

# Informing and consulting your workforce: handling restructuring at BP Exploration

This case study reviews the experience of the employee consultation processes that have existed within BP Exploration's UK continental shelf (UKCS) operations since 1999. As part of overhauled arrangements introduced that year, Employee Communications and Consultation Forums (ECCFs) were set up in each business unit, together with a division-wide UK Employee Communications and Consultation Forum. Since the establishment of the ECCF system, BP Exploration has undergone major restructuring. As well as dominating the ECCFs' agenda in recent years, the restructuring has had significant implications for the consultation infrastructure itself. The number of UKCS business units has been reduced from some 13 in 1999 to three in 2003 and, in the light of the size and scope of the new business units, management and employee representatives agreed to refocus

the sub-UK-level ECCFs on the performance units that exist within the two largest business units, with effect from early 2004.

## Industrial relations background

BP's statement of the "policy expectations" that staff can have of the company includes commitments that:

- "leaders will initiate and encourage open and timely two-way dialogue with their teams on all issues relating to business performance";
- "we will handle organisational change which results in job dislocations with care and sensitivity through constructive dialogue and provision of all reasonable options"; and
- "we recognise, consistent with local legislation, the right of every employee to form or join trade unions".

In addition to the consultation structures discussed below, there is a range of other channels for employee involvement within BP Exploration. As well as the use of team briefings and employee newsletters etc, these include:

- an employee-led safety representatives' network, which operates across different business streams;
- "Operations Excellence" action teams focusing on performance improvements and cost savings;
- "Great Operator" (GO) teams, which bring together representatives of the same discipline (such as drilling or reservoir engineering) from different business units, to share best practice and promote "functional excellence" within the upstream business;
- a Pensions Council; and
- the Dyce Office Focus Group, dealing with accommodation and amenities issues within BP Exploration's head office complex.

In addition, management have held broader consultation exercises on a number of major company initiatives in recent years, e.g. the "Jigsaw" search and rescue arrangements for offshore installations. The reasons for "spinning off" consultation on certain issues from the ECCF system usually relate to "manageability" or the need to involve a specific section of the workforce, e.g. offshore workers.

BP's UKCS workforce is non-unionised, except for the operators, drivers and technicians at the Sullom Voe oil processing

### Box 1 – BP Exploration

Structurally, BP is made up of four businesses:

- Exploration and Production;
- Gas, Power and Renewables;
- Refining and Marketing; and
- Chemicals.

BP's North Sea Exploration and Production business is headquartered in Dyce near Aberdeen, and consists of "upstream" and "midstream" activities. The upstream business – BP Exploration, the focus of this case study – includes oil and natural gas exploration and field development and production, whereas midstream activities cover management of pipelines, processing and export terminals and liquefied natural gas processing.

As at January 2004, following the recent divestment of some Southern North Sea assets, BP Exploration employs some 2100 staff in its UKCS operations, of whom around 700 work offshore.



### Box 3 – The UK Employee Communications and Consultation Forum

The July 1999 constitution of BP Exploration's UK Employee Communications and Consultation Forum states that its purpose is "to provide the opportunity for employee feedback and clarification between the company and its employees and for the exchange of views and the establishment of a public dialogue with employees". As with BU-level ECCFs, the Forum is intended to be "a non-executive body whose views and suggestions will be considered in making specific decisions which affect all staff employees".

Topics "suitable for the Forum to consider" are identified as:

- the structure, economic and financial situation of the business;
- the probable development of the business, its production and sales;
- the situation and probable trend of employment;
- investments and substantial changes concerning organisation;
- introduction of new working methods or production processes; and
- transfers of production, mergers, cut-backs or closures of undertakings and notifiable redundancies.

The Forum initially involved a total of 30 employee members, nominated by and from the elected members of the BU-level ECCFs, though this number was subsequently reduced to 21 in the light of the restructuring that took place in 2002. Employee members of the Forum are expected to put forward agenda items on behalf of their business unit, and "be representative of opinions within their constituencies and business unit on specific matters to be discussed". As with BU-level ECCFs, "the responsibility for communicating the agenda and notes for the Forum meetings shall lie with the management and not the reps". However, "it is intended that [the employee representatives] will assist the informal communication linkage between the three tiers" (i.e. the BU-, UK- and European-level forums).

The company is represented by senior management from within BP Exploration, with support from HR staff.

The UK ECCF was originally intended to meet quarterly, but will meet three times a year from 2004. There is provision for additional, extraordinary meetings to be convened at the initiative of management or at the request of at least three employee representatives, to discuss "any action that has serious consequences for all employees" or "proposed material changes to the business". The employee representatives are able to meet on their own immediately prior to Forum meetings.

### Box 4 – The Upstream European Communications Forum

BP's strategy for responding to the European Works Councils (EWCs) Directive was to establish a series of divisional European Forums rather than a single, group-wide body. Within BP Exploration, the Upstream European Communications Forum was originally established by voluntary agreement under Article 13 of the Directive in November 1995. Amended arrangements were agreed four years later.

Under what is otherwise a fairly standard EWC-type constitution, the Forum meets twice a year. Alongside the six employee representatives from the UK ECCF (four covering UKCS employees and two from Sunbury), there are two representatives from Norway and one from the Netherlands. Items for the agenda which affect all three countries are reportedly "thin on the ground", but issues discussed in recent years include:

- individual performance bonuses;
- diversity and inclusion;
- IT developments; and
- health, safety and the environment.

A European "cross-stream" meeting took place in 2002 at which representatives from BP's Upstream, Downstream and Chemicals European Forums compared their experiences.

#### Topics discussed by ECCFs

For the most part, the BU and UK ECCFs were intended to deal with different topics – BU-specific issues and UK-wide issues respectively – although there is scope for BU ECCFs to refer matters upwards to the UK-level forum, and major issues such as

the implications of restructuring are inevitably dealt with at both levels.

At UK level, the main issues which have featured on the ECCF agenda over 2002-3 include:

- restructuring and redundancies;
- reward issues, e.g. the individual performance bonus,

sabbaticals, long service awards, salary progression, and the harmonisation of the terms and conditions of offshore workers;

- key business issues, including the "Jigsaw" search and rescue arrangements and the implications of the working time Directive;



- employment relations policies and procedures, including work-force diversity, parental leave, flexible working, revisions to the disciplinary procedure and changes to the consultation structures in the light of restructuring;
- employee concerns over such issues as the possible move out of the current Dyce offices, parking for offshore workers and the reintroduction of free lunches; and
- feedback/updates from the European Forum and the Pensions Council.
- offshore employee handbook;
- responsibility payments for extra duties; and
- release arrangements for employee representatives to attend MNS, UK and European consultation forums.

#### *Handling restructuring and redundancies*

The past two years have been dominated by the impact of successive restructuring initiatives affecting BP Exploration. In 2002, the ECCF network faced a major test when BP announced a new North Sea strategy designed to address the changing conditions affecting its UKCS operations. The strategy reflected a shift from managing growth to managing a gradual decline, associated with the rising costs of North Sea oil production and the competition for investment with other BP fields coming on stream, e.g. in the Gulf of Mexico and the former Soviet Union. The company put forward a major restructuring plan involving the loss of 500 jobs and a reduction in the number of business units to five (plus business support groups).

According to BP Exploration employee relations manager, Alix Thom, the company provided employees with detailed information about the position of the North Sea business and the objectives of the restructuring strategy. Management's approach to consultation was "much fuller than the minimum needed for legal compliance" with the redundancy consultation requirements, and represented "a larger-scale process than most employee representatives had previously been involved with". Although many of the employee representatives had already received some training (see box 6), they requested more in-depth guidance to assist them in their role, including more detailed information on the statutory redundancy consultation procedure. This was provided by the Involvement and Participation Association (IPA). The company also sought to ensure that every offshore platform was involved in

#### **Box 6 – How the IPA helped**

The IPA provided start-up training for members of the new forums across the UK, designed to develop employee representatives' and managers' skills. In 2000, IPA director Willy Coupar was also asked to evaluate the effectiveness of ECCFs in two business units and advise on improvements in their operation.

In 2002, in the light of the consultation initiated on the restructuring of BP's North Sea operations, employee representatives asked for more in-depth guidance to assist them in their role and more detailed information on the statutory redundancy consultation procedure. Again, BP Exploration brought in the IPA to provide additional training.

Details of the IPA's advisory services are available on 020 7354 8040 or by e-mail at [involve@ipa-involve.com](mailto:involve@ipa-involve.com). Alternatively visit the IPA website at [www.ipa-involve.com](http://www.ipa-involve.com).

the consultation, and additional representatives were recruited where necessary.

Both management and employee representatives interviewed commented that input from the employee representatives had a significant impact on the details of the redundancy process. For example, consultation helped shape the "expression of interest" procedure for employees wanting to leave the company and the criteria and scoring system used to assess candidates for possible redundancy. Employee representatives also pressed successfully for more time than initially envisaged for the consultations to take place with the offshore workforce.

Alongside consultation via the ECCF network, management stressed the crucial importance of keeping all employees informed and up to date with the restructuring process, particularly given the geographically scattered nature of

#### **Box 5 – Agenda of UK ECCF meeting, July 2003**

- business context
- options for changing the consultation framework
- disciplinary, grievance and capability procedures
- people engagement plan
- employee petrol discount for LPG vehicles
- salary review 2003
- minutes from the European Communications Forum
- stress

At business unit level, ECCFs have dealt with a wide range of issues. A snapshot of the topics considered within the former Mid North Sea (MNS) ECCF during the autumn of 2002 illustrates the sort of issues reaching BU ECCF agendas. These included:

- Teamshare bonus arrangements within MNS;
- safety issues;
- restructuring/reorganisation within MNS;
- the repatriation of BP employees;
- flexible working;
- plans for new office accommodation;
- compressed working week proposals;
- new flight times for Forties Bravo crew changes;

the workforce. This involved using a website on the BP intranet for posting all agendas for meetings, minutes and other information. Employees were also able to put forward questions via the website, as well as through their representatives. Regular team briefings formed another important part of the communication process.

In the end, only 15% of the 500 job losses were compulsory; the rest of those leaving the company took a voluntary redundancy package. Operating the process at regional level (rather than by business unit) also meant that some people were able to transfer to fill vacancies created by colleagues taking voluntary redundancy.

In late 2002, BP announced plans to cut jobs at the Sullom Voe oil terminal. The redundancies were the subject of consultation within the Sullom Voe terminal with union officials and representatives, together with representatives of the non-union employees.

Further restructuring took place during the first half of 2003. As well as seeking further job cuts, BP Exploration divested two major businesses and went from five BUs to three:

- the Developing Business Unit (DBU);
- the Mature Business Unit (MBU); and
- Partner-operated Infrastructure, Marketing and Services (PIMS).

Again, the job losses required – 230 this time, restricted to onshore staff – have been met primarily by voluntary redundancy and internal transfers. There were fewer than 20 compulsory redundancies. While representatives of all office-based staff affected were involved in frequent meetings over the January-April 2003 period, generally every two weeks, there was some frustration on the part of the UK ECCF members who felt they were unable to make much of an input. Senior management did not regard the specifics of the proposed structural changes as appropriate for consultation, and although

employee representatives were consulted over the handling of the consequent redundancies, the "hard work" in terms of refining the "expression of interest" system and other procedures was essentially done in 2002 when the previous restructuring took place. However, as a result of pressure from employee representatives, extended deadlines were agreed for the submission by employees of expressions of interest in voluntary redundancy.

#### *Reward issues/terms and conditions*

Reward issues have increasingly featured on the agendas of the ECCFs. Employee representatives were involved in a joint working party to develop the 2001 "offshore offer" proposing the harmonisation of the three different offshore rota patterns that existed due to acquisitions, historical reasons etc, and the offshore offer was considered by BU-level ECCFs and the UK Forum though the issue was also the subject of a wider consultation process. The arrangements for individual performance bonuses and other aspects of variable pay have been discussed at the UK ECCF on a number of occasions, and a discussion of the 2003 salary review took place at the July 2003 UK ECCF meeting, unlike in previous years. Senior management responded to a number of criticisms of the company's reward strategy and its implementation, and undertook to reflect employee feedback in subsequent company discussions.

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### **Key operational issues**

#### *Engaging with a geographically scattered workforce*

There are a number of specific challenges in operating effective information and consultation arrangements within the environment of the North Sea oil industry. A substantial part of the BP Exploration workforce works offshore, spread across a large number of offshore installations. Logistical considerations, such as adverse weather conditions

(restricting helicopter flights), home leave etc, as well as cost issues, make it difficult to conduct as many face-to-face meetings as people would otherwise prefer. This has led the company to use the internet and teleconferencing to facilitate communication between employees and with the head office in Aberdeen, e.g. during the 2002 and 2003 restructuring exercises outlined above.

The effective coverage and involvement of offshore staff is a matter of ongoing concern within the BP Exploration consultation structure. Some offshore representatives have reportedly experienced some difficulty in being able to attend meetings, meaning that offshore workers have been under-represented in the consultation process. Management regard this as problematic not only because offshore workers constitute a significant part of the BP Exploration workforce but also because of the requirement of the EU information and consultation Directive that effective consultation arrangements apply to all employees. Head office management has sought to encourage line management to release offshore employee representatives to attend meetings.

#### *The position of contractors*

A related question is the position of contractors' employees working alongside BP employees. Although the number of contractors' employees has been reduced over recent years, they still represent a sizeable proportion of the offshore workforce. Inevitably, changes that affect BP offshore employees affect contractors' employees too, but participation in the ECCFs is restricted to BP employees and the formal information and consultation channels that apply to the contractors' employees are those of the contractors, not BP. This situation can result in differences in the two groups' access to good quality, up-to-date information and can give rise to tensions between them. Alix Thom comments: "We are thinking about how to make sure such processes could work better, while leaving contractors to

deal with their own business and procedures."

#### *Agenda-setting*

Employee representatives interviewed suggested that around 90% of the items on the UK ECCF's agenda tended to be tabled by management and only 10% by the employees. This was because a lot of potential employee issues were raised elsewhere. Indeed, the situation was often reversed in relation to business unit-level ECCFs where more items for the agenda were suggested by employees than management. Alix Thom agrees that the UK ECCF's agenda has been predominantly management-led, "but not through choice". Management's view is that both management and employee representatives "must commit to developing a robust agenda": it is the responsibility of both parties to suggest items for discussion at the forum (at any level), but if there is little to communicate or consult on then meetings should be kept short, without padding out the agenda.

#### *Confidentiality*

The constitutional provisions governing the business unit- and UK-level ECCFs include a confidentiality clause stating that employee representatives are "bound to respect any confidential information provided to them and understand that it must not be disclosed any further unless with the express permission of [management]." This injunction is reinforced by the company's guidance notes for employee representatives (see box 7).

Neither management nor employee representatives reported any difficulties concerning the handling of confidential information. Alix Thom explained that, during the 2002 restructuring outlined above, management sometimes gave employee representatives details that they were asked to keep confidential – "ahead of a final decision and its rolling out through team briefings, for example". The purpose was usually to keep the employee

representatives fully informed and to "enable consultation with the reps to run its course".

#### *Feedback from ECCF meetings*

The minutes from ECCF meetings are circulated to the employee representatives, who are then expected to brief their constituents (see box 7), and are disseminated to management through the BP Exploration HR network rather than directly to line managers. On certain key issues, special arrangements are made to brief line management.

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### **Restructuring the consultation framework**

Following the 2002 restructuring, in which the number of BP Exploration business units was reduced to five, the formula of one representative for each 40 employees (see box 2) resulted in a large number of representatives

on BU-level ECCFs in some cases, e.g. at least 22 representatives in the Northern Business Unit ECCF. HR managers therefore recommended that a maximum of 10 representatives should meet with BU leaders at the BU-level ECCF meetings. The selected representatives were expected to liaise with all of the other representatives prior to the Forum, to ensure the views of all constituencies were represented.

Guidance issued by BP Exploration HR managers also recommended that, "to enable the consultation process to operate effectively", provision should be made for employee representatives to meet, "with support and facilitation from HR advisers", between BU-level ECCF meetings. This was to enable representatives to discuss feedback from constituents to the previous forum, and prepare agenda topics for the next. Though

#### **Box 7 – The role of the employee representatives**

BP Exploration HR managers have issued the following guidance notes to employee representatives concerning their role:

- Be known to your constituency and aware of the range of opinion on matters directly affecting the workforce.
- Canvas your constituencies on issues, gathering opinion, seeking clarification and further information. Share the views expressed on issues raised in consultative procedures.
- In the consultative procedures be representative of constituency opinion.
- Actively participate in all meetings on behalf of your constituency and be able to express an opinion.
- Provide input to your colleagues on agenda setting to identify issues you feel should be raised at the consultative meetings.
- Encourage your constituents to keep abreast of the publicised consultative agenda and information coming out of meetings, providing any supplementary direct feedback in the most appropriate way. You should ensure copies of the agenda, minutes and supporting slides etc are distributed effectively.
- Continuously review the effectiveness of the employee involvement processes and bring forward any suggestions for continuous improvement.
- Ensure your supervisor is aware of your role and involvement in these activities and gain their active support.
- Act as an initial point of contact for management in the event of "exceptional circumstances".
- Be fully aware of your obligation with regard to the non-disclosure of confidential information.
- In the event of changes in business structure, consider and agree amendments to the representational arrangements.

facilitated, these would be less formal than ECCF meetings and would be the subject of summary notes, not full minutes.

Up until the summer of 2003, BP Exploration management had regarded the business unit as the "foundation level" for formal consultation. The format of consultation below BU-level, if any, was for each BU to decide, and it was not envisaged that regular forums would be established at performance unit level, even in the largest BUs. "Four levels would be too many", commented Alix Thom. Instead, it was expected that PU line managers would normally meet with PU representatives on an ad hoc basis, when PU-level issues arise for consultation. However, as already noted, the most recent restructuring exercise, completed during 2003, resulted in the establishment of three larger BUs within BP Exploration. This called into question whether BU-level ECCFs continued to be the most appropriate arrangement.

At the July 2003 meeting of the UK ECCF, management asked employee representatives to consult their constituents on whether they felt that the new, larger BUs established as part of the 2003 restructuring exercise remained the most appropriate level for the sub-UK-level consultative structures, or whether ECCFs focussed on the smaller performance units within BUs might be preferable. There was also discussion of the continuing appropriateness of including representatives of the upstream BU staff based at Sunbury in the UK ECCF which is otherwise dominated by UK continental shelf operations.

A number of employee representatives expressed the view that continued consultation at BU-level was likely to prove unwieldy in the case of the larger new BUs and that consultative structures based on performance units would have the advantage of ensuring that the issues discussed were relevant to all employee representatives involved. With the move to larger business units, the "meaty issues"

tended to be at cross-BU or sub-BU levels. For management, the overriding aim was to devise a system which "maximises the quality of the conversation" within the consultation forums. Another key management consideration was to develop arrangements which would be readily adaptable to the changing structure of the business.

Further consultation with employee representatives resulted in proposals for a new consultation framework within BP Exploration, structured around its current organisational shape, which took effect in early 2004. The key change is that consultation will now take place in forums established at performance unit level instead of business unit level within the two largest business units - the Developing Business Unit (which contains six PUs) and the Mature Business Unit (which has seven). In the case of PIMS, the smallest of the three BUs, consultation will continue at BU level. The UK ECCF will continue to include representatives of the BP Exploration international development staff at Sunbury alongside those of UKCS employees.

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### Assessment and future prospects

In the four and a half years since BP Exploration's ECCF network was first set up, it has dealt with some significant and sensitive issues, most notably the redundancies associated with the major restructuring in 2002 and 2003, and has also been reshaped in response to changes in corporate structure.

Both management and employee representatives interviewed commented that the effectiveness of business unit ECCFs tended to vary between BUs, due largely to differing approaches to consultation adopted by BU leaders. Nevertheless, for much of the period under review, management and employee representatives regarded the BU-level ECCFs as the most important level of consultation, corresponding to the key level of management decision-making for

most issues subject to consultation, whereas the role of the UK ECCF was initially more uncertain. However, the importance of the UK ECCF has grown as a result of management's decision to handle the consultations over the 2002 and 2003 restructuring exercises on a "federal" or regional (North Sea-wide) basis, and its developing role in dealing with upstream business-wide issues such as the implementation of variable pay and the projected relocation from the Dyce headquarters. At the same time, the effects of the restructuring in terms of the successive moves towards fewer and larger BUs has called into question the rationale for consulting at BU-level. In the words of Tim Summers, BU leader of the Mature Business Unit and senior management "sponsor" and chair of the UK ECCF, the key issue was to identify the appropriate "point of aggregation" for sub-UK-level consultation. As outlined above, the new consultation framework implemented in early 2004 represents a move from business unit ECCFs to performance unit ECCFs for most UKCS employees.

In terms of the perceived benefits of consultation, management argues that the consultation process over the 2002 and 2003 redundancies resulted in "considerable gains" despite the logistical difficulties. Alix Thom believes that the process increased mutual trust between employees, their representatives and managers, and confirmed the value of keeping employees informed about how the business climate had driven management strategy. The regional approach adopted allowed many people to move within BP rather than being made redundant, and employee representatives made a significant input to shaping the procedures and criteria used. The main message from the employee representatives during a "wash-up" discussion of the 2002 restructuring at the UK ECCF was that they would have preferred to be engaged at an earlier stage in the process, before the scale of the

redundancies had been determined. Management, however, pointed to the difficulties in consulting over management plans which were not yet fully clear. Feedback from employees also highlighted inconsistencies in the handling of team leader briefings about the restructuring, both in terms of management skills and the extent that information was passed on – an issue that senior management accepted required addressing through BP's training programmes.

More broadly, Tim Summers comments that employee consultation is "a hard thing for a large company to do well, even when proper procedures are in place". The aim of the ECCF network is "two-way communication" and "workforce involvement in management decisions". He points out that the ECCFs are one of a range of communications channels within the business, but that, for senior management, their particular value lies in getting feedback from a different perspective than via line management. Nevertheless, some issues are "off limits" – Tim Summers draws a distinction between consulting on pay and restructuring decisions per se, which BP Exploration management is not prepared to do, and consulting on the impact of restructuring and on the implementation of elements of the reward package, which does happen.

Employee representatives interviewed suggested that the company could benefit by consulting the UK ECCF more effectively on key issues. One example cited was the recent replacement of the individual performance bonus by a new variable pay scheme. It was suggested by one of the employee representatives that, had management sought the ECCF's feedback on this initiative, certain problems with its design and implementation might have been avoided. The employee representatives said that, while frank and open discussion often took place at UK ECCF meetings, there was a feeling that "there is a lot of communication but less consultation". This has on occasion led to (minuted) complaints from employee representatives at Forum meetings about lack of consultation.

There also appears to be a perception on the part of both offshore employee representatives and representatives of the Sunbury-based staff that the agenda of the UK ECCF is too "Dyce-biased" – in other words, discussion tends to focus on issues predominantly of interest to onshore workers based at BP Exploration's Aberdeen office complex.

In terms of the implications of the EU information and consultation Directive for BP Exploration's ECCF network, Alix Thom comments that the structure introduced in 1999 was primarily seen by management as an extension of the principles of the European Works Councils legislation and not an attempt to pre-empt the provisions of the draft information and consultation Directive then under discussion at European level. Tim Summers accepts that the company's current style of consultation "may have to change under the new legal climate", and move towards "more formal consultation". Formal ratification of the new consultation model within BP Exploration by the employee representatives is seen by management as the most appropriate route towards agreed arrangements that will meet the requirements of the UK's draft Information and Consultation of Employees Regulations.

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*The views in this case study are those of the participants and may not reflect those of the IPA.*



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