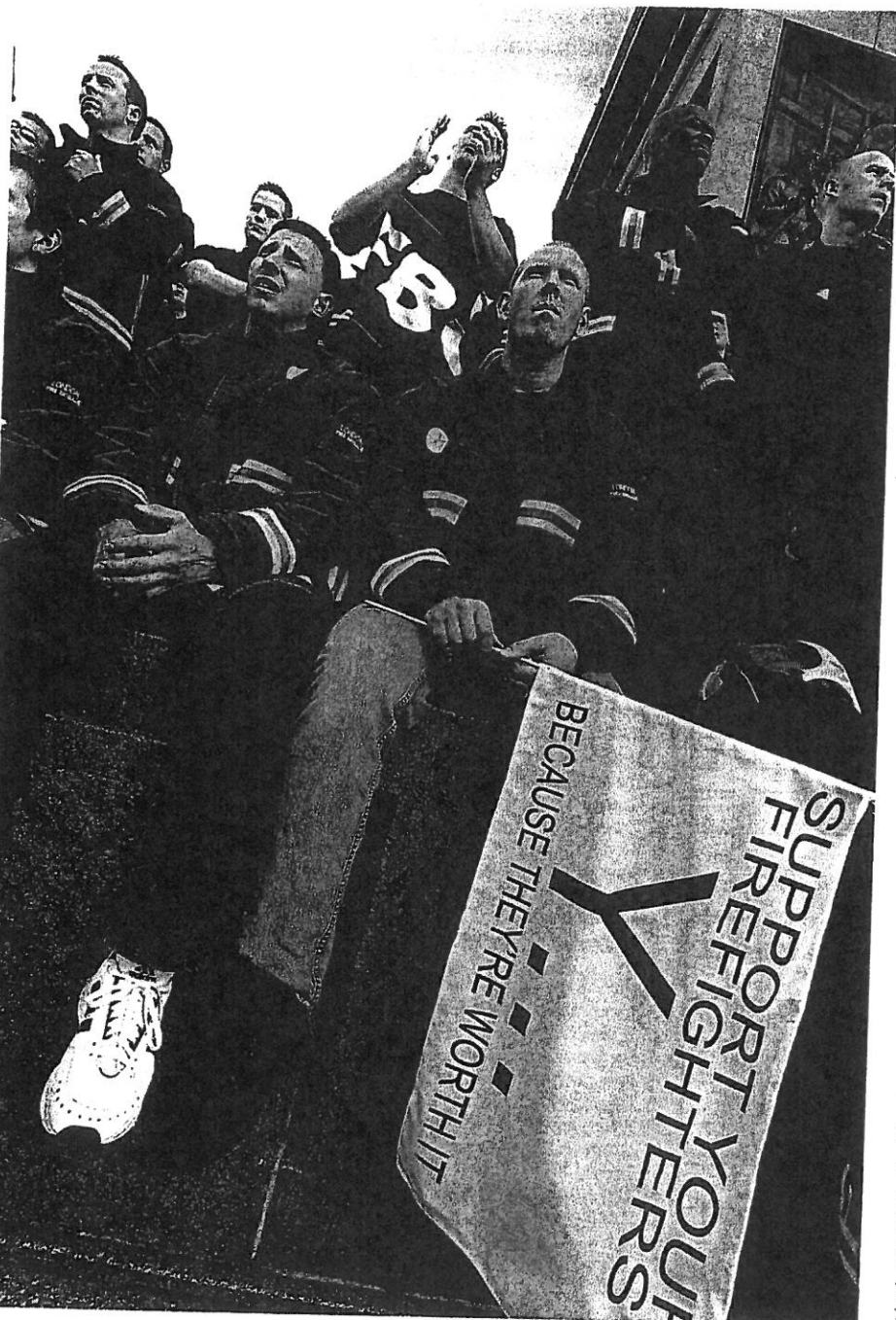


Employee-employer relations in the UK

Simon Harrison discusses the changing nature of trade union powers in recent years



MOLLY COOPER/PHOTOFUSION

The mid-1980s were in many ways a watershed for union power in the UK, marking the beginning of the end of one of the most powerful unions in UK history, and paving the way for a series of changes that altered employee-employer relations permanently. In 1984-85 the news was filled with violent scenes from coal mines around Britain, as the National Union of Mineworkers embarked on a strike that was ultimately to last a year, and in which over 150,000 miners participated. January 1986 saw Rupert Murdoch's News International group targeted by a group of unions including printworkers, whose jobs were threatened by new technology. Murdoch's plant at Wapping was the scene of violent clashes for months to come. Scenes such as these formed the backdrop for a generation who saw unions as a bastion of restrictive practices, determined to delay progress at any cost, and to do so with violence where necessary.

In the end both sets of workers were defeated, but disputes such as these, together with more recent strikes on the underground and by firefighters, have in many people's eyes given trade unions a reputation for being bad for business. They are seen as an inconvenience, which gets in the way of rapid business decisions, as witnessed by Marks and Spencer's problems in France in 2001, when its plans to close stores there were delayed for months by the need to consult with workers' representatives under French law. This in turn delays the introduction of new technology and prevents productivity improvements from taking place. Ultimately, this stops the UK narrowing the productivity gap which exists between the 'UK plc' and its leading international rivals.



Arthur Scargill leading a group of striking miners in 1985

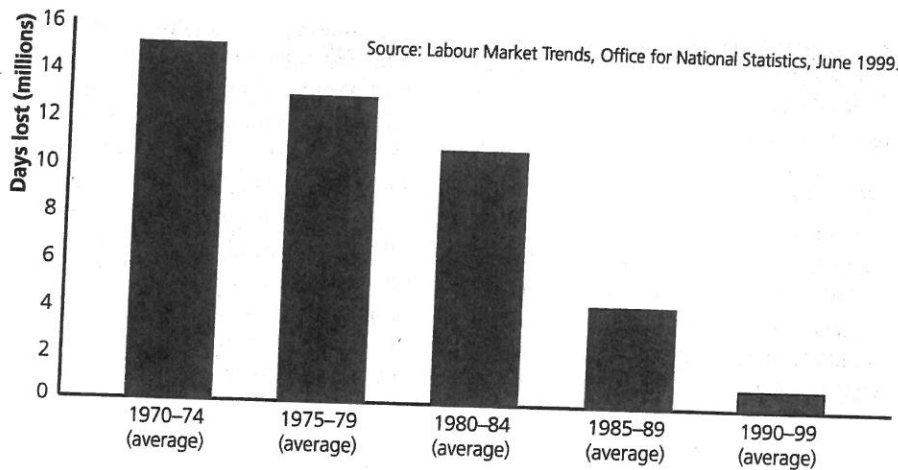


Figure 1 Days lost to industrial action in the UK (average per year)

A new approach

The question is whether unions in the twenty-first century are the negative force that many still perceive them to be. Both the TUC and the UK government have been promoting a new 'partnership approach' within the workplace, attempting to stress the benefits that cooperation rather than antagonism can bring.

A TUC report in February 2003 showed that trade union recognition was on the increase, with over 300 union recognition agreements in the last 12 months — double the number of the previous year, suggesting that some employers at least seem to see union recognition and involvement in decisions as a positive step for their business. (The vast majority of the recognition agreements were voluntary, by a margin of ten to one.)

Essentially two factors seem to be at work in changing the nature of employee-employer relations in the UK: a reduction in union power and a change in approach from unions themselves.

A reduction in union power

Strike action

As can be seen from Figure 1, the number of days lost to strike action has declined steadily ever since the early 1970s, suggesting that unions may be becoming less powerful. Changes in legislation during the 1980s and 1990s dramatically reduced the ability of unions to create disruption, thereby reducing their power. For example, unions used to be immune to

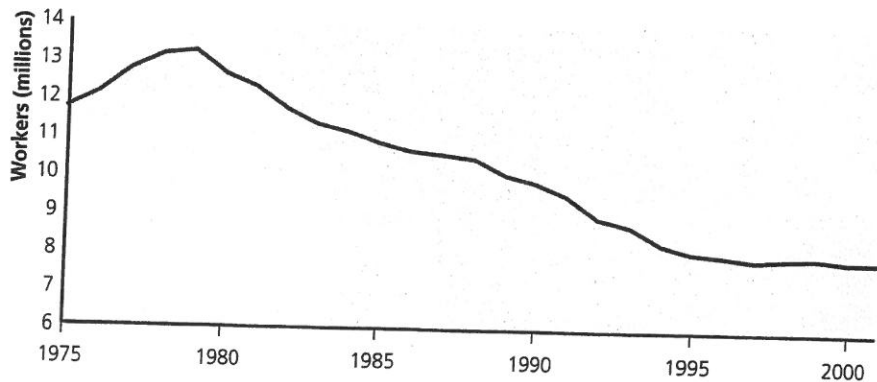


Figure 2 UK trade union membership

liability for financial damage caused by a strike; this immunity has now been restricted. The stages which unions have to go through to organise a legal strike have become more complex and involved. They include cooling-off periods, substantial advanced notice, secret ballots and so on.

This has been compounded by a growing realisation in the private sector that strike action in a global marketplace may have long-term implications. Some commentators suggested that a history of poor industrial relations at Ford's Dagenham plant contributed to its selection for partial closure in 2002. In addition, firms have become more willing to threaten striking workers with dismissal (where legally possible), something that was relatively uncommon a few years ago.

Union membership

A further factor is that in recent years union membership has declined, depriving unions of both funds and solidarity. As can be seen from Figure 2, union membership today is about 40% down on its peak, although the pattern still varies considerably from sector to sector. For example, 65% of full-time staff in education are union members compared with only 8% in the catering trade. It is significant that in recent years the majority of strikes have been in either the public sector or recently privatised industries, where union membership is running at 60% compared with just under 20% in the private sector.

Hence unions lack the resources and the legal framework to be as disruptive a force as was the case in the past. It has been suggested that this realisation has contributed to a gradual change in approach by unions (especially in the

private sector) over the 1990s and 2000s towards one of 'partnership'.

A shift in approach

A partnership approach

Faced with declining numbers and restrictions on the ways in which they traditionally operated, unions have been forced to adapt. Generally this adaptation has taken the form of a 'partnership' approach in which unions have attempted to add value to the business as well as enhancing benefits provided to members. These partnership approaches generally involve a far greater degree of employee involvement in key decisions (with the unions playing a vital coordinating role), together with much greater information sharing to eliminate any sense of a 'them and us' culture.

According to the TUC, a strong sense of worker participation in decisions, often coordinated through trade unions, seems in recent years to have enhanced business performance. One of its recent reports suggests that while initiatives such as employee share ownership schemes have some impact on growth and profitability, it is employee involvement which has been the key. One study reported that

organisations which had strong employee involvement were growing four to five times as quickly as those which did not, even though both groups had share ownership schemes.

Other research has suggested a link between employee representation and productivity, as seen in Figure 3. The significance of Figure 3 is that in those countries where employees are strongly represented and involved (as measured by whether or not collective bargaining takes place across the workforce), productivity is actually higher.

It would be simplistic, however, to suggest that strong worker representation is by itself a benefit to businesses. In all these studies, the common factor in successful organisations has been a management team which has been highly committed to including employees. This has given rise to the concept of partnership, where unions and employees work together with an open-minded management to generate positive change and growth for the business (see case study on Thames Water).

Benefits for business

The TUC itself has identified benefits similar to those experienced by Thames

Thames Water

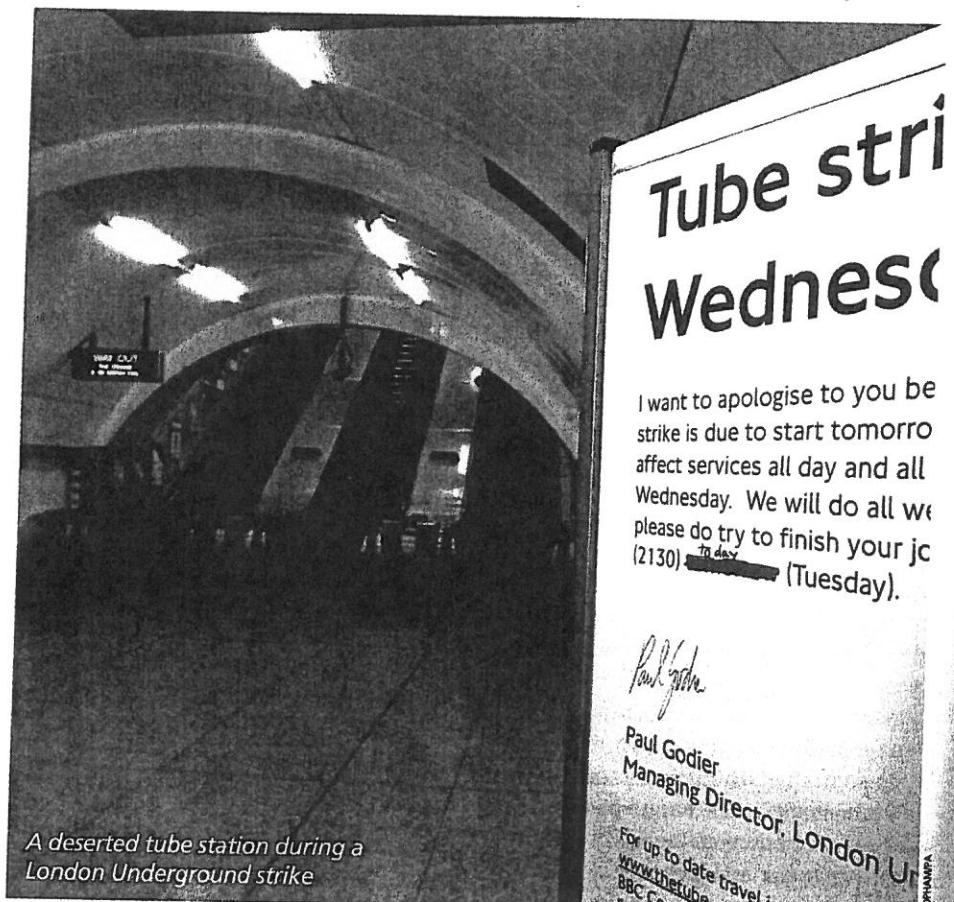
A good example of the benefits a partnership approach can bring are demonstrated by Thames Water. The company recognises four unions, and operates in a highly regulated environment. By 1999 it was coming under heavy pressure from the Competition Commission and shareholders simultaneously. The unions suggested that the way forward might be a partnership agreement. As discussions about this progressed, both sides realised that greater employee involvement might be a route through which changes to archaic working practices could be brought about. The central concept of the partnership is a 'Partnership Forum' with seven directors and seven elected representatives, but the real heart of it is changed approaches throughout the business in terms of the way decisions are taken, which has brought benefits to both employees and business alike.

Pay negotiations

One example was the annual round of pay negotiations. In the past this had tended to be a prolonged process of offer and counter-offer, with neither side prepared to divulge key information. As a result, the negotiations were felt to be antagonistic. The most recent round of pay negotiations was very different. The partnership approach meant that the key information was known to both management and unions as a result of their shared approach to decision making on a day-to-day basis. The negotiations which had previously taken months were concluded in 2 days.

New shift system

Another example was a change in the shift system which had previously created an annual £1m overtime bill. Thames Water had attempted to change the system in the past, but with no success due to a complex system of local agreements and precedents. For the first time, shift workers (assisted by union representatives and managers) took part in the discussions about possible changes. Over a 3-month period, a new system was agreed that was expected to save Thames Water £380,000 a year but also gave employees more say over the hours that they worked. Thus in both cases, effective employee involvement, facilitated by constructive union support, has brought substantial business benefits as well as helping to improve terms and conditions for employees.

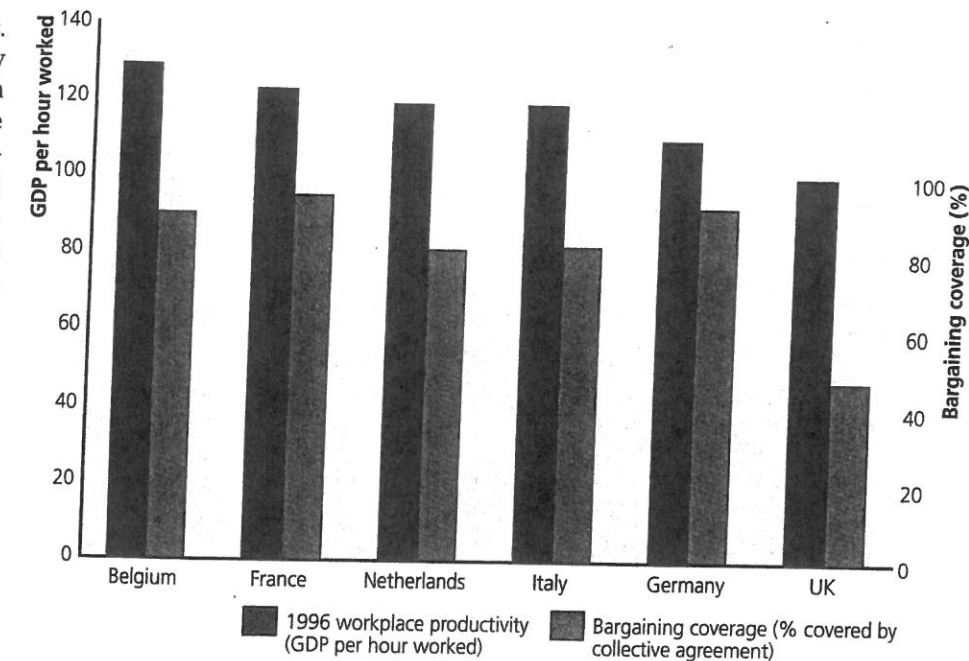


A deserted tube station during a London Underground strike

Water from other partnership agreements. Its research suggests that effectively implemented partnership agreements can bring substantial business benefits in the form of lower labour turnover and absenteeism, higher sales per employee and higher profits, as well as higher productivity and a greater ability to introduce change and innovation. Obviously these benefits have not been delivered in all cases; a partnership approach cannot be a guarantee of business success, but where both unions and management have been committed to increasing worker participation, the benefits have at times been substantial.

Conclusion

Recent strikes by firefighters, underground workers, train drivers and airport staff can leave us in no doubt that a partnership approach is far from being universally adopted. Some employees and managers remain distrustful of the idea that it is possible to share information openly and work together effectively, believing that they have unreconcilable objectives. Nevertheless, it is clear that some businesses and unions have managed to overcome this hurdle of distrust, and those that have



Sources: OECD and IPPR 1998; OECD Employment Outlook, July 1997.

Figure 3 Productivity and collective bargaining

done so have reported clear benefits. Whether the changes have been motivated by a genuine desire by unions to change, or by hostile pressures in their own external environment is difficult to tell, but the upshot has been a dramatic change in working practices in many private sector

organisations, which has boosted their business performance and international competitiveness.

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