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## The recruitment and selection of pension trustees: An integrative approach

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## The Recruitment and Selection of Pension Trustees: An Integrative Approach

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### **Abstract**

The role of a labour pension trustee is significant, which makes the recruitment and selection of labour trustees an important issue. In this paper we examine and combine aspects of two approaches to recruitment and selection, the political nomination model and the more professional HRM approach. The political nomination model is often used by trade unions to elect or appoint trustees. In contrast, a professional HRM approach emphasizes open recruitment and selection based on job-related criteria of expertise and continuous learning. We argue that an integrative approach would acknowledge the political, regulatory and organisational context while incorporating valid selection criteria such as domain-specific skills and performance on the job. Such an integrated process can help trade unions in filling labour trustee positions with talented individuals who are more likely to be effective in achieving labour's goals in pension governance.

## Introduction

A discernible world-wide trend towards giving pension plan members greater say in pension governance has emerged in the last half-century. In the context of unionized workplaces this has led to more union trustees on pension boards. The increasing presence of employee representatives on pension boards has attracted some scrutiny of the role and effectiveness of such representatives. Although research on this topic is still lacking it has been found that labour (or employee) representatives on pension boards may not be fully participative members of the board (Reference withheld 2007; Reference Withheld 2011).

The role of trustees on a pension board is challenging at the best of times; shifting demographics, turbulent markets, heightened economic pressures on employers and plan constituents, and movements in support of alternative investment strategies further complicate challenges facing pension trustees. Labour trustees are not often experts in pension governance, investment policy, or actuarial science and they must acquire a degree of functional competence to operate on the board. Moreover, they experience a heightened political environment due to their actual or perceived union allegiance. In fulfilling their role, labour trustees must negotiate the tension of their fiduciary duty to the plan and its constituents and of representing the values or agenda of their own trade union and perhaps the labour movement more broadly. Therefore, many trustees experience a degree of both role conflict and role ambiguity (Rizzo et al 1970). They experience role conflict between their status as a pension trustee and their status as a union member. They experience role ambiguity

because there are no clear guidelines as to the responsibilities of pension trustees as set by pension boards, plan administrators or regulators.

All of the above make the recruitment and selection of the right candidate fraught with problems. This paper examines two alternate approaches to recruitment and selection of labour trustees: the nomination approach which is more political in nature and the more professional human resource management (HRM) approach. The nomination approach emphasizes the overall political goals of the organization, in this case the union, and the nominated individuals' political connections to the leadership of the union. In contrast, the HRM approach emphasizes development of a job description backed up by formal job analysis, advertizing the job description widely to generate a pool of qualified applicants and then a careful selection process consisting of validated tests and interviews. To HRM professionals any process that circumvents these essential steps would result in large errors in placement. We compare and contrast the two alternate approaches to identify the strengths and weaknesses of each as it applies to placement of labour trustees. We argue that both models have their strengths and shortcomings and that unions would benefit from incorporating key elements of the HRM approach into their own nomination approach. Rather than establish a new dichotomy from which to advocate a particular set of trustee characteristics that are necessary for fund governance and performance (i.e., the general prudence versus professionalism debate), we attempt to synthesize these poles. We suggest that a blended approach to recruitment and selection could result in labour trustees with more skills in both the political and professional realms. This would result in greater functional competence, less role

ambiguity, and more effective participation on the pension board in pursuing labour's goals.

### **Labour Trustees on Pension Boards**

In Anglo-Saxon contexts, including Canada, Australia, the US and the UK, there is some evidence that the composition of pension fund boards have become more diverse in terms of affiliation, skills and experiences, including cultural and socio-demographic aspects (Clark 2007; Rafferty et al 2008, Reference Withheld). With the support of trade unions, diversity has increased through greater numbers of plan members and retirees at the board table as pension trustees (Gribben & Olsen 2002; Hess 2005; Reference Withheld). Such diversity is often viewed as an important regulatory mechanism within the corporate governance literature (Tyson 2003). Diversity and representation can have an enhancing effect on board effectiveness as it reduces agency costs through monitoring the management's inherent conflicts of interests with stakeholders (Daily et al. 2003). As well, Carter et al, (2003: 36) report a positive relationship between board diversity and firm value among Fortune 1000 firms in the US.

In the Anglo-Saxon model, pension trusteeship is an executive decision-making role with a high level of legal and moral responsibility (Kakabadse et al 2003). Trustees, in general, oversee significantly large financial assets<sup>1</sup>. They also negotiate with

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<sup>1</sup> For example, trustee pension funds in Canada had assets of \$997.8 billion in the third quarter of 2011 (Statistics Canada 2011). In 2011, Towers Watson, a consulting

corporate sponsors over funding of occupational pension plans that affect the pension outcomes of plan members. Moreover, as institutional shareholders, pension funds exert a dominant role in global financial markets and are influential in shaping global corporate investment policy. Thus the decision-making process at the board table also impacts on wider society (Gribben & Grisham 2006).

Given the importance of the trustee role and the diversification of trustees through increased representation of plan constituents, a debate has arisen regarding the benefits and risks of so-called 'lay' trustees and the skills and education that are required for trustees to effectively fulfill their fiduciary role. Clark et al. (2006) and Ambachtsheer et al. (2008) consider that well-intentioned amateurs can complicate and limit decision-making of pension plans. Clark (2007) claims that the tension between expertise and representation is increasing as institutions search for appointees capable of performing well during periods of turbulent financial markets and crises of underfunded liability such as those experienced by Canada, the US and the UK over the past decade. Though investment experts also face this uncertainty, Woods and Urwin (2010:8) claim that they are better able to test and modify their thinking than other naïve investors. Clark (2007:9) argues that representatives without advanced quantitative skills, probabilistic reasoning, and numeracy skills are less competent to adequately monitor the actions of delegated agents and can become in thrall to powerful legal, financial, and investment experts on how to behave and act (Clark and Urwin 2010). Evidence cited to support these claims is a pension trustee experiment which contrasted Oxford graduates with a self-selected

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firm, estimated pension assets in the U.S. at \$16.08 trillion, in the U.K. at \$2.394 trillion and in Canada and Australia at \$1.3 trillion (Towers Watson 2012).

group of pension trustees (Clark et al 2006). It was found that when it came to strategic investment decision-making the graduates were more consistent than the pension trustees.

Myners (2001) too was concerned about expertise versus representation. Myners' response was to suggest that the standard of prudence, common law praxis, be raised from 'rational decisions by an ordinary man' to one where decisions are made with 'the skill and care of someone familiar with the issues concerned'. He acknowledged that it would be unrealistic for all trustees to undergo extensive training to gain deep expertise, but recommended that trustees should collectively improve board expertise. Myners (2001: 21) stated that trustees should "...assess the effectiveness of their own contribution to meeting the objectives of the fund", and consider:

- whether the decision-making structures they have in place address the task of effectively running their fund;
- whether the division of time between their various responsibilities is right;
- whether they have the right mix of skills and experience collectively; and
- whether the fund's control environment is fit for the purpose

This recommendation illustrates that pension boards are responsible for setting their own standards and uniquely defining the trustee's roles and responsibilities vis-a-vis their oversight role. Like Myners, Ambachsheer et al. (2008) also support greater



professionalism in trusteeship, but emphasize the importance of the internal capacity of the board to set and maintain standards to achieve strong oversight. Reviews of corporate board dynamics (Van der Walt et al 2006, Huse 2005) reveal the inter-relationships of decision-making where coalitions between others can influence the decision-making process and board outcomes. Thus, if trustees become too entangled in financial and investment detail there is a danger that they descend into micro-management, losing oversight of the broader dynamics of the decision-making process needed for good pension governance (Ambachtsheer 2007:5).

Ambachtsheer's more functional approach to pension governance recommended clarity about the organisation's purpose through an examination of the boards' role and accountability to stakeholders, and to set out management's role in meeting board expectations. The trustee has to be able to think strategically, and have skills or experience in investments, risk management, strategic planning, audit, and HR. Yet, perhaps more fundamental to this, and all principal-agent scenarios, is the motivation that trustees are able and willing to use their 'wisdom, skills and experience' to achieve the organisation's purpose to deliver the organisation's pension objectives (Ambachtsheer 2007:5). Central to this notion of motivation is the sense that the pension trustee is a caretaker of the fund. Boxall and Purcell indicate that motivation is a 'fragile' concept because it is linked to unpredictable interaction between different parties (2011:26) and in governance this includes negotiating the different perspectives that stakeholders' representatives bring to the pension plan. However, for Ambachtsheer et al (2008) representation is not enough. Expertise is also needed to counter perceived weaknesses in trustees' oversight to

combat potential moral hazard and conflict of interest. Labour trustees are often asked to 'leave their union hat at the door', but in some cases labour representatives could face the risk that the strengths of common law praxis, such as integrity, honesty, accountability and independence would be subsumed under the imperatives of professional management praxis. This could undermine their participation particularly in private pension plans where, according to a member of Quebec's Expert Pension Committee, the board may include 'management conscripts' or those appointed because of their management role and conciliatory relationship to the employer rather than for their knowledge or competence. Based on our interview and survey data, this is a particular danger given the tendency for trustees to delegate decision-making power. This delegation occurs to external advisors such as fund managers, actuaries, and pension staff, and to pension board sub-committees (i.e., investment, audit) where there is a tendency to self-select based on perceived or assumed skills. Such a division of labour undermines the oversight capacity of the board and has high agency costs.

Leblanc (2004) argued that to understand the black box of corporate governance one has to focus on board processes and board members' behaviour, as well as their skills. As Pye and Pettigrew (2005:31) outline, a specific behavioural act 'gains meaning in situations that are located in time.' In this case, the behavioural processes behind a board's attempts to reach consensus are rooted in the structure, culture, and political power dynamics of the particular pension plan arrangement as well as the regional, industrial, economic, social and political contexts in which the organization and the pension plan operate. In this vein, Kakabadse and Kakabadse

(2005) advocate for the motivation, commitment, and contextual embeddedness that are often rooted in the experiences of a lay trustee. While they acknowledge that there may be an advantage to financial expertise, they conclude that “being well qualified and financially well versed are not perceived determinants of effective performance for pension fund trustees.” (2005, p. 582) Rather, they emphasize the importance of wider life and work experiences: open-mindedness, willingness to learn, ability to listen and work with colleagues, and knowing how to access internal and independent expertise when needed.

In the face of this debate, Kakabadse and Kakabadse (2005:570) claimed that the focus should not be on polarity between prudence and professionalism or expertise and representation, but on how HRM involvement could help enhance trustee performance and effectiveness through recruitment and selection. Tyson (2003: 9) made a similar recommendation for the selection and development of non-executive directors. She advocated for standard HRM practices that could be employed to elicit a broad pool of applicants for non-executive director roles while simultaneously meeting the dual criteria of representation (diversity) and competence.

The present paper addresses this call as it explores the value and implications of a HRM-based recruitment and selection approach for union pension trustees in addition to the political nomination method. It argues that an integrated approach would result in a process that sidesteps the professionalism and prudence debate by creating a system that attracts a broader pool of candidates, where the values of

both prudence and professionalism can co-exist in a chosen candidate rather than favour one over the other.

## **Methodology**

To reveal the political as well as practical experiences of nomination, appointment and election to the labour trustee role, we revisit three sources of previously collected data (Reference Withheld, 2007, 2008, Reference Withheld2011;Reference Withheld, 2011). Data sources include: semi-structured interviews with fourteen policy-makers and experienced pension trustees including six labour trustees in two Canadian provinces in 2008; twenty semi-structured interviews conducted in 2004 with Canadian labour trustees; and a survey of 116 Canadian labour trustees conducted in 2005.

We examine this data with a mixed method approach (Brannen, 2005; Tashakkori & Teddlie, 2010) that allows us to assess complementary (Greene et al 1989) experiences with both the political and human resource management approaches to recruitment and selection.

It is important here to note the applicability of research in the Canadian context to the legislative, political and economic realities of other Anglo-Saxon countries. The Canadian trend toward greater union involvement in pension trusteeship mirror those in countries such as the US, UK and Australia, though the specific legislative context that allows for member representation may vary somewhat across jurisdictions. In some jurisdictions such as the province of Quebec in Canada,

legislation stipulates that pension boards have at least one active representative from the pension fund constituency and one retiree member. In other provincial jurisdictions in Canada, the number of member trustees and their means of appointment vary and range from sole labour trusteeship (e.g., in the private sector building trades) through joint-trusteeship, with equal number of employer and employee seats, to boards with only one labour representative (Reference Withheld2007). Similar trends exist in other countries. In the UK one-third of pension trustees have to be elected members of the plan, and private sector Taft-Hartley plans in the US must have equal numbers of employer and union selected trustees. Public occupational pension plans traditionally have more politically nominated appointments to boards, this means that this Canadian case study shares resonance with US and UK pension contexts where fund governance is organized around the conventions of traditional Anglo-Saxon trust model and fiduciary responsibilities (Clark 2007:6).

### **The Political Nomination Approach**

We found an element of political nomination in all cases of labour trustees' recruitment and selection. Generally, labour trustees are recruited by the union. The union executive approaches specific individuals or makes general calls to their internal staff/executive or the rank and file membership. Following this 'nomination' potential labour trustees might run for election, be appointed straightaway by the union, or be recommended to the employer/government involved in the plan for appointment. As such, individual union members become involved in pension trusteeship by coming to the attention of their union executive or union staff

through self-selection, union activism/involvement in pension matters, or general union activism/involvement. In rare cases the union may choose to appoint external representatives who tend to be from the financial or business community, or have some particular expertise in pension matters (i.e., Teachers' Pension Plan, Canada Post Pension Plan).

One strength of the political nomination approach is its compatibility with the process used to fill other union jobs. Through their union activities trustees have gained abilities in leadership, consensus building, public speaking, and critical analysis that facilitate their effectiveness in representing their constituents on the pension board. As Kakabadse and Kakabadse (2005) argue, these are the key characteristics of the 'lay trustee' that is so central to principles of prudence. Many labour trustees also cite the importance of a strong 'union world view' or labour perspective so that the labour voice in the boardroom is distinguishable. Recruiting and selecting candidates based on past union involvement and activism would ensure a strong grounding in this regard. This is reinforced given that unions are relatively lax in the guidelines they give to their labour trustees (Reference Withheld2008) and the covert and overt co-option to traditional governance and investment perspectives that occurs at the board and at industry events.

However, there are several weaknesses in this approach. The competency and legitimacy of labour trustees can be, and often is, questioned by important others in the pension industry. When regarded as the lay person, labour trustees may be seen

by pension staff, industry fund managers, and other board members as less expert (Ambachtsheer et al 2008;).

A second weakness is that a political nomination approach operates within existing power structures. In our labour trustee survey, only three percent self-selected (i.e., they were not approached by the union). Unions are political actors; recruitment and selection models that recreate existing institutional norms and power dynamics are problematic. Speaking of similar Anglo-Saxon contexts, Kakabadse and Kakabadse (2005) and Kang et al. (2007) claim that a board functions better where there are a variety of perspectives and experiences; however, boards also have to consider the functional areas of benefits, administration, governance, and investment issues in their decision-making. So, although direct evidence is not available, we speculate that the nomination approach could exclude people who could be very effective in the trustee role. Similarly, it is likely that many nominated individuals who might be effective as union leaders may prove to be ineffective in the pension trustee role.

A final weakness is the cycle of a democratic election process where job incumbents must stand for re-election at regular intervals. In the political context of a union it is important to maintain these democratic principles because the union is the voice of the membership and all major decisions are ratified at the grassroots level. In the context of pension trusteeship, where the learning curve is steep and the oversight requires a long-term perspective, short board tenure is a disadvantage.

### **The Human Resource Management Approach**

Open recruitment and selection based on valid criteria are integral to HRM models, alongside training and development, performance management and compensation (Storey 2007). While there is a debate about the different models of HRM, all stress the systematic process of recruitment and selection to ensure strategic or cultural fit (Boxall & Purcell 2011, Legge 1995). In this case it means ensuring fit with pension board strategy, culture and norms as well as the collective constituency of the pension board, which includes employer/employee representatives (Guest 1987).

In HRM models (Figure 1), the recruitment and selection process normally involves writing a job advertisement based on the job analysis and job description of the vacant position, posting this widely to attract a large pool of applicants, and then using validated tests and interviews to identify the best candidate who is then offered an adequate compensation package and inducted into the organisation (Cipd 2009). This HRM model emerges from the accumulation of research evidence and practical knowledge over several decades (See Taylor 2010 and Catano et al. 2010 for a comprehensive description of the HRM recruitment and selection process). A formal job analysis ensures a clear understanding of the knowledge, skills, and abilities required in the job. This is communicated to the applicants through an accurate job description that also acts to align the role with other jobs within the organization. Posting the job description in appropriate places ensures that all persons qualified for the job have the opportunity to consider applying. The larger the qualified applicant pool, the greater the likelihood that the position can be filled



with an excellent employee. Selection using validated tests and interviews also enhances the likelihood that the chosen candidate would perform well on the job.

Figure 1 here

This HRM approach is now nearly universally applied across organizations. However, given that it is not practiced in the selection of labour trustees it is important to note its weaknesses for that context. One weakness lies in the emphasis on functional and technical competence over any political or organizing skills. A formal job analysis of the pension trustee job could yield a job description that is devoid of the organizational needs of a union to develop its future leaders. Such a job description and the recruitment and selection that follows could be “technically” efficient in finding a suitable candidate, but it could be sub-optimal for the union in its own long-term planning for leadership succession.

A second weakness is that a detailed job analysis would be quite onerous for each pension board, particularly given that most trustees are already pressured by time and are not compensated well by financial industry standards (Myners 2001; Weststar & Verma 2008, Ambachtsteer et al 2008). To further complicate matters, it could be argued that the skills or competencies required for labour trustees differ from requirements for non-labour trustees. For example, relevant past experience for labour trustees would include trade union experience as well as work or life experiences that do not directly relate to pension issues. Similarly competencies based on activist or alternative investment perspectives (i.e., investing in local

communities or unionized employers, using proxy voting to punish poor labour practices, or divesting in socially undesirable industries) might not be expected, required, or desired for all pension trustees. In practice, then, unions would conduct their own job analysis of the pension trustee role and arrive at different qualifications for trustees than the governments' or employers' qualifications. According to Quarter et al (2008: 7) this differentiation in roles is critical due to the persistent coercion or undermining of 'lay' trustees by the technocracy (such as fund managers) as the industry attempts to retain hegemony over investment practice and education. For instance, one Canadian fund manager commented:

*While many plans are managed professionally, their boards are sometimes stocked with persons whose principal merit is that they are members, who have been elected by their fellow employees. While this is laudably democratic, it does not always produce the quality of direction and oversight necessary in today's bewildering world (Report of the Senate Standing Committee on Banking, Trade and Commerce 1998: 6).*

Labour trustees argue differently:

*We can learn the financial stuff- what labor trustees need to have is the strong union perspective/world view.... There is no real sense of experts on pension funds – even people with a background in*

*the financial stuff (i.e. accounting etc.) will be lacking other skills essential to running a business (Interviewee T10).*

An over-emphasis on certain skills or competencies such as financial acumen in trusteeship may mean that other crucial aspects such as governance or the benefits aspect of trusteeship are not fully developed. In selecting among candidates it may be that the decision becomes more of a competition between the suitability of the candidate in relation to industry and union perspectives of professionalism than comparing them to what is actually required in the role.

### **Discussion: An Integrated Approach for Labour Trustees**

As noted above, the political nomination and HRM approaches have unique strengths and weaknesses in the context of labour trustee recruitment and selection. As it is unlikely that all unions would completely forgo the political nomination method in favour of a full-blown HRM approach, in what follows we argue that a blended approach could add great value to the process. Already, unions such as the Ontario Public Sector Employees' Union (OPSEU) have instituted a more detailed HRM approach to their appointment process for the OPTrust and OMERS pension boards. For example, the 2011 OPSEU Policy Pensions Manual states:

- Advertisement and job description are circulated as widely as possible including the OPSEU website;

- Membership responses are submitted to the Membership Benefits Unit; Short list of candidates is prepared by the Pension Liaison Committee;
- Short-listed candidates are interviewed by a three-person panel
- Panel recommendations are forwarded to the OPSEU Executive Committee and Executive Board for review and approval;
- Executive Board appoints Trustees based on assessment and recommendations...

### **Job Analysis**

A challenge with the political nomination approach is the perception that labour representatives are just union lackeys or appointed for purely political reasons. Even a labour trustee comments:

*I feel that largely the union wants to pick rank and filers who will vote the way that they (the union) want and are not expecting much additional value added beyond that. (T9)*

Additionally, our data indicate that many labour trustees receive limited guidelines from their unions as to their role and have unclear expectations about their purpose on the board. The question of “what is the job of a labour trustee” may differ for different unions and different plans, but this can be accounted for in an individualized job analysis that assesses the required tasks and the knowledge, skills, and abilities required to carry out those tasks. As much as is required and desired,

this job analysis would include the tasks and skills required to fulfill any union or labour mandate. A resulting job description would surely differ depending on individual trade union perspectives towards pensions and pension involvement, the structural characteristics of the board and the plan, and board composition. For example, the skills and experience needed for a labour trustee might be different if they are the only labour representative at the table, if they are operating in a joint-trusteeship model, if they are one union voice among many other unions, or one union voice among multiple employers.

### **Job Description**

The job description and job advertisement explicitly state the expectations of the role as they stem from the job analysis. This acts as a signal to prospective applicants and serves as a guiding framework for performance in the job. As follows from the job analysis, any particular characteristics that are valued through the political nomination model could be codified here. For example, a fundamental requirement for labour trustees is that they must be capable of recognising union policy and be able to reflect on this from the perspective of all pension plan members in order to avoid a conflict of interest. OPSEU's (2011) job advertisement explicitly states that its labour trustees need an understanding of the union's beliefs and policies as well as the ability to "articulate where workers sit in relation to the management and investment of capital". Applicants also must be able to formulate a pension position from their reading of documentation and research, defend that positions to high status others, prepare position papers based on "Union foundations", and be aware of the time commitments required.

A statement from a labour trustee and union official confirms many of these responsibilities and illustrates that social and technical competencies as well as structural features of the job (i.e., time commitments) could be identified and formalized in a written job description:

*the role requires a very active voice, it is time consuming, but you do not spend a lot of time negotiating as you delegate; but you have to know what to delegate and you have to be careful about monitoring the delegation and you have to be very careful about being socially responsible and ethical investments; and every so often you really have to bring in a manager, when things start going off the rails and stuff; it's a very active role, it's pretty tiring time-wise and energy-wise. (T27)*

Such a job description would more accurately portray the demands of the job so that potential applicants are prepared for the role and recognize its challenges. The amount of time the job demands is a real concern for labour trustees as the demands increase (Reference Withheld2008). As well, the job must have a clear and appropriate compensatory arrangement in order to attract and retain the best candidates. As noted by one trustee,

*"I think it is very important that trustees are given time off with pay to travel, and prepare for the meetings. It should not cost an employee anything to sit as a trustee." (Interviewee T8)*

Most compensatory arrangements for labour trustees are inadequate because trustees are only reimbursed for the time spent at meetings. Also there is inconsistency in how trustees are reimbursed with some trustees reporting no compensation at all (Reference Withheld 2008). It is recommended that the sponsors of pension plans seriously consider the different financial and temporal demands on their trustees and compensate these demands equitably across all trustee types (Ambachtsheer 2007). Though equitable compensation systems can exist within a political nomination approach to recruitment and selection, a formal process that legitimizes successful union candidates would help to make the case for increased compensation for their contributions.

### **Identifying Entry Qualifications**

Due to the debate over the knowledge, skills, abilities and/or competencies required for pension trustees and the centrality of these to the selection and evaluation process of HRM, it is necessary to expand our discussion at this point.

Pension fund regulators in Canada do not stipulate the skills required of a pension trustee. As one senior pension administrator noted, a trustee needs to have *"the skill to go out and get knowledge and expertise if required"* and s/he has to have enough knowledge to assess and monitor that expert knowledge. Within this context

there is a general recognition that for boards to function effectively their members need a wide range of skills. These would include specific expertise in law, finance and management as well as broader capability with respect to problem solving, facilitating decision-making, the maintenance of effective working relationships, communicating with the constituency and leadership bodies, working with a group, and a strong commitment to the role.

In the Ontario Teachers' Pension Plan the labour seats are outsourced to professional trustees selected from the financial industry. In this case, there is a clear preference for specific professional skills: "Since 1990, the OTF and the Ontario government have successfully attracted board members with the appropriate qualifications in investments, finance, accounting, law, actuarial science, business management and technology to properly oversee management's decisions and actions." ([www.otpp.com](http://www.otpp.com)) The implication of the focus on these skill sets is immediately apparent in reviewing the biographies; only one of the nine board members has direct experience as a union member and one other is arguably a progressive economist who has consulted for trade unions.

In a blended political nomination and HRM approach the entry requirements would reflect a balance between the mix of experiences gained through specific training in or exposure to pension governance issues and more general skills typically acquired through union activity. It is not surprising that previous involvement in union activities plays a larger part in who gets nominated than expertise in pension matters. One labour trustee felt that if you are a union activist, *'that puts you in the*



*pool so to speak'* (T11). Another told us that he was '*concerned about (formal) evaluation and selection procedures because of the broad knowledge needed [in trusteeship].'* (T10) He explained that he did not know anything about pensions when he came to the role, but he had a lot of other skills and knowledge (such as leadership and union connections) that have made him a good trustee. If the selection criteria are too rigidly tied to domain-specific skills then these broader oversight skills could be discounted or go unnoticed.

Within the context of a blended approach, a competency framework would be useful. Competencies are used to select people who share the beliefs that underpin an organisation's culture. Given the complexity of the labour trustee role and the political context in which it resides, a competency approach would allow trade unions to incorporate into their selection criteria such broad factors as: traits, motives, self-image, and one's social role. It is true that the competency approach is more complicated and trade unions may not have the resources and inclination to draw up a meaningful range of competencies (Markus et al 2005; Heinsman et al, 2007). However, we consider in principle that a competency approach permits unions to include labour values and attitudes as well as specific functional skill-sets in trustee selection. Continuous learning and recognition of the integrity of the governance process could also be included here.

Depending on the competencies or skills identified as required qualifications, we can begin to see a continuum of potential labour trustee applicants. On the left would be a political nomination approach which would tend to privilege previous union

experience. On the right would be a 'professional' skills approach that would privilege those with pension or financial experience. Two blended options exist. First, unions could employ an HRM approach that focuses on pension aptitude, but is applied within the ranks of union membership. This approach can sidestep the politics of the nomination model to some degree, but the specific requirement of pension aptitude likely narrows the pool of potential applicants to union staff or executive members who have served on pensions and benefits committees. Rank and file members with different experience would be discounted or self-select out of the pool. In practice what happens is:

*Labour trustees are normally recruited (by the union) and often include union staff members because they have more time to devote to the issues, more expertise generally in pensions and/or union matters, more consistency of the union message (Interviewee T9).*

Though grounding in a union perspective is a benefit for labour trustees, a pool of individuals already appointed or elected to official union roles may not provide ideal levels of diversity. Therefore, we would recommend a second HRM approach that highlights the need for some pension aptitude in conjunction with grounding in the union worldview and the commitment to learn. This latter approach is the model employed by OPSEU, who explicitly state a preference for plan members over union staff (OPSEU, 2011: 6). The preference for plan members also helps to reduce the distance between the membership and the labour representative and strengthens the pluralistic assumption upon which representative democracy is based.

### **Attracting Qualified Applicants**

In the HRM approach it is desirable to recruit as large an applicant pool as possible to widen choice in selecting the best job candidate. However, as is the case for most senior executive roles, the numbers of candidates for each pension trustee position are generally small. For labour trustees, the ultimate constraint is typically the requirement to be a member of the union and the pension scheme. Given the job complexity, there are a limited number of rank and file members who would meet the criteria. Therefore, it is somewhat unavoidable and perhaps desirable to employ political nomination techniques to identify and encourage potential applicants.

However, the political nature of appointments needs to be acknowledged because it would be unlikely that the President/ Executive would support the candidature of someone with whom they fundamentally disagree. Using clear HRM selection techniques to assess and ultimately select the successful candidate can mitigate some of the political bias that might result from this system.

### **Selection Techniques**

Unions have limited resources and for many the issue of pension governance is not a priority. The political nomination method (either appointment or election) is useful because it employs systems already in place within the union structure and does not add significant administrative burden. HRM selection approaches should aim to be as effective as possible while balancing simplicity, time and cost (see Schwind et al 2007); however, even the simplest techniques such as application letters where individuals outline their motivation, experience and skills, written tests about

governance, or interviews to probe whether the candidates grasps the intricacies of the role will require additional bureaucracy for the union. Therefore, the priority for a blended approach should be to employ a transparent and fair process that values a range of skills and past experiences without discouraging applicants due to overly onerous or intimidating selection processes or the impression of jumping through hoops.

Our data suggest that labour trustees face a very high demand on their time, a very steep learning curve, required to read considerable amounts of material at short notice, covert and overt disinclination of other board members to answer questions, and the general feeling of being on the outside of Board proceedings. These findings suggest that the process could benefit from some form of realistic job preview. Each applicant could easily have an informational meeting with current or outgoing trustees. A type of 'trustee in training' system could increase the pool of qualified applicants and permit interested individuals to attend pension training and engage in discussions with trustees, before they even apply for the job. This would form a pool of previously self-identified 'trainees' for recruitment and selection and also serve an important general education function. To help fulfill the political or representational mandate, this could also be a fertile ground for discussions and guidance about labour's specific role in pension trusteeship.

### **Induction into the Job**

Unlike an HRM approach, in a political nomination model there is no explicit provision for job orientation or socialization. Labour trustees face a steep learning

curve and the potential for exclusion at the board table. An HRM approach that encouraged unions to provide on-going training and access to wider support networks comprised of experts and other labour trustees could better prepare trustees for the upward battle of gaining legitimacy at the board and equip them with the necessary arguments for a stakeholder perspective of pension governance (Carmichael et al 2003). Existing examples of such support are the trustee education initiatives of the Fédération des travailleurs et travailleuses du Québec (FTQ) and the Shareholder Association for Research and Education (SHARE). According to a labour trustee and pension specialist, the FTQ plays a crucial role in supporting lay trustees:

*We do have pressure from others in Canada that [pension trustees] shouldn't be union members they should be specialists, because the union members don't have the knowledge or the time to do the job right. And we at FTQ are saying it is possible, we have been doing it for many years... We actually think our trustees are better than employer nominated trustees because they choose to be there. (T24)*

An HRM approach to job incumbency based on job performance and continuous learning also reflects the need to invest in the development of labour trustees and not force trustees from their role if only to comply with democratic principles of unionism that perhaps do not fit this unique role.

### **Summary of A Blended Model**

Based on the above discussions, we have attempted to dichotomize particular recruitment and selection behaviours into an HRM and political nomination approach (see Table 1). Our argument is that unions would do well to consider recruitment and selection from both approaches based on their own ideologies and realities for labour involvement in pension governance. This integration would overcome some of the key weaknesses of both the political nomination and human resources model. In sum, the HRM approach could bring more transparency and accountability to the recruitment and selection process. This fits with the ideals of pension governance. An HRM approach does not eliminate all political elements of the recruitment and selection process. Unions have to design their processes to specifically acknowledge that selection can be a “political exercise that involves different levels of influence and power between power networks of various collaborations, cliques and coalitions” and which act to favour candidates who will help advance the vested interests of these groups (Bozionelos 2005:1607). In this way, the HRM model adds legitimacy to labour trustees as they engage in a more competitive process that involves considerations of relevant skills or competencies.

The importance of broad-based experiences rooted in the lives of working people, activism, and trade union activities are often discounted in formal credential-based systems (Livingstone & Sawchuk, 2004). The political nomination approach permits these traditional values to be considered and recognizes the power dynamics at work in the pension board context. Relationships between the executive members are more influential in the decision-making process than notions of comparative expertise. As a former trade union policy maker and pension expert notes:

*Trustees need to recognise that a lot of the key decisions you end up making regardless of whether you're in a so-called expert environment or a representative environment include making key value judgments [and] are not frankly matters of expertise. As you get to the point of a decision-making process on boards personal interactions becomes incredibly important to the decision making process and there is no expert financial aspect to these things. (T 22)*

The executive nature of decision-making on pension boards is a core activity and skill, but this decision-making has a behavioural, political dimension that is linked to the power and status of the individuals involved and the organisational context in which it operates. Political behaviour is an important feature of trade union activities that influences organisational processes such as recruitment (Treadway et al 2005). Political savvy gained from years of union activism cannot be discounted. As such, the intention is for trade unions to first analyse the trustee role from an HRM perspective and then move to incorporate political aspects that are fundamental to them as an organisation.

Table 1 here

## **Conclusion**

This paper concludes that the recruitment process for labour trustees needs to acknowledge the political, regulatory and organisational contexts in which pension trustees operate in order to attract and retain talented individuals. It also needs to consider the emphasis that different trade unions place on pension governance and supporting labour trustees in performing their fiduciary duties. In this regard, neither the professional HRM approach nor the political nomination approach as it is currently practiced is likely to yield the best outcomes for unions and their members. A different approach that integrates some of the strengths of both approaches is more likely to help unions place effective trustees on pension boards. An integrated model of recruitment and selection would also need to acknowledge the dynamics of differing political imperatives of both private and public institutions, which can impact on the process by which labour trustees are selected/appointed/elected (Calvert 2005). The model could also be extended to employer trustee representatives enhance selections. This would help address how some employer trustees are not picked for the skills they can bring to trusteeship but more because of the position they occupy within the sponsoring organization.

Our analysis suggests that effective labour trustees need to be able to respond to the concerns of the labour community while simultaneously maintaining the fiduciary rigour required by law to protect the plan and its constituents. At the heart of these assertions is the need for labour bodies to be explicit about their strategic goals in pension governance. Without this focus on long-term goals, trade unions would be unable to articulate the role of the labour trustee (i.e., conduct job analysis) and unions would find it difficult to develop their own talent in this area. Unless better



recruitment and selection processes are put in place, effective labour voice in pension governance will remain elusive.

The similarity of Anglo-Saxon pension trust frameworks and fiduciary responsibilities in North America, the UK and Australia (Clark 2007, Hess 2005, Kang et al 2007) indicates that the integrated model has relevance outside of the Canadian context. In recognizing the political context in which nomination occurs in public and private institutions and in strengthening recruitment and selection of appointed representatives in line with a HRM approach it can help improve the legitimacy of candidates who represent the membership as well as improve governance.

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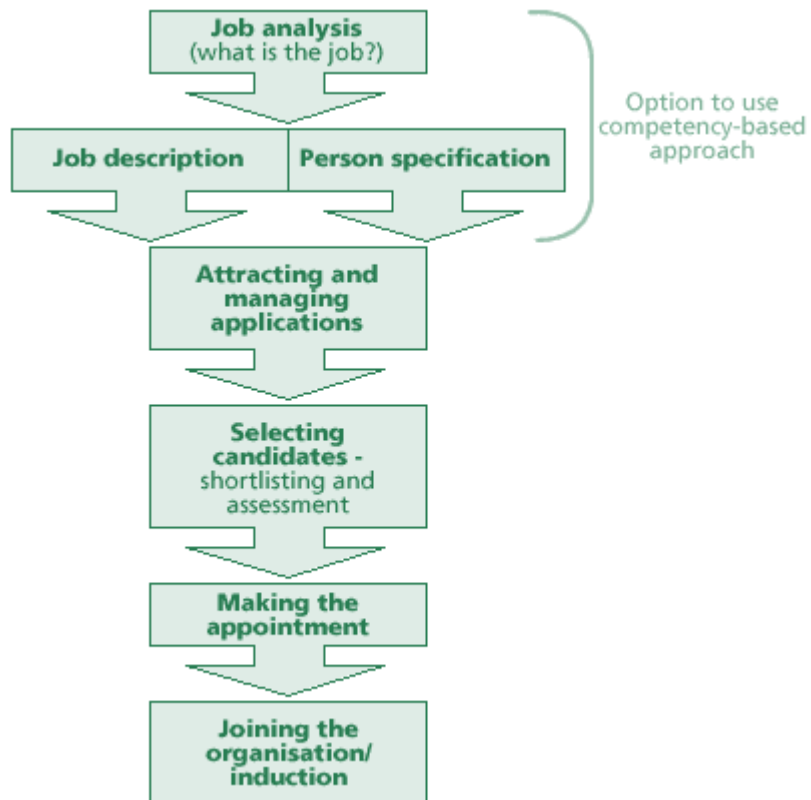
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### **Figure 1: HRM Model of Recruitment**



CIPD (2009) Recruitment an Overview [www.cipd.com](http://www.cipd.com)

**Table 1: Considerations for the Recruitment and Selection of Labour Trustees**

	<b>HRM Model</b>	<b>Political Nomination Model</b>	<b>Integrated Model</b>
Job analysis	<ul style="list-style-type: none"> <li>Outline the integrity of the governance process and the potential for conflict;</li> <li>Consider compensation: temporal and financial aspects</li> </ul>	<ul style="list-style-type: none"> <li>Recognise what type of labour trustee is required for the pension plan model</li> </ul>	<ul style="list-style-type: none"> <li>Outline goals and expectations of labour trustees from a labour/trade union perspective</li> </ul>
Job description Person specification	<ul style="list-style-type: none"> <li>Specific expertise needed (i.e., legal, financial, leadership, personal development, open-mindedness, communication, coalition maintenance, analytical skills)</li> </ul>	<ul style="list-style-type: none"> <li>Union experience and sensibility</li> <li>Organising skills</li> </ul>	<ul style="list-style-type: none"> <li>Ability to articulate and defend skills and views to other executives and important others in boardroom context</li> </ul>
Attracting candidates	<ul style="list-style-type: none"> <li>Publicise to the membership and invite independent applications</li> </ul>	<ul style="list-style-type: none"> <li>Personal identification of potential candidates from small pool by senior union members</li> </ul>	<ul style="list-style-type: none"> <li>Widen the candidate pool through: a trustee-in-training system, pension training, contact / mentoring with existing trustees</li> </ul>
Selecting Candidates	<ul style="list-style-type: none"> <li>Validated tests and interviews to check candidates' skills, motivation and commitment to trusteeship</li> </ul>	<ul style="list-style-type: none"> <li>Verify candidates' ability to recognize labour perspective</li> </ul>	<ul style="list-style-type: none"> <li>Outline a wide range of required skills &amp; experiences</li> <li>Use a transparent and fair assessment process without being overly complicated</li> </ul>
Making the appointment	<ul style="list-style-type: none"> <li>Match candidate to job specification</li> <li>Complement existing composition of pension board skills</li> </ul>	<ul style="list-style-type: none"> <li>Match prevailing labour values and attitudes with the candidate</li> </ul>	<ul style="list-style-type: none"> <li>Balance the need for both specific and broad skills with union activism and the collective pension board constituency</li> </ul>
Induction	<ul style="list-style-type: none"> <li>Outline fiduciary / regulatory requirements</li> <li>Offer training regarding planning, governance, finance and welfare as well as the pension plan context</li> </ul>	<ul style="list-style-type: none"> <li>Support /offer training with a strategic/political labour perspective</li> <li>Build networks with other labour trustees</li> </ul>	<ul style="list-style-type: none"> <li>Consider diversity of pension education as well as available social networks in supporting trustee development</li> </ul>