Employment Relations in Britain

Alex Bryson (NIESR and CEP)

1st June 2011

Dalian Delegation Talk
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  - http://www.niesr.ac.uk/staff/staffdetail.php?StaffID=307

- Research Fellow, Centre for Economic Performance, LSE
  - http://cep.lse.ac.uk/_new/staff/person.asp?id=3818

- Labour economics, industrial relations, programme evaluation

- Current projects include CEO Pay and Firm Performance in China
National Institute of Economic and Social Research

• Oldest independent research institute in UK
  http://www.niesr.ac.uk/

• Mission: “The National Institute aims to promote, through
  quantitative and qualitative research, a deeper understanding of
  the interaction of economic and social forces that affect people's
  lives, and the ways in which policies can improve them”.

• Macro-economics and forecasting
• Productivity and performance
• Labour markets, Skills and Education
• Industrial Relations and Institutions
• Pensions, savings and household behaviour
The Talk

• Theme: role of government in Employment Relations

• Overview of employment relations in UK
  – Actors
  – Role of the law

• Topics of particular interest
  – UK labour market now – how flexible?
  – Worker Representation
  – Conflict at work
  – Worker wellbeing

• Questions and Answers
Employment Relations in the UK and the Role of the State
The Actors

• State
  – Supranational (EU)
  – National
  – Devolution (England, Scotland, Wales, Northern Ireland, local, cities)
  – Legislator, enforcer, employer

• Employers
  – Employer associations/trade associations are weak (CBI)
  – Mainly firm/organization level and workplace level
  – Multinationals must deal with European Works Councils

• Workers
  – Independent trades unions
  – Joint consultative committees
The Role of the Law

Pre 1979
- ‘voluntarist’ framework
- supporting collective bargaining
- reform intended to support this system

1979-1997 a decisive shift
- Removal of supports for union role, eg. Closed shop, extension of collective bargaining agreements
- Duties placed on trades unions, eg. balloting
- De-regulation on individual rights, eg. Wages Councils

Post 1997
- Minor concessions to unions, eg. Employment Relations Act 1999
- Re-regulation on individual rights, eg. Minimum wage
- Legislating for fairness and flexibility, eg. Family rights
The Limits of the Law

• **Much change but law only one factor in promoting workplace change**
  - Compositional/structural change in firms/workplaces
    - Firm size
    - Manufacturing decline
    - Female labour market participation
  - **International competition**
    - Globalisation
    - Migration
    - Foreign ownership
  - **Changes in role of the state, eg. Size of public sector**
  - **Employer preferences**
  - **Worker preferences**

• **Symbolic and ‘shadow’ impacts of the legal changes may have been as important as direct**, eg impact of statutory recognition procedure in Employment Relations Act of 1999
Accounting for Variation in Legal Impact

• *Nature of legislation and enforcement*, eg employers generally required not to discriminate rather than tackle inequalities – exception is ‘reasonable adjustment’ provision in disability legislation

• *What is required and of whom*, eg compliance may require employers to respond passively, ie on request or when challenged, or it may require employers to take pro-active steps; impact may be individualised or have collective implications

• *Mediating Factors*, the individualised, passive, private law model of much UK legislation requires strong mediators to be effective; unions are the main body that can play this role, but their influence has declined markedly
...state’s share in the economy also grew substantially between the mid 1960s and mid 1980s but has shrunk subsequently.
UK Labour Market: How Flexible?
The UK has never relied on employment regulation for social protection. Its light and even regulations help deliver one of the highest (voluntary) turnover rates in the OECD...
...and allows workers and employers to negotiate a more diverse range of types and patterns of work per week or per year.
How did the labour market respond to changes in output? Particularly in recessions?

ANNUAL GDP GROWTH: MARKET PRICES

PER CENT

-6 -4 -2 0 2 4 6 8 10


Annual Quarterly
...redundancies and job losses seem to be the major response to a downturn in demand both this recession and last...

EARNINGS: PRICE ADJUSTMENT

• No relationship between real earnings – the price of labour – and unemployment.

• Despite a more competitive and less collectivist labour market the UK is still characterised by real wage inflexibility.
  – Real earnings virtually always go up.
  – Nominal earnings always go up.

• However, nominal wage growth now seems more affected by demand and less by inflation than in the past.
Real earnings – the price of labour does not adjust in response to changes in the unemployment rate...
...and in fact, there are very few periods when real earnings fall.

Real Earnings:
Average Earnings Deflated by Retail Prices Index

Index January 1963 = 100
Nominal wage growth seems to have been shocked down to a lower level in each of the past three recessions and then settled there...

Average Earnings Growth: Annual Change %:
Worker Representation
TU membership density, 1989-2009

% of employees that are union members

-1.0%  -0.1%  -0.3%

Source: Labour Force Survey
Membership composition

Source: Labour Force Survey

<table>
<thead>
<tr>
<th></th>
<th>% female</th>
<th>% aged 50+</th>
<th>% with degree</th>
<th>% non-manual</th>
<th>% in public sector</th>
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<tr>
<td>1999</td>
<td>46%</td>
<td>26%</td>
<td>21%</td>
<td>62%</td>
<td>52%</td>
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<tr>
<td>2009</td>
<td>54%</td>
<td>34%</td>
<td>34%</td>
<td>68%</td>
<td>61%</td>
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</table>
Union organisation

**Membership density**

- 1980: Private manufacturing (60), Private services (30), Public sector (10)
- 1984: Private manufacturing (50), Private services (20), Public sector (10)
- 1990: Private manufacturing (40), Private services (20), Public sector (10)
- 1998: Private manufacturing (30), Private services (20), Public sector (10)
- 2004: Private manufacturing (20), Private services (20), Public sector (10)

**Bargaining coverage**

- 1980: Private manufacturing (80), Private services (40), Public sector (20)
- 1984: Private manufacturing (70), Private services (30), Public sector (20)
- 1990: Private manufacturing (60), Private services (20), Public sector (20)
- 1998: Private manufacturing (50), Private services (20), Public sector (20)
- 2004: Private manufacturing (40), Private services (20), Public sector (20)

Base: employees in workplaces with 25+ employees
Source: WERS
Percentage of workplaces with 25+ employees recognizing unions, 1980 - 2004

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<td>56</td>
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<td>64</td>
<td>66</td>
<td>53</td>
<td>42</td>
<td>39</td>
</tr>
</tbody>
</table>
Union organisation

Per cent


Unions recognised
Any stewards (where recognition)
Members per steward (where any stewards)

Source: Forth and Charlwood (2009) using WERS

Base: workplaces with 25+ employees
Numbers of shop stewards

Base: shop stewards of recognised trade unions in workplaces with 25+ employees
Source: Forth and Charlwood (2009) using WERS
Changing activities of shop stewards

- Fall in number of issues subject to negotiation
- Growth of 'hollow shell' unionism
- Less involvement in collective disputes
- Greater role for individual casework

Base: shop stewards of recognised trade unions in workplaces with 25+ employees
Source: Forth and Charlwood (2009) using WERS
What lay behind the collapse of collective bargaining?

• The change in industrial structure away from manufacturing?
  – Only 10% of the decline in incidence of CB in the private sector between 1984-2004 can be attributed to change in workplace size and industrial composition

• The anti-union legislation and government action of the 1980s?
  – The decline was under way earlier:
    • In 1998, 45% of 1940s w/ps had CB; 23% 1960s;12% 1980s
    • In 2004, 32% of 1960s w/ps had CB; 13% of 1970s
  – A change of regime in 1997 did not slow the decline:
    • Rate of contraction of CB 1998-2004 much the same as 1990-1998
A more powerful explanation lies in the effects of increasing competition

• A period of increasingly international product market competition and ownership:
  – UK Mfg imports as % mfg domestic demand rose from 25% in 1980 to 62% in 2005
  – Foreign ownership of LSE shares rose from 4% in 1981 to 40% in 2006

• WERS firms were asked about their competition:
  – those ‘dominating’ their market were twice as likely to use CB as those with ‘many’ competitors
  – use of CB fell between 1984 and 2004 by:
    • 35% where they ‘dominated’
    • 62% where up to five competitors
    • 70% where six or more competitors
The impact on collective bargaining of change in relative profitability

Coverage of CB in workplaces in industries experiencing relative change

- CB has been most resilient in sectors with consistently high profits
- Those with consistently low profits saw CB decline at about the average
- Those with relative improvement of profitability saw less decline in CB than those where relative profitability declined
- Profitability collapse was associated with CB collapse
Collective bargaining under the impact of privatisation – a natural experiment

- At sectoral level, CB had varied fortunes under privatisation:
  - Energy & water, CB still high
  - Trans and coms, CB slight fall
  - Other services, sharp fall
- Privatisation does not guarantee product market competition
  - Some are natural monopolies
  - Ofwat, Ofrail, Ofgen, Ofcom
- Privatised industries’ coverage of CB ends up closer to the old private sector’s
What has happened to ‘voice’ more generally?  
- the decline of union only voice

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<tbody>
<tr>
<td>1 No voice</td>
<td>16</td>
<td>19</td>
<td>18</td>
<td>14</td>
</tr>
<tr>
<td>2. Voice (all types)</td>
<td>84</td>
<td>81</td>
<td>82</td>
<td>86</td>
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<tr>
<td>3. Union only</td>
<td>24</td>
<td>14</td>
<td>9</td>
<td>5</td>
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<td>4. Union and non-union</td>
<td>42</td>
<td>39</td>
<td>32</td>
<td>33</td>
</tr>
<tr>
<td>5. Non-union only</td>
<td>16</td>
<td>28</td>
<td>41</td>
<td>46</td>
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<tr>
<td>6. Voice, but nature not reported</td>
<td>2</td>
<td>&lt;1</td>
<td>&lt;1</td>
<td>2</td>
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</table>
Non-union representation

• Evidence patchy, but clearly no substantial expansion since 1980
  – individual non-union reps in 10% of workplaces in 1980 rising to 14% in 2004
  – Workplace consultative committees in 34% of workplaces in 1980, falling to 24% in 2004

• However, the decline of union representation means that, among all workplaces with 5+ employees, the incidence of union and non-union representation is now similar

Source: Forth and Charlwood (2009) using WERS
Unions and Wages

• Wage premium from union bargaining identified in 1980, 1984 and 1990 (workplace data)

• General premium absent for union bargaining in 1998 and 2004 (employee data)

• But still a premium attached to ‘strong’ unionism
  – Where high coverage etc.

• Union membership premium has declined
  – Secular trend or indicative of counter-cyclical wage premium?
Unions and Other Workplace Economic Outcomes

Association with:

• Employment growth:
  – Significant negative effects only for early 1980s

• Financial performance:
  – Significant negative effects only for early 1980s
  – Though negative association with active collective bargaining in 2004

• Managers’ perception of ‘climate’ (see below):
  – Significant negative effects only for 1980s
Conflict at Work
Stoppages 1960-2006

Source: Office for National Statistics
Work stoppages and days lost 1960-2006

## Management-employee relations

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<tr>
<td><strong>All workplaces</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strike action</td>
<td>11</td>
<td>15</td>
<td>11</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Non-strike action</td>
<td>11</td>
<td>13</td>
<td>5</td>
<td>1</td>
<td>3</td>
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<tr>
<td><strong>Private manufacturing</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Strike action</td>
<td>19</td>
<td>9</td>
<td>4</td>
<td>0</td>
<td>*</td>
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<tr>
<td>Non-strike action</td>
<td>16</td>
<td>12</td>
<td>7</td>
<td>1</td>
<td>2</td>
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<tr>
<td><strong>Private services</strong></td>
<td></td>
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<td></td>
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<tr>
<td>Strike action</td>
<td>3</td>
<td>5</td>
<td>2</td>
<td>1</td>
<td>1</td>
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<tr>
<td>Non-strike action</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>*</td>
<td>2</td>
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<tr>
<td><strong>Public sector</strong></td>
<td></td>
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<tr>
<td>Strike action</td>
<td>15</td>
<td>31</td>
<td>31</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td>Non-strike action</td>
<td>19</td>
<td>24</td>
<td>8</td>
<td>2</td>
<td>7</td>
</tr>
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Base: all establishments with 25 or more employees
Source: Dix, Forth and Sisson (2009) using WERS
## Expressions of conflict, by ‘voice’

<table>
<thead>
<tr>
<th></th>
<th>Any industrial action</th>
<th>Any grievances</th>
<th>ET claims per 1,000 employees</th>
<th>Voluntary resignations per 100 employees</th>
<th>Relations between managers and employees % of employees rating ‘poor’ or ‘very poor’</th>
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<tbody>
<tr>
<td><strong>Union voice only</strong></td>
<td>9</td>
<td>45</td>
<td>1.3</td>
<td>9.0</td>
<td>17</td>
</tr>
<tr>
<td><strong>Union and non-union voice</strong></td>
<td>7</td>
<td>44</td>
<td>2.1</td>
<td>8.8</td>
<td>19</td>
</tr>
<tr>
<td><strong>Non-union voice only</strong></td>
<td>1</td>
<td>40</td>
<td>2.7</td>
<td>17.2</td>
<td>11</td>
</tr>
<tr>
<td><strong>No voice</strong></td>
<td>*</td>
<td>31</td>
<td>2.9</td>
<td>18.3</td>
<td>11</td>
</tr>
<tr>
<td><strong>All workplaces</strong></td>
<td>2</td>
<td>38</td>
<td>2.4</td>
<td>13.8</td>
<td>15</td>
</tr>
</tbody>
</table>

*Base: all workplaces with 5+ employees

Source: Dix, Forth and Sisson (2009) using WERS
Management-employee relations

• WERS ordinal scale: how would you rate the relationship between management and employees generally at this workplace?

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<tbody>
<tr>
<td>All</td>
<td>2.49</td>
<td>2.38</td>
<td>2.26</td>
<td>2.30</td>
<td>2.31</td>
</tr>
<tr>
<td>Union</td>
<td>2.46</td>
<td>2.31</td>
<td>2.16</td>
<td>2.31</td>
<td>2.22</td>
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<tr>
<td>Non-union</td>
<td>2.53</td>
<td>2.46</td>
<td>2.32</td>
<td>2.29</td>
<td>2.34</td>
</tr>
<tr>
<td>Raw gap</td>
<td>-.556 (4.63)**</td>
<td>-.815 (6.32)**</td>
<td>- .525 (4.39)**</td>
<td>-.233 (2.06)**</td>
<td>- .585 (4.58)**</td>
</tr>
<tr>
<td>Regression-adjusted gap</td>
<td>-.398 (2.70)**</td>
<td>-.582 (3.87)**</td>
<td>-.271 (1.87)*</td>
<td>-.005 (0.04)</td>
<td>-.157 (1.05)</td>
</tr>
</tbody>
</table>

• Union negative effects absent after 1990
• But time trend not statistically significant

Base: all workplaces with 25+ employees
Source: Blanchflower and Bryson (2009) using WERS
Employee Wellbeing
Policy pluses

- National minimum wage 1999
- Annual holiday entitlements (EU)
- Restrictions on long-hours working (EU)
- Right to request flexible working patterns
- Reasonable time off in emergencies and for dependents
- Extensions to maternity/paternity rights and pay
- Restrictions on some forms of flexible working eg. temp agency staff
- Current policy preoccupation with work and wellbeing
Wages

• Sustained real wage growth for most (unlike countries like Germany)
• But big growth in wage inequality since 1980s
  – Especially at the top
  – At bottom some compression through minimum wages
• Explanations
  – Skills-biased technological change
  – Institutions, especially union decline
  – Trade?
Job Quality

• Job satisfaction
  – Rising extrinsic satisfaction
  – Falling intrinsic satisfaction

• Stress/anxiety
  – Increasing
  – Associated with innovation/change
  – Unions can ameliorate via support

• High involvement management?
  – Enrichment versus intensification
  – On balance, declining autonomy, increased monitoring

• Safer workplaces
  – Reduced accident risk
  – Partly compositional, partly policy (HSC)

• Health
  – Continued concerns over absenteeism
The Rise of Employee Involvement?

- Diffusion has been very uneven
- Looks different in public sector to private sector
- Few workplaces with strong employee involvement orientation
The Future – New Government Proposals

“We want to create a society where work and family complement one another. One where employers have the flexibility and certainty to recruit and retain the skilled labour they need to develop their businesses. And one where employees no longer have to choose between a rewarding career and a fulfilling home life.”

Modern Workplaces, p.2

“We appreciate that stimulating culture change on flexible working across the labour market will require more than just regulatory change. We will therefore work with business leaders and employers to promote the business case for flexible working.”

Modern Workplaces, p.7
Further information

• Workplace Employment Relations Survey 2011

Survey documentation and background information at: http://www.bis.gov.uk/policies/employment-matters/research/wers


Further details: http://www.cambridge.org/catalogue/catalogue.asp?isbn=9780521514569

• New government proposals
http://nds.coi.gov.uk/content/detail.aspx?NewsAreald=2&ReleaseID=419503&SubjectId=2