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Trade Union Membership and Influence 1999-2009

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Abstract

This paper analyses the continued decline of trade unions in Britain and examines the possible implications for workers, employers, and unions themselves. Membership of trade unions declined precipitously in the 1980s and 1990s. The rate of decline has slowed in the most recent decade, but we find that unions remain vulnerable to further erosion of their membership and influence.

Keywords: trade unions; wages; holidays; workplace performance

JEL Classifications: J51; J31; L25

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1. Introduction

In a chapter written almost a decade ago, David Metcalf described the decline of trade union membership that took place in Britain during 1980s and 1990s (Metcalf, 2003). The current paper extends this assessment to the present day by looking in some detail at trade unions' fortunes in the period from 1999-2009. In the last 10 years, trade unions in Britain ought to have benefited (at least until 2008/9) from a relatively benign economic climate and a relatively sympathetic government. Our assessment suggests that, whilst these conditions have brought some benefits – not least by helping to slow down the decline in union membership – unions are nonetheless weaker on most conventional measures than they were at the end of the 1990s and remain vulnerable to further erosion of their membership and influence.

Any assessment of trade unions' influence must consider both the monopoly and voice effects outlined by Freeman and Medoff (1984). The monopoly effect of unions concerns their ability to control the supply of labour. This does not typically occur at the point of recruitment but, once workers are inside the firm, union organisation provides a mechanism for workers to act collectively in withholding their labour if the employer is deemed to be acting in contravention of the interests of workers. This bargaining power can be used to improve terms and conditions or to prevent capital intensification and other organisational changes which might be perceived as having the potential to reduce job security. The voice effect of unions concerns their ability to identify the concerns of employees and to convey them in an efficient manner to the employer. This can save the employer time and money since it reduces the transaction costs associated with the transfer of information and with decision-making. It also offers the potential to lead to improvements in productivity by providing a mechanism through which the employer can efficiently access employees' private knowledge about how working processes may be improved.

The net result of these two possible effects is uncertain. The monopoly face is likely to lead to higher wages than would be offered in an equivalent non-union workplace, but only if the union has sufficient bargaining power – typically measured in terms of union membership density (the percentage of all employees who are union members). The voice face could have positive effects for productivity, but these might not necessarily be sufficient to counter-balance the added costs associated with any union wage premium. The evidence summarised by Metcalf (2003) and others indicated that, in the 1980s and 1990s, a union wage premium was clearly apparent in Britain, but that trade unions' monopoly power – measured by membership – was in freefall. Any voice effects associated with unionism were typically small, and certainly not large enough to subsidise the observed increase in wage costs. Accordingly, unionised firms were typically found to be less profitable than non-union firms.

We consider the available evidence on these issues for the most recent decade from 1999-2009. Our assessment is based in large part upon new analysis of data from the series of Labour Force Surveys and the British Social Attitude Surveys that have been conducted over this period. However, other data sources and published research are referred to and summarised where appropriate.

2. Membership and Union Coverage in the Noughties

2.1 Patterns of membership

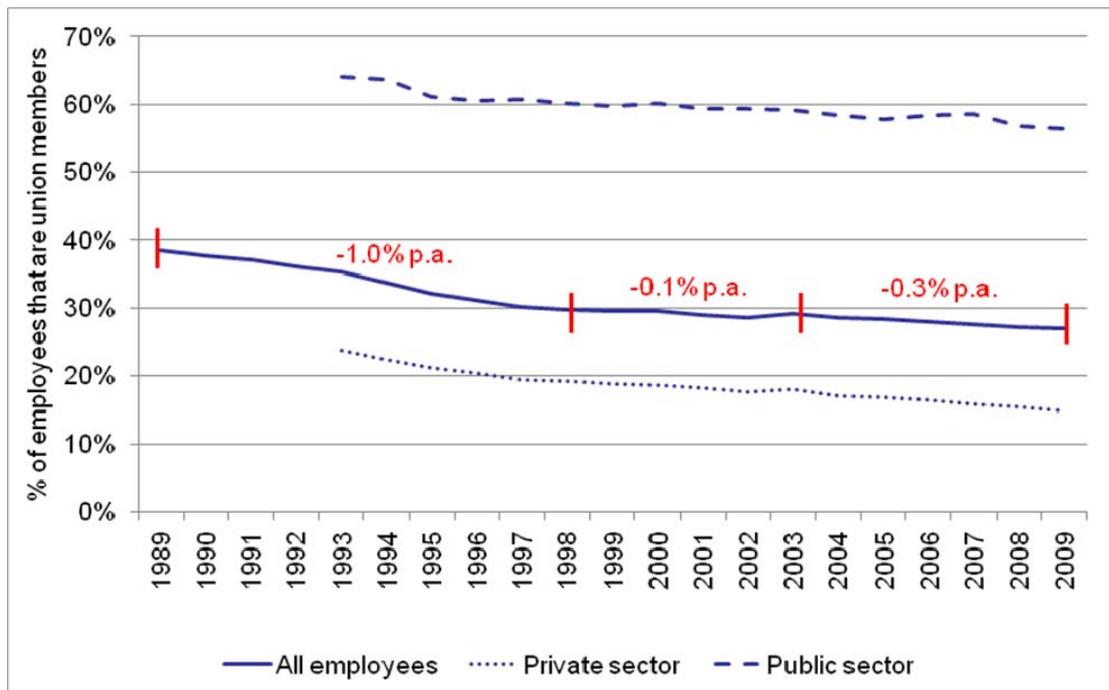
In the United Kingdom, where there is no state funding of trade unions and little by way of state support for collective bargaining, unions' ability to recruit and retain members is critical to their ability to function. Union members supply the networks of lay workplace representatives, provide the funds which pay for central services, and also give the union authority and legitimacy in its negotiations with an employer. The dramatic decline in membership in the 1980s and 1990s therefore represented a crisis for trade unions. Union membership in the UK was at an historic high-point of 13.2 million in 1979, when Mrs Thatcher's Conservative government came to power. By the time that Labour returned in 1997, it had fallen to just 7.8 million. The figure now stands at 7.7 million (Achur, 2009). Trade unions therefore managed to stem the tide under successive Labour governments, but they have not managed to stop it completely.

To explore the recent trends, we focus on union membership rates among employees in Britain, thus excluding members in Northern Ireland, the self-employed and those not in employment (around 0.9m of the total). The Labour Force Survey (henceforth LFS) indicates that the total number of union members among employees in Britain actually rose from 6.7m to 6.9m between 1998 and 2003. The economy was expanding at the same time but, in sharp contrast to earlier periods, unions were broadly keeping pace. Union membership density had declined at an average of 1 percentage point per year between 1989 and 1998 - from 38.8% to 29.9% - but fell by a total of only 0.7 percentage points in the five years between 1998 and 2003 (Figure 1). The hiatus was not to last, however. Whilst 200,000 members were gained between 1998 and 2003, twice as many were lost between 2003 and 2009. Density fell two percentage points to reach 27.0% in 2009. The pace of decline was less than half that seen in the 1990s, but the trend was once again firmly downwards.

The recent trend is particularly notable because some trade unionists and commentators had begun to consider the possibility that the sharp change in the trajectory of membership density seen in 1998 would lead to rising density in the early part of the Noughties. In fact, it appears as though the plateau seen between 1998 and 2003 may have represented only a temporary slowdown before a period of further decline.

One other noteworthy element in Figure 1 is that the 2008/9 recession appears to have brought about no obvious change in the trajectory. The recession has not obviously affected union jobs any more or less than non-union jobs to date. This may change, however, if there are large-scale redundancies in the public sector. These are likely to bring down aggregate membership density, since a disproportionate share of the jobs that are lost can be expected to be union jobs.

Figure 1: Trade union density among employees in Britain, 1989-2009



Source: LFS (Great Britain).

If we consider, then, how unions have fared among different subgroups of the workforce or in different parts of the labour market over the past two decades, it is clear that membership decline over this period has not been evenly spread. In the 1990s, union membership density fell faster among men than women; faster among manual workers than non-manuals; faster in the private sector than in the public sector; and faster among younger employees than among older employees (Table 1). Nevertheless, declines were seen across all of these groups. Since 1998, density has continued to fall among men but has remained stable among women. It has continued to fall among manual workers but has held up reasonably well among non-manuals. The decline has continued among middle-aged workers, but has remained stable among older workers and stayed reasonably flat among younger workers. The reasons for these differential changes are not well understood. It seems most likely that the patterns represent different rates of inflow to membership, with unions somehow having improved their success rate in recruiting older workers and so on. However, it could equally represent different rates of outflow, with unions now doing a better job than before at retaining some types of worker in membership, e.g. when they move to a non-union job.

One consequence of these patterns is that the composition of membership has changed over the past decade. Union members are now less likely to be male (54% in 1999; 46% in 2009); women first outnumbered men in 2005. They are also less likely to be manual workers (38% in 1999; 32% in 2009) and less likely to work in the private sector (48% in 1999; 39% in 2009). They are more likely to be aged 50 or over (26% in 1999; 34% in 2009) and they are more likely to be highly educated (21% had a degree in 1999, rising to 34% in 2009). Between 1999 and 2009, the stock of union members has thus become more feminized; it has become older; and it has become more educated. It has also become increasingly dominated by workers in non-manual jobs and those working in the public sector.

Table 1: Trade union membership density among employees in Britain, 1989-2009

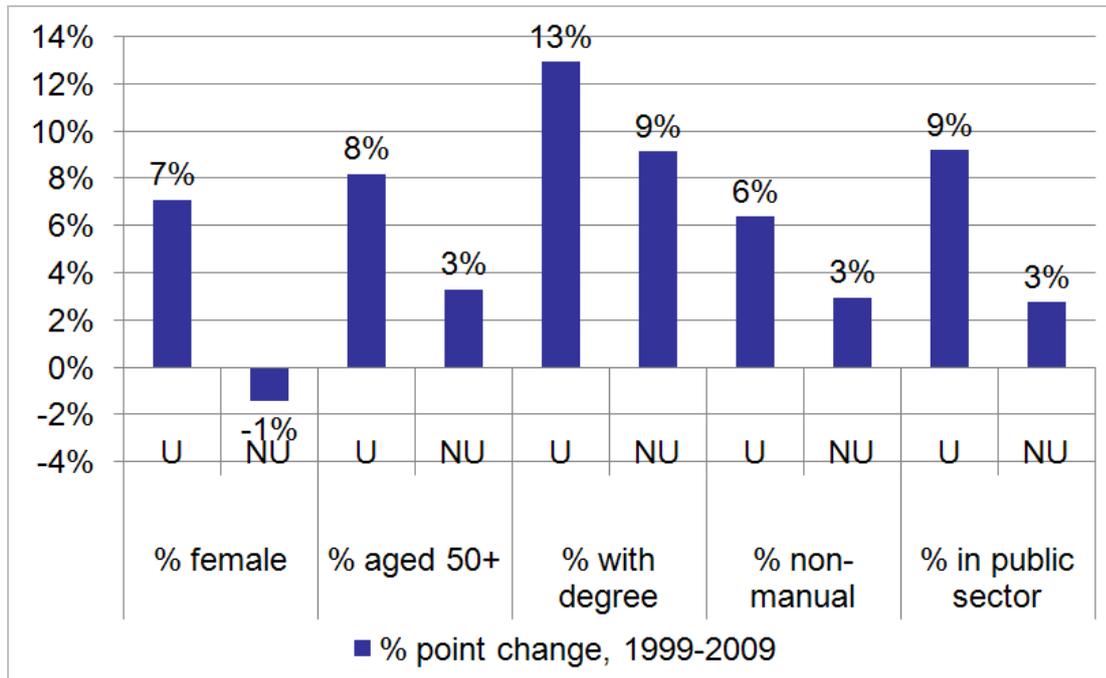
	Membership density (% of employees)				Average annual change (percentage points)		
	1989	1998	2003	2009	1989- 1998	1998- 2003	2003- 2009
All	38.6%	29.7%	29.1%	27.0%	-1.0%	-0.1%	-0.3%
Male*	40.2%	30.9%	28.9%	25.0%	-1.6%	-0.4%	-0.7%
Female*	32.0%	28.3%	29.3%	29.1%	-0.6%	+0.2%	0.0%
Private sector**	23.9%	19.3%	18.1%	14.9%	-0.9%	-0.2%	-0.5%
Public sector**	64.1%	60.1%	59.2%	56.3%	-0.8%	-0.2%	-0.5%
Manual	43.1%	29.9%	27.9%	24.6%	-1.5%	-0.3%	-0.6%
Non-manual	35.3%	29.8%	29.9%	28.4%	-0.6%	0.0%	-0.3%
Age less than 30	29.7%	16.6%	15.0%	14.3%	-1.5%	-0.3%	-0.1%
Aged 30-49	43.5%	35.0%	33.4%	29.5%	-0.9%	-0.3%	-0.7%
Aged 50+	43.9%	34.4%	35.0%	34.5%	-1.1%	+0.1%	-0.1%

Notes: * series begins in 1992 rather than 1989; ** series begins in 1993.

Source: Achur (2010) for 'All', 'Male/Female' and 'Private/Public sector'. Authors' calculations from Labour Force Survey for 'Manual/Non-manual' and 'Age'.

Some of these shifts are common to the workforce more generally. The rise in average levels of education is one, with the percentage of all employees that hold a degree-level qualification having risen by 10 percentage points (from 17% to 27%) over the decade. However, Figure 2 shows that each of the changes referred to above have been more pronounced among union members than among non-members, because of the differential changes in union density. As the composition of the stock of union membership changes, it can be expected to lead to changes in unions' priorities, perhaps even intensifying the focus on issues such as the gender pay gap, pension entitlements and public sector employment.

Figure 2: Changes in the characteristics of union members and non-members, 1999-2009



Note: U = union members; NU = non-members.

Source: LFS (Great Britain).

2.2 Prospects for the future

There are relatively few signs of growth at the present time. Table 2 lists the ten largest unions by membership in 1999, using data from the annual reports which each union must submit to the Certification Officer. The table shows the total reported membership of each union in 1999 and 2009, plus the change over the ten-year period. It is apparent that the large general unions, Unite and GMB, lost large numbers of members over the decade from 1999-2009. There was growth for a number of occupation or sector-specific unions, notably: RCN and BMA in the health sector; and NUT, NASUWT and ATL in education. However, education and health were areas of considerable public sector expansion in the late 1990s and early Noughties. Public sector employment in education increased by around 0.25m jobs (20%) between 1998 and 2005, whilst employment in the NHS increased by over 0.3m jobs (18%) (Hicks et al, 2005: 7-8). It is therefore notable that membership *density* only remained stable in the 'Education' sector, where a density rate of 53.6% in 2009 was little changed from the rate of 53.7% seen in 1999, and fell in 'Health and social work' from 44.9% to 41.6%. So although some unions in education and health appear to have been able to recruit many of these additional employees into membership, they do not appear to have been increasing their reach within these sectors. At best, they were merely keeping pace with job creation.¹

¹ Over the period 1999-2009 membership density rose in only one industry sector: 'Wholesale and retail', where it rose from 11.3% to 12.4% (Achur, 2009: Table 3.4). Density fell in every one of the remaining 11 Sections of the *Standard Industrial Classification (2003)*.

Table 2: Membership of individual unions, 1999 and 2009

	1999		2009		1999-2009		Rank change
	Members	Rank	Members	Rank	Membership change	% change	
Unite the union *	2,715,660	1	1,952,226	1	-763,434	-28%	0
UNISON	1,272,330	2	1,344,000	2	71,670	6%	0
GMB	712,010	3	590,125	3	-121,885	-17%	0
RCN	320,206	4	393,865	4	73,659	23%	0
USDAW	303,060	5	356,046	6	52,986	17%	-1
CWU	287,732	6	236,679	9	-51,053	-18%	-3
NUT	286,503	7	374,170	5	87,667	31%	+2
NASUWT	250,783	8	313,350	7	62,567	25%	+1
PCS	245,350	9	304,829	8	59,479	24%	+1
ATL	168,027	10	208,568	10	40,541	24%	0
UCATT	111,804	11	129,065	12	17,261	15%	-1
BMA	106,864	12	138,359	11	31,495	29%	+1
Total unions	220		170			-23%	
Total members	7,807,417		7,651,561			-2%	
Members/union	35,488		45,009			27%	

Notes: * Unite did not exist in 1999, but we assume that it did for comparative purposes. Unite came into existence through various mergers (MSF merged with the AEEU to form Amicus in 2001; this was followed by mergers with the GMPU and Unifi in 2004; Amicus then merged with the TGWU in 2007 to form Unite). It may be contended that some of its membership loss may be the result of the cleaning of membership databases during the merger process. However, this seems unlikely since total membership reported by all unions to the Certification Officer fell by 2% between 1999 and 2009, which is less than the fall recorded in the LFS.

Source: Annual reports of the Certification Officer.

Figure 1 confirms that, although trade union membership density is currently almost four times higher in the public sector than in the private sector (56%, compared with 15%), density in the two sectors has been declining at roughly the same rate over the past decade. Density fell by 3.5 percentage points in the public sector between 1999 and 2009, whereas it fell 4.0 percentage points in the private sector over the same period. More than two percentage points of the public sector decline came in the period 2007-2009. Such a pattern cannot be blamed, as in earlier periods, on the removal of highly-unionised sections of the public sector through privatisation. And if the expansion of the public sector is now over – as one would expect – then there appear to be some notable signs of concern for public sector unions (and by inference, for unions as a whole).

2.3 Bargaining coverage and free-riding

We have focused thus far union membership. However another important indicator of union strength is whether unions can persuade employers to negotiate with them over wages. The proportion of all employees who have their pay set by collective bargaining has, in common with membership density, been in decline since the 1980s. The scale of the decline since 1979 is difficult to establish precisely but estimates suggest that it has fallen roughly by a half, with most of the fall coming before the end of the 1990s (see, for example, Millward et al, 2000). Coverage has been measured consistently in the LFS since 1999 and, over the ten years since then, has fallen from 36.0% to 32.5% in 2009 (Table 3). Virtually all (2.8 percentage points) of this recent fall has come since 2003, with much of it (2 percentage points) having occurred since 2007. Unions' role in setting terms and conditions thus continues to be under pressure.

Table 3: Coverage of collective bargaining among employees in Britain, 1999-2009

	Coverage (% of employees)			Average annual change (percentage points)	
	1999	2003	2009	1999-2003	2003-2009
All	36.0%	35.6%	32.5%	-0.1%	-0.5%
Private sector	23.1%	22.0%	17.6%	-0.3%	-0.7%
Public sector	71.7%	71.1%	67.4%	-0.1%	-0.6%

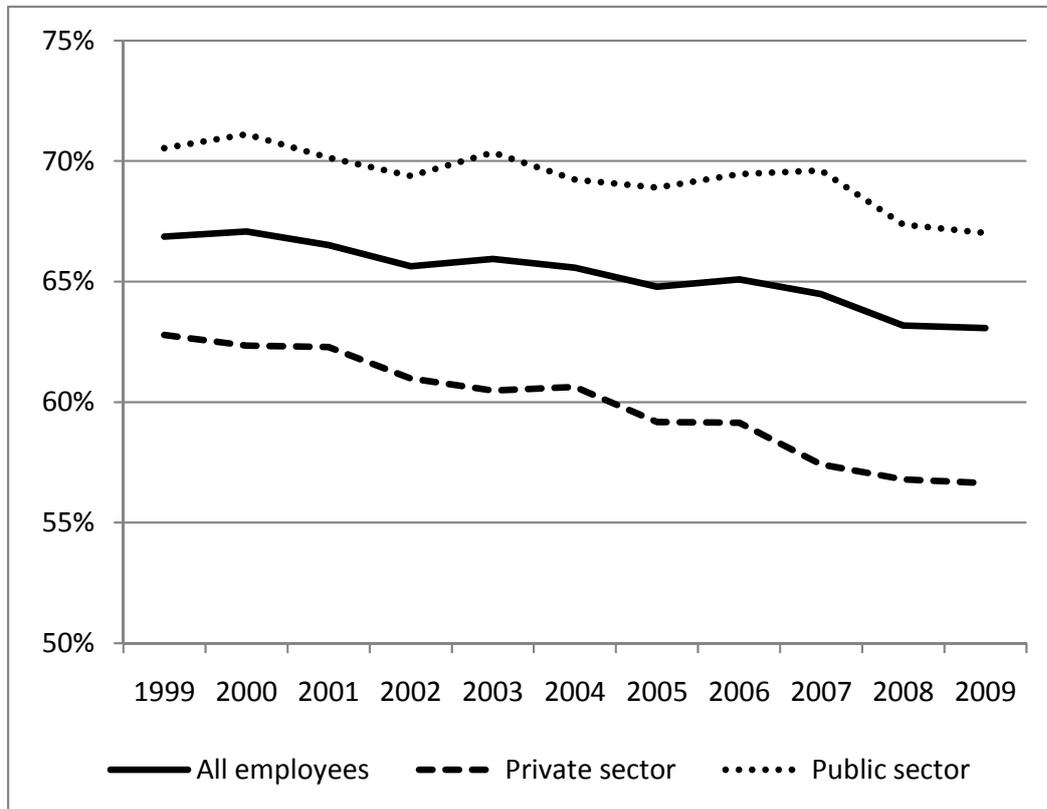
Source: Authors' calculations from LFS (Great Britain).

As with membership, the aggregate figure masks considerable differences between the private sector (where coverage stood at 18% in 2009) and the public sector (where it stood at 67%). However, a small decline in coverage has characterised both sectors over the past decade. De-recognition has played a relatively minor role. Instead, a key determinant of the patterns seen in the private sector has been the inability of trade unions to gain recognition for collective bargaining in newly-established workplaces. Increasing product market competition appears to have been an important factor in employers' decision making: the decline in coverage in the private sector has been less pronounced in more profitable industry sectors than in those where profits were either historically small or have been squeezed (Brown et al., 2009). The introduction in 1999 of statutory support for union recognition has had little effect simply because there are so few non-recognised workplaces where unions have, or can attract, the support of large numbers of employees, as is necessary to trigger the statutory procedure. In the public sector, it is the gradual replacement of collective bargaining with independent pay review bodies that has been the dominant cause of declining coverage.

Recognition for collective bargaining has always gone hand in hand with union membership, and so the decline in coverage should be a notable cause for concern among unions desperate to retain their membership base. Yet the securing of recognition by a union no longer serves to guarantee a certain level of membership support in the way that it did even ten years ago. Membership density has actually remained stable (at around 11%) among non-covered employees since 1999; instead, the fall in overall membership density since 1999 has all

occurred among covered employees (from 66.9% in 1999 to 63.1% in 2009) (Figure 3). In 1999, a covered employee was 30 percentage points more likely to be a union member than a non-covered employee, after controlling for other factors; by 2009 this figure had declined to 26 percentage points. The result has been an increase in ‘free-riding’.

Figure 3: Union membership density among employees covered by collective bargaining in Britain, 1999-2009



Source: Authors’ calculations from QLFS (Great Britain).

There has been a particularly notable increase in free-riding in the private sector: 63% of covered private sector employees were union members in 1999, but this had fallen to 57% by 2009. In the public sector, there was virtually no change between 1999 (71%) and 2007 (70%), but then a sharp drop (to 67%) between 2007 and 2009. If one examines the propensity to free-ride in 2009, after controlling for a range of employee and job characteristics, this is greater among non-manuals than manuals (by around 4 percentage points) and greater among part-timers than full-timers (by around 9 percentage points). It is also unsurprisingly much greater among temporary staff than permanent employees (by 19 percentage points). It is 11 percentage points greater among private sector employees than among public sector employees.

There are currently almost three million free-riders among the eight million covered employees in Britain. This share is rising, which constitutes another danger sign for trade unions since they are incurring the costs of representing such workers in pay negotiations but receive no ‘payment’ for this service in the form of membership subscriptions.

2.4 Explaining the continued decline in membership density

One might wonder whether the three percentage point decline in membership density seen over the past decade actually reflects any change in employees' attitudes towards union membership? In fact, none of the decline in union membership density since the late 1990s can be explained by changes in the types of jobs on offer in the British economy (for instance, rise of private services, the increase in part-time or temporary work, the declining coverage of collective bargaining).

We noted above that the propensity to be a union member dropped 2.7 percentage points between 1998 and 2009 (see Table 1). If we control for a range of individual, job and workplace characteristics² in a regression analysis, the residual propensity to belong to a union declines by 3.1 percentage points between 1998 and 2009. We see a similar decline if we impute the characteristics of the population of employees from 1998 into a regression of the propensity to be a union member in 2008. Thus there was an overall reduction in interest among employees which cannot be explained by the types of jobs they were doing or the types of establishments they worked in.

Similarly, none of the overall rise in free-riding can be explained by changes in the types of jobs and employees that are covered by collective bargaining. After controlling for employee and job characteristics, the residual propensity to be a union member when covered by collective bargaining declined by 5.0 percentage points between 1999 and 2009 (compared with an actual fall of 3.8 percentage points).³ Consequently, the rise in free-riding would actually have been greater had it not been for compositional change.

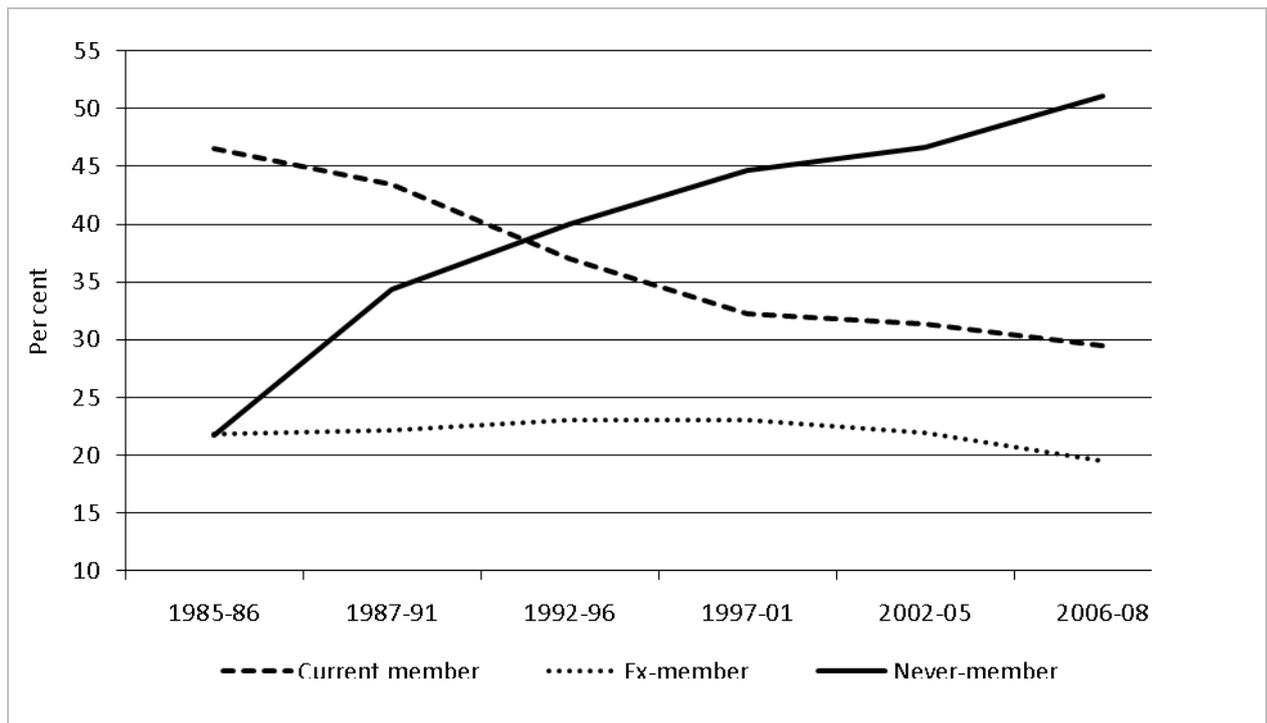
2.5 Never-membership

In the final part of this section on union membership we report on another notable feature of the past decade, which is the continued rise in 'never-membership'. As shown in Figure 4, the percentage of all employees who have never been a union member doubled between the mid-1980s and the late 1990s, but it has continued to rise in the past decade. By 2006-8, half of all employees were 'never-members'. In contrast, the percentage of employees who have been members in the past has remained roughly constant at about one-fifth. In the private sector, the proportion of employees who are 'never-members' rose from two-fifths in the mid-1980s to three-fifths in 2006-2008.

² Gender, age, age squared, qualifications (5 categories), white/non-white, manual/non-manual, temporary/permanent, full-time/part-time, size of workplace (25+ employees), private/public sector, industry sector (13 categories), region (21 categories) and whether the employee is covered by collective bargaining.

³ Again, we see a similar decline if we impute the characteristics of the population of employees from 1999 into a regression of the propensity to be a union member in 2009.

Figure 4: The rise of never-membership among employees in Britain, 1985-2008



Note: Employees working 10+ hours per week.
Source: Authors calculations from BSAS.

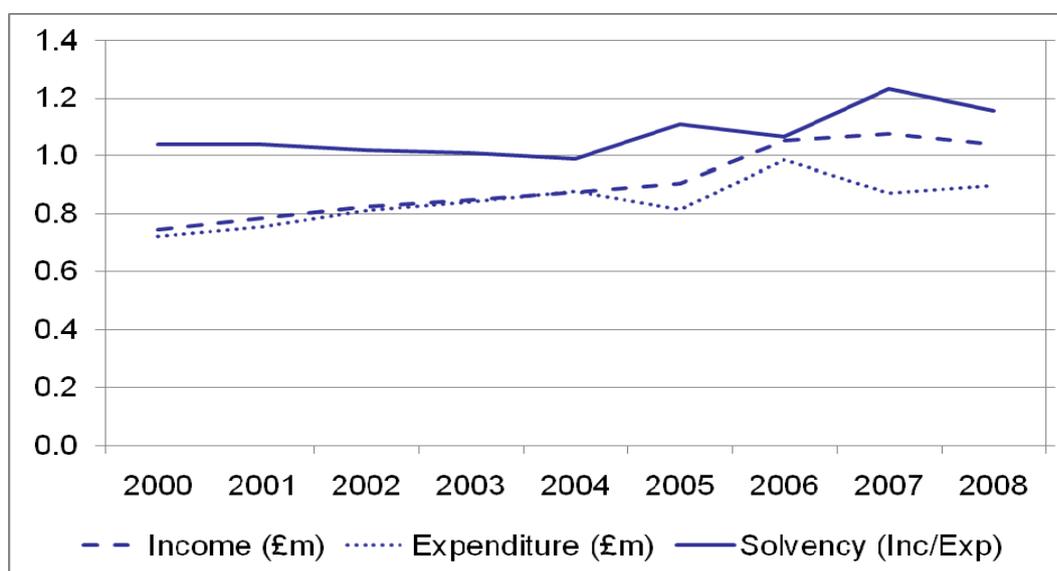
In the 1980s, it seemed that a principal cause of the fall in union density was a decline in employer and government support for union membership, most clearly evident in the decline and eventual outlawing of the closed shop (Millward et al., 2000: 145-152). In the 1990s, the principal cause of the continued decline was instead a waning of the appetite for unionism among employees (*ibid.*). Membership may have stabilised temporarily in the benign economic and political climate which characterised the first few years of New Labour, but enthusiasm among employees now seems to be waning once more. Unions' ability to address this situation will ultimately depend upon what they have to offer.

3. Unions' Response

3.1 Unions' organizational capacity

In order to examine union's ability to respond, we first consider their organizational capacity. One important element of this capacity concerns their financial resources. Figure 5 uses data from the Certification Officer to examine the total income and expenditure of all trade unions over the period 2000-2008. It shows that unions, in aggregate, were barely solvent in the first half of the current decade. Their total income (the dashed line) barely exceeded their total expenditure (the dotted line): the ratio was just above 1. Since 2004, however, they have managed to increase their income whilst holding expenditure broadly steady. This has improved their financial position.

Figure 5: Unions' financial resources, 2000-2008



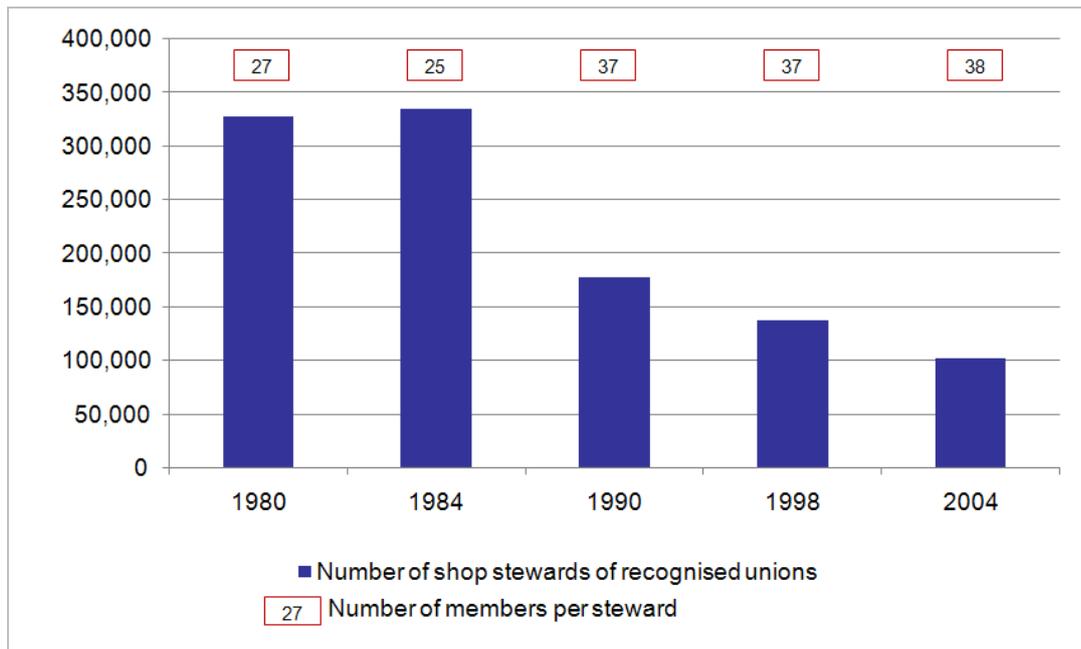
Source: Annual Reports of the Certification Officer.

Around half of this extra income has come from members, presumably in the form of higher subscriptions. The average income per member has gone up from around £90 per annum to around £100 per annum in recent years. The source of the remaining increase in income is not known, as the Certification Officer data provide no further details. One possibility may be that unions have been able to dispose of duplicated assets after mergers. In any event, unions' financial position is now looking healthier, despite the continued decline in membership.

Unions' network of lay representatives (shop stewards) also appears to have remained intact, at least until the early part of the Noughties. Union lay representatives constitute a member's first port of call if they have a problem at work and are often also involved in pay bargaining. They also do much of a union's recruitment. Their continued presence in workplaces is thus crucial to a union's organizational capacity. Figure 6 shows estimates from the Workplace Employment Relations Survey; the most recent of these surveys was in 2004 but the next survey, which will take place in 2011, will provide up-to-date estimates. The bars in the figure show estimates of the total number of workplace lay representatives. The number

declined substantially in the second half of the 1980s, falling to an even greater degree than membership (the average number of members per lay representative rose from 25 in 1984 to 37 in 1990). However, although the number of stewards continued to decline in the 1990s and early Noughties, the number of members per representative has remained stable. The recent fall has therefore only been in proportion to the overall decline in membership. Clearly, union lay representatives were spread more thinly in 2004 than they had been in early 1980s, but they were no worse off in that respect than they had been even in 1990.

Figure 6: Numbers of union lay representatives, 1980-2004



Source: Charlwood and Forth (2009).

3.2 Wage premium and wage dispersion

Historically, one of the principal benefits for union members in Britain has been the delivery of a wage premium over similar non-members through unions' collective bargaining activities. It is often assumed that declining union membership and collective bargaining coverage imply a lower union wage premium. This is not necessarily so, as it will depend upon whether those instances of union organisation that have disappeared were weaker or stronger than the average; logic might suggest the former. However, the increase in free-riding is one factor that points towards a weakening of union power in organisations where they remain present and, indeed, the consensus is that the union wage premium declined in magnitude during the 1980s and 1990s, as it did in other countries such as the USA (Blanchflower and Bryson, 2003). We update the picture for Britain using the LFS. Table 4 shows that the decline has continued in the most recent decade. Having stood at over 10% in the mid-1990s, the premium enjoyed by union members (after controlling for other characteristics) hovered around 8-9% between 1997 and 2002, but has since fallen to just 5%.

Table 4: Union wage premium, by year and gender

	All employees		Male employees		Female employees	
	Raw wage premium	Regression adjusted	Raw wage premium	Regression adjusted	Raw wage premium	Regression adjusted
1994	28.8	13.9	21.3	9.7	34.6	17.3
1995	26.6	9.0	18.7	6.2	32.2	12.0
1996	28.4	12.3	22.0	9.8	33.3	14.8
1997	25.9	8.8	17.6	6.6	33.3	11.7
1998	24.4	8.3	15.0	4.2	33.3	12.4
1999	22.7	7.8	13.9	5.4	31.1	11.1
2000	22.4	8.5	15.3	6.8	29.0	10.9
2001	22.4	9.2	16.9	7.3	27.2	12.0
2002	21.1	8.6	15.4	6.9	26.9	10.4
2003	22.3	8.1	15.4	6.3	28.8	10.5
2004	21.3	7.0	15.4	5.5	27.4	9.0
2005	22.4	6.9	15.2	2.9 (ns)	30.7	10.7
2006	20.6	6.6	13.6	3.5	28.9	9.9
2007	20.9	6.7	14.8	3.2	28.2	9.9
2008	18.3	5.2	11.6	1.4 (ns)	25.9	8.7
2009	20.7	5.9	16.7	3.3	26.4	8.8

Notes:

1. Regression-adjusted gap based on models with following controls: gender, age, age squared, qualifications (5 categories), white/non-white, manual/non-manual, temporary/permanent, full-time/part-time, size of workplace (25+ emps), private/public sector, industry sector (13 categories), region (21 categories) and whether the employee is covered by collective bargaining.
2. ns = not statistically significantly different from zero.

Source: Authors' calculations from the LFS (GB).

The table suggests that the premium may have increased slightly between 2008 and 2009. Blanchflower and Bryson (2003) have shown that changes over time in the magnitude of the wage premium are associated with the changing fortunes of the economy. Specifically, the wage premium in Britain appeared to rise and fall in line with unemployment over the 1980s and 1990s, perhaps because unions may have been more successful than non-union workers in resisting downward pressure on wages during the downturns. The slight upturn in 2009 may thus represent a continuation of this pattern. However, there was considerable evidence of wage restraint among unions as a means of securing jobs in the 2008/9 recession and so it remains to be seen whether the 2010 data provide any further evidence of a cyclical dimension to recent movements in the wage premium.

Finally in relation to Table 4, it can be noted that female union members have typically enjoyed a larger wage premium than their male counterparts, and that this continues to be the case. Female union members currently enjoy a wage premium over female non-members of around 9% (down from around 11% in the late 1990s), whereas among male employees the premium has fallen from around 7% to around 3%.

In addition to the historic presence of a wage premium for union members, it has also long been observed that wages in unionised jobs are less widely dispersed. This lower dispersion arises both because unions raise the wages of the lowest paid and also because they encourage the use of more objective criteria in pay setting. The decline in the coverage of union wage setting has thus contributed to a general increase in wage inequality (Card et al., 2003). But do unions still narrow the dispersion of wages where they are present?

One means of assessing this is to regress hourly wages on a standard set of employee, job and workplace characteristics (as above), and then to compare the dispersion of the unexplained portion of the wage (the residual) for union and non-union employees. This can be done using the LFS for the period 1994-2009. The results show that, in 2009, the dispersion in the residuals among employees who are not members of a union was 16% larger than the dispersion found among union members (Table 5). This figure does vary over time, but the average over the past decade and a half is 12%. So although the advantage that union members hold over non-members in terms of their overall average rate of pay has declined, the ‘sword of justice’ effect whereby unions compress pay differentials remains.

Table 5: Relative wage dispersion among union members and non-members, by year and gender

	All employees		Male employees		Female employees	
	Raw data	Regression residuals	Raw data	Regression residuals	Raw data	Regression residuals
1994	21.1	10.7	31.9	14.5	6.1	8.0
1995	22.9	16.4	30.9	18.8	11.2	15.6
1996	25.2	16.9	39.0	22.8	8.7	12.3
1997	23.3	10.2	29.5	12.8	11.4	7.2
1998	25.9	12.7	35.8	18.9	9.9	7.1
1999	24.0	11.5	29.9	13.3	10.6	9.4
2000	21.0	7.7	25.4	5.9	11.2	8.3
2001	24.1	13.7	30.3	16.6	14.9	11.8
2002	20.9	12.1	24.8	11.9	12.8	12.4
2003	20.0	11.9	22.2	16.8	12.9	8.7
2004	19.9	13.2	27.4	19.0	8.4	8.3
2005	19.3	9.0	30.0	20.5	4.7	0.1
2006	17.8	7.5	21.0	9.4	9.1	5.9
2007	21.7	11.2	24.7	12.1	13.8	10.5
2008	20.3	11.4	28.8	22.1	8.0	3.0
2009	22.7	16.0	28.1	18.5	13.5	12.1
Average 1994-2009	21.9	12.0	28.7	15.9	10.5	8.8

Notes:

1. Cells show the ratio of the standard deviation of log gross hourly earnings among non-members to that among union members.
2. Regression-adjusted gap based on models with following controls: gender, age, age squared, qualifications (5 categories), white/non-white, manual/non-manual, temporary/permanent, full-

time/part-time, size of workplace (25+ emps), private/public sector, industry sector (13 categories), region (21 categories) and whether the employee is covered by collective bargaining.

Source: Authors' calculations from LFS (GB).

Finally, it is worth asking whether the union premium seen in respect of wages also extends to other terms and conditions? One issue of concern to most workers is their entitlement to paid holidays. A larger holiday entitlement raises the wage/effort ratio in the same way as an increase in pay. New analysis of the LFS shows that, in 1998, just after the introduction of the Working Time Regulations (WTR), union members received paid holidays equivalent to 9.5% of annual working hours whilst non-members received the equivalent of just 7.0% (a difference of around 6 days). After controlling for our standard set of employee, job and workplace characteristics, the union premium falls to around 3 days. In the first half of the Noughties, the unadjusted union premium then fell to around 4.5 days and the adjusted premium to just under 2.5 days; this might presumably be at least partly the result of the gradual implementation of the WTR, which can be expected to have increased some very low entitlements in non-union firms. In 2009, union members received 4 days of additional paid leave, on average; a figure which falls to around 1.5 days after controlling for other factors.⁴ A 'holiday' premium is thus apparent among union members, although it has declined in magnitude over the past decade.

Other evidence suggests that union members also benefit in terms of greater access to family-friendly working arrangements (e.g. Budd and Mumford, 2004), greater access to training (e.g. Stuart and Robinsion, 2007) and better levels of health and safety at work (e.g. Litwin, 2000). Union membership therefore does still lead to better terms and conditions for the average employee, although the size of this advantage appears to have diminished recently.

3.3 Workplace financial performance and climate

If unions raise wages without a commensurate rise in productivity, financial performance will suffer. Where product markets are uncompetitive this might imply a simple transfer from capital to labour with no efficiency effects but, in an increasingly globalised and de-regulated marketplace, reduced profitability is liable to result in lower investment rates making unionised firms vulnerable to closure or takeover.

Empirical evidence for the last quarter century indicates that the negative effect of unionisation on workplace financial performance was last evident in the 1980s: the regression-adjusted gap was not significant from 1990 onwards (Table 6). There are a number of potential reasons for this change. First, the union wage premium has fallen somewhat, thus lowering the labour costs associated with unions. Second, unions have negotiated away many of the labour demarcation practices which inhibited labour flexibility in the past. Third, unions helped managers innovate through the adoption of productivity-enhancing high-involvement management (HIM) practices such that, by the early Noughties, they were just as common in union workplaces as they were in non-union workplaces (Wood and Bryson, 2009).

⁴ The union premium of 1.5 days is statistically significant at the 5 per cent level.

Table 6: Union effects on workplace financial performance relative to industry average among private sector workplaces with 25+ employees

	1980	1984	1990	1998	2004	1990-2004
Raw gap	-.425 (3.27)**	-.580 (4.23)**	-.161 (1.25)	-.001 (0.01)	-.155 (1.19)	-.122 (1.68)*
Regression- adjusted gap	-.474 (2.94)**	-.630 (3.83)**	.050 (0.31)	-.073 (0.49)	-.148 (0.96)	-.055 (0.63)

Notes:

1. 'Raw gap' is the coefficient (with z-statistics in parentheses) for ordered logit estimates of a three-category ordered variable providing the workplace manager's subjective evaluation of workplace performance relative to its competitors.
2. 'Regression adjusted gap' controls for single-digit industry; region; establishment size; single; foreign, % female; % part-time; % non-manual; workplace age.
3. *=significant at a 90% confidence level; **=significant at a 95% confidence level or above.

Source: Blanchflower and Bryson (2009).

Table 7 and Table 8 go on to show that the negative effect of unions on the climate of workplace relations also weakened in the 1990s and Noughties. Table 7 shows evidence from WERS which is similar to that presented in Table 6. In each survey in the WERS series, managers have been asked to rate the climate of employment relations in their workplace on a five-point scale. In 1980, 1984 and 1990, managers in unionised workplaces were less likely than those in non-union workplaces to say that employment relations were good and were more likely to say that they were poor. But that relationship disappeared in 1998 and 2004. Table 6 presents evidence from employees (taken from BSAS) which shows that, in the 1980s, the climate of employment relations was less likely to be rated positively by employees in unionised workplaces than by their counterparts in non-unionised workplaces, even after compositional differences had been accounted for through regression analysis. However, the regression-adjusted difference (net of compositional effects) disappeared in the mid-1990s.

Table 7: Climate of employment relations (managers' ratings), 1980-2004

	1980	1984	1990	1998	2004	1990-2004
Raw gap	-.556 (4.63)**	-.815 (6.32)**	-.525 (4.39)**	-.233 (2.06)**	-.585 (4.58)* *	-.442 (6.46)**
Regression- adjusted gap	-.398 (2.70)**	-.582 (3.87)**	-.271 (1.87)*	-.005 (0.04)	-.157 (1.05)	-.142 (1.76)*

Notes: See Table 6.

Source: Blanchflower and Bryson (2009).

Table 8: Climate of employment relations (employees' ratings), 1985-2008

Year	1985- 1986	1987- 1991	1992- 1996	1997- 2001	2002- 2005	2006- 2008
Raw gap	-0.32**	-0.32**	-0.24**	-0.24**	-0.25**	-0.20**
Regression-adjusted gap	-0.11*	-0.12**	-0.04	-0.02	-0.03	-0.03

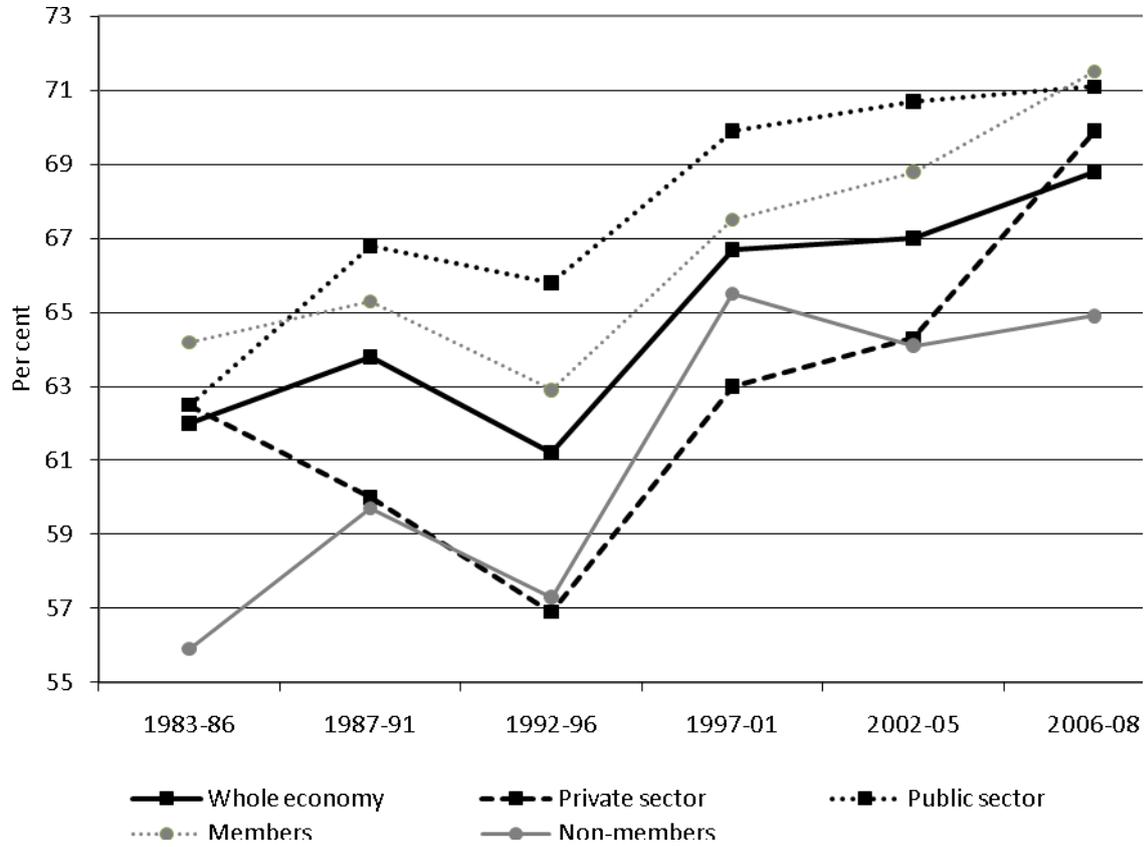
Notes:

1. 'Raw gap' is the coefficient for ordered logit estimates of a four-category ordered variable providing the employee's subjective evaluation of how good relations are between management and employees at their workplace.
2. Regression-adjusted gap based on model with following controls: union membership; gender; ethnicity; age; qualifications; part-time employment; social class; region; sector (public, manufacturing, construction; private services as reference); establishment size.
3. ** = statistically significantly different from zero at 1% level; * = statistically significantly different from zero at 5% level.

Source: British Social Attitude Surveys, 1985-2008.

It is possible to cast this evidence in terms of increasingly ineffectual unions. However, other analysis using the 2004 WERS shows that unions continue to reduce voluntary quits (Bryson and Forth, 2009). This supports Freeman and Medoff's notion that unions can provide a voice mechanism that helps to resolve individual grievances. When put with the evidence of increasingly benign effects on workplace performance and of the absence of widespread disharmony, it is possible to cast the evidence in terms of a refashioning of unions' relationship with employers, and thus to see it as evidence of a 'partnership' approach which is both less antagonistic and more focused on the long-term success of the firm. The percentage of employees in BSA who say the workplace union is doing its job well has been rising since 1997 so that, by the late Noughties, seven-in-ten employees thought unions were doing a good job. The trend is apparent among union members and non-members (Figure 7). There is thus some support for the notion that unions have re-oriented themselves in recent years.

Figure 7: Percentage agreeing union doing its job well, 1983-2008



Note: Employees working 10+ hours in unionized workplaces.

Source: British Social Attitudes Survey.

4. Unions' Prospects

Hand in hand with the decline in union membership, union density and union bargaining coverage in British workplaces has gone a diminution in the stature and status of unions in society. Their place at the top table of political power, seemingly assured in the 1960s and 1970s, has gone. Any thought that New Labour would usher in a new era of 'beer and sandwiches' at Number 10 was no more than a mirage. Instead unions are just one of many interests jockeying for position in the hope of defending what is now often characterised as a sectional interest – that of workers. This fundamental change in the role of unions is reflected in perceptions of how much power unions are perceived to have in society. In the mid-1980s the percentage of employees who thought that unions had too much power in society outnumbered those saying they had too little by a factor of 5:1 (53% against 10%, BSA), with only one-in-twenty being unsure. According to the latest available figures, for 2007, the situation has been reversed: those saying unions have too little power outnumber those saying they have too much by a factor of 2:1 (24% against 13%). A further 20% said they could not decide, perhaps reflecting greater uncertainty about precisely what unions do today now that they are far less prominent than they used to be.

There is a rather old and tired debate in industrial relations, both in Britain and in the US, regarding the prospects for union revival. Underlying this debate is a preoccupation with the power unions once wielded. It juxtaposes prospects for a 'Second Coming' for unions in which they rebuild their political and industrial power on the back of new organizing strategies, and the prospect of terminal decline leading to near-annihilation. This debate rarely touches on a third scenario, namely unionisation in a guise, form and status similar to that which it enjoys currently. Trade unionism still constitutes the largest voluntary organisation in Britain; it represents 7 million employees; negotiates on behalf of one-third of employees; still dominates workplace employment relations in the public sector; and continues to influence important aspects of working life in the private sector as well. But the challenge for unions today is to prevent further weakening of their position as they face what is, undoubtedly, a less supportive economic and political environment. It appears that unions have 'upped their game' to some degree. Whether they are doing enough remains to be seen.

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