AMALGAMATED UNION OF VICARS AND LAP DANCERS

WE DEMAND OUR RITES

FAIR DEAL FOR ALL MEMBERS
Unions past, present and future

David Metcalf charts the fortunes of the British trade union movement over the last half-century and suggests where it will have to concentrate to find its place in the new economy.

Union membership in Britain rose by 4 million between 1950 and 1979. At its peak in 1979 it stood at 13.2 million, but haemorrhaged 5.5 million in the subsequent two decades (see Table 1). Presently, union membership is 7.55 million, including some 300,000 self-employed. Since the Blair government came to power in 1997, the number of unionised employees has been roughly constant at around the 7.25 million mark, or 29% of the total.

Density of unionisation depends on demographic, job and workplace characteristics. It varies little by gender or ethnic origin, but rises with age up to 50 and falls off slightly thereafter. Those with higher education have density levels substantially above those with fewer qualifications. Teachers, nurses and other professional workers have the highest of any occupation (48%) and those in sales jobs the lowest (11%). Density rises sharply by tenure, a mirror image of the well-known finding that labour turnover is lower in workplaces, that recognise a union.

Small workplaces (under 25 employees) have density levels less than half those of larger establishments. People who work in public administration, education and health are far more likely to be members than those employed in business services or hotels and restaurants. In the public sector, three out of five employees are union members, but the corresponding figure for the private sector is fewer than one in five. Manufacturing now has a union density (27%) below that for the whole economy (29%). And an individual is more likely to belong to a union if she or he lives in the northern part of the UK than in south.
Trade union membership and density, UK

<table>
<thead>
<tr>
<th>Year</th>
<th>Membership (000)</th>
<th>Density (% of workforce)</th>
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<tbody>
<tr>
<td>1950</td>
<td>9,289</td>
<td>40.6</td>
</tr>
<tr>
<td>1960</td>
<td>9,835</td>
<td>40.9</td>
</tr>
<tr>
<td>1970</td>
<td>11,178</td>
<td>45.9</td>
</tr>
<tr>
<td>1980</td>
<td>12,947</td>
<td>49.0</td>
</tr>
<tr>
<td>1990</td>
<td>9,947</td>
<td>35.3</td>
</tr>
<tr>
<td>2000</td>
<td>7,770</td>
<td>26.2</td>
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</table>

These membership data come from the Certification Officer, but are self-reported by unions and include some retired, unemployed and non-UK residents. The latest Labour Force Survey results (autumn 2001) indicate that in the UK there are 7.55 million members, including 0.3 million self-employed and that 7.25 million employees (29.1%) are union members.

The number and structure of unions has altered dramatically, too. A century ago there were 1,300 unions and at the end of World War II there were still nearly 800. Mergers, takeovers and the decline of unions for specific craft groups, like the Jewish Bakers and Sheffield Wool Sheep Shearers, has reduced this figure to 226. Indeed, the 11 unions with over 250,000 members each now account for almost three quarters of total membership. But some small unions do survive – including the Association of Somerset Inseminators and the Church and Oswaldwistle Power Loom Overlookers Society!

Going hand in hand with the decline in union penetration has been a profound change in the type of mechanisms that provide employees with a voice – a big switch away from “representative voice” to “direct voice”. Representative voice occurs via a recognised trade union or works council. Direct voice bypasses these intermediate institutions. Instead, management and employees communicate directly with one another through, for example, team briefings, regular meetings between senior management and the workforce and problem solving groups, such as quality circles. Between 1984 and 1998, the proportion of workplaces with only representative voice arrangements halved, while those relying just on a direct voice arrangements nearly trebled. What happened was that unionised workplaces added complementary direct communication systems, while nearly all new workplaces opted for direct communication methods without recognising unions.

How can this sustained decline of membership in the last two decades of the twentieth century be explained? There is no single factor. Rather it was the consequence of interactions between several factors: the composition of the workforce and jobs; the roles of the state, employers, and individual workers; and unions’ own structures and policies.

It used to be thought that the business cycle also helped explain membership levels, with persistent unemployment leading to declining density. But since 1993 unemployment has fallen continuously and so has density. So this explanation can be ruled out.

Shifts in the composition of the workforce and jobs are one ingredient. More highly unionised sectors, like cars and ships or the public sector, and individuals with a greater likelihood of being a union member (males or full-timers, for example) now account for a smaller proportion of total employment. So, as a matter of arithmetic, union membership has also fallen. But it turns out that such “composition” effects are less important than commonly realised, accounting for around a quarter of the fall in membership. The bulk of any explanation turns on conversion of membership levels within groups: unionisation of men has fallen to a similar rate to that of women and some convergence has also occurred for unionisation rates between full-timers and part-timers, large and small workplaces, and manufacturing and non-manufacturing employment.

The state’s activities and policies affect union membership both directly, for example by legislation promoting or undermining union security, and indirectly, via its influence on the environment in which employers and unions operate. In the 1980s and 1990s the environment in which the social partners conducted their activities was profoundly affected by the onslaught on public sector activities and greater emphasis on product market competition. Public sector unions faced privatisation, compulsory competitive tendering and contracting out.

Collectivism was damaged in the public sector by taking a million nurses and teachers out of collective bargaining. In the private sector it was damaged by the promotion of company-based payment systems, like profit sharing and employee share ownership schemes, and by disabling public protection for the lower paid by abandoning both Fair Wage Resolutions and wages councils. Product markets were altered for ever by abandoning state subsidies to sectors like coal, steel and shipbuilding, and by axing exchange controls. Less obviously, they were also altered by policies such as selling rather than allocating commercial TV franchises and by building the channel tunnel. Each of these changes had the side effect of rupturing the previous, sometimes cosy, relationships between capital and labour.

Industrial relations legislation has played a more direct role in the ebb and flow of membership. In the 1980s legislation impaired union security by weakening and then outlawing the closed shop and interfering in check-off arrangements. The strike threat, a fundamental source of union power, was weakened by a succession of laws which permitted a union to be sued, introduced ballots prior to a strike and outlawed both secondary and unofficial action. This legislation simultaneously raised the cost to unions of organising and reduced the costs to employers of opposing them.

Did employers become more hostile to unions in the 1980s and 1990s? There is no evidence that union activity – the
wage premium causing higher labour costs, for example – resulted in a higher rate of closures among union plants compared with their non-union counterparts. Nor did management embark on wholesale derecognition of trade unions: the derecognition rate was steady at around 1% a year between 1984 and 1998. Although derecognition in some national newspapers, TV and the docks generated bitter industrial disputes and considerable media interest, such management action in other sectors was quite rare.

Rather, union decline turned mainly on the inability of unions to achieve recognition in new workplaces, reflecting Thatcherite views among some managers and the growth of investment from overseas. In 1980, 60% of establishments under 10 years old recognised unions, similar to the figure for workplaces 10 or more years old (65%). But over the next two decades unions found it progressively harder to organise new workplaces. By 1998 only just over 25% of workplaces under 10 years of age recognised a trade union, half the corresponding figure for older workplaces. This inability to get much of a foothold in new workplaces was not confined to private services. More stunning was the virtual collapse of recognition in newer manufacturing plants. Only 14% of manufacturing workplaces set up after 1980 recognise a union, compared with 50% of those established in 1980 or before.

There has been a large rise in the proportion of the workforce that has never belonged to a union, up from 28% in 1983 to 48% in 2001. It is not that existing members are quitting, but more that unions cannot get individuals to join in the first place. Another facet of declining overall membership is the ebbing of density even where unions are recognised. Younger employees are much less likely to belong to a union than older workers and this gap in membership rates by age has grown dramatically. This is a worrying trend from the unions’ viewpoint, because such non-membership is prone to persist across generations. Attracting younger employees and those in new workplaces into membership is difficult, if they (or their parents) have never experienced membership and if the benefits of membership are demonstrably, or perceived to be, lower than two decades ago.

Unions’ own structures and policies matter, too. Consider a couple of examples concerning structure. Some unions, like the TGWU and ASLEF, did not find it easy to align the shop steward’s role in a decentralised system with the need for a national union voice. And many union mergers simply resulted in a change of “market share” by shuffling around existing members, rather than in achieving economies of scale and extra resources for more effective organising activity.

Union policy was often not clear either. The balance between servicing existing members and organising new ones was not always thought through. Until recently, the particular concerns of female members – work/life balance, parental leave, etc – have had low priority. In dealing with employers, the union movement took an age to come to terms with the break up of national bargaining in the private sector and spread of single union deals. Recent emphasis on cooperative industrial relations (“partnership”) hints that these lessons have now been learnt.

So it is not surprising that union membership plummeted in the 1980s and 1990s. How could unions resist the altered structure of jobs, rising unemployment (in the 1980s and 1990s), a hostile state, more intense employer opposition and the growth of individualism? Unions do not thrive in adversity. In the 1950s and 1960s, under the postwar settlement and the growth of the welfare state, unions flourished. In the 1970s, when that settlement disintegrated, the union movement was well dug in – the fifth estate of the realm which many joined even if they disliked it. But in the last two decades of higher unemployment, altered industrial structure and intense product market competition unions needed the support of workers and employers. By and large they did not get it. What had previously been conforming behaviour – to recognise and to belong to a union – became deviant.

Forty years ago Alan Flanders, a most perceptive contemporary observer, suggested that unions have both a “vested interest” and “sword of justice” effect. The vested interest impact turns on unions’ influence on pay, productivity, profits, investment and employment. The question is, essentially, what effect do unions have on workplace and firm performance? The sword of justice – vividly described by
Flanders as unions’ “stirring music” — is more about fairness and due process. In addition, unions also impact on employee relations through their bearing on the industrial relations climate and job satisfaction.

If the presence of a union in a workplace or firm raises the pay level, unless productivity rises correspondingly, financial performance is likely to be worse. If the product market is uncompetitive, this might imply a simple transfer from capital to labour with no efficiency effects, but it is more likely to lead to lower investment rates and economic senescence. In the 1970s and 1980s the evidence indicated that union members received a pay premium, but without the corresponding rise in productivity. If anything, demarcations, unofficial industrial action and multi-unionism lowered productivity. Hence profitability in workplaces with union recognition was below that in non-union workplaces.

Stephen Machin has studied the trend of the union wage premium in the 1990s. His findings are summarised in Table 2. For men, the wage premium fell from 9% in 1991 to zero in 1999, while for women it fell from 16% to 10%. More importantly, there is now no wage benefit for men in joining a union and no cost in leaving. For women, it does still pay to be in a union, but not as much as it used to and not in new jobs.

By the end of the 1990s the average union/non union differences in labour productivity were also negligible. But there are two sets of circumstances when union recognition continues to be associated with lower labour productivity. First, productivity is lower in workplaces with multi-unionism and fragmented bargaining. Such multi-unionism, though, is now rather unusual — only 7% of workplaces are characterised by fragmented bargaining. Second, productivity is also lower when the product market is monopolistic, the firm having only between one and five competitors. Here unions can manage to switch some of the monopoly profit from the owners of capital to their members.

In the past, the impact of union recognition on wages and productivity fed through into an adverse effect on profitability or financial performance. Now, on average, there are no significant overall links of this kind. But this “average” result conceals some interesting findings. Multi-unionism is still linked to worse financial performance where the bargaining remains fragmented. Where the firm recognises a union, it will have a less good financial performance if the union organises under half the workforce.

Thus, on average, the impact of unions on firms’ pay, productivity and profitability is small. In these circumstances it is not surprising that there is also no strong evidence that union recognition hinders investment in plant and machinery. Indeed, the evidence on investment in human capital is that unionised workplaces invest more in their workforce than their non-union counterparts. But there remains one profoundly worrying trend for unions. Other things being equal, employment in a unionised workplace grows some 3% a year more slowly (or falls 3% a year more quickly) than in a non-union workplace. Even though it is unlikely that union activity is itself the cause of this differential change in employment, which has now been evident for 20 years, it persists the implications for future membership levels are serious.

Though the impact of trade unions on economic performance is more muted than it was twenty years ago, they still wield the sword of justice in the workplace. Unions narrow the distribution of pay, promote equal opportunity and family friendly policies, and lower the rate of industrial injuries.

<table>
<thead>
<tr>
<th>Table 2. Union wage effects 1991, 1995, 1999 %</th>
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<tr>
<td>Cross section</td>
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<tr>
<td><strong>Males</strong></td>
</tr>
<tr>
<td>1991</td>
</tr>
<tr>
<td>1995</td>
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<tr>
<td>1999</td>
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<tr>
<td><strong>Females</strong></td>
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<tr>
<td>1991</td>
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<td>1995</td>
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<tr>
<td>1999</td>
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</table>

Data came from British Household Panel Survey. The full details of Machin’s study will appear in Metcalf (2003).
The spread of pay among unionised workers is smaller than the spread among their non-union counterparts. This is because unions protect the pay of those on low earnings and because unionised workplaces make more use of objective criteria – seniority for example – in setting pay rather than subjective factors, like merit. Unions also compress the pay structure between different groups in the labour market: women and men, blacks and whites, and those with health problems and the healthy. If there were no unions, the gender pay gap would be wider by 2.6% and the race pay gap by 1.4% bigger. These are very substantial effects. When it was introduced in 1999, the national minimum wage particularly impacted on female pay – two thirds of those affected were women – but it only narrowed the gender pay gap by a little under 1%. The impact of unions on narrowing the gender pay gap is three times as strong as that of the national minimum wage.

Union recognition is associated with a much greater likelihood of the workplace having some form of equal opportunity policy and an array of family friendly policies designed to encourage female employment. These practices include parental leave, working from home, term only contracts, and the possibility of switching from full- to part-time employment and job shares. Women in unionised workplaces are much better off in terms of career opportunities, flexible work arrangements and general support for family responsibilities than their counterparts in non-union workplaces.

Such “family friendly” policies go hand in hand with better performing workplaces. A workplace with an array of family friendly policies has a greater likelihood of above average financial performance, labour productivity, product or service quality, and lower employee turnover and absentee rates than one without such practices. Even if the causal mechanism behind such associations is unclear, this evidence is something for unions to build on in their attempts to appeal simultaneously to management and to workers.

Unions also cut industrial accidents. An accident in this context is defined as where an employee has sustained any one of eight injuries during working hours over the last 12 months: including bone fractures, burns, amputations and any injury that results in immediate hospitalisation for more than 24 hours. Unions tend to organise in workplaces where an accident is more likely to occur, but their presence lowers the accident rate by a quarter, compared with non-union plants. This favourable effect occurs because unions lobby for safety legislation and take industrial action locally to make the workplace safer. Many trade unions also provide health and safety courses. Further, where a union is recognised, employees with concerns about accidents are more likely to be listened to rather than labelled as a nuisance.

A union presence also influences workers’ perceptions about the governance of the workplace. This includes the climate of relations between management and employees, the trust employees have in their managers, and managerial performance. On average, workplace governance is perceived as poorer among employees in workplaces with recognised unions, relative to their counterparts in non-union establishments. Better perceptions about governance in non-union workplaces may flow directly from the use of briefing groups, team meetings and the like.

This “average” finding is only part of the story. Once the decision is taken to recognise a union, governance is profoundly affected by the way the parties go about their business. First, governance is perceived to be better when there is a balance of power between management and union in the workplace. Very strong or very weak unions detract from a good climate or high trust. Second, when the union is recognised it is better for management to support membership: recognition coupled with hostility to individual membership produces the worse outcomes. Third, unions are perceived to be more effective when workplace governance is good.

Managers’ perceptions of the climate of employee relations have also been analysed and confirm the thrust of these findings concerning individual employees. Unions with on-site representatives, which have the capacity to operate as a strong voice for workers, or a strong agent for the employer, are held by managers to generate a good climate. The implications are clear-cut. Once the decision is taken to recognise a union it makes sense to encourage membership and ensure that the union is effective in representing employees.

What can unions do to reverse declining density and achieve a sustained rise in membership? Broadly there are two routes to revival. Either employment in unionised sectors of the economy has to grow relative to non-union employment, or unions must engage in more intense organising activity and enhance their appeal to both employers and potential members.

It is unlikely that any boost in the aggregate number of jobs will occur disproportionately in the already unionised sector. In the (highly unionised) public sector, while the number of teachers, nurses and police is rising, overall there will not be much growth in employment in the next decade. In manufacturing, employment now is only a little over a third of its 1966 peak and unions anyway find it just as difficult to get recognised in new manufacturing plants as in private services. Similarly there is no suggestion of strong growth in jobs in utilities or transport. It is likely, instead,
that the major share of any growth in employment will occur in private services, where the present union density is only 15%.

So unions will have to invest more in organising and servicing activity. This may yield a larger return presently than in the last two decades, because the climate of opinion fostered by the state is no longer hostile to collective labour institutions. But the allocation of such servicing and organising investment requires considerable thought. Consider Table 3. It shows that 8.9 million employees are covered by collective agreements, but over one third of them (3.4 million) are free riders, as they are not members of a union. Looking at the evidence the other way round, a quarter (1.7 million) of total union members (7.2 million) are not covered by collective agreements. (This includes teachers and nurses, whose pay is settled by arbitration rather than collective agreements.) In the last decade, many (particularly smaller) workplaces have abandoned collective bargaining without actually derecognising the union. By far the majority of employees (57%) is neither covered by a collective agreement nor belongs to a union.

The evidence in Table 3 provides serious food for thought for unions. First, absorbing the free riders – so-called “infill” recruitment – might be an attractive (and cheap) method of boosting membership. Second, retaining those members where the firm no longer engages in collective bargaining may prove difficult, because the union must convince such workers that membership is still worthwhile. Third, and most difficult, making inroads into the 14 million who are neither covered by collective agreements nor belong to a union is vital for any resurgence. But there is a delicate balancing act here: organising expenditure aimed at this group represents a “tax” on existing members, who may then become free-riders if subscriptions rise to finance the necessary organising.

Around 20% of these 14 million workers either desire union representation or would be very likely to join a union, if one were available. This suggests a “representation gap” of some 2.8 million employees, a potentially rich pool of employees for unions to organise. However, for effective union presence in the workplace to follow, these targeted employees need to be concentrated. There are some interesting occupations involved here. Recently MSF-Amicus signed up some 200 Church of England clergy who have no employment rights, since the courts have held that their employer is divine not earthly. And the GMB has had some success in recruiting lap dancers!

Recognition occurs voluntarily, or via the law. Voluntary recognition stems either from true love (cooperation between capital and labour), or a marriage of convenience (a pragmatic second best). The legal route, inevitably associated with adversarial industrial relations, is a shotgun marriage, imposed on a resistant employer by an arm of the state.

Under the legal route, if a union can prove a majority of membership in the bargaining unit, then it gains recognition. If not, a ballot is held in which the union must win more than 50% of the votes cast in the ballot and must have a "yes" vote of at least 40% of the workforce in the bargaining unit.

The direct effect of this law has been tiny. Fewer than 20,000 workers have been covered by recognition orders since the law came into effect in 2000. However, its indirect or shadow effect is larger. Over 1,000 voluntary agreements have been signed in the last three years, bringing around 250,000 new workers under recognition. But the union focus remains traditional: the (ex-)public services, manufacturing, finance, transport and communication. Only one in six newly covered workers are in the rest of the private sector.

It is plausible that, in the longer run, the passage of the EU
Directive on Information and Consultation will influence unions’ futures rather than the recognition law. It establishes, for the first time, permanent and general arrangements for information and consultation for all workers in the UK in organisations employing more than 50 employees. It will cover three quarters of the British labour force by 2008. Some employers may see this as an opportunity to create weak voice mechanisms. Others may see it as a chance to institute stronger arrangements, complementing other aspects of human resource management. The tough job for unions is to build on these schemes and to maintain and expand their role within them. The evidence seems to be that a union presence complements these arrangements and makes them more effective.

In broad terms there are just over 3 million free riders and just under 3 million employees who would be very likely to join the union, if one existed at their place of work. If unions could organise annually 5% of this 6 million pool of potential members, while keeping their 7.2 million existing members happy, their fortunes would be transformed.

David Metcalf is Professor of Industrial Relations at the LSE and Director of the Leverhulme Trust Programme on the Future of Trade Unions in Modern Britain at the CEP. For further details of the Programme and background to this article please refer to http://cep.lse.ac.uk/future_of_unions.

References & further reading
