be consulted and listened to as they voice their viewpoints.

There may be employee groups that act on behalf of staff and favourable pay and working conditions. Through bargaining, employees can negotiate better and can negotiate for changes to be made to working conditions. If employers do not wish to listen, employees can seek to cause disruption.

If management and workers cannot agree on a course of action, then action may result. This can be avoided through conflict such as and arbitration, which seek to use third parties to manage a conflict. In the case of , the agreements made are legally enforceable.

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Check

### Interactive 1. Understanding Industrial and Employee Relations.

2. Human resource management / 2.7 Industrial/employee relations (HL)

## Checklist

Action

Student... (0/0)

Feedback

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**Section**

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**What you should know**

By the end of this subtopic, you should be able to:

- define the following terms: (AO1)
  - conflict
  - collective bargaining
  - work-to-rule
  - strike action
  - redundancies
  - lock-outs
  - conflict resolution
  - conciliation
  - arbitration
  - employee participation
  - industrial democracy
  - no strike agreement
  - single union agreement
- explain the importance of employee—employer relations (AO2)
- analyse the sources of conflict in the workplace (AO2)
- examine different approaches to conflict in the workplace (AO3)
- discuss different approaches to conflict resolution in the workplace (AO3)

2. Human resource management / 2.7 Industrial/employee relations (HL)

**Reflection****Section**

Student... (0/0)

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**Assign****Teacher instructions**

The goal of this section is to encourage students to pause at the end of the subtopic and to reflect on their learning. Students can use the questions provided below to guide their reflection. The questions encourage students to look at the bigger picture and to consider



how the subtopic's contents might have impacted the way they view the subject.

Overview  
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762729/o

The following table shows you how each prompt aligns to the DP *Business management guide*:

Prompt #	Syllabus alignment
1	<b>Concept:</b> Ethics
2	<b>Learner profile:</b> Inquirers
3	<b>Learner profile:</b> Open-minded

Students can submit their reflections to you by clicking on 'Submit'. You will then see their answers in the 'Insights' part of the Kognity platform.



## Reflection

In this subtopic you learned about industrial/employee relations and how employees and employers resolve labour conflicts.

Take a moment to reflect on your learning so far. You can use the following questions to guide your reflection. If you click 'Submit', your answers will be shared with your teacher.

1. Do employers have an obligation to treat employees in an ethical manner or does the government always need to ensure that employees are treated ethically?
2. To what extent does collective bargaining change the power dynamic in a workplace? Is it possible to pursue collective bargaining without building long-term resentment among workers and supervisors?
3. Do you think it would be helpful for schools to establish industrial democracy? Why or why not?

⚠ Once you submit your response, you won't be able to edit it.



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view



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Submit

### Rate subtopic 2.7 Industrial/employee relations (HL)

Help us improve the content and user experience.



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