

British Unions: resurgence or perdition?

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the work foundation



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Introduction

Introduction to Provocation series

Too often the public conversation about work and work-related issues is conducted in the language of the past. In our near full employment economy too little attention is given to how to encourage and sustain higher performance; how to manage organisations better; how to create a more adaptable workforce and how to understand the way organisations are embedded in the social and political cultures from which they spring.

The Work Foundation intends to try and disturb these tramlines and create a new debate about the ways and means that will genuinely develop the individuals and organisations needed in a knowledge economy. In short there is much rhetoric about the need for the UK to create a high productivity, high value-added economy. At a European level the Lisbon strategy demands better investment in skills; an active ageing strategy, more investment in universities and cities; an inclusive labour market strategy and smarter regulation to encourage competitive product markets including a single market for services.

Yet too often our debates in the UK focus on 'old' issues such as industrial action; red tape; skills and the like. There needs to be a better story told about how work can be fun and fulfilling for individuals and productive and high performing for organisations. To help construct such a narrative - and alongside all our other published output - we will be publishing a series of short provocations on a wide range of subjects sometimes writing them ourselves and sometimes involving external authors. I hope you enjoy each provocation as it is published and then go on to engage with us and the authors in sustaining this new debate.

Will Hutton
Chief Executive
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Executive Summary

At its peak UK union membership stood at 13 million in 1979 but haemorrhaged 5.5 million in the subsequent two decades. Presently 29% of employees belong to a union, 3-in-5 in the public sector but under 1-in-5 in the private sector. The sustained decline in membership in the 1980s and 1990s was a consequence of interactions among the composition of the workforce and jobs; the roles of the state, employers and individual workers; and of unions own structures and policies.

As a consequence of their decline unions now impact only modestly on pay, productivity, financial performance and investment. But the negative association between recognition and employment growth, even assuming it is not causal, will depress future membership if it continues. Unions are a force for fairness in the workplace: they narrow the pay distribution, boost family friendly policy and cut accidents.

Presently there are around 3 million free-riders and another 3 million employees who might join a union if one existed at their place of work. The challenge for the union movement is to organize these workers (a twentieth a year is 300,000 extra members) while still servicing their existing 7 million members. On present evidence such a challenge seems too steep and calculations suggest that long run union density will be around 20%, implying a rate of 12% in the private sector, where perdition is more likely than resurgence.

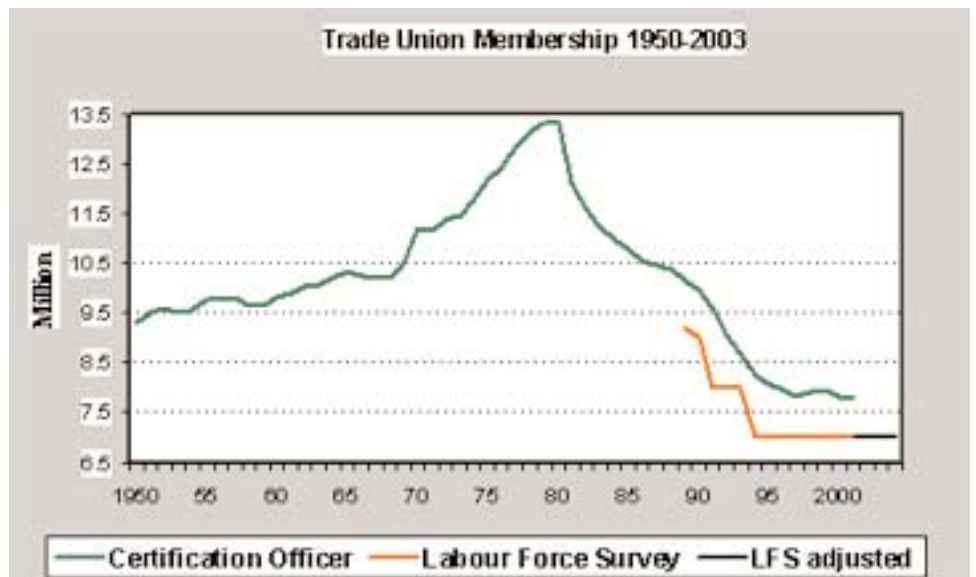
Union membership declined by over 5 million in the two decades after the 1979 zenith of 13 million such that British unions presently cover just 3-employees-in-10 (section 1). The future of British unions turns in large part on what they do - to economic efficiency, fairness and to industrial relations (section 2). Any resurgence of unions depends on where the new jobs are, support from the state, interactions with employers and unions' own servicing and organizing policies (section 3). Summary and conclusions are presented in section 4 where it is shown that current organizing efforts are insufficient to offset membership losses and that private sector unions are in the twilight zone.

1. Membership and its Decline in the 1980s and 1990s

Membership

Union membership 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 figure 1). Presently union membership is 7.42 million, consisting of 7.1 million employees and 0.3 million self-employed people. Since the Blair government came to power in 1997 the number of employees who are members has been roughly constant at around the seven million mark. This is equivalent to a density figure (i.e. percent unionized) of 29%.

Figure 1



Density alters by demographic, job and workplace characteristics. It varies little by gender or ethnic origin but rises with age. Those with higher education have density levels substantially above those with fewer qualifications. Teachers, nurses and other professional workers have the highest density of any occupation (48%) and sales occupations the lowest (11%). Density rises sharply by tenure, a mirror image of the well known finding that labour turnover is lower in workplaces which recognize a union.

Public sector aggregate membership is larger than that in the private sector and in the public sector 3-employees-in-5 are members but the corresponding figure for the private sector is fewer than 1-in-5. But for the relatively high membership in the privatised transport, communications and utilities, private sector density would now be just 16%. Even manufacturing now has a union density (27%) below that for the whole economy (29%). Small workplaces (under 25 employees) have density levels less than half those of larger establishments. 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 southern regions.

1. Membership and its Decline in the 1980s and 1990s - continued

The number and structure of unions has altered dramatically too. A century ago there were 1300 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 Shearers Workers Union, has reduced this figure to 226. Indeed, the 11 unions each with over 250,000 members 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 recognized 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 nearly trebled. What happened was that unionized workplaces added complementary direct communication systems hedging their voice mechanisms rather than switching away from recognition, while nearly all new workplaces opted for direct communication methods without recognizing unions.

Whichever way one looks at it the last two decades of the twentieth century were a period of relentless, sustained corrosion of British unionization. Membership fell by 5.5 million and density from over half to under one third of employees. The fraction of workers whose pay was set by collective bargaining halved from around 70% to 35%. The traditional explanations of growth and decay in membership involve:

- alterations to the composition of workforce and jobs;
- the business cycle;
- the role of the state;
- the attitudes of employers;
- the reactions of individual employees to trade unionism; and
- the strategic approach and structures of the unions themselves.

These six factors will be studied separately but we recognize that there is considerable interaction among them, particularly the last three. Union structures and policies - espousing single workplace unions and partnerships for example - affect employers' attitudes towards treating with unions, and vice versa, and will also influence individual workers' membership decisions. It is also likely that the stance of the state - which affects the tone of labour relations - will help determine the degree of affection or hostility towards unions shown by employers and workers.

1. Membership and its Decline in the 1980s and 1990s - continued

Compositional Change and the Business Cycle

Shifts in the composition of the workforce and jobs are normally put forward as a key ingredient of any explanation for declining membership or density. The argument is straightforward: more highly unionized sectors like manufacturing or the public sector and individuals with a greater likelihood of being a member - males or full-time workers for example - now account for a smaller proportion of total employment. So, as a matter of arithmetic, union membership also falls. This "explanation" begs the question why unions cannot get recognition and membership in their non-traditional areas of employment.

Although the composition argument is simple and seductive it is less important than is commonly realized: alterations to the composition of the workforce and employment played a fairly modest role in accounting for the fall off in density and membership in the 1980s and 1990s. This is not surprising, manufacturing now has a lower unionization rate than the rest of the economy, similarly density is identical for men and women. Therefore the two most commonly cited composition factors - loss of manufacturing jobs and the rise of the female workforce - are in fact irrelevant to the composition argument. Union membership fell by over 5 million in the 1980s and 1990s. Evidence from the British Social Attitudes Survey and the Labour Force Survey suggests that only between 1 million and 1.7 million of this loss is attributable to the changed structure of the workforce and employment. The remainder simply reflects lower membership rates for given characteristics.

Carruth and Disney (1988) analyzed the role of cyclical factors by constructing a model of union density for the period 1890-1984 and using it to predict density over the period 1971-84. They found strong links between the fall in density during 1979-84 and cyclical factors: notably steady real wage growth, low inflation and persistent unemployment. But now such explanations based on the trade cycle no longer stand up to scrutiny. Since 1993 unemployment has fallen continuously and so has union density - the reverse of the key prediction from models based on the economic cycle.

The Role of the State

Activities and policies of the state 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, the undermining of collectivism, and a greater emphasis than previously on product market competition. Public sector unions faced, for example, privatization, compulsory competitive tendering, contracting-out and derecognition at GCHQ. Collectivism was damaged by, for example, taking a million nurses and teachers out of collective bargaining and simultaneously breaking up the central control of education and health by introducing local management of schools and health

1. Membership and its Decline in the 1980s and 1990s - continued

service trusts. The state also promoted company-based payment systems like profit sharing and employee share ownership schemes through tax breaks (although there was surely no market failure to justify this) while 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, axing exchange controls and, less obviously, by policies such as selling rather than allocating commercial TV franchises and building the channel tunnel. Each of these policies had the side effect of rupturing the sometimes previous cosy relationships between capital and labour.

Industrial relations legislation plays 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 both raises the cost of organizing and reduces the costs employers face in opposing unions. Freeman and Pelletier (1990) calculated a 'legislation index' according to how favourable or unfavourable various strands of labour law were to unions in each year. These changes in the law were shown to be central to the decline in density in the 1980s. Further, the post-entry closed shop was outlawed in 1988 and the pre-entry shop in 1990. This axing of the closed shop then fed through directly into declining density in the 1990s.

Employers and Employees

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. Although derecognition in some national newspapers, TV and docks generated bitter industrial disputes and considerable media interest such management action was quite rare. But, as Brown and colleagues (1998) point out, recognition is not an all or nothing matter. In their detailed case studies they show that some firms that have formally derecognized their unions, in practice make use of them informally. By contrast, other firms that provide apparently substantial recognition rights have, in practice, "narrowed the scope of bargaining so that there has been a measure of implicit or partial derecognition".

Union decline turns mainly on the inability of unions to achieve recognition in newer workplaces reflecting, for example, Thatcherite views among some managers and the growth of investment from overseas. In 1980 around three fifths of establishments both under ten years old and over ten years old recognized unions. But over the next two decades unions found it progressively harder to organize new workplaces. By 1998 just over a quarter of workplaces under 10 years of age

1. Membership and its Decline in the 1980s and 1990s - continued

recognized a trade union, only half the corresponding figure for older workplaces.

In 1980 1-in-4 was in a closed shop, but the legislative onslaught against trade unions in the 1980s meant that by 1990 very few workplaces still had such an arrangement. There was a distinct shift away from the closed shop towards simple recognition. After careful statistical analysis, Millward et al. (2000) conclude that, "the decline in the closed shop and strong management endorsement of membership were the main reasons for the fall in mean union density in unionized workplaces between 1984 and 1990". But the picture is "quite different" for the period 1990 to 1998 when "employees appeared to have lost their appetite for unionism". In a nutshell, in the 1980s unions lost the support of the state and managers, whereas in the 1990s "they also lost the support of many employees".

An important advantage to the individual employee of belonging to a union is the wage premium compared with equivalent non-members. This premium was approximately constant at around 10% in the 1980s but is at most half that now. Partly as a consequence of such lower returns to membership there has been a large rise in the fraction of the workforce that has never been a union member, up from a quarter in 1983 to a half in 2001. In their dealings with individual employees it is less that extant 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 where unions are recognized. This may reflect disenchantment with unions but some individuals would probably join if a union were to be recognized in their workplace. 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 recently. This is a worrying trend from unions' viewpoint because such non-membership is prone to persist across generations. Therefore union membership in future turns on getting recognized in newer workplaces and attracting younger employees into membership - a difficult task if they or their parents have never experienced membership and if the benefits of membership are demonstrably, or perceived to be, below those two decades ago.

Unions' Structures and Policies

It is plausible that unions' own structures and policies compounded the problems of a hostile state, antagonism from employers and the growth of individualism. Structural issues include moves to decentralization, the nature of mergers and multi-unionism. Policy areas cover the manner in which unions interact with members and potential members, employers and the state.

In the 1950s and 1960s unions like the TGWU, AEU and ASLEF took a strategic decision to decentralise such that lay activists - shop stewards - became responsible for collecting dues and members. But this shop steward role was shortly submerged by their collective bargaining function. Such decentralization made for uneven bargaining outcomes, which was divisive, and implied a loss of national voice. It may also have weakened employers associations. Many employers recognized unions by

1. Membership and its Decline in the 1980s and 1990s - continued

default - it was the norm of their group - but once the employers association fragmented, many employers no longer felt bound by such norms.

Mergers among unions boost the concentration of membership. In 1980 the 10 unions with 250,000+ members accounted for 60% of membership. But twenty years later 11 unions with over a quarter of a million members accounted for three quarters of (smaller aggregate) membership. The bulk of mergers were aimed at raising market share - shuffling members around - rather than generating scale economies which would release extra resources for servicing and organising. Indeed many mergers are simply a reaction to the loss of members and income. For example, this is the rationale for the Graphic, Paper and Media Union joining forces with AMICUS recently.

Multi-unionism (i.e. more than one union in the workplace) was an important feature of our industrial relations scene. For example in 1980, 41% of establishments employing 2000 people or more had three to five unions present and a further 38% had six or more. Although there were only a few such plants they accounted for a large fraction of total employment. Evidence suggested that when such multi-unionism goes hand-in-hand with fragmented bargaining, rather than single table bargaining, productivity growth is lower and financial performance and the strike record worse than in similar workplaces with just one union.

Unions' policies towards members and potential members sometimes raised a question mark over their desire to make the best of the hostile environment they faced. Consider some examples. First, recruitment campaigns are costly, the more so with a mobile workforce, smaller workplaces and growing employer opposition. The balance of expenditure between such campaigns and infill recruitment to sign up free riders was seldom a strategic decision, more a piecemeal ad hoc response to the crumbling away of the organizing cadres of the old communist party. Second, the concerns of female members - family friendly matters and rights for part-timers - seldom had a high priority. Unions were not inaccurately described as 'male, pale and stale'. Third, unions generally seemed oblivious to the rapid growth in 'never' members and the fact that such a state is likely to persist over a lifetime. The TUC's organizing academy and Unions21, a loose association of progressive and thoughtful unions, are welcome, but belated, initiatives to sign up younger workers. Fourth, what were unions selling? For example attempts to sell insurance and holidays - memorably described as "arcade unionism" - were never likely to flourish, not least because other organizations like the AA already provided such services efficiently. And such activities hardly provide a strong incentive for a worker to show enduring loyalty to the union.

Many unions also took a long time to come to terms with their reduced status when treating with employers. Even though some unions had championed decentralization as a way of boosting membership, when decentralized bargaining was proposed by the employer - reflecting changes in work organization, new forms of corporate structure and more intense product market competition - it was

1. Membership and its Decline in the 1980s and 1990s - continued

frequently opposed by union leaders. In some spectacular instances - TVAM and News International for example - such opposition resulted in derecognition although this was quite rare. Multinational firms investing in the UK in cars and electronics normally favoured recognizing just a single union, sometimes with a no-strike clause such that any impasse in negotiations would be decided by arbitration. The union movement as a whole was hostile to such single union deals and even expelled the electricians union (EETPU) from the TUC for engaging in them. This whole episode, coming on top of the defeat of the miners, did considerable damage to unions' image and anyway was fruitless - virtually all recognitions in the last decade have been of a single union.

It was in their dealings with the state in the 1980s that the union movement demonstrated its most negative behaviour. For example unions opposed virtually every successive tranche of industrial relations legislation despite the fact that the Thatcher government had a clear mandate and the public supported its proposals. Who now remembers those Wembley conferences to oppose the 1982 and 1984 Acts designed to constrain strike activity and promote democracy in union elections and prior to industrial action? Specific unions also challenged the power of the state. Set-piece battles were lost in the steel and coal industries. And guerrilla warfare in teaching and the civil service was a catalyst for major alterations in the organization and delivery of these services. Unions seemed not to realise, until it was too late, the fragility of their situation. Once the state withdrew its support for their activities, and many employers followed on the coat-tails of the state, union membership unravelled very quickly and their bargaining agenda became hugely constrained. Even though the union movement got its act together in the 1990s under the leadership of John Monks, General Secretary of the TUC, it was too late to stem, let alone reverse, the sustained loss of members.

2. The impact of the Unions

Forty years ago Alan Flanders, the 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 including unions' impact on the pay distribution, accidents and family friendly policies. In addition unions affect employee relations through their bearing on the industrial relations climate and job satisfaction. These impact effects of unions profoundly influence their future and will be considered in turn.

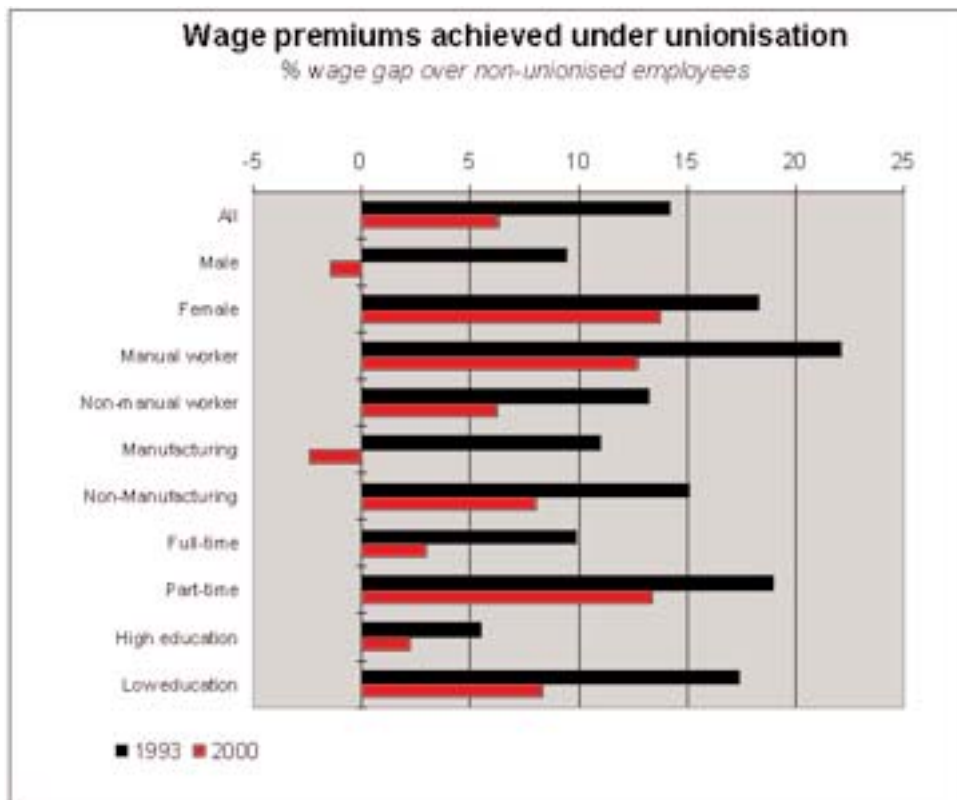
Wage Premium

One major reason for belonging to a union is, historically, union members have received a pay premium ("wage gap") over similar non-union members. There is a large literature on this topic, recently surveyed by Blanchflower and Bryson (2003), who conclude that for the 1980s and the first part of the 1990s "the consensus in the literature was that the mean [hourly] union wage gap was approximately 10%". But the outlawing of the closed shop in 1990, falling density where unions are recognized, more intense product market competition and the loss of 5 million members was bound eventually to result in a lower wage premium. Such evidence for 1993-2000 is set out in figure 2. Over the period as a whole the mark-up averaged 10%, but it halved from 14% in 1993 to 6% in 2000. The fall in the premium occurred for each sub-group. For example the male premium declined by 11 points over the seven year period and the female by 5 points. Likewise the private sector union mark-up was trimmed 9 points and that in the public sector 4 points. A spate of recent studies confirms this decline in the premium. Machin (2001) is particularly informative: "For men it used to pay to be in a union [in the early 1990s] and it used to pay to join a union, but by the end of the 1990s it does not. For women the answer is: it does still pay to be in a union, but not by as much as it used to, and it does not pay to newly join".

A brief caveat is in order here. There are still some occupations and sectors where unions have sufficient clout to achieve a significant wage premium. Consider three examples from the public sector. On the London underground, tube drivers earn around £35,000 a year for a 35-hour work week, yielding twice the average hourly wage. In the fire service, the Fire Brigades Union has successfully resisted alterations in shift patterns and thereby maintained so-called stand-down (i.e. sleeping) time at night, significantly enhancing the true hourly wage of fire fighters. In the face of incompetent management, adversarial unionism by tube drivers and firemen has paid handsome dividends. Finally, the private finance initiative has, until relatively recently, often resulted in inferior pay and conditions for workers in the new PFI schools, hospitals or prisons. So UNISON or other public sector unions can justifiably claim that they achieve a premium for their members in the traditional public sector workplaces.

2. The impact of the Unions - continued

Figure 2



Productivity

A union presence may lower labour productivity in a variety of ways: unions may be associated with restrictive work practices; industrial action may have an adverse impact; union firms may invest less than non-union firms; and if unions are associated with an adversarial style of industrial relations the consequent low trust and lack of cooperation between the parties may lower productivity. Equally there are reasons why labour productivity may be higher in the presence of unions: firms' responses to union relative wage effects may result in higher labour productivity; unions may play a monitoring role on behalf of the employer; the familiar collective voice arguments may have favourable consequences; it is sometimes held that a union presence may make managers less lethargic; finally, as the Webbs argued, unions should stop exploitation of labour, resulting in improved productivity.

Links between the industrial relations regime in a company or workplace and its productivity performance have long been a matter of interest and debate in the UK. In the 1970s and 1980s the focus of interest was manufacturing industry where the weight of the evidence suggested that around 1980 union presence was associated with lower levels of labour productivity, but that in the first half of the 1980s strongly unionized workplaces and industries had faster growth in labour productivity than their non-union counterparts. For example Lord Scanlon, President of the Amalgamated Union of Engineering Workers (AUEW) in the 1970s, stated (in 1983) that wildcat strikes and other forms of disruption in the 1970s had robbed Britain of its place as a world centre for the car-making industry. In the subsequent

2. The impact of the Unions - continued

turnaround in the productivity performance of the highly-unionized manufacturing sector, Britain went from being bottom of the league table of productivity growth in the G-7 countries in the 1960s and 1970s to top in the 1980s and near top in the 1990s. This reflected the interaction of more intense product market competition, higher levels of unemployment and the legislative onslaught against organized labour, which altered management and labour practices in favour of higher productivity. Card and Freeman (2004) examined productivity in the whole economy, not just manufacturing. They state that the elimination of the previous negative union productivity gap in the 1980s and 1990s contributed a 4.3 percentage point gain in average productivity over this 20-year span. This is one sixth of the difference in the growth rates between what they call "pre-reform 1960-79" and "post-reform 1979-99".

Two questions remain. First, is there any longer any difference in productivity performance between workplaces which do and do not recognize a union? Second, do multi-union workplaces still perform worse than single union workplaces and can any such disadvantages be offset if the separate unions bargain jointly? Pencavel (2004) investigates these issues. The results are clear-cut. There is no difference in the productivity performance of union compared with non-union workplaces. But multi-unionism with fragmented bargaining still puts the workplace at a disadvantage. Pencavel concludes: "By the end of the 1990s, average union - non-union differences in labour productivity appear to be negligible. Where such differences emerge, they are in establishments where fragmented bargaining occurs. Such bargaining is unusual - only 7% of workplaces in 1998 were characterized by fragmented bargaining. This allows the generalization that unionism may serve as an agent permitting employees to participate in shaping their work environment without productivity suffering".

Financial performance and investment in physical and human capital

If unions raise the level of wages without similarly increasing productivity the resources underpinning the higher pay level have to come from somewhere. Such union wage gains might come from lower wages for non-union workers, or from consumers via higher product prices, or from the owners of capital via lower profits. In the 1980s virtually all studies reported a negative association between union presence and financial performance. But the impact of unions on pay levels and productivity is weaker now than it was twenty years ago so the union effect on profitability is similarly attenuated. Such a dilution also reflects both the extensive privatization and deregulation and the more intense product market competition (partly caused by "globalization") over the last two decades.

There is now no association, on average, between financial performance and the presence or otherwise of a union (Metcalfe 2003). Nevertheless the "average" lack of association masks some interesting findings once the sample is cut in other ways. First, where there are multiple unions which bargain separately - rather than round a single table - the workplace is 5% less likely to have better than average financial

2. The impact of the Unions - continued

performance (as compared to a similar non-union workplace). This suggests that the adverse effects of multi-unionism reported in earlier studies remain in place. Second, the product market matters. Where there are five or fewer competitors the workplace is 12% less likely to have above average financial performance. By contrast where there are 6 or more competitors, union recognition is not significantly related to financial performance. This suggests any union effect is likely to be benign: where there are few competitors monopoly profits are more likely and unions can siphon-off some of that surplus, away from the owners of capital towards labour. Third, weak unions (below 50% membership or coverage) have negative associations with performance while medium and strong unions have positive links. This hints that where a union is recognized it is - at least when considering financial performance - better to have an encompassing union rather than one where under half the workforce is unionized.

The presence of a union might also influence investment in physical and human capital in the workplace. Studies find no association between union recognition and physical investment rates; perhaps not surprising given the weak links between recognition and pay, productivity and profits. More interesting is the positive impact of union presence on training investments. Green et al. (1999) used nationally representative samples to analyze both the incidence and intensity of training. Unionized establishments and workers are more likely to provide and receive training than their non-union counterparts. This union impact also holds for the intensity of training. Consider, for example, non-manual workers. A unionized workplace provided nearly an extra day of training per worker during the previous year (the sample average is 2.7 days so this is a large effect). Likewise unionized workers received an extra 0.34 hours of training in the previous week (sample average 1.3 hours). So union activity does not act to lower physical investment and gives a boost to investment in human capital.

Employment

There is no overall association between union recognition and the probability of a workplace closing. In the 1980s the annual closure rate was 2.5% among workplaces which had no unions and 2.3% where unions were recognized. The closure rate dropped in the 1990s to 1.9% in non-union workplaces and 1.8% in unionized establishments. Millward et al. (2001) undertook the most thorough study of unionization and closures and concluded: "workplace closures during the period 1990-1998 were little affected by whether workplaces had union representation in 1990. In the private sector, workplace performance, market conditions, workforce composition and structural features of the workplace such as size and ownership were far more important".

Nevertheless union activity can certainly cause employment levels in union workplaces to either be higher or lower than that in corresponding non-union workplaces. In the most straightforward case, if unions extract a wage premium and employment is sensitive to the wage level then employment in unionized

2. The impact of the Unions - continued

workplaces will be lower than it otherwise would be. Alternatively, unions may boost employment via restrictive practices covering demarcations on manning levels. But the debate about unions and employment is not about union influence on levels of employment but on changes in employment. In a nutshell it is asserted that unions dampen employment growth or magnify employment declines every year for many years (see Blanchflower et al. 1991).

We now have a very careful study for the 1990s (Millward et al. 2001). Employment levels in workplaces with recognized unions declined by an average of 1.8% p.a. between 1990 and 1998, whereas those without unions grew by an average of 1.4% p.a. The annual rate of growth was therefore around 3 percentage points lower among workplaces with recognized unions (see table 1). This differential need not be causal. It may be, for example, simply that unions are more likely to be operating in decaying sectors and workplaces.

Table 1

	Changes in employment % pa		
	All workplaces	Manufacturing	Services
Raw change:			
Union recognition	-1.8	-0.7	-2.4
Non-union	-1.4	-1.5	-1.4
Net union	-3.2	-2.2	-3.8
After including controls	-3.9	-3.4	-4.7

Notes:

1. From WIRS panel 1990-98, 558 workplaces, employing 25+ employees in 1990 and 1998.

Controls are: workplace size; % non-manual; single independent workplace; region; sector; uses short term contracts; no good/service accounts for 25%+ sales; number of competitors; financial performance better than average; operating considerably below capacity.

Source: calculated from Bryson (2001c)

But the authors have no such doubts. They state unambiguously that: "Unions reduced employment growth by 3-4% pa in the private sector between 1990-1998". And they go on to state: "unions were still acting to depress workplace employment levels in the 1990s, as they had done in previous decades". These are very strong sentiments. What Millward and his colleagues are saying is that union activity has caused employment growth (decline) in union workplaces to be 3% p.a. lower (faster) than in non-union counterparts for the best part of two decades.

Frankly, I do not believe this association can be causal. Surely it is impossible that the wage premium has continued to rise since 1980 (the evidence suggests the

2. The impact of the Unions - continued

opposite). Equally any adverse union effects on productivity and profits were attenuated or eliminated by the end of the 1990s. Rather, the association may reflect a more sensitive union labour demand elasticity - consequent on more intense non-union competition - such that the employment penalty for any given wage premium has grown. In addition, unionized workplaces may have experienced more organizational change, often involving a cut in jobs, than their non-union counterparts. Nevertheless, the raw numbers themselves ought to be a cause for concern for trade unions. There is no getting away from the fact that, while closure rates are not different between union and non-union workplaces, employment declines faster/grows more slowly in union workplaces. Indeed, if the -3% p.a. employment differential found for 1980-1998 continues into the future it will compound the membership problems set out in the appendix which suggest a steady state union density of some 20%.

Sword of justice

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

The spread of pay among unionized workers is smaller than the spread among their non-union counterparts (see the case study box). This is because unions protect the pay of those on low earnings and because unionized workplaces make more use of objective criteria - seniority for example - in setting pay rather than subjective factors - like merit - preferred in non-union establishments. 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 2.6% wider and the race pay gap 1.4% bigger. These are very substantial effects. When it was introduced in 1999, the national minimum wage impacted particularly 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.

2. The impact of the Unions - continued

Case Study

Unions Wield the Sword of Justice

Throughout the twentieth century trade unions were an important force tempering the inequality in the distribution of pay. At the beginning of the century the Webb's emphasized the key role of the 'common rule' and 'rate for the job' in unions' wage policies. By the middle of the century Britain had a system of industry-wide regulation of industrial relations such that the same job had similar national minima pay among all firms in the same industry.

In the 1960s and 1970s, when the locus of collective bargaining gradually decentralized from industry to firm or workplace, shop steward combine committees sought to pursue this egalitarian role.

Since 1980 there have been profound changes to our system of industrial relations. The labour market has been deregulated as a consequence of the legislative onslaught against unions, more intense product market competition and, for much of the time, historically high levels of unemployment. The number of workers covered by collective bargaining has halved. Did unions still wield the sword of justice at the end of the century?

Detailed investigation for 1998 - the year of least intervention in wage-setting by the state for any time in the post war period - using evidence from both workplaces and individuals shows that:

unionized workplaces continue to make greater use of objective pay setting criteria such as job classification and tenure, and less use of subjective merit pay, than their non-union counterparts.

although the move away from national bargaining to decentralized bargaining has caused pay dispersion to rise, workers in the organized sector have much lower pay dispersion than those in the unorganized sector. The standard deviation of log hourly pay, after controlling for the fact that workers and jobs are more similar in the union sector than they are among non-unionists, is 0.33 for union members and 0.44 for non-members.

the national minimum wage was introduced in 1999. Before then unions truncated the lower tail of the pay distribution. And today almost all union members are paid well above the minimum wage. Therefore the incidence of low pay is much lower in unionized workplaces and among union members than in the unorganized sector.

Putting all this together, if there were no unions the wage differential would be wider by the following amounts (%):

male - female	2.6
white - black	1.4
healthy - health problems	0.6
non-manual - manual	3.1

Unions narrow the wage differential between women and men, blacks and whites, those with health problems and those without, and between manual and non-manual workers.

Although unions' sword of justice may be a little blunter and corroded it has not been sheathed for good - unions remain a major egalitarian influence on the British labour market.

2. The impact of the Unions - continued

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, the possibility of switching from full- to part-time employment and job shares. Women in unionized 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 (Bewley and Fernie 2003).

Such family friendly policies go hand-in-hand with better performing workplaces (Gray 2001). A private sector establishment with an array of family friendly policies has a greater likelihood of above average financial performance, labour productivity, product or service quality, and lower quit and absentee rates than a workplace without such practices. Even if the causal mechanism behind such associations is unclear this evidence is surely something for unions to build on in their attempts to appeal simultaneously to management and workers.

Unions also cut industrial accidents. An accident in this context is 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 hospitalization for more than 24 hours. Unions tend to organize in workplaces where an accident is more likely to occur, but their presence lowers the rate by a quarter, compared with similar non-union plants (Litwin 2000). This favourable effect in lowering accidents 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 a union presence will tend to promote "voice" over "exit": where a union is recognized, employees with concerns about accidents are more likely to be listened to rather than labelled as a nuisance. This accident-reduction role of unions is rather neglected. They could, instead, worry less about deaths and injuries and agitate for a bigger compensating pay differential in dangerous sectors and occupations. The evidence (Sandy and Elliott 1996) suggests the reverse - such compensating wage differentials are lower where there are unions. Organized labour has chosen the socially responsible accident prevention strategy in preference to squeezing out a bit more pay in dangerous workplaces.

Effect on industrial relations climate

Union membership and recognition profoundly influence employee-management relations in the workplace, although this union impact has been less studied by economists than the corresponding union effect on efficiency and equity. In the UK three main discussions of unions' effect on industrial relations have been analyzed. First, are union members more or less satisfied in their jobs than non-unionists? Second, how does union recognition influence the governance of the workplace - defined by factors like the climate of relations, trust and perceptions of managerial performance? Third, what do unions do to quit and absenteeism rates?

2. The impact of the Unions - continued

Surveys consistently report that women and older workers are more satisfied in their jobs than men and younger employees. In addition, union members are shown to be less satisfied than non-union members. This stylized fact - union members are not as content with their jobs than workers not in a union - is something of a puzzle because it appears to be inconsistent with another such fact, namely union members have lower quit rates than non-unionists. Surely if you are dissatisfied at work you will be more likely to quit?

Freeman and Medoff (1984) reconcile these apparently contradictory facts by highlighting the role of unions as a "voice institution". Their explanation "differentiates between 'true' dissatisfaction, which leads workers to leave their jobs, and 'reported' or 'voiced' dissatisfaction which results from critical attitudes towards the workplace and a willingness to complain about problems". In a nutshell such voice "operates by fanning discontent". Bryson (2001b) using evidence from WERS and BHPS confirms such fanning: "unions highlight the shortcomings of management, a process that leads to more voluble complaining".

A union presence also influences workers' perceptions about the governance of their organization. This includes the climate of relations between management and employees, the trust employees have in their managers, and managerial performance. On average during the 1980s and 1990s evidence from the BHPS and WERS98 indicates that workplace governance is perceived as poorer among employees in workplaces with recognized unions, relative to their counterparts in non-union establishments (Bryson 2001a). The author suggests that better perceptions about governance in non-union workplaces may flow from the use of direct voice - briefing groups, team meetings and the like - rather than the representative voice provided via the union.

This "average" finding is only part of the story. Once the decision is taken to recognize a union, governance is profoundly affected by the way the parties go about their business. First, governance is perceived to be better by workers 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 recognized it is better for management to support membership: recognition coupled with hostility to individual membership produces the worst outcomes. Third, unions are perceived to be more effective when workplace governance is good. Once the decision is taken to recognize a union it makes sense to encourage membership and ensure that the union is effectively representing employees. This suggests, for example, that partnership arrangements promoting cooperative employee relations are likely to yield superior governance to adversarial, fragmented relations.

In both the 1980s and 1990s union recognition is linked to a lower quit rate. This is consistent with the exit-voice model such that discontented union workers voice concerns through their union whereas similarly disaffected non-union employees have no choice but to exit their firm. Further, during the 1990s, union recognition

2. The impact of the Unions - continued

went hand-in-hand with a higher absenteeism rate. This may reflect the fact that absenteeism rates and unionization are both much higher in the public than in the private sector: for example there has been much concern recently about absenteeism in the police and fire service which are both virtually one hundred percent unionized.

3. Hereafter: Resurgence or Perdition?

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

It is unlikely that any boost in the aggregate number of jobs in the next decade will occur disproportionately in the unionized sector. In the public sector employment rose by 354,000 between 1998 and 2002. While the number of teachers, nurses and police has been rising - which has helped the teaching unions, the RCN and UNISON to boost membership - the speed of job creation in these sectors will slow significantly in the coming years. And in manufacturing, employment now is only a little over a third of its 1966 peak and jobs continue to go. Anyway unions now find it just as difficult to get recognized in new manufacturing plants as in new private service workplaces. 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 with a present union density of 15%. Therefore unions cannot look to differential employment growth in the unionized sectors of the economy to enhance membership in the next decade or so.

Alternatively, unions can invest more in organizing and servicing activity, which 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 organizing investment requires considerable skill. Consider table 2: 36% of employees are covered by a collective agreement on pay but over one third of these (14%) are free-riders, not members of a union. Looking at the information the other way round, a quarter (7%) of total union members (29%) are not covered by collective agreements for their pay. By far the majority of employees (57%) are neither covered by a collective agreement nor are they a union member. The evidence in table 2 provides remarkable food for thought for unions. Consider each cell in turn.

First, unions must continue to service the 5.5 million workers (22%) who have their pay set by collective bargaining and belong to a union. The majority are in the public sector. There are three main components of union activity to support workers in this cell - service to individuals, partnerships with employers and, in the public sector, maintaining terms and conditions. Activities on behalf of individual members form a major component of the tasks performed by union officers and shop stewards. These include promoting lifelong learning, advice on employment matters, representing members in employers' procedures and before courts and tribunals, providing members with information about their company or organization.

3. Hereafter: Resurgence or Perdition? - continued

Table 2

Coverage of collective agreements on pay and conditions and union membership - UK employees in employment, autumn 2003

	Pay and Conditions covered by collective agreement		
	Yes	No	Total
Union member - Yes	5.5m 22%	1.6m 7%	7.1m 29%
Union member - No	3.3m 14%	14.0m 57%	17.3m 71%
Total	8.8m 36%	15.6m 64%	24.4m 100%

Source: Calculated from Kevin Brook "Trade union membership: an analysis of data from the autumn 2001 LFS", *Labour Market Trends*, July 2002, 343-354; 'spotlight', *Labour Market Trends*, July 2003, p.338, and *Labour Market Trends*, March 2004, p.100; and details at www.dti.gov.uk/er/emar/trade.htm.

Example: 8.8 million employees (36%) are covered by collective bargaining. Of these 5.5 million (22%) are union members and 3.3 million (14%) are not union members.

The majority of workers in this cell are in the public sector (or ex-public sector) where unions face a number of challenges. For example, in the health service the private finance initiative impacts on their capacity to influence patterns of service delivery, workloads, the composition of employment, governance structures and the exercise of union voice. In education, the civil service and the Inland Revenue in the last decade performance related pay (PRP) evolved from being a radical managerial innovation to part of standard organizational practice. Unions were often hostile to its introduction because they worried that PRP denies them their traditional role of monitoring standards of fairness in employer behaviour. And even where union density is very high - the fire service, prison service and post office - unions will only sustain such strong membership if they are able to deal with members' concerns over alterations to work practices and moves to decentralized bargaining.

Second, absorbing the 3.3 million free riders (14% of employees) - so called "in-fill" recruitment - is a potentially attractive (cheap) method of boosting membership. Almost two fifths of workers covered by collective agreements are not union members - a fraction some four times higher than the corresponding figure for free riders in the US. The growth in free riding runs parallel with the rise in the number of "never members", so union intervention at the recruitment stage is important.

1.6 million employees (7%) are union members but not covered by a collective agreement on pay. They include members of some staff associations, some teachers and nurses whose pay is set by arbitration rather than collective agreements, some

3. Hereafter: Resurgence or Perdition? - continued

members signed up in organizing campaigns which have not yet reached fruition, workers who have switched jobs to a non-union firm but retained their membership, and workers in firms who have derecognized the union for pay bargaining but perhaps continue to recognize it for dealing with individual grievances. In the 1990s 1-private-sector-workplace-in-3 abandoned collective bargaining, but only a quarter of these formally derecognized the union. Unions face a hard task convincing such members that it remains worthwhile to continue to belong to the union.

Last but not least are the 14.0 million (57%) employees who are neither members nor have their pay and conditions set by collective bargaining. The bulk of these workers have never been a union member. Unions must perform a delicate balancing act here, organizing expenditure on this group can be thought of as an investment for the future health of the union or as a "tax" on existing members: "Commitment to organizing still jostles uncomfortably with all the other demands on unions' efforts and resources" (TUC 1999). Around a fifth of these 14 million workers say that they 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 organize. However, in order to achieve recognition these employees need to be concentrated by firm or workplace or there will never be a union available to join. There are some interesting occupations involved here. Recently MSF-Amicus signed up some 2000 Church of England clergy who had no employment rights - their employer was held to be divine not earthly. And the GMB has had some success in recruiting lap dancers.

Recognition occurs voluntarily or, since 2000, 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 reluctant 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 50%+ of the votes cast in the ballot and must have at least 40% of the workforce in the bargaining unit voting "yes". The direct effect of this law has been very modest - fewer than 25,000 workers have been covered by recognition orders since the law came into effect in 2000.

However, its indirect or shadow effect is larger (see Gall 2004 for some meticulous calculations). Over 1500 voluntary agreements such as the marriage of convenience between Bristow Helicopters and BALPA and Amicus - or partnerships like those at Virgin and EasyJet - were signed in the three years 2000-02 bringing almost half a million new workers under recognition. And there are many campaigns presently underway, covering perhaps another half a million potential members. Not all the 0.5 million workers in newly recognized workplaces became new union members. Some, for example, were already members - perhaps the vanguard of the recognition campaign - while others remained free riders. Nevertheless it is something of a puzzle that such a high figure did not translate into a growth in union membership. The answer to the puzzle must be that depreciation among existing members is high and/or that very many of those newly covered by recognition agreements garner the benefits of recognition but choose not to join the union.

3. Hereafter: Resurgence or Perdition? - continued

Dilemma

A difficult choice for unions

Consider the following data, taken from table 2, which sets out the number of employees who are or are not union members and corresponding information for those whose pay is set by collective bargaining.

		Pay set by collective bargaining	
		Yes	No
Union	Yes	5.5m	1.6m
Member	No	3.3m	14.0m

Out of 8.8 million employees covered by collective bargaining only 5.5 million are union members, the other 3.3 million being free riders. Looking at the information the other way round, nearly a quarter (1.6 million) of the 7.1 million union members are not covered by collective bargaining. Finally, 14 million out of 24.4 million employees are neither union members nor covered by collective bargaining.

Where should unions put their scarce resources if they are to flourish in the future? First, they need to continue to service the 5.5 million who have their pay set by collective bargaining and belong to a union. This involves providing services to individual union members such as promoting lifelong learning and representing members in employers' procedures. Some unions have adopted partnerships with employers - a more cooperative and less adversarial form of industrial relations - in order to better service their members. The bulk of these 5.5 million employees are in the public sector where the unions must deal with members' concerns such as a possible two-tier labour force in health consequent on the public finance initiative, the introduction of performance related pay in teaching, moves to decentralized bargaining in the post office or alterations in work arrangements in the essential fire service.

Second, absorbing the 3.3 million free riders - "in-fill" recruitment - is a potentially attractive (cheap) way of boosting membership. The growth in free riding runs parallel with the rise in "never members", now equal to half the workforce, so union intervention at the recruitment stage is vital.

Third, unions must convince the 1.6 million employees who are members but not covered by collective agreement that continuing to belong to a union is worthwhile. These include some members signed up in organizing campaigns which have not yet reached fruition and workers in firms who have derecognized the union for pay bargaining but perhaps continue to recognize it for dealing with individual grievances.

Finally, unions attempt to organize among the 14 million employees who are neither members nor have their pay set by collective bargaining. There is a delicate balancing act here because organizing expenditure represents a "tax" on existing members. Between 2000 (when the new recognition law came into force) and 2002 unions organized around 170,000 workers a year into recognition agreements and some 100,000 of these are union members. This represented a 25-year high organizing figure. The problem for unions is that even this rate of organizing is inadequate to keep pace with new job creation, lost members from workplace closures, redundancies, extra free riders and derecognitions. Unions echo the Red Queen in *Through the Looking Glass* "it takes all the running you can do, to keep in the same place".

3. Hereafter: Resurgence or Perdition? - continued

In the first half of the 1990s union organizing efforts resulted in fewer than 10,000 workers a year being newly covered by a recognition agreement. Once it became likely that a Labour government would be elected this figure rose to 40,000. And when the recognition provisions of the Employment Relations Act came into force in 2000 the gross inflow of newly covered workers averaged 170,000 a year for the three years 2000-02 (though this number contracted in 2003). Perhaps 100,000 of these became union members. This annual 170,000 figure represents a 25-year organizing high but it is equivalent to only just over 1% of the stock of uncovered workers (15.6 million). And with employment growing at around 0.2 million a year since 1990 it does not even keep pace with the extra jobs created. (And before the new recognition law, organizing yielded only 0.1% of the unorganized stock). This 170,000 coverage figure, or 100,000 gross annual inflow of union members, is almost certainly insufficient to offset the gross outflow of members from workplace closures and contractions, redundancies, extra free riders and derecognitions. The appendix has a more formal discussion of the inflows and outflows to and from union membership. Even taking reasonably favourable assumptions, it suggests that in the longer term (i.e. in steady state) density is likely to stabilize at around 20%, implying private sector density of some 12%.

4. Summary and Conclusions

It is not surprising that union membership and influence crumbled away in the 1980s and 1990s. The climate was cold. The composition of jobs altered such that employment declined in unions' traditional heartlands of manufacturing and the public sector. The state did what it could to undermine collectivism through successive tranches of industrial relations legislation, privatization, contracting-out, the introduction of performance related pay for its own employees and subsidizing profit sharing and employee share ownership schemes for private sector workers. In turn, employers responded to the signal sent by the state and were more likely to oppose unions, such that new recognition became difficult to achieve. Simultaneously many workers lost their taste for membership and the number of 'never members' doubled to half the workforce. Unions' own structures and policies - male, pale and stale - compounded their problems.

Unions do not flourish in adversity. In the 1950s and 1960s, with the post war settlement and the growth of the welfare state, membership blossomed. In the 1970s, when that settlement disintegrated, unions were well dug in. They were the fifth estate of the realm and employees joined even if they disliked unions. In the 1980s and 1990s with the altered industrial structure and high unemployment, unions needed support from employers and workers. By and large they did not get it, rather the reverse - the state and employers did their best to undermine collectivism and unions' own structures and policies compounded the haemorrhage of members. What had previously been conforming behaviour - to recognize or belong to a union - became deviant. Whether or not unions follow the road to perdition, or instead become resurgent, largely depends on two things. First, what they do to firm performance and fairness at work. Second, whether or not the intersection of what the unions see as the malevolent forces of the 1980s and 1990s continue over the next decade or so.

The monopoly face (vested interest) impact of unions is much less strong now than it was a quarter of a century ago. The roots of union power - the closed shop and the strike threat - are shut down and product market competition is more intense. The evidence suggests that now: the average union wage mark-up is low or zero; unionized workplaces no longer have lower labour productivity than their non-union counterparts; therefore financial performance is, on average, similar to that in non-union workplaces, although where the firm has some monopoly power a trade union can siphon-off some of the rent from capital to labour; but there is no evidence that such transfers lower investment rates in firms and workplaces with union recognition compared with similar non-union organizations - indeed investment in human capital is stronger in unionized workplaces. However, there remains one acutely worrying economic outcome from the union viewpoint. On average, employment in a unionized workplace grows some 3% per year more slowly, or falls 3% more quickly, than in a similar non-union workplace. Even though union activity is unlikely to be the cause of this differential growth in jobs, if it persists the implications for future membership levels are serious.

4. Summary and Conclusions - continued

This evidence suggests that the employer now has less incentive to oppose unions because their impact on productivity and profits is so modest. Equally, the worker has less cause to belong to a union because s/he gets a much reduced wage premium. The challenge for the union movement is to demonstrate that they can come through for workers without putting employers at a disadvantage and/or deliver for employers while simultaneously looking after worker interests. Perhaps unions need to make more of what Alan Flanders called their "stirring music": unions do continue to wield the sword of justice - they narrow the spread of earnings, cut accidents and promote family friendly and equal opportunity policy. Further, from around 1870 and for most of the twentieth century the share of profit in national income gradually declined, but this long-run trend has reversed in the last two decades (see figure 3). This too suggests a role for unions in countering exploitation - a return to the rationale for unions set out by the Webbs a century ago.



It is unlikely that future employment in the more highly unionized segments of the economy - the public sector and utilities for example - will grow more rapidly than jobs in private service where union density is well below average. Therefore the future of unions turns, in part, on the thorny matter of balancing servicing and organizing activities. Unions have 7 million members, but 1.6 million of these are not covered by collective bargaining because, in many cases, the employer abandoned collective bargaining without formally derecognizing the union. Unions face a hard task convincing such members that it remains worthwhile to continue to belong to the union. Unions must also service their 5.4 million members who are covered by collective bargaining, the majority of whom are in the public sector. Key tasks here include maintaining terms and conditions and providing services to individuals including advice on employment matters, promoting lifelong learning and representing members in employers' procedures and before labour courts.

4. Summary and Conclusions - continued

There are 8.7 million workers covered by collective bargaining, but 3.3 million of these are free-riders. Absorbing such workers - in-fill recruitment - is a potentially low cost route to boost membership. Finally, and much more difficult, are the 14 million employees who are neither members nor covered by collective bargaining. From 2000 to 2002 unions achieved a 25-year high in the annual numbers of this group being organized, but this figure still represented only 1% per year of the total unorganized and was insufficient to offset the gross outflow of members from workplace closure and contractions, redundancies, new free-riders and derecognitions. And in 2003 the numbers newly organized by successful recognition campaigns fell sharply.

Since New Labour came to power in 1997 the hostile forces of the 1980s and 1990s have largely evaporated. Public sector employment is rising, the state is at worst neutral in its dealings with unions and has also established, for example, recognition machinery, a national minimum wage and various family friendly initiatives. Almost 3 million non-union workers say they would be likely to join if there was a union at their workplace. And the union movement generated a raft of initiatives aimed at their revitalization. Despite all this, membership is now the same as it was in 1997 and density has fallen two percentage points.

One plausible explanation for this paradox is as follows. When unions were powerful they pursued their 'monopoly face' in manufacturing, mining, utilities and the public sector and they largely ignored the significant groups of low paid workers who suffered the worst inequalities in power and conditions. Subsequently, that monopoly face has mostly disappeared so there is less incentive for such workers to belong to a union. Simultaneously state initiatives displaced many of the collective voice and sword of justice activities including promoting better grievance procedures, enhanced rights for part-time workers, limits on working time, better parental leave and the national minimum wage. In addition both the voice and monopoly faces of unions have been supplanted by the largely unremarked huge expansion in occupational licensing and certification, again a state initiative.

In the longer run, the new EU Directive on Information and Consultation may be an important influence on unions' futures. It establishes, for the first time, permanent and general arrangements for information and consultation for all workers in the UK in organizations employing more than 50 employees and will cover three quarters of the British labour force by 2007. The tough job for unions is to build on these schemes and to maintain and expand their role within them such that they are seen as the legitimate voice representing employees. Although evidence from France and Germany suggests that a union presence complements these arrangements and makes them more effective union density remains low in those countries so perhaps, instead, this indirect voice institution crowds out a union voice.

4. Summary and Conclusions - continued

Finally, it is worth re-emphasising the numbers. For the first three years of the new millennium the organizing rate was at a twenty-year high of some 150,000 workers a year newly recognized of whom perhaps 100,000 are or become union members - approximately equal to 0.4% of employees. Assume that the net depreciation of density from closures and lost appetite for membership is 2% (in fact it was larger than this in the 1980s and 1990s). In such circumstances - remember the organizing figure is probably overgenerous and the depreciation rate understated - steady state union density is 20% ($= 0.4/2$), implying private sector density of around 12%. The future for private sector unionization is bleak indeed. Perdition is more likely than resurgence.

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A fuller version of this pamphlet, with a complete list of references, is available as WP1235e from http://cep.lse.ac.uk/people/cv/david_metcalf.pdf.

Appendix - Stocks, Flows and Steady State Union Membership

Stocks and flows of union membership

Union membership is a function of changes in existing membership and investment in organizing activity. The following identity relates these flows to the membership stock:

$$\text{UNION (t)} = \text{UNION (t-1)} - r \text{ UNION (t-1)} + \text{NEW (t)}$$

UNION is the number of union members in a given year t

-r is the rate of change of membership due to changes in employment in organized establishments. It can, in principle, be positive or negative, but it is likely to be negative reflecting the closure or contraction of union workplaces, the growth in the number of free riders, and the fact that new establishments tend to be born "non-union".

NEW is the number of new members obtained via new organization of workplaces (net of any members lost because of derecognitions). It should be recalled that this number is substantially lower than the number of workers newly covered by collective bargaining: approximately 60% of newly covered employees become/are union members.

Consider an example:

if there are 7 million union members in 2003

and employment in unionized workplaces falls 2% 2003-04

and 150,000 workers are newly organized 2003-04 of whom two thirds are union members

then union membership in 2004 is:

$$= 7 \text{ million} - 0.02 (7 \text{ million}) + 150,000 (.67)$$

$$= 6.96 \text{ million}$$

On the basis of these reasonable assumptions, even the 2000-02 peak organizing effort in the last quarter century is insufficient to forestall a decline in membership.

Steady state union membership

The identity above can be manipulated to indicate the steady state rate of union density:

$$\text{UNION DENSITY} = \% \text{ NEW} / (r + g)$$

% NEW is workers newly organized who are union members as a percentage of the total number of employees

g is the growth rate of total employment

- (r + g) is the net rate of depreciation or appreciation of union density reflecting closures, lost appetite for membership etc

Appendix - Stocks, Flows and Steady State Union Membership - continued

Consider an example:

Assume 150,000 workers pa are newly organized of whom 100,000 are/become union members, approximately equal to 0.4% of employees. This is the peak organizing rate since 1980.

Assume the net depreciation of density is 2% p.a., (it was more than this in the 1980s and 1990s)

Then steady state union density is:

$$0.4 / 2 = 20\%$$

For further details of the method and assumptions behind these calculations see e.g. Farber and Western (2001) and Freeman (1988).

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