NATIONAL QUALIFICATIONS CURRICULUM SUPPORT

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Business Management

Business Decision Areas

Student Notes

[INTERMEDIATE 1]

Learning
+Teaching
Scotland

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Contents

Introduction

This pack contains student notes to support the learning and teaching process for part of Business Management (Int 1). It covers material from Outcomes 1 to 4 of the Business Decision Areas (Int 1) unit of the course and relates to the following areas of the course content:

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About this pack

The pack consists of student notes that are intended as 'core text' for students and provide the basic material for these aspects of Business Management at Intermediate 1 level. Students who have assimilated this material should have the requisite knowledge to enable them to achieve a satisfactory level of performance in this area of the course.

However, depending on the capabilities of a particular group, teachers and lecturers may wish to provide additional material to help students achieve as high a grade of pass as possible.

In general, the student notes are organised to match the order of the course content as set out in the Arrangements for Business Management (Int 1). This coincides with other material for the course such as the Course Planner and the Student Activities for Intermediate 1.

Using this pack

The student notes may be used in a number of ways, depending on teacher/lecturer preference. They can be given out as handouts which students may read in class or as homework. This may be at the beginning of a topic or to consolidate learning once a topic has been completed. The notes are complementary to the Student Activities for Business Management at Intermediate 1 and could be used in conjunction with them.

The pack is designed to stand alone, but it is also complementary to the student notes at Intermediate 2 level. In using the pack, students should be encouraged to relate the material to any experience they may have of business and to developments in the local and national business environment. This can help illustrate and exemplify the material in the student notes as well as helping to keep it current and up to date.

Outcome 1: Marketing

Role of marketing in organisations

The **role of the marketing department** of an organisation is to ensure that its **product or service is something which people want to buy**. If the product or service is **not selling**, the business is **not making any money**. The marketing department also **helps organisations introduce new products** by using **M**arket **R**esearch, **P**romotions and **A**dvertising.

Definition of marketing

A market can be described as a ‘meeting place’ for buyers and sellers. It involves selling goods to customers. This can be done in a market stall, a shop, over the telephone, by post or on the internet. Marketing is

- anticipating,
- identifying, and
- fulfilling the needs and wants of customers.

The importance of marketing

Why is marketing important?

It is important because organisations must make sure that they are producing goods or offering services that people want. If not, then the organisation will not survive. If the organisation produces goods and services that people want, then it will be profitable and may grow in size. Tesco is one example of a profitable organisation that has grown in size and now has branches all over the country. It offers a wide range of products to customers.

Market research

Market research is used to find out –

- what customers **need and want**
- **what makes them buy** a certain product
- their **reaction to new products**
- **information about competitors**.

There are 2 methods of research –

- **Desk** research

and

- **Field** research.

Desk research

This involves using **information that already exists**. For example, looking at information from the internet, newspapers, journals, magazines, financial reports, etc. **from the comfort of your own DESK**.

ADVANTAGES OF DESK RESEARCH are

- it is **cheap to obtain** because the **information already exists**
- the information **is available** so it is a **quick method of research**.

DISADVANTAGES OF DESK RESEARCH *are*
- the information **may be out of date**
- the information may **contain bias**
- the information is also **available to competitors**.

Field research

This involves **carrying out research** and obtaining **information first-hand**. The person doing the research goes out to the marketplace and gathers the information.

This can be done using –

1 Personal interview This involves a **face-to-face interview** where the researcher **asks people questions** and records their answers.

2 Telephone survey This involves **telephoning people at home** and asking them specific questions.

3 Postal survey This involves sending **a questionnaire out through the post** and asking people to fill it in and return it.

4 Hall test This involves **inviting people to look at** or **try a new product** and **give their views** on it.

ADVANTAGES OF FIELD RESEARCH are:

- it provides information that is **up-to-date**
- the information **should be reliable** because it has been **gathered for a specific purpose.**

DISADVANTAGES OF FIELD RESEARCH are:

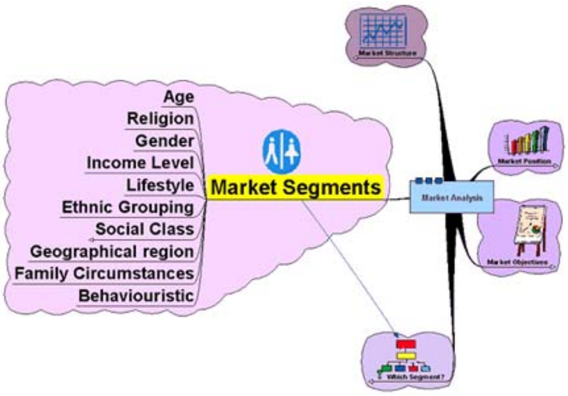
- it is **expensive to collect information**
- it takes **time to gather** and **process the information**
- a **large sample** has to be gathered for a **good comparison** to be made.

Market segmentation

This involves splitting consumers (customers) into different groups. They can be grouped in many ways, as shown in the following diagram.

Some of the main groupings used by organisations are:

- age
- religion
- gender
- social class
- geographical region.



Market segmentation is used by organisations to

- help them develop products that are appropriate to consumers' needs
- set appropriate prices
- ensure that the product is sold in the right place for those targeted
- ensure that promotion and advertising are offered to the targeted customers.

The Marketing Mix

A business must apply the **right marketing mix** in order to be **successful**. There are **4 Ps in the marketing mix** –

- product
- price
- place
- promotion.

Product/ service The business must come up with a **product or service** that people **will want to buy**. It must fulfil some of the customer's needs and wants.

Price The price must be what the customer feels is **good value for money**. (This is not the same as being cheap.)

Place The product must be **for sale in a place** that the customer will find **convenient**.

Promotion The product must be **promoted** so that potential **customers are aware that it exists**.

PRODUCT LIFE CYCLE

The product life cycle shows the **different stages a product** passes through **during its 'lifespan'**, and the **sales that can be expected at each** stage. There are generally 6 stages. Some products enjoy a **longer lifespan** than other products. Heinz Baked Beans and Coca Cola are products that have enjoyed a long lifespan, whereas many CDs have a short lifespan, lasting for only a few weeks.

THE DIFFERENT STAGES OF A PRODUCT'S LIFE are shown below:

Development At this stage the product is developed and tested.

Introduction The product is launched into the market. At this stage there are usually heavy costs involved in promoting the product to make people aware of it. Sales are usually slow and do not always cover the development and start-up costs.

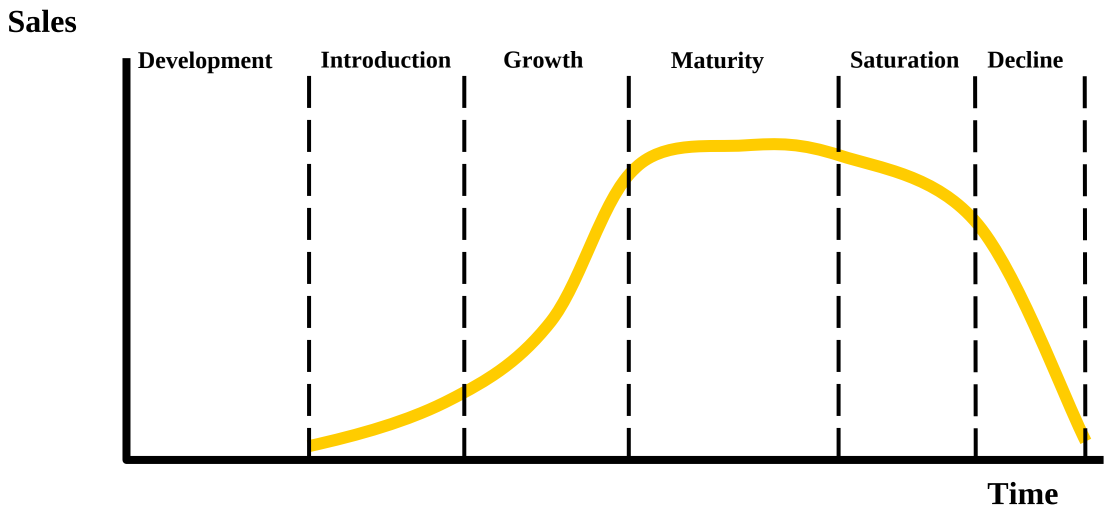
Growth During this stage people become more aware of the product and it starts to become profitable.

Maturity At this stage sales reach their peak. This is the highest level of sales the product will achieve.

Saturation At this stage competition becomes fierce and sales begin to decrease.

Decline At this stage sales and profits start to fall away as new and more popular products enter the market and eventually the product is withdrawn.

The product life cycle is illustrated in the following diagram:



Outcome 2: Operations

ROLE OF OPERATIONS IN ORGANISATIONS

Organisations use Resources to make products. They also use Market Research to find out what the customer wants. **OPERATIONS** is the name **given to the transformation of raw materials into finished articles – products ready to be offered for sale to customers**.

Depending on the type of product which the organisation produces there will be a **mix of labour and machinery** used to produce it. There are **3 main stages in the system of operations:**

INPUT →	PROCESS →	OUTPUT
Raw materials and labour	Puts inputs together to make the product ready for sale	The finished product
		

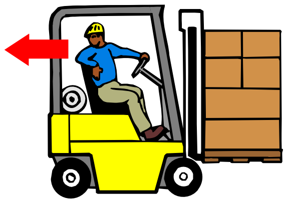
ACTIVITIES OF THE OPERATIONS FUNCTION

PURCHASING

The purchasing element of operations involves **buying the materials** and **other resources** necessary to make the goods. Materials have to be **purchased from a supplier**; so **important factors** have to be taken into consideration **before any of the materials required are bought**. For example

- the **quantity and variety of materials** required
- **how long** will it take for all the materials **to be delivered**?
- **how much storage space is available** to store the materials?
- is the **supplier reliable**?
- is the **price of raw materials** suitable?
- are **discounts given**?
- are **credit terms available**?
- are there **additional charges for delivery or insurance**?

AUTOMATION



Due to the **increase in technology**, **robots** and **machines** are now able to **design, develop and produce products very quickly**. Machines are able to **do in minutes** various jobs that would perhaps take a **skilled worker many hours to do**. **Machines** are also able to **produce large quantities of similar products very quickly**. The main **problem with machines**, however, is that they **can break down**, and this means that **production stops until** they are **fixed**.

LABOUR REQUIREMENTS

Some organisations **use humans rather than machinery** to **produce products**. Very often **where individual goods are produced** it requires the **work of a skilled person to produce the product**.

Other organisations rely on machinery and automation. This often happens if large numbers of similar products are being produced.

Depending on the **type of product produced**, firms **have to decide** on their **own labour requirements**. In many organisations, this means that a **mixture of machinery and humans** is used to **produce goods**.

QUALITY CONTROL

Quality is very important to organisations. If they produce **goods** that are **not up to a certain standard**, **people will complain** and will tell **other people about a firm's poor-quality goods**. This may result in **loss of sales** for the organisation.

To **make sure that products are of a high quality**, many organisations use **QUALITY CONTROL** to **check** their production process. At various **points** during the production process, **products are checked** to make sure that **they are up to a certain standard**. Any products that do not meet the required standard are **discarded**.(thrown away)

STOCK CONTROL (Need for)

No matter **what method of production** an organisation uses, it must have a **system for controlling its stock**. If an organisation **does not have enough raw materials** to make its goods, this means that **workers** and **machines are not doing any work** – thus **costing the firm money**. Having enough stock means that production can take place and **customer demand can be met**.

The Operations Department of an organisation must therefore **try to work out how much stock it needs so that production can run** smoothly. It must also **take into consideration the cost of storage**.

Having **TOO MUCH STOCK** can mean that a large amount of space is **taken up storing the stock**. It also means that **money is tied up in stock** when it could be used for something else. Also, **unused stock may deteriorate.**

Having **TOO LITTLE STOCK** can result in a **business not being able** to cope with an **unexpected demand for its product**; it may then have to **turn customers away**.

RECORDING STOCK LEVELS

The **movement of stock** can be **recorded manually on cards** – known as **bin cards**. **Stock levels** can also be **recorded electronically** using a **database or spreadsheet**. In this latter case, changes in stock are **recorded as they take place**, giving a running balance total. By using this method an **accurate figure should be available at any time**; and the **ordering-in of stock** can be **linked** to this system to allow **automatic re-ordering of stock** when the **re-order level is reached**.

ECONOMIC (MAXIMUM) STOCK LEVEL

This is the **stock level** that allows the **production process to continue** without interruption and incurs the minimum of cost to an organisation.

MINIMUM STOCK LEVEL

This is the **stock level that stock must not fall below,** otherwise **production** may **have to be stopped** because of **lack of stock**.

RE-ORDER STOCK LEVEL

This is the **point at which new stock** should be **ordered**. This is **calculated by working** out **how much stock is used** on a daily basis **plus the delivery** time for **new stock to arrive**.

RE-ORDER QUANTITY

This is the **amount of stock required** to **return stock** to the **economic stock level**. Once the **re-order level is reached**, **stock is automatically requested**.

PRODUCTION PLANNING

Planning the production process is a **very important** part of **Operations Management**. If **stock is not managed efficiently** this can **lead to a large increase in costs** for an organisation.

The **ideal situation would be to hold as little stock** as possible, but this is not always suitable. There has to be a **balance between the amount of stock** held and the **cost of lost production** and **sales**.

TYPES OF OPERATION

3 methods are used to produce goods –

1. **JOB PRODUCTION (single product – specification)**
2. **BATCH PRODUCTION** and (made in groups)
3. **FLOW PRODUCTION (product flows through to finish)**

Job production is used when a **single product** is made to a **customer's specification**. Eg a **specially designed cake** or a **specially designed fitted kitchen.**

Batch production is where **a number of products** are produced in **groups**. Eg **bread** and **bars of chocolate**.

Flow production is where the **product** being produced **flows through various stages** with **parts being added at each stage**. Eg **cars** and **televisions**.

As with any method of production there are **advantages and disadvantages** for all of these methods.

Some are shown overleaf.

METHOD OF PRODUCTION	ADVANTAGES	DISADVANTAGES
Job Production	**One-off orders** can be created to a customer's exact requirements. **A high price can be charged.** **Workers are involved** in the **entire process** so they will be **more motivated.**	May **take longer** to produce since **individual requirements** have to be met. **Expensive** due to the high skill of staff – e.g. **high wages** paid to highly-**skilled staff**. **Specialised machinery** may have to be purchased.
Batch Production	Many **similar items** can be **produced quickly.** **Batches can be changed**, e.g. different ingredients added.(**choc chip/blueberry muffins**) **Unskilled staff** may be employed, resulting in **lower wages**.	**Expensive machinery** may be required due to **staff being less skilled**. **Staff** may be **less motivated** as they repeat the same tasks. If **batches are small**, **costs** may still be **high**.
Flow Production	**Huge quantities** can be produced at one time. A **quality system** can be built into the production process. **Discounts** are likely to be **gained** when **purchasing a large quantity of raw materials.**	A **standard product** is produced which **may not suit all customers.** **High costs** in **setting up automated production process.** **Workers** may **become de-motivated due to the repetitive nature of work**.

Outcome 3: Finance

Financial information

The Finance Department in any organisation plays a very important role. Every organisation must manage its finances in an efficient manner to ensure the success of the organisation. All public and private limited companies are required by law to provide annual accounts, e.g. a **Trading, Profit and Loss Account** and **Balance Sheet.** An example of a Trading, Profit and Loss Account is shown on the next page.

Trading, Profit and Loss Account

This shows the profit and loss that an organisation has made over a period of time (normally one year). It shows how much money has come into the organisation and how much money has been spent.

Trading, Profit and Loss Account of A.B.C. Company
For year ending 31 December ………

	£000	£000
Sales		200
Less Cost of Sales		
Opening Stock	40	
Add Purchases	100	
	140	
Less Closing Stock	30	
Cost of Goods Sold		110
GROSS PROFIT		**90**
Less Expenses:		
Rent	6	
Advertising	10	
Electricity	2	
Telephone	20	
Wages	6	44
NET PROFIT		**46**

The **Gross Profit** is the amount of profit the organisation has made *before* expenses have been deducted.

The **Net Profit or Net Loss** is the amount made (or lost) by the organisation *after* all expenses have been deducted from the Gross Profit.

The Balance Sheet

The Balance Sheet shows what a business owns (**assets**) and what a business owes (**liabilities**) at a particular point in time. An example of a Balance Sheet is shown below:

Balance Sheet of A.B.C. Company as at 31 December ……….

	£000	£000
FIXED ASSETS		
Premises		200
Equipment		80
Vehicles		60
		340
CURRENT ASSETS		
Closing Stock	30	
Debtors	60	
Bank	60	
	150	
Less Current Liabilities		
Creditors	30	
Net /current Assets		120
		460
Financed by		
Opening Capital		420
Add Net Profit		46
		466
Less Drawings		6
		460

Fixed assets are items that the business owns and that will last for more than one year.

Current assets are items that the business owns but that will constantly change.

Liabilities can be **long term** or **short term**. **Long-term** liabilities are items that are owed for a long time (bank loan, mortgage). **Short-term** liabilities are items that are owed for a short period of time.

Debtors are customers who have received goods but have not yet paid for them.

Creditors are suppliers who have sold goods to the organisation on credit and who have still to be paid.

Capital is money that the owner has invested in the business.

Drawings is money that the owner has taken out of the organisation for his/her own personal use.

Cash flow management

The way that an organisation manages its cash is very important. In every organisation, money comes in and goes out. Organisations must ensure that there is always enough cash available to pay the bills of the organisation and to buy raw materials to produce their products. Organisations also have to know if they will have to borrow money to see them through a difficult time. Cash flow problems often occur when too much money is tied up in stock or if customers do not pay their bills on time.

By producing a cash flow statement an organisation is able to see

- how much cash the organisation has available on a monthly basis
- what money came in during a period
- what money was paid out during a period
- if there are any cash flow problems.

The money coming into an organisation is known as **receipts**. The money paid out by an organisation is known as **payments**.

A cash flow statement is shown below:

Cash Flow Statement for XYZ Company for January–March

	January	February	March
RECEIPTS			
Sales	£1400	£1500	£1000
Rent received	100	100	100
TOTAL RECEIPTS	**1500**	**1600**	**1100**
PAYMENTS			
Rent for premises	200	200	200
Electricity	100	100	100
Telephone	120	120	120
Wages	800	800	800
Payments to suppliers	130	560	400
TOTAL PAYMENTS	**1350**	**1780**	**1620**
OPENING BALANCE	400	550	370
Add total receipts	1500	1600	1100
	1900	**2150**	**1470**
Less total payments	1350	1780	1620
CLOSING BALANCE	**550**	**370**	**–150**

In **January** the XYZ Company had **£400** in the bank at the beginning of the month. It also received **£1500** into the business which gave it a total of **£1900**. During January, it had to pay rent, electricity, telephone, wages and suppliers. After deducting this from its total receipts it was left with **£550** at the end of the month. This was the amount it had to start with in February.

In **February** we see that its closing balance was down. It was **£370**.

In **March** we see that the closing balance was down again. It was **minus £150**, so this company will now have to look for other forms of finance to help it continue in business.

Outcome 4: Human Resources

Human resource management

The Human Resources Department has a very important role to play in an organisation because it is responsible for finding the right people to fill job vacancies within the organisation.

It is also responsible for forecasting any future staff needs that the organisation might have. The Human Resources Department deals with retirement, promotions and staff training. Organisations rely on their employees for the success of their business. The Human Resources Department must make sure that proper working conditions exist for employees. It must also make sure that all laws concerning the welfare of employees are carried out correctly.

People work for various reasons –

- to earn money
- for security
- for enjoyment and job satisfaction
- to achieve success
- to use their qualifications and talents
- to fulfil their personal goals.

Organisations, therefore, should strive to create a happy and safe working environment for employees so that there is a pleasant and productive atmosphere.

The elements of human resource management

Human resource management is responsible for a number of functions. The main elements that it covers are –

- recruitment
- selection
- training and development.

Recruitment

Recruitment means finding the best possible employees to work for an organisation. The Human Resources Department does this by following a number of steps. These are –

Job analysis

This is the first step. It involves making sure that a vacancy actually exists. If an employee leaves, the organisation may decide there is no need to employ a new member of staff – just spread the work of that employee among existing staff.

Job description

Once the job analysis has been completed and it has been decided that there is a vacancy, a description of the job is drawn up. The job description will include the following:

- the title of the job
- the purpose of the job
- the main tasks and responsibilities
- who the person will be responsible to and for
- details of pay, hours involved, holiday entitlement
- any benefits that come with the job.

Person specification

The main reason for a person specification is to identify the type of person who would be suitable for the post. For example, it will list –

- the qualifications required for the job
- the personal qualities required
- the experience required
- any special skills required.

Once all of the above stages have been completed, the organisation must decide **how** they are going to recruit the new staff. There are 2 ways they can do this:

Internal recruitment

A suitable person may already work for the organisation – so someone within the organisation could be promoted. **Advantages** of using this method of recruitment are:

- it saves money advertising the post in newspapers, etc.
- the person is already known to the organisation so the organisation knows what they are capable of
- it gives employees an opportunity to develop their career
- it can improve staff morale.

Disadvantages of using internal recruitment are:

- it may cause jealousy in the organisation if there are a number of suitable applicants
- no new ideas are brought into the organisation
- promotion will create another vacancy elsewhere in the organisaton which will still require to be filled.

External recruitment

This is when the job is advertised and filled from **outside** the organisation. The methods used to do this will depend on the type of job involved. For example, if the job is for an unskilled or temporary worker, the organisation may use the local newspaper or Job Centre. If it is a job which requires specialist staff, then national newspapers and trade journals could be used. Many organisations now use the internet to advertise job vacancies, as that can attract a wide range of applicants.

The advantages of using external recruitment are:

- a wide range of people can apply for the vacancy
- new employees bring fresh ideas into an organisation
- it cuts down jealousy within an organisation.

Disadvantages of using external recruitment are:

- it can be an expensive process
- it can take a long time to find the right applicant
- it can lower staff morale as they may feel they are not appreciated.

Selection

To select the best applicant to fill a vacancy, a number of steps are involved.

Application forms

Most organisations require applicants to fill in an application form so that they can obtain information about the person applying for the post. The application form contains sections that all applicants must complete, such as:

- Name
- Address
- Telephone number
- Qualifications
- Work experience
- Interests/hobbies
- Names and addresses of referees.

Some application forms may ask applicants why they think they are suitable for the position.

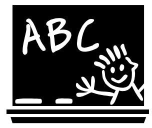
Application forms are used because all applicants require to answer the same questions and it gives them an opportunity to describe themselves. It also makes it easier for organisations when there is a large number of applicants.

When all the application forms are received they are then compared to the person specification to see how well they match. The Human Resources Department will then decide which applications to reject and which ones to follow up.

Interviews

Interviews are the most popular method used to decide who the successful applicant should be. They involve face-to-face discussion with applicants and consist of the interviewer(s) asking applicants a set of questions. Interviewers should seek to give each applicant an equal chance of selection by making them feel welcome and relaxed, and by ensuring that they give applicants all the relevant information about the job and encourage them to say why they think they are suitable.

Tests



As well as the interview, some organisations use the following methods of testing to assist in the selection process.

Aptitude tests
These tests are used to find out how good an applicant is at a particular skill. For example, mathematics, driving, etc.

Psychometric tests
These tests are used to find out about the personality, attitude and character of an applicant. They are timed tests taken under exam conditions.

Personality tests
These tests are used to give an indication as to whether the applicant would be a good team member, and in what team role they would best perform.

Once the selection process has been conducted, the organisation will choose the person who it thinks is most suitable for the position. The successful candidate is then offered the job and, once they have accepted, the unsuccessful candidates are then informed.

Contract of employment

Every new employee should receive a contract of employment. This should be given to employees within **13 weeks** of starting work and should contain the following details:

- title of the job
- date employment commenced
- hours of work
- holiday entitlement
- rate of pay and method of payment
- sick pay and pension arrangements
- notice required by both employee and employer
- disciplinary and grievance procedures.

Training and development

Training

Organisations want their employees to produce good-quality products and also to offer a good quality of service. To ensure this, they use different types of training. These are –

Induction training, which is used when new members of staff are recruited. It involves –

- introducing new employees to the organisation
- giving them background information on the history of the organisation
- telling them about departmental/organisational procedures
- telling them about health and safety procedures
- introducing them to the tasks of the job
- introducing them to the people they will be working with
- telling them about the social facilities available
- showing them the staff canteen, toilets and wash facilities, etc.

Induction training is designed to make new employees aware of an organisation's policies and practices, its aims and objectives and the types of products/services it produces. This type of training should help new employees to settle into the organisation quickly.

On-the-job training, which takes place at the employee's normal place of work. It can involve an experienced employee showing a new employee how to do a job; or the experienced employee may watch while the new employee does a task and offer advice and instruction.

On-the-job training is cheap as the training takes place within the workplace. It is also considered to be more relevant as the employee can see how it relates directly to their job.

Off-the-job training, which takes place at a different location from an employee's normal place of work. It is carried out by specialist instructors. It may take place at a training centre, college or university and employees may gain recognised qualifications while undergoing this type of training.

Off-the-job training is expensive. Also, while this type of training is taking place the people involved will be away from their jobs. Production time is lost unless other staff are employed to carry out the work which will also mean paying them.

Costs and benefits of training

Costs	**Benefits**
Training can be expensive. Working time and output is lost while staff are being trained.	Productivity should increase because staff should be more efficient at doing their job. Staff may become more flexible and be able to carry out a range of jobs. The image of the organisation should improve if work is of a high quality.

Staff development

Staff development seeks to help employees reach their full potential. Most organisations want to have a knowledgeable and committed workforce; so they set targets for their staff as part of their **appraisal scheme**.

Staff appraisal

This is carried out at regular intervals on a one-to-one basis with an employee's line manager. It seeks to find out how an employee has performed at his/her job over the previous year and to identify any training which might help the employee in their job, and also in the employee's future career. It also provides feedback to the employee about their performance within the organisation and identifies employees who have potential for future promotion within the organisation.

Terms and conditions of employment

One of the most important aspects of working is that staff are paid for the work that they carry out. An organisation can pay its employees by various methods.

Wages and salaries

Many organisations pay their employees either a **wage** or a **salary.** A wage is paid once every week (weekly) and a salary is paid once every month (monthly or sometimes every four weeks).

Time rate
This involves employees being paid for the number of hours they work. For example, if an employee works 8 hours and is paid £7.00 an hour, he will be paid £56.00.

Piece rate
This involves employees being paid for the number of items they produce. This method is often used in factories and the more a worker produces, the higher their rate of pay.

Group bonus
This is paid when a group or team meet certain targets which have been set by the organisation. The bonus is divided up among the members of the group/team and added to their basic wages.

Individual bonus
This is a payment which is added on to an individual's basic wage. It is paid when employees meet agreed targets.

Holidays

All employees are entitled to a set amount of paid holidays each year. The number of holidays granted varies according to the organisation and the amount of service which individuals have accumulated in the organisation. Most employees receive national holidays such as Christmas Day, New Year's Day and certain bank holidays.

Sickness

It is normal procedure that if an employee is unable to attend work due to illness, they contact their place of work as soon as possible to let the organisation know that they will be unable to report for work. This allows the organisation to make other arrangements. Employees who are unable to attend after 5 days of illness must produce a doctor's certificate outlining the nature of illness and the time they are expected to be absent from work.

If an employee has been with the organisation for a certain length of time, they will be paid while they are absent on sick leave. If, however, their absence is expected to be of a long-term nature, they may only be allowed to receive full pay for a certain period of time.

Health and safety

Health and safety laws cover safety both in the workplace and also in specific industries such as mining and building. The main act is the Health and Safety at Work Act 1974. This Act stresses that the employer **and** the employee share the responsibilities to keep the workplace a safe environment for all.

Employers' duties

The employer must make sure that employees work in a safe environment. They must ensure that all machinery is properly maintained, that all hazardous substances are dealt with properly, and that staff are suitably trained and informed of any potential dangers in the workplace. Employers must also appoint inspectors to carry out regular inspections of the workplace and highlight any dangers which might exist.

Employee duties

Employees should behave in a reasonable and responsible manner at their place of work and take responsibility for their own actions. They should also co-operate with their employers in ensuring that all health and safety requirements are met and follow instructions. They must also agree to be trained in health and safety procedures.

Health and safety laws increase costs to employers, who are required by law to provide training for employees in health and safety; employers must also supply any special equipment.

Most organisations are happy to do this since it will produce savings in production time lost and compensation for injury. It will also improve the reputation of the organisation.

Other Acts that affect employees are:

The Offices, Shops and Railway Premises Act 1963
This Act states that employers have to ensure that office working conditions are maintained at a suitable temperature; that adequate space exists for staff to work in; and that first aid, toilet and washing facilities are provided as well as a clean working environment for staff.

Equal Pay Act 1970
This Act states that all employees who do work of equal value should receive the same rate of pay. Jobs do not need to be identical but the same skills and qualifications are required.

Sex Discrimination Act 1975
This Act states that there should be no discrimination made on the grounds of marital status or sex of employees.

Race Relations Act 1976
This Act states that there should be no discrimination made on grounds of race, colour, nationality or ethnic origin.

Disability Discrimination Act 1995
This Act states that there should be no discrimination made on account of a person's disability. Organisations should provide reasonable access for employees with disabilities.

National Minimum Wage Regulations 1999
This Act states the minimum wage which should be paid to employees.

Employee relations

Employee relations is the term that describes how employers deal and interact with their employees. If there are good relations between employers and their employees, this will result in a happy workforce. If relations between employers and their employees are not good this will result in an unhappy and uncooperative workforce; and this in turn can lead to industrial disputes.

The Human Resources Department has the responsibility for drawing up special employee relations policies. These policies will vary from one organisation to another.

Role of management

The role of management in employee relations is to consult and negotiate with employees. This can be done by:

- meeting regularly with trade union representatives
- having an employee representative on the board of management
- having regular meetings with employees to inform them of any major decisions made which might affect them
- forming a works council.

Trade unions

The role of a trade union is to represent workers in their dealings with employers, to protect employees and to improve their pay and conditions.

Individual workers have little power when dealing with employers, but by joining a trade union this will make their position stronger.

Trade unions also provide legal and financial advice to employees.

To become a member of a trade union, employees must pay an annual subscription.

Works councils

A works council is a group that is made up of an equal number of employees and managers. The group meets regularly to discuss any changes which are to be introduced, or any other matters that may affect employees. Employees get an opportunity to express their views on any matters affecting the workforce. They are able to report back to their fellow workers, and at the next meeting of the works council express the employees' views to management.