Collective bargaining: Lessons from abroad

The latest annual trade union membership statistics, released by the Department of Business, Innovation and Skills in April, show that union density and collective bargaining coverage have once again fallen. Less than 31% of workers were covered by a collective agreement in 2010, which is down 2% on the previous year and 5% lower than a decade ago. Over the past year, coverage in the private sector fell from 18% to 17%, and in the public sector from 68% to 64.5%. This means that across both sectors, fewer workers are now covered by collective bargaining than at any time since the Second World War.

These developments continue a trend that began over three decades ago. The mainstream media and politicians alike seized upon the large-scale industrial disputes of the 1970s and 1980s (such as the Wapping dispute) to tarnish the political image of unions and, by extension, collective bargaining, from which both institutions are still suffering. While unions have found it more difficult to maintain collective agreements in a more internationally competitive economic environment, it is clear that changes in employment law are a key factor explaining the declining levels of coverage. The premise of the Conservative government reforms of the 1980s and 1990s was that unions and collective bargaining were holding back the British economy, and that greater managerial prerogative over employment relations and the organisation of work would lead to growth.

To be sure, these assumptions were scrutinised at the time, but in hindsight they seemed to be seriously misplaced. The weakening of unions has not resulted in higher productivity, and falling real wages following the decline of collective bargaining has stifled economic demand in recent years. Nonetheless, similar arguments were used to attack collective bargaining and union rights in other countries, such as the United States and Australia. But this has not been the case in Scandinavia and a number of Western European countries such as Belgium, where very high numbers of workers continue to be covered by collective bargaining, which retains considerable support across the political spectrum. A key reason for this is that collective bargaining is widely acknowledged in these countries, including among centre-right parties and employer groups, as producing significant economic benefits, particularly in helping their industries to remain competitive. Collective bargaining coverage (like union membership) remains at enviably high levels in these countries, and has in fact increased in recent years at a time when bargaining coverage has fallen elsewhere.

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How can unions build a political case for collective bargaining? Look North

What lessons can British unions take from these countries? High collective bargaining coverage is one of the reasons why the Scandinavian countries have among the highest levels of income equality in the world. The ‘social case’ for collective bargaining is well established, and is acknowledged by international bodies such as the OECD and the ILO. One study found that more ‘inclusive’ employment relations systems with high levels of employment protection and collective bargaining coverage, such as those found in Scandinavia, produce greater wage equality across the workforce, higher job quality and greater opportunities for career and skills development and in-work learning. By contrast, countries with more ‘market’ based systems with lower collective bargaining coverage and weaker and more individualised protections for workers, such as Britain, tend to perform much worse on these measures. Indeed, the decline of collective bargaining coverage in Britain has been singled-out as a key reason for rising inequality over the past three decades. The number of workers that were classified as ‘low-paid’ (i.e. earning less than two-thirds of the median income) was 13% in 1979 when collective bargaining coverage was near its peak, but has since risen to 22%.

While unions can point to the social benefits of collective bargaining, the economic case is more complicated. But it is on this point where the Scandinavian examples are most informative. Various studies on the economic impact of collective bargaining have produced rather mixed findings, with many claiming that it can actually worsen unemployment and inflation. However, there is considerable agreement within the academic community that highly ‘coordinated’ systems of collective bargaining have a more positive impact than ‘uncoordinated’ or ‘fragmented’ systems. In other words, it is not how many or how few workers are covered by collective agreements, but rather the extent to which bargaining is coordinated, that matters most in assessing whether collective bargaining systems have a positive or negative macroeconomic impact. This is important if unions want to make a political case for extending collective bargaining coverage across the workforce.
‘Coordination’ is the buzzword

So for British unions wanting to know how their Northern European counterparts have managed to retain wide support for collective bargaining, ‘coordination’ is the buzzword. But what does this mean exactly? In contrast to the fragmented bargaining systems of Britain and the US, coordinated systems are those that link bargaining outcomes at the workplace level to clear industry and nation-wide goals. For instance, the coordination of different company-level agreements across an industry to create collective commitments to training can help to improve skills across whole industries and prevent firms from poaching skilled workers from each another. Industry-wide coordination that removes certain labour conditions from competition can also prevent firms from engaging in a race to the bottom on standards, and national coordination to standardise union wage claims can reduce the prospect of inflation. While there are various ways that coordination can operate, the most common way is to integrate collective bargaining arrangements at various levels in an economy, such as by linking agreements made at higher levels with workplace agreements.

A coordinated system of collective bargaining has never been properly developed in Britain. The system was fragmented and patchy even during the 1960s and 1970s when bargaining coverage was high. Some agreements covered whole industries, while others only covered a handful of workers in a single workplace, and the process was not tied to broader industry-wide and national policy goals. It was this lack of coordination that led to leaptfrogging and inflationary wage rises during the ‘winter of discontent’ in the late 1970s, which provided the Conservatives with ammunition to claim that unions were hurting the economy. The key lesson for unions from this period is that a higher degree of bargaining coordination probably would not have produced these outcomes.

Coordinated collective bargaining:
A key reason why Scandinavian unions remain strong

There are many different ways that collective bargaining can be coordinated. Coordination exists in countries where collective bargaining is decentralised and takes place mainly at the company level, such as Japan, or in the more centralised systems of Scandinavia, which are based on national and industry-wide agreements. In all cases, coordination requires unions to integrate their local bargaining strategies and demands across companies and worksites, which therefore make organisation at the national or industry level necessary.

This does not mean that power is taken away from union activists or officials at the workplace level. To the contrary, strong workplace activism is required for coordination to be effective. Scandinavian countries such as Denmark and Sweden are perhaps the best examples of coordinated bargaining underpinned by strong and organised unions at the workplace level. Unions in these countries are powerful for various reasons, including the statutory role they play in administering unemployment insurance, but coordinated bargaining strategies also contribute to their strength.

In 1994, the OECD said that labour market deregulation was the best way for countries to reduce unemployment. However, the OECD revised...
its recommendations in 2006 after the Scandinavian countries showed that highly coordinated collective bargaining systems and active trade unions could actually produce strong economic performance and jobs growth (essentially the opposite of what the OECD had originally prescribed).  

Collective bargaining in Sweden

Sweden has one of the most open trade regimes in the developed world, meaning that its firms face significant competition from abroad. While globalisation has been used as an excuse to cut labour costs and weaken unions in many countries such as Britain, a coordinated collective bargaining system has in fact enabled Sweden to maintain its position as a highly successful manufacturing economy. This is seen in the way that Swedish firms have used collective bargaining as a way to improve productivity and modernise production with the consent of the workforce.

Although decision-making over collective bargaining is highly centralised within the Swedish Trade Union Confederation, local union activism is stronger than in many countries, which has helped Swedish unions maintain high membership density (around 68% according to the latest figures). Strong and effective links between local and national levels help to coordinate collective bargaining and maintain strength across all levels of union organisation.

The agreements reached by unions and employers at an industry level set the parameters that local level union and management representatives must negotiate within when developing agreements over work and production issues specific to their companies. There is often scope for local flexibility over pay and performance-based rewards to be negotiated within the general principles reached through industry agreements. Bargaining takes place in a rather lengthy but highly consensual manner, which unions and workers support because the process focuses squarely on improving job quality through the frequent redesign of work and production practices. Employers support this process because it allows change to be negotiated and new competencies to be developed to improve competitiveness consensually and with minimal conflict. The Swedish case shows that collective bargaining can help developed economies to compete on the basis of quality and high-value added products, rather than engaging in futile competition in low-road markets with producers in developing countries that will always have an advantage on labour costs.  

The Danish model

Like Sweden, the Danish model of collective bargaining is quite centralised and highly coordinated, but this has not led to rigid labour markets or work practices. On the contrary, a World Bank survey found Denmark to have the most flexible labour market in the world. Denmark has long been a trading economy and open markets are one of its hallmarks. Coordination between the unions, employers and the state through collective bargaining and other mechanisms has been a key factor enabling the Danish economy to adapt to external pressures and thereby become one of the world’s most prosperous countries. This system coexists with the ‘flexicurity model’, which makes it comparatively easy for employers to hire and fire workers, but a generous system of unemployment benefits and social protections help to reduce the economic pain of unemployment for workers.

Collective bargaining in Denmark is coordinated in the sense that agreements between employers and unions at the industry level set the terms for company level negotiations. The enterprise bargaining process allows unions and employers to make trade-offs over provisions in the industry agreements around pay, working hours and other arrangements. For instance, industry agreements specify the ways that the pay flexibility systems operate, but pay itself is determined through enterprise agreements, and the shop steward must approve any changes in a company’s pay systems.

Negotiations over working time provide a good example of how collective bargaining is coordinated across the local and national levels. A few years ago, the national union and employer federations established an agreement to reduce the standard working week from 39 to 37 hours. Greater flexibility over working time arrangements was agreed between managers and unions at the
company level in exchange for this reduction. The coordination of bargaining in this manner effectively operates as a form of flexicurity. Employers can tailor enterprise agreements to meet their specific requirements with the consent of the union, but the basic principles and conditions of agreements established at the national or industry levels cannot be breached.

While effective coordination under this system requires some authority resting in the national and industry-level unions, the power of local unions is not compromised. Shop stewards represent around 80 per cent of Danish workers, and the existence of a strong shop stewards network makes for an active system of independent, union-based worker representation. Furthermore, collective agreements are enforceable by law, giving shop stewards a prominent role in ensuring that employers abide by them.  

Coordination in Britain: What can be done?

The ‘single employer model’ of employment law in Britain makes it hard for unions to replicate the Swedish and Danish systems, at least for the time being. Unions in this country seeking to push for policy reform to make multi-employer bargaining easier might wish to study and invoke the Scandinavian models. But what can be done in the here and now? The advances made around union learning in recent years suggests that this may be one area where unions in Britain can hope to develop more coordinated collective bargaining arrangements.

Union learning: A collective bargaining growth area?

British unions have always had a keen interest and involvement in workplace training and skills, but this work has become significantly more important since the creation of unionlearn and union learning representatives, and could be one way for revitalising collective bargaining more generally. This is particularly the case because training (or learning) is one area where unions are broadly acknowledged to ‘add value’. Historically, Britain’s performance on workplace skills has been much weaker than other developed economies such as Denmark. The reluctance of employers and governments to make industry-wide agreements compulsory partly explains this, which has also had the effect of deterring employers from investing in learning (because of worries about poaching).

The under-‘utilisation’ of skills seems to be another major problem. While the last Labour government focused considerable energy and investment in skills (especially basic skills), some commentators saw its policies as limited because they did not pay enough attention to matching the skills that workers possessed with the skills that employers required. Union-led learning could potentially address this issue because of its joint focus on improving workers’ skills in a way that helps the skill needs of both employees and their employers. Indeed, one recent study claimed that because unionised workers have higher training and lower turnover rates than non-unionised workers, the success of unions in moving union-led learning to workplace bargaining agendas could address skills gaps and thereby help to solve problems relating to skills utilisation.

Another recent study of union learning agreements by academics at the Leeds University Business School seems to support these suggestions. It found...
that learning agreements are ‘consistently associated with higher levels of reported learning and business outcomes’, with positive results for workers, employers and unions. As well as delivering learning opportunities to workers that they otherwise may not have received, a very high proportion of employers reported that union learning had a positive impact on workplace performance and skill gaps. The study also found that unions are increasingly using learning as an issue for recruitment and organising, and to broaden the collective bargaining dialogue with employers.10

The Leeds study showed that employers are more receptive to attempts by unions to bargain over workplace learning because it seems to be helping to address their skill needs. The growth of learning as a core area of union activity was highlighted in a recent internal unionlearn survey, which found that around 10% of all full-time officers are now involved in learning, around twice as many as a decade ago. Union learning therefore appears to be an area of great potential for collective bargaining, and could possibly even help to address some of Britain’s broader skills problems. Aside from learning, unions could use their local knowledge to meet employer and industry needs in other areas, such as green workplaces and the development of industrial clusters, among others, as ways of expanding their collective bargaining agendas.

Report from the roundtable on the Future of Collective Representation

Union officials, academics, and representatives from organisations such as Acas gathered at Congress House on 23 March for a roundtable on the Future of Collective Representation, where they dissected the challenges and opportunities for unions and collective employment relations in the current economic and political climate. Here is an overview of the papers presented.

Collective employment relations – Past, present and future

William Brown of the University of Cambridge began proceedings in the first session by discussing the reasons why collective bargaining has declined in recent decades. He said that growing economic pressures, such as greater international market competition and privatisation in the public sector, are the most important factors explaining this decline. While the growing power of large companies has placed further pressure on collective bargaining, unions can potentially use the vulnerability of these companies to reputational risk as a strategy for organising their supply chains.

Lionel Fulton of the Labour Research Department then looked at the lessons that can be learned from developments abroad. He said that while bargaining coverage and union membership is higher across Western Europe than in Britain, more union-friendly laws and arrangements in these countries goes a long way to explaining this gap. For instance, the central role that unions play in administering unemployment insurance in Scandinavia and Belgium gives workers an additional incentive to join. In fact, problems with low membership among younger, women and migrant workers has prompted unions in many European states to develop American and British-style organising strategies.

Paul Nowak from the TUC gave the next presentation on the current state of play in collective bargaining. While much attention is currently focused on employment relations in the public sector, he emphasised that the low levels of bargaining coverage in the private sector was making it increasingly difficult for unionised companies to maintain collective agreements, which is a major challenge for the union movement as a whole. These developments, along with the ineffectiveness of the statutory recognition procedure, mean that unions need to consider new strategies for extending collective bargaining, such as by using the Information and Consultation of Employees Regulations and international framework agreements.

Heather Wakefield from UNISON finished the opening session by speaking about the pressures on collective bargaining in the public sector. She said that the Coalition government’s attempts to weaken bargaining structures in education, health and local government, along with the abolition of the Two-Tier Code, would lead to growing fragmentation of pay and conditions across the public sector. Dealing with local rather than national bargaining, and making sure that equal pay in not undermined, will be the two greatest challenges for unions following
the looming decentralisation of public sector bargaining.

**The challenges of a fragmented workforce**

Damian Grimshaw from the Manchester Business School began the second session with a presentation on the challenges posed by the rise of low-paid work, which remains persistently high despite the introduction of the national minimum wage. He argued that unions using collective bargaining to ensure the pay rates of all workers – not just the low-paid – rise in line with adjustments in the minimum wage would help to improve the situation. Experience from the EU also suggests that binding requirements, such as through stronger collective bargaining and procurement laws, would be a more effective way of offsetting low pay.

Peter Harwood from Acas then followed by talking about the impact of social media on workplace conflict and employment relations. The rise of social media websites and handheld devices makes it far easier to engage and communicate with workers than previously. This presents great opportunities for unions, but also considerable challenges. Social media is increasingly the subject of workplace discipline, and was used to coordinate unofficial action during the Lindsay oil refinery dispute in 2009. This case highlights that unions need to be more proactive in their use of social media, because otherwise the role of shop stewards as the primary source of workplace information and support could be undermined.

Edmund Heery from the Cardiff Business School rounded off the session with a presentation on the growth of non-union forms of worker representation and participation, such as those supported by employment law and sponsored by employers and civil society organisations. All of these alternative forms have grown following the decline in union membership, but they tend to sit alongside unions, rather than replace them altogether. He said this was particularly the case with civil society organisations. While some unions may perceive civil society organisations as encroaching on their territory, there is considerable scope for cooperation between the two groups around coalition formation, resource sharing and capacity building, all of which that can help their joint efforts in representing workers.

**Innovative union strategies**

During the third session, Steve Murphy from UCATT spoke about the difficulties of collective bargaining in the building construction industry, where many different companies generally operate on major sites. UCATT has tried to promote ‘framework agreements’ in response to this, which cover all companies on site and make large contractors responsible for ensuring that their subcontractors comply with the terms of the agreement. These large contractors risk losing commercial contracts with their clients if they fail to enforce framework agreements within their supply chain, thereby helping to protect the workers engaged by subcontractors that are often not covered by collective agreements. This strategy shows the potential for using procurement as a device for extending collective bargaining to marginal sections of the workforce.

Maria Koumenta of Oxford Brookes University then presented her research on occupational regulation bodies, which are becoming increasingly common across the workforce. Occupation regulation means that workers have to be legally licensed, or certified or accredited by a professional body, in order to perform the tasks associated with a particular job. This represents a possible threat to unions because the licensing wage premium is noticeably higher than the union wage premium, and the largest areas of membership growth for certification and accreditation bodies is among younger workers, among whom union membership is very low. Unions need to become more aware about the growth of occupational regulation, and perhaps consider how they can move into this area.

Annie Watson, the Ethical Trading Initiative (ETI) Trade Union Coordinator, then spoke about how corporate codes can be used to influence good labour practices. She focused on the work of the ETI, an alliance of unions, civil society organisations and member companies that scrutinises the activities of member companies and their suppliers to ensure that decent labour standards are implemented. Unite’s use of the ETI to influence the practices of suppliers to the retail sector shows that unions can use the ETI and similar mechanisms effectively as part of their organising strategies.
Alan Bogg from the University of Oxford and Keith Ewing of King’s College London gave the last presentation in this session on legal strategies for supporting collective bargaining. They argued that the miniscule number of statutory recognition applications in recent years shows that the legal model for statutory recognition is flawed, essentially because it fails to acknowledge that employers can intimidate workers from showing active support for unions. Unions need to push for stronger ‘fair practice’ bargaining obligations and, more importantly, for legal reforms that would allow industry-wide and multi-employer collective agreements to be established more easily.

The future of collective representation

The day ended with a panel discussion, in which Frances O’Grady of the TUC said that the government’s cuts to public services would replicate many of the problems of private sector collective bargaining in the public sector. Outsourcing will result in a growth of peripheral industries with low bargaining coverage and poor labour standards, and rising low pay and income inequality is a real possibility. She said that the TUC would seek to rectify the terms of public debate by continuing to champion the interests of wage earners.

John Kelly of Birkbeck, University of London then argued that unions face a challenge in demonstrating the benefits of collective bargaining to employers. However, there is potential for unions to promote skills development and professional standards in this respect, because the low-wage, low-skill business models that are currently widespread create numerous problems for the British economy. Unions should also need to think harder about how employers can be organised, because employers will continue to resist union organising drives unless they are forced to think about their own interests collectively.

Robert Taylor, the author and journalist, finished the day’s proceedings by suggesting various ways for British unions to regain social relevance. They can promote themselves as champions of the public sphere and ‘the good society’ in response to the attacks on public spending, and follow the example of Swedish unions by persuading British firms that being international models of good labour practice can give them a competitive advantage. He also claimed that British unions must modernise their structures and connect better with workers’ occupational identities, collaborate more with civil society organisations, and link together with union movements abroad to create international alliances and bargaining agendas. The TUC should take the lead role in guiding the union movement towards these ends by creating a common approach and language that appeals to the collective challenges faced by all workers across society.

Journals round-up

Each research bulletin contains an overview of interesting articles in the recent issues of the top employment relations journals. In this issue, we review articles on the effectiveness of union versus non-union workplaces representatives, an assessment of the partnership agenda, the ‘political organising’ strategies developed by unions in Australia, and the prospects for a global labour movement.

The more positive role of union representatives compared with non-union representatives in helping to resolve workplace disputes and protect worker interests are the key findings of an article in the Industrial Relations Journal. Using case study research to examine the role and impact of employee representatives in disciplinary proceedings, the authors find that autonomy from management and greater dispute resolution skills and expertise allowed union representatives to play more constructive roles than non-union representatives, who tended to lack experience and a proper understanding of their role. Managers in union-recognised workplaces generally felt that union representatives helped ensure that disciplinary hearings operated in a more procedurally fair and efficient manner than might otherwise be the case. However, these outcomes were dependent on the existence of high-trust relationships between union representatives and managers.

Peter Samuel and Nicolas Bacon use a comprehensive analysis of the contents of partnership agreements to give an assessment of the partnership agenda in an article in *Work, Employment and Society*. The Blair government used the principle of mutual gains through cooperation between workers and managers to encourage unions to sign voluntary partnership agreements with employers. This approach assumed that cooperation would produce more efficient working practices and improved financial performance, which firms would then share with employees through greater job security and better wages and conditions. The article finds that most of these agreements were in fact ‘substantively hollow’, as they tended to trade guaranteed union involvement in managerial decisions for a commitment to work towards the company’s success. As such, the agreements did not facilitate a comprehensive exchange of better employment conditions for greater flexibility, as supporters of the partnership agenda hoped. But equally, partnership agreements were not mechanisms for employer dominance over employee interests, as many of its critics predicted. The authors conclude that in contrast to the ‘voluntarist’ partnership model pursued in Britain, ‘social partnership in several northern continental European countries was not the outcome of enlightened consensus, but followed from decisive state action and the imposition of legal obligations on employers to consult and bargain with worker representatives. Without such coercion, the Third Way has not materialised in British industrial relations’.


An article in the *British Journal of Industrial Relations* looks at the ‘political organising’ strategies adopted by Australian unions during the 2007 federal election campaign. The years prior to the election saw a comprehensive overhaul of employment law by the incumbent conservative government, with the explicit aim of crippling unions and removing worker protections. These changes, along with sharp falls in union membership and weakened links with the Labor Party, meant that the industrial and political strategies that Australian unions had traditionally relied upon were not available. The union campaign against the workplace reforms instead centred on mobilising swing voters against the conservatives through a mainstream media campaign, organising national demonstrations, mobilising union members through their workplaces and communities, and a strategic targeting of marginal constituencies. As an analysis of post-election polling shows, the political organising strategy adopted by the unions was the decisive factor shaping the outcome of the election, at which the conservatives were defeated. This leads the authors to conclude that ‘a smaller, but well organised, union movement can still influence the course of public opinion, labour politics and industrial relations’.

*Shaun Wilson and Benjamin Spies-Butcher, ‘When labour makes a difference: Union mobilization and the 2007 federal election in Australia’, British Journal of Industrial Relations, 2011, volume 49, issue supplement s2, pages s306-s331*

While globalisation is widely thought to weaken organised labour, it also presents many opportunities for counter-mobilisation that could help create a global labour movement, according to Peter Evans in the *Global Labour Journal*. He acknowledges the challenges for unions posed by the opening of markets and the power of global corporations, but claims that the spread of mass digital communication has helped to bridge cultural and geographical gaps and created networks between local and national labour activists, with the growth of international labour rights also making it easier for unions to build a common agenda at a transnational level. There have been many failed efforts to create global labour alliances in the past, but the recent formation of the International Trade Union Confederation and the reform of global union federations have been promising developments. Although they lack sufficient resources, the support of these international bodies has helped unions at a local and national level to achieve wins that would have been more difficult otherwise. The article argues that labour organisations need to adopt more flexible structures and ways of working for the vision of a resilient global labour movement to be realised. In this respect, alliances should be
strengthened with transnational civil society organisations, and between labour movements in the developed and developing worlds, to organise global corporations from both ends of the supply chain. The globalisation of labour activism therefore depends ‘not on the success of any single organisational form or strategy, but on the ability of the movement to interconnect different forms in strategically effective ways’.


Notes
4. For instance, see OECD, Employment Outlook, 2004 (OECD: Paris), pages 151-152
5. OECD, Employment Outlook, 2006 (OECD: Paris), pages 80-88

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The Unions, Collective Bargaining and Employment Relations project is jointly funded by the Trades Union Congress and the Economic and Social Research Council