



Bargaining **for** Productivity

National Report, UNITED KINGDOM

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Executive summary

The UK stands apart from other G7 countries, and indeed the rest of Europe, with its low levels of productivity. The current Conservative Government have attempted to address these concerns through the introduction of a “strong” industrial policy. Despite such an attempt to strengthen the UK’s productivity, this policy has been met with criticism. Trade unions and professional bodies alike have criticised the policy for lacking infrastructure and investment to translate the policy into improved productivity outcomes. In this context, this project investigates productivity bargaining in the UK in four sectors, manufacturing (automotive), retail, hospitality and healthcare. In each of these four sectors, four areas were investigated, pay and reward, voice and participation, skills and work organisation and inclusion and diversity. Drawing on results from qualitative interviews with social partners in each sector the results show little attention paid to productivity in the UK.

The main finding of this national report is an employer preoccupation with lowering unit cost and the dominance of the financialisation agenda. Across the sectors, pay and reward practices mainly revolve around either performance based pay or seniority pay. We found little evidence of voice and participation, as there are low levels of trade union membership with the exception of healthcare, and a narrow scope with non-union employee participation. Working conditions are generally not covered by collective bargaining, with the exception of healthcare and the automotive sector. In the automotive company where we undertook the research, there was a high level of involvement and commitment, particularly from core workers, but this mainly focused on quality enhancement and incremental innovation. This is a Japanese inspired type of management which is more common for the sector and has also its impact on other sectors.

Social partners in each sector reported a lack of investment in skills. Although a lack of skills and skilling initiatives have been reported widely, employers seem to be more concerned to deploy a short-term strategy and rather attract employees with bonuses if needed rather than develop and implement long-term investment.

Inclusion and diversity initiatives mainly focused on gender related issues, but were usually reactive rather than proactive. In general, such strategies were not core to the business and their impact was limited, in most cases. Inclusion and diversity actions were mostly driven by the business agenda rather than social justice rationale. In particular, organisational change for the long term was rare.

The report concludes, therefore, that productivity does not play an important role in the UK. Productivity, however, is very relevant for the UK and has potential to lead to change

in the workplace, but the nature and impact of productivity is often contested at this level. Decentralised collective bargaining within this liberal market economy has led to workplaces with weak unions and a management preoccupation with lowering unit costs. Healthcare stands apart in this respect with its multi-union, nationally determined terms and conditions. Yet despite this more European model of collective bargaining, the sector still experiences a lack of investment in skills, a preoccupation with unit cost and limited attention to inclusion and diversity.

Section 1.

Productivity and the agenda of industrial relations

In June 2016 a referendum was held, which is now known as the Brexit-referendum. As a consequence the Prime Minister, Theresa May, called a General Election on 8th June 2017, to possibly have a broader support for the negotiations with the EU in the future. In the perspective of a post-Brexit economy, inflation levels went up to 2.3%, mainly caused by the low level of the Pound Sterling. A concern is the persistently low productivity of the UK's workforce in comparison to equivalent European and North American economies. This relatively low productivity is, despite rapidly falling unemployment, down from its post-crisis peak of 2.66 million. A more nuanced analysis of the UK's apparent recovery suggests that the figures mask the following tendencies:

- wage suppression;
- employment growth in low wage, low skill, low value-added sectors, often with precarious conditions of work;
- economic growth that can be attributed more to rising property prices and consumer spending rather than more productive workplaces.

In terms of seeking to leverage productivity through collective industrial relations, the UK has not had de facto co-ordinated productivity bargaining since the economic and industrial crises of the 1970s. This can be seen as evidence of the emergence of the UK in the light of the neoliberal turn as a liberal market economy (LME) (see the essays collected in Hall & Soskice 2001). LMEs are counterpoised with the coordinated market economies (CMEs) of Northern Europe (e.g. Germany), and more ambiguously with France and Italy.

The collapse of UK productivity bargaining from the 1970s onwards can be attributed *inter alia* to the following principal tendencies:

- the historically *laissez faire* and voluntarist code of UK collective bargaining and industrial relations more generally;
- profound shifts in the nature of UK industrial and economic policies from 1979 associated with Thatcherite neoliberalism and associated rapid deindustrialisation;
- the marginalisation and decline of the trade union movement both in terms of membership and influence in line with both broad global trends and in the face of a hostile government;
- the decentralisation and localisation of collective bargaining.

In terms of the state's role in supporting workplace performance, a post-1979 ideological aversion by both Conservative and Labour administrations – in rhetorical terms at least – to prescription and direct intervention in industrial relations means that the Department for Business, Innovation and Skills (BIS) has only adopted an advisory and signposting stance when encouraging productivity enhancement. The Ministry mainly focuses on implementing policy seeking to increase labour flexibility, like through zero-hour contracts, under the assumption being that a precarious workforce is a productive one. The improvement of skills is mainly left to the employers who may invest in key sectors and leave others untouched.

With regard to unions, in the 1980s the Conservative Thatcher administration ambivalently enacted legislative measures to curtail trade union activity, particularly militancy. This statement is not to say that union presence in workplaces was destroyed, but bargaining coverage has also contracted, as has the scope of the agenda, due in part to concession bargaining strategies by unions in certain sectors. Both Conservative and Labour governments have provided grants for trade union modernisation and to support the union lifelong learning agenda whereby unions can facilitate and bargain for vocational training. Otherwise, the union movement – and by implication collective bargaining – are afforded no formal role in strategies for productivity improvement at the national or sectoral levels.

However, the endurance of collective bargaining in certain sectors means that at a lower level, company or plant level, productivity and performance imperatives are on the bargaining agenda or play a role in day-to-day politics at the shop floor. Also other aspects of the work organisation, impacted by and directed towards the enhancement of productivity, play a role. It is our suggestion at this stage that these productivity imperatives will be manifest in outcomes that tend to be viewed through a HRM lens. Four salient dimensions of workforce management activity that are considered to have a central impact on performance.

1. *Employee reward*: pay and conditions, and how management and unions can negotiate pay (or otherwise) outcomes as a means of encouraging performance
2. *Participation and involvement*: frameworks and patterns of worker involvement in workplace decision making, at various levels of the firm, to produce performance outcomes. This might range from information and consultation to more direct forms of participation in terms of finance and voice.
3. *Skills and work organisation*: particularly in the age of the so-called knowledge economy, how managers and unions negotiate enhanced skills and capacity through work systems.
4. *Inclusion and diversity*: optimising labour market utilisation through including hitherto marginalised and under-utilised groups such as women, particular ethnic groups, disabled people and older workers.

As hinted at earlier, these dimensions have a different emphasis in the UK than on the continent. Before elaborating on this, we will explain in more detail the changes that have taken place where productivity has been moved from the agenda at national level and became more relevant, although implicitly, at the agenda of shop floor politics.

Section 2.

The political economy of productivity in the UK: the after war period

For over three decades the UK has presented something of an enigma to economists with persistently low levels of productivity seemingly coexisting with phases of relatively healthy economic growth. Like in other European countries the economy went through a period of relative stable development with multi-employers agreements led by the overarching aim to create a steady growth and full employment. Differently from many continental countries, however, this policy objective was meant to be achieved within the voluntary system of employment relations with a lower degree of government intervention. The implication for the power relations between social partners is an enhanced bargaining power of employees and trade unions (Kelly 2013). At the same time, employers of especially big companies were content to have a low level of legal regulation and deal with trade unions in case of conflict resolution even if this would mean unions would have extensive rights. Negotiations of collective bargaining were, like in many other countries across Europe, aiming at common objectives of full employment and keeping low inflation levels. This system of late Fordism, where production was regulated by the conditions of mass production and strongly integrated collective relationships was pursued during the thirty years of high growth of the economy ('les trente glorieuses'). A major element of such a Fordist system of coordinated, multi-employer collective bargaining is 'joint consultation' as the support from both sides of the employment relationship would be the basis to achieve macro-level objectives – even if the state would stay out of the voluntarist employee relationships (Clegg, Chester 1953; Hall, Purcell 2012). Nevertheless, Marsh (1992) believed that the 1960s and 1970s could be looked upon as a period with a strong political role for trade unions and involvement with government policy (as mentioned in Salamon 2003, 179). The role of multi-employer collective bargaining declined, however, steadily during the after-war period. While 60% of private sector employees were covered by multi-employer agreements, this decreased to 35% by 1970 and dropped further to only 10% in 1990, which implied even the disappearance of a basis for a two-tier agreement (Brown et al., 1995). In the breaking up of multi-employer agreements, the withdrawal of larger organisations played a major role. The background of this decentralisation has been primarily the strategy of management to meet the demands in the global market with the introduction of increased levels of flexibility (Salamon 2003a, 356).

Productivity levels were low compared with competitors like the USA and the major economies across Europe and many commentators linked the low levels of productivity growth to the system of employment relations, which led to the large-scale negotiated reforms of collective bargaining between 1968 and the late 1970s. The failure of such attempts and the strong resistance of trade unions, who were still powerful, led the way to the intervention by the government under Prime Minister Margaret Thatcher (Kelly 2013, 171).

1. Decentralisation of collective bargaining

At the end of the 1960s problems with productivity were increasingly more conceptualised as a problem with employment relations, which therefore needed reform (Waddington 2016). The *Donovan Commission* was established as a committee of experts to research the roots of the malaise, which would be behind the image of the UK being ‘the sick man of Europe’. The report published in 1968 identified the system of two-tier collective bargaining in most private industries. The formalised system of industry-level agreements provided the minimum level of pay for organisation-level bargaining where unions were strong and employers were willing to pay more in case of labour market conditions that were favourable for employees. Then, what was labelled ‘wage drift’, resulted from bargaining on top of and above the rate set at the national level was perceived as a major factor leading to high inflation levels, the control of which was actually a core macro policy objective (Salamon 2003a, 355). The Donovan report did, however, not put the blame – at least not exclusively – on trade unions and the way they would promote under-employment by applying rules of demarcation and protective measures to protect employees in certain jobs. In the analysis, senior management were held responsible for neglecting industrial relations issues and allowing foremen and supervisors to enter into covert and cosy deals with shop floor representatives (Nolan, O’Donnell 1995, 408).

The recommendation of the *Donovan Commission* report was a continuation of the voluntary system with some adjustment. It concluded that there was a tension between the formalised system of collective bargaining at the sectoral level and the more informal system of bargaining at the plant level of a company. The ‘custom and practice’ at the workplace with management and shops stewards having a relative degree of autonomy could not easily be replaced by a more centralised system which would meet resistance from both trade unions and employers. Adapting policies at the sectoral level to the plant level would not be an option as informal rights were a strong element of the decentralised system of employment relations in the UK (Donovan Report 1968). The report recommended rather to integrate shop stewards in the collective bargaining system and formalise procedures in order to promote more comprehensive factory agreements, which

meant, *de facto*, a formalisation of informal customs at decentral level (Nolan, O'Donnell 1995, 408).

As an offspring from the Donovan report a permanent Commission of Industrial Relations was established, which helped to formalise negotiation and disputes procedures, to formalise the role of shop stewards, rationalise pay systems and introduce new arrangements for discipline and dismissals. These proposals changed part of the scenery of industrial relations, with the attempt to join the European Economic Community. At the time trade unions became also more cautious about 'free collective bargaining'. Another factor was the increasing activity of a growing number of multinationals making a comparison with overseas practices of industrial relations more common (Hyman 1995, 47).

From the period of the end of the 1960s it became clear that a strong coordination was not and, maybe, could not be achieved. A policy of 'planned growth of incomes' – led by the wish to keep inflation low, having a low public expenditure and high performance – was also from the side of Labour looked upon as being tolerable rather than being supported (Hyman 1995, 42-43). The preoccupation with productivity, hinted at above, and the lack of competitiveness as the main issue for macro policies, was, however, projected by British industry itself first of all as caused by industrial relations arrangements. The main themes addressed in this context were the high level of strikes, the strong trade union power and restrictive practices with hiring and employing employees.

Hyman (1995) points to the logic that low paid workers would try to increase their earnings through overtime – a rather common practice in manufacturing, which was behind a high level of labour costs. Also a high degree of job control could be beneficial to earn a higher wage through piecework bargaining (pp. 45-46).

Nolan and Walsh (1995, 69-70) show how the UK became a low labour cost economy with low wages and low productivity when compared with the US and other European countries. This clearly shows how causes and strategies are intertwined at various levels of analysis: the macro-level, company-level, plant-level and that of the individual employee.

2. Collective bargaining and productivity: the Fawley case and beyond

The relationship between collective bargaining, the influence and power of trade unions and productivity has never been a straightforward, clear-cut causal relationship and will therefore always be contested. Pencavel (1977), for example, considered the growth of unionism in the coal industry as contributing to the decline of output as 'a totally unionized coal field produces some 22 percent less output than a completely ununionized coal field' (p. 145). This view has increasingly become more the dominant one underlying Thatcherism in the 1980s and thereafter the Blair period of government. For some, the

lack of involvement and a weak trade union movement could be looked upon as leading to disinvestment, or postponement in research and development, and a road to low-skilled labour with low wages. To point at the restrictive role of trade unions with regard to job demarcations and the disruptive practices with high strike frequencies is therefore at the least biased, if not misleading. Some argue, therefore, that the low-cost economy led, in the 1960s and 1970s, to a disinvestment in human capital and training (Nolan, Walsh 1995, 80). In effect, research in the car industry shows that the low levels of pay in the industry made it less attractive for manufacturers to invest in capital intensive methods (Nolan, O'Donnell 1995, 411). In fact the low cost of labour was a barrier to the disappearance of inefficient firms. Although this does not exclude a possible effect from industrial relations on performance it shows again the need to look at the demand side of the labour market. This is also a strong argument for an analysis of the current situation of the economy where there may be the need for a stronger wage-led economy with more incentives to industry for innovation and wage growth and, particularly, more equality between various jobs and job-levels (see Kleinknecht 2015).

In this context the 'Fawley case' of the Esso Fawley refinery stands out with its objective to increase productivity levels. As the first productivity agreement, laid down in what was called the 'Blue Book', it was an historic productivity agreement. It implied the introduction of changes in pay systems and work arrangements. In 1962 subsequent agreements followed this route to productivity enhancement (McKersie, Hunter 1973, 7). The measures meant a package deal, where a strong link was made between working methods and changes in pay and working conditions. This was not a one way management intervention in order to further optimise and rationalise production methods, but the outcome of a long term oriented process of collective bargaining of which the agreement was the formal confirmation.

In line with the changes taking place in industrial relations the agreements were negotiated at plant-level; different from the industry-wide agreements that were more common until then (*ibid.*). The way the agreement worked resembled a partnership agreement as it was guided by common objectives of management and trade unions where pay became closely linked to productivity (-increase).

The outcomes of the agreements were interpreted by McKersie and Hunter (1973) primarily as perceived in terms of employment relations, the equality of treatment, protection of earning and also as a vehicle of employee participation. This could support the introduction of new technology and the move away from the craft system that was more dominant than in other industrialised economies. In many studies on productivity levels a lack of technology is mentioned as a factor that hinders productivity. At the time the strength of trade unions in the decentralised system of industrial relations delayed the adoption and diffusion of new technology.

Ahlstrand (1990) carried out a later study on the Fawley case fifteen years after Flanders (1964). He sheds a different light on the changes that took place with the productivity agreement. Participation was, in his view, limited to restrictive autonomy for workers,

which was not meaningful and effective participation. More importantly, the objectives of higher productivity were not evidenced. Rather it became clear that productivity bargaining had established itself as a fixture of the Fawley management culture. As is often the case with a specific organisation's culture there were employees acting as storytellers when they referred back to the Blue Book. Beside this question of actual impact of the agreement on productivity levels, there is a clear motivation behind this and other productivity agreements at the time. The Esso experiment addressed explicitly an industrial relations problem that was more general and symptomatic for the British industry, low productivity levels and enduring high levels of overtime work combined with low wages. The content of the Blue Book focused first of all on what was called the productivity package – to create more flexibility in the workplace and to change overtime and ‘unproductive hours,’ the consolidation of pay rates to a limited number of shift grades – and the systematic attack on overtime to a very limited percentage of the formal working hours. The company offered, in return, large increases of pay as much as up to forty percent. Working hours went down to forty hours a week and the company guaranteed no redundancies as this was crucial to guarantee job security and, hence, to create a level of support and build up some trust with employees (McKersie, Hunter 1973, 37-8).

The outcome of the agreement is overall seen as positive, although there was some resistance from shop stewards. Trade unions could point to the increase of pay levels and the shortening of working hours, while management could decrease some slack in the work organisation increasing flexibility and decreasing the rigidities of job demarcations that were most common. Ahlstrand questions the last point stating that, in the case that management was convinced about the effectiveness of the programme: why then was the agreement followed up with further agreements? In line with the argument of Fox (1974) it could be argued that the bureaucratisation that went with the implementation with the first and later agreement was a sign of lack of trust among the management (Ahlstrand 1990, 87-8).

In the 1960s there was an increasing number of productivity-type agreements, as mentioned by McKersie and Hunter (1973), implemented in different sectors like manufacturing, utilities and communication, with the highest numbers in the chemical industry (p. 45). With the new Labour Government that came into power towards the end of the 1960s a new wave of agreements came in as part of the income policy that the Government adopted to control prices and incomes in order to combat high inflation during that period. The productivity agreements were meant to determine wage increases by improvements of productivity and demanding essentially more adaptability from the employees (*ibid.*: 57). The analysis on data on the second wave of productivity agreements shows a stronger emphasis on the quantity of work and working methods, hence the rationalisation objective of productivity agreements and the increasing control of the management by introducing job evaluation schemes etc. (*ibid.*: 75-7). The same authors point to the key role of bargaining structures that are more decentralised.

Productivity agreements could only work when they refer to the plant-level where the main problems of productivity levels were identified. In some cases, like the printing industry, it was, however, not only about the hierarchical level of bargaining, but also about horizontal forces. In the printing sector the implementation of the productivity agreement led to an overall increase of unit labour costs of 2 percent (*ibid.*: 260-3).

In the 1980s there was a next phase of productivity agreements at the Fawley plant. In 1981 management came with an extensive and persuasive communication stating the plant badly needed organisational change, preventing the diversion of funds and projects to other refineries that would be more efficient across Europe. The overarching aim was more outspoken here on manning levels, the increase of flexibility, for example taking more duties on with regard to maintenance, and, at the same time, a shortening of the training period (Ahlstrand 1990, 149-50). It should be no surprise that the implementation of this productivity agreement, as it was not so much the outcome of a productivity 'social partnership', would meet more resistance. After some delay and renegotiations with the union TGWU there was a downsizing of the employment, but other aspects, like the flexibility aimed for, were not rewarded by the union. Ahlstrand (1990) concludes that the productivity bargaining, even taking the objectives formulated in the agreements, was not very successful or, as a front line supervisor put it "I can't really identify a single positive effect of any of the productivity deals. If I was forced to think about one, I'd say they gave me formal approval to do some things I was already doing in the yard anyway" (*ibid.*, 159).

Although the agenda on industrial relations and productivity became less prominent, the problem of labour productivity did not disappear. On the contrary, it is fair to state that productivity in the UK is in crisis.

Section 3.

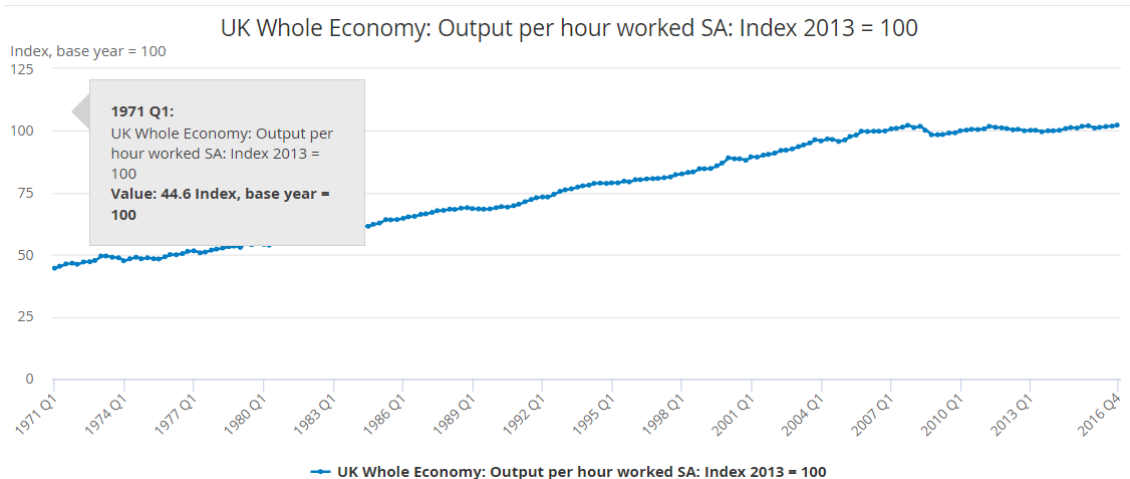
Overview on labour productivity developments

UK productivity is 19% points lower than the other G7¹ countries (Harari 2017). Historically, UK productivity increased approximately 2% each year, however, since the recession growth has stalled (Harari 2017). Such a stagnation is unheard of in the post war period (Elliot 2015), and poor productivity has blighted the UK for decades (Sisson 2014).

In the 10 years prior to the 2008/9 recession UK productivity (calculated as gross value added (real terms) divided by total number of hours worked in the economy) was growing at around 2% per year (Harari 2017). The recession saw a sharp decrease in productivity where output fell faster than hours worked (Harari 2017).

The graph below shows whole economy productivity from 1971.

Figure 1: Whole economy productivity

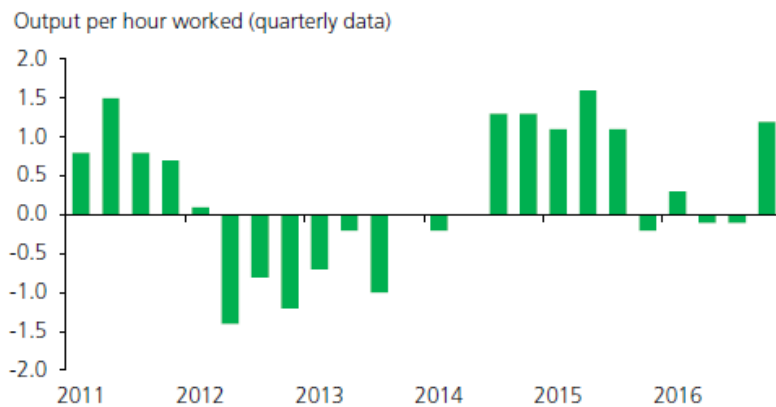


Source: ONS 2017

What is overt from this graph is the relatively flat level of productivity since the recession, which is in contrast to the relative growth in previous decades (Harari 2017). These changes are demonstrated in the graph below:

¹ United States, Canada, France, Germany, Italy, Japan, and the United Kingdom.

Figure 2: Productivity growth annual % change



Source: Harari 2017, 6

Figure (3) shows fluctuations in the output of labour per hour worked, with a sharp decline during the financial crisis and a considerable improvement of labour productivity only since around 2016:

Figure 3: Output per hour worked



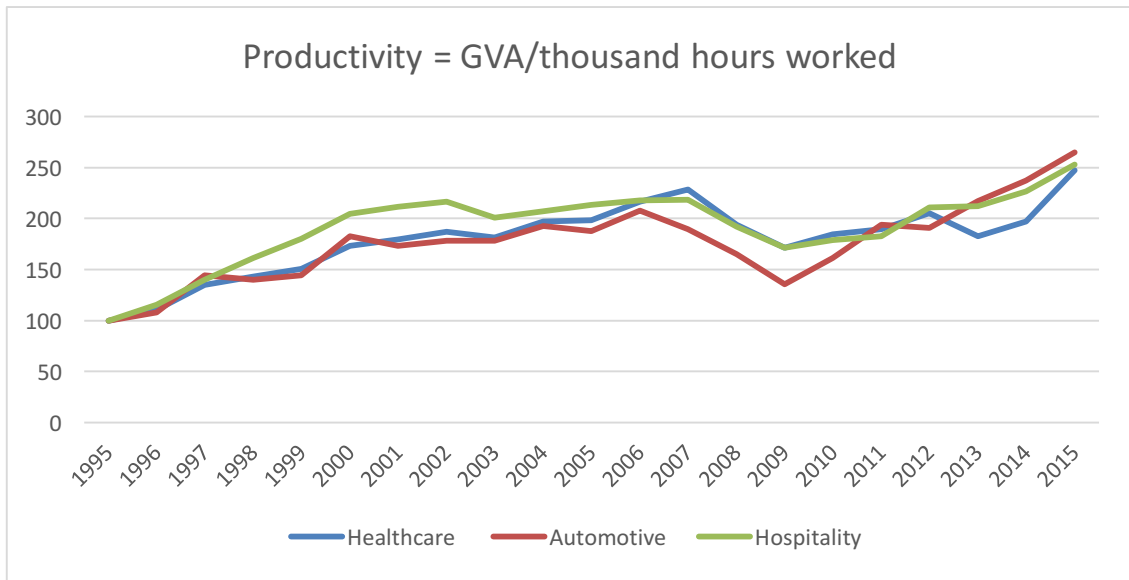
Source: Harari, 2017, 7

Before the recession the manufacturing and service sectors saw productivity rises every year from 1997 and over the period since then average levels have fluctuated but have not changed structurally (Harari 2017). After the recession, productivity in the manufacturing sector has seen stronger growth than the service sector (Harari 2017), see figure 3 above.

Although there are various complicating factors of measuring labour productivity, particularly when attempts are made to isolate it from the impact of technology and strategic factors, in the following a comparison will be made of productivity figures for

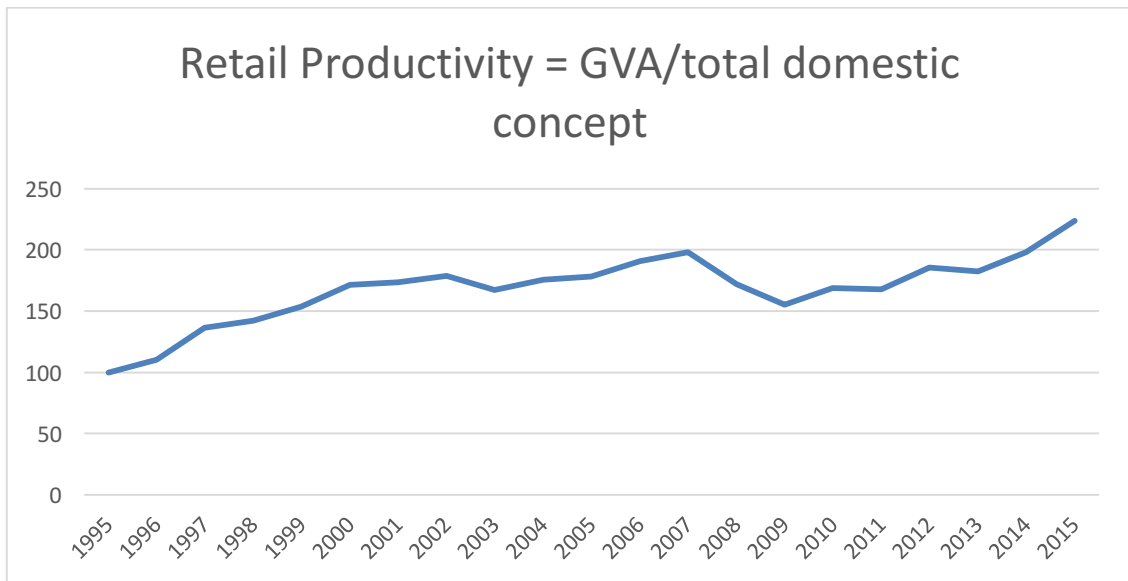
the sectors examined in this project. Productivity has been calculated as GVA/thousand hours worked. The data has then been placed at a base year of 1995.

Figure 4: Productivity per thousand hours worked



Source: WERU on OECD

Figure 4 clearly shows that all sectors dipped in the recession with the automotive sector experiencing the largest decline. The hospitality sector saw the strongest growth in the period 1995-2001 but this rate of growth was not maintained. All sectors have recovered to above pre-recession levels. Reliable data for thousand hours worked in not available for retail. Therefore, productivity for retail has been calculated using total domestic concept.

Figure 5: Retail Productivity

Source: WERU on OECD

Figure 5 shows productivity developments in the retail sector. Again this sector saw a slump as a result of the recession. Growth post-recession has been somewhat slow, with pre-recession levels being reached in 2014.

In assessing productivity developments in the UK it is pertinent to examine the four areas focused on in this report.

1. Pay and Reward

Pay levels are not only determined by supply and demand in the labour market, but above all by productivity changes. Increases of productivity create higher levels of prosperity, which enables employers to pay more and enables unions to demand higher wage levels. Although the divide between wages and profits may highlight opposing interests of employers and workers productivity growth is, therefore, common ground. Since 1980s the UK has seen a dramatic decline in trade unionism and collective bargaining agreements and in the late 1990s the vast majority of employees working in the private sector had their pay determined by management rather than by trade unions (Brown et al. 2002). Many authors (Godard, Delaney 2000; Machin, Wood 2005) have signalled that the decline in trade union influence, in the UK and elsewhere, coincides with an increase in the use of human resource management practices (HRM) as a new form of work organisation. Some argue that competitive pressures led managers to rethink and adopt new policies and strategies aimed at enhancing competitiveness, there has been a shift away from the job control model of unions to employer practices focused on cooperation

and participation (Kochan et al. 1986). Such practices involve flexible work, cross-training, team work, different forms of performance-based pay and formal employee participation among others. These practices form what some authors call the high performance work systems (HPWS) and they argue that they should be adopted comprehensively in the workplace in order to increase firm performance (Huselid 1995; MacDuffie 1995). Although researchers have argued that unions can play an important role in the adoption of HRM practices (Marshall 1992; Cook 1994), advocates of HPWS view management as the primary actor in the employment relationship and see the adoption of appropriate managerial practices as a way of producing gains for employees and employers, suggesting a less salient role for collective bargaining (Godard, Delaney 2000, 485). Guest (1989, 48) points out that organizations pursuing HRM practices are more likely to prefer a non-union environment and will emphasize individual rather than collective agreements.

In high performance work systems great emphasis is placed on incentive pay systems to enhance motivation and performance in organisations (Holmstrom, Milgrom 1994; Ichniowski et al. 1997). Wood and Albanese (1995) demonstrated in their study that the adoption of merit pay, among other HRM practices associated with high performance work systems, increased in their sample of 132 manufacturing plants in the UK between 1986 and 1990. Others found similar results in the analysis of the British Workplace Employee Relations Survey of 1998 and showed the rise of certain kinds of pay systems associated with HPWS (Millward et al. 2000). Wood (1996) examined the link between HRM practices and unionism in manufacturing industries in the UK and found no difference in the take up of high performance practices between unionized and non-unionized workplaces. However, the author found that appraisal and merit pay are more likely to be used in non-unionized workplaces and the rate of change to HPWS between 1986 and 1990 was also greater in non-unionized workplaces.

Machin and Wood (2005, 205) argue that practices that are more likely to comprise alternatives to unions are those that can replace bargaining and voice roles. Individualized pay determination, such as merit or performance-related pay, and methods of communication to give workers a direct voice could, in theory, avoid the need for union involvement. However, the authors point out that these practices are unlikely to offer an alternative to unions. Pay awards for instance, may be subject to management bias, something that unions have historically tried to prevent. In their study, Machin and Wood (2005) test the link between HRM and unionization using bargaining and voice practices. They used data from the British Workplace Industrial/Employee Relations Surveys between 1980 and 1998 to found longitudinal changes in the union-HRM relationship. They concluded that HRM practices have not substituted unions in the workplaces and moreover, they found no greater adoption of HRM practices in non-union workplaces than unionized ones.

Another study (Arrowsmith et al. 2008) examined the relationship between the retreat of collective bargaining in the private sector in the UK and growing emphasis on variable

pay systems (VPS). Variable pay systems are identified as bonuses, including payment by results, merit pay or performance-related pay based on appraisals and profit-related pay, where employees share in the business success. Data from the 2004 Workplace Employment Relations Survey (WERS) shows an increase in VPS from 20% in 1998 to 32% in 2004 and at the same time the proportion of workplaces covered by collective bargaining continued to decline. The authors investigated the use of such pay practices in banking and machinery and equipment industries and found that variable pay, in its different forms, operates at more levels in the banking companies, whereas machinery and equipment companies operated more collective forms of variable pay, such as profit-related pay. They found that collective bargaining can embrace variable pay systems through negotiations in basic pay increases to at least match the cost of living. In the machinery and equipment companies unions responded with preferences for objective rather than subjective measures of performance and were not necessarily opposed to VPS, as some schemes may improve company viability and consequently employment security. Arrowsmith et al. (2008, 3) conclude that the introduction of variable pay systems has not undermined collective bargaining, since its focus is on delivering inflation-based increases in pay. Nevertheless, the proportion of employee earnings determined without collective bargaining has grown in these sectors.

Pay practices have generated much interest in the academic literature in the past decades and have been embraced by many organizations in the private sector, as well as in parts of the public sector in the UK. Nevertheless, many of these incentive systems are concerned with levels of human application or input, rather than productivity outputs. Further research is needed to investigate how these pay practices are used to negotiate meaningful ways to increase productivity and performance in the workplace.

2. Employee Participation and Voice

Employee participation is often justified by psychological arguments, like the increase of motivation, commitment and loyalty as the main HR aspects, or moral and ideological aspects, like the striving for economic democracy and equality with regard to decision making, but there is also a strong case for the economic impact it may have. According to Levine and Tyson (1990) there is often a positive, but however small effect on productivity. The size and significance of the effect is according to them mainly contingent on the type of participation and on other aspects of the IR system in which the organisation operates (p. 183). Employee participation can be organised through quality circles and process improvement to decision making and the complex issue of the establishment of democracy, either through trade unions and works councils as form of indirect participation or by having a financial stake in the company or through direct ownership of corporations (co-operatives).

Empirical studies, like Addison and Belfield (2001), draw the conclusion that participation indeed improves the quality and efficiency of the use of company facilities, which is even more strongly the case with the introduction of new technology. In such a case, there is evidence of the acceptance of the new technology leading to a better use of it (see for evidence on the printing industry: Veersma 1992). Especially in the UK, there is a rise in the incidence and impact of various forms of employee participation, including non-union representation. All such forms of participation may have impact at various levels of the organisation: the shop floor, department, or plant- and company-level (for an overview see Strauss 1998). Again, employee participation could impact productivity in various ways. Motivation and satisfaction of employees, as possible outcomes of participation, will, most likely, impact levels of productivity, but, most directly, participation through input from employees may lead to improvements in the organisation, like through the improvement of the quality of decisions, as was found in earlier research on employee participation across European countries (Wilpert 1998, 62). Similar outcomes of research are found with the EPOC study, carried out by the European Foundation for the Improvement of Living and Working Conditions (Sisson 2000).

In cases of social partnership, often built as a construct to fight economic threats – be it at the sectoral level or the company level – concession bargaining may be the driver. Such partnership schemes, with trade unions or other employee representatives involved such as works councils or Joint Consultative Committees, usually have an objective to cut costs and raise productivity levels. Productivity should however not be looked upon in isolation as an objective leading to improvements for all stakeholders. Productivity is often an overall aim for the improvement of the operating of an organisation with possible diverging effects on the interests of various stakeholders. Actually, for the employee interests to be served best having voice is the first requirement to enable a more balanced and equally divided share of the gains of the organisation.

When looking at the impact of forms of employee participation, it is especially relevant to look at the reciprocal interaction between participation channels. Indeed, the issue of interaction between various channels of participation, like also with the operating of trade unions and collective bargaining, is an important one. MacDuffie (1995) points at the interaction effects that can be found between various human resource practices when looking at their impact at firm level. Similar effects can possibly be found between various forms of employee participation, like between major elements of modern HR and employee relations as elements of ‘bundles of HR practices’ and the role and impact of actors in more traditional industrial relations.

3. Skills

Trade Unions have used the learning and skills agenda as a way of recruiting and organising members and strengthening their presence in workplaces (Heyes, Stuart 1998).

Involvement in training was a crucial part of union's bargaining position during the 1980s when the Conservative Government introduced legislation that suppressed trade union rights to take collective action in the form of strikes and further isolated them by reducing involvement in policy making and, in some cases, the derecognition of recognised Unions in the workplace (the Employment Act 1982 and the Trade Union Act 1984). The Trade Union Congress (TUC) continued the development of Unions as actors in the learning agenda through their Bargaining for Skills programme in the early 1990s (Wallis et al. 2005), which was an attempt to not only address the lack of investment in training and development (Dundon, Eva, 1998), but also to reconsider collective bargaining approaches through the skills agenda (*ibid.*). This was then followed by the New Labour Government in 1997 committing to the Lifelong Learning Agenda, with the development of National Advisory Group for Continuing Education and Lifelong Learning (NAGCELL), the Skills Task Force (STF) and the Skills Alliance (*ibid.*). The introduction of these organisations opened the door for Unions to work in partnership with employers to identify and offer training opportunities for employees (including trade union members), enhanced further by the establishment of the Union learning Fund (ULF) in 1998 to support learning initiatives led by Unions in workplaces. The TUC report the link between the ULF and a positive economic impact:

Workers who take part in training are likely to earn higher wages and are more likely to be in employment as a result of gaining qualifications. For the individuals who took part in union-led learning or training through ULF15, these benefits amounted to £470 million from higher wages and £110m as a result of being more likely to be in employment – a total of £580m. The net benefit to employers resulting from the greater productivity of a better skilled workforce (minus any output lost as a result of working time taken to engage in learning through the ULF) is estimated at £336m (TUC 2016a:6).

The positioning of Trade Unions as serious players in the skilling of workers was legitimised by the statutory recognition of Union Learning Reps (ULRs) in 2002. According to the Advisory, Conciliation and Arbitration Service (ACAS), there are currently 28,000 ULRs in UK workplaces (ACAS 2017). The role of the ULR is to provide union members with advice and guidance about learning opportunities (as well as indirectly promoting the benefits of union membership to non-members). Often that role is extended to include organising learning events in the workplace and negotiating with employers. According to Wallis et al., the Government, see ULRs as “a mechanism to raise employee demand for learning and support and complement employer workforce development strategies” (2005, 286), although it is worth noting that ULRs do not have the statutory right to be involved in consultation and bargaining for learning. This omission appears to be contradictory to evaluations by the Government on the success of the ULR/employer relationship; Munro and Rainbird note that “training must be viewed in the broader context of the employment relationship” (2004, 3).

4. Inclusion and Diversity

The relationship between trade unions and equality can be summarised in several key themes: a historical neglect of equality, an increase of diverse trade union members, an increase in equality bargaining but few supportive structures to secure equality bargaining outcomes resulting in current uneven success at moving the equality agenda forward.

With trade union membership becoming more diverse, the need for equality issues to be on bargaining agenda is more prevalent than ever. The TUC Equality Audit states that 55% of union members are women, black/black British workers make up the highest group of workers in terms of union density while stats on LGBT and disability are incomplete as only 51% of unions ask members about disability status and 44% ask about LGBT status (TUC, 2014).

Historically, trade unions were accused of failing to represent the interests of a large proportion of their members and have been slow to respond to take action on equality issues (Colgan, Ledwith 2002; Milner 2017). Colling and Dickens (2001) report that collective bargaining agreements often formalised and extended tacit discrimination in the trade union movement. Currently, unions attempt to address equality issues but their success has been uneven and patchy (Bacon and Hoque, 2012; Milner 2017).

In response to poor equality outcomes in unions, separate trade union groups were organised to represent minorities; self-organization. Self-organising created a separate space in trade unions for union members to organise on the basis of their shared characteristics. Humphrey (1998), believes these groups have failed to thrive. Other scholars argue that these groups have been a success and allowed minority groups to bring issues of specific concern onto the union agenda (see Colgan, Ledwith 2002); Parker 2002).

Today literature points to a turnaround in the equality agenda of unions. Colgan and Ledwith (2002) report three causes for a turnaround in equality issues in unions. The first factor is the change of composition of union membership. They state that the presence of black, disabled and LGBT members pushing for change in UK union cultures, agendas and structures has resulted in equality being taken more seriously (Bradley et al. 2000; Colgan, Ledwith 2002). Secondly, the presence of equality activists has pushed forward change which has improved equality representation. Thirdly, an acknowledgement that trade unions are historically inept with regard to equality and that there is democratic deficit in trade union structures has led to an improvement in equality (Colgan, Ledwith 2002).

A further potential source of turnaround in equality issues in trade unions is equality bargaining. Equality bargaining, as coined by Dickens (1989), amounts to the collective negotiation of issues that are of interest to women or measures that will facilitate gender equality. This concept of equality bargaining is still widely used today but must move

beyond the idea of gender to encapsulate other protected characteristics under the Equality Act 2010, such as race, disability and sexual orientation.

The coverage and outcomes of equality bargaining are particularly patchy, with research stating that equality bargaining is affected by the recession (Briskin 2014) where economic concerns take precedent over equality issues (TUC, 2016b). One example is the Communication Workers Union (CWU) there are reports that management see equality as an easy target in harsh economic climates (Milner, Gregory 2014). Union structure itself can affect equality bargaining. For example Milner and Gregory (2014) exhort the importance of who is involved in bargaining as a determinant of whether gender equality gets to the bargaining table; if women are bargaining then equality bargaining is more likely to occur, known as representational democracy (Briskin 2014; Blaschke 2015). Other important factors that facilitate effective equality bargaining are centralized bargaining systems; high bargaining coverage and union density, democratic structures, feminists in the union movement and legislation that is supportive (Briskin 2014; Williamson 2012). One pertinent example of equality bargaining arose as a result of equal pay claims in Leeds City Council in 2009. Bin men were faced with a salary decrease of £4,500 due to an equal pay review which placed them at the same skill level as catering and canteen staff who earned £4,500 less. As result strikes ensued and the case closed with Leeds City Council dropping the pay cuts and instead engaging in productivity agreements (Oliver et al. 2014).

Under the Labour government the Unions Modernisations Fund (UMF) was introduced which created a role for an equality representative. Currently, 22% of unions have provision for general equality rep in their rule book, while many other unions encourage this role on a volunteer basis (TUC 2016b). Equality representatives are union officials who are trained to deal with equality issues. Despite this novel role, the success of the equality reps is uneven. Many report having little time to devote to equality issues as they are simultaneously working in other union roles and as they are not entitled to paid time off to carry out their roles, they are highly pressured (Bacon, Hoque 2012).

Alongside the need for equality bargaining and equality reps is the necessity to focus on the role of the business case for equality. Often it is the presence of a business case for equality that gets equality onto the bargaining table. Equality measures are taken in response to the idea that equality will serve organisational interests, rather than just address social fairness or comply with the law (Colling, Dickens 1998). In particular, a study of diversity management in HPWS found that diversity practices were correlated with higher labour productivity, innovation and a reduction in employee turnover (Armstrong et al. 2010).

The three key themes of a historical neglect of equality, an increase of diverse trade union members, and an increase in equality bargaining but few supportive structures to secure equality bargaining outcomes, resulting in current uneven success at moving the equality agenda forward, point to a difficult environment in which to secure equality gains. It is

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likely, therefore, that in each of the four sectors equality will be marginalised due to austerity and economic pressure.

Section 4.

Analysis of economic and legal policies on labour productivity

The productivity enigma has become particularly noticeable since the economic and financial crisis of 2008 onwards whereby the Conservative dominated Governments have pursued a programme of fiscal austerity while giving encouragement – explicit and tacit – for wage suppression for both public and private sector workers. In the public sector, the logic has been clear: that ‘necessary’ restraint on public expenditure means restraint on wages. In the private sector, where in the absence of any co-ordinated industrial or labour market policy, the Government has little power to intervene. However, the continuing (relatively) poor productivity statistics have apparently given mandate to private sector employers to suppress wages below inflation with the logic that poor output does not justify higher pay.

In response to such productivity problems, the Conservative government, under Theresa May, has promoted a ‘strong’ industrial policy at the heart of its economic policies (Harari 2017). The Government strongly links increased productivity to the UK’s overall prosperity and a rise in living standards (Harari 2017). Earlier, in 2015, the Government also noted that weak productivity needed to be addressed in its productivity plan *Fixing the Foundations: Creating a More Prosperous Britain*. The plan includes a two pronged approach of improvement in long term investment and the creation of a dynamic economy (HM Treasury 2015). Opposition parties criticised this plan based on the notion that skills, investment and infrastructure are not in place to enable a rise in productivity. To put it differently, people are already working hard, but the infrastructure to turn their hard work into high productivity is absent. The Labour opposition stated that, to address this issue, a more radical productivity plan is needed (Harari 2017). Indeed the Business, Innovation and Skills Select Committee agreed that the new Conservative plan was a summary of existing policies rather than a new plan (Business Innovation and Skills Committee 2016). Employers Associations, such as the Confederation of British Industry (CBI), are supportive of the plan and value the commitment from the Conservatives to deliver the plan based on the reduction in corporation tax (Harari 2017). In contrast, the trade union movement has been critical of the plans stating that the Government has failed to address long term underinvestment. In a similar vein the Chartered Institute of Personnel Development reported that there are insufficient measures to support skill development (Harari 2017). The response of Unite, a large general union, points to the need of a

collaboration between all partners to solve the UK's productivity problem where unions are representative of millions of employees (Earls 2015).

Rather than developing a long term strategy for the workforce, the Government's commitment to austerity is suffocating productivity (Earls 2015). The TUC (2015) reports that productivity is weak in the UK due to demand being weakened by austerity, which has been made worsened by insecure household income in the UK. There has been a rise in insecure employment such as zero hour contracts and fixed term contracts (Brinkley 2013). In fact there has been increased competition for jobs in the lower half of the market as a result of increasingly stringent welfare to work regimes and the amount of workers whose wages are determined by collective bargaining agreements has fallen (Forth 2014). The solution to the productivity puzzle, as promoted by the TUC, IMF and OECD, is an increase in demand, which is not possible in an environment of austerity (TUC 2015). Sisson (2014) argues a similar case where instead of employees working longer hours, the focus should be on employees working smarter. The UK's proportion of workers who work more than 48 hours a week is already one of the highest in Europe.

Smarter working, taking advantage of training and investment is, however, less likely to occur in an economy of austerity. Contrary to the findings of and Sisson (2014), national policies are more in favour of a managerialist agenda of austerity and financialisation rather than building support among actors of industrial relations to encourage a broader skill development and building trust. The last mentioned can only be found as far as European level policies are concerned.

The most pertinent areas of this type of legislation is ICE Regulations. After the Directive on European Works Councils (EWC) the European Council of Ministers accepted another piece of legislation on works councils: the ICE (Information and Consultation of Employees) (Directive 2002/14/EC). This created the first legislation impacting national level employment relations as a framework of statutory rights for employees to be informed and consulted by their employer on key issues affecting the workplace and the work organisation. The legislation was introduced in the UK on 6th April 2005 for companies with over 150 employees and by 2008 it covered organisations with over 50 employees. This is, like the Directive on EWCs, another milestone in the spread of legislation on the right of information and consultation, reflecting the emphasis of the European institutions to develop social dialogue as the dominant way of decision making. The legislation was much slower to be introduced in the UK than in other member states of the EU. Employers, organised by the CBI, had always been most opposed to both pieces of legislation. Before the Directive on EWCs was adopted they claimed that it would slow down decision making and it would harm employment relations as it would be more likely to disrupt relations between the employer and employees as trade unions would have a say on policy making of business. With regard to the ICE regulation the CBI held similar opinions and they feared it could be damaging for business. The TUC was strongly in favour of the new legislation and lobbied the Government for it to be implemented. The Government at the time (formed by Labour) however did not seem to

view information and consultation as a priority. The implementation of it was far more flexible than in other countries and shows more signs of the voluntary tradition of British employment relations and left a large degree of flexibility to what could be considered the operating of works councils – what originally would be the blueprint for ICE regulatory bodies. Although in most member states employees are involved in triggering the setting up of a works council, in the UK there is a mechanism which prescribes that at least 10 percent of the employees have to formally request the rights of information and consultation. The regulation would also allow pre-existing arrangements to continue as long as they are approved by employees – like the voluntary agreements according to Article 13 with the Directive of EWCs. Employers who do not follow the regulations could be fined by the Employment Appeal Tribunal to a maximum of £ 75,000.

In practice, works councils do not operate across the UK – certainly not when compared to works councils like they operate across the continent not only having more extensive rights, but also having more a reputation and gaining much more recognition from employers who value their input into decision making and their contribution to employment relations in general. Trade unions deal with ICE in different ways and often they would act as a local branch of the trade union and in many cases bodies of information and consultation are labelled Joint Consultative Committees (JCCs), which means they would not have real voice and would be less representative regarding employees than most works councils across the Continent. It will be no surprise that trade unions would be rather sceptical of the value of works councils as they could be a threat to their position (Hall, Purcell 2012). Social partnership is, therefore, not involved with practical experiences of ICE and the 10 per cent threshold would also act against a further dissemination of works councils (IPA 2015). Hall et al. (2015) conclude that there would be a problem with the sustainability or embeddedness of JCCs despite the ICE regulations. Van Wanrooy et al. (2013) found on the basis of the WERS data only 13 per cent of workplaces to which ICE would be applicable had JCCs in 2011 (p. 61). In sum, the implementation of ICE regulation across the UK has been patchy, not well supported and, if in place, is very limited in terms of decision making and power sharing to say the least.

The second piece of relevant legislation is the Trade Union Act 2016, which is driven by the urge of Government to restrict the potential of trade unions. The Trade Union Act received royal assent in May 2016 and was hotly contested by trade unions across the country. The main impact of the Trade Union Act 2016 will be to reduce trade unions' capacity to take industrial action. Importantly, in order for a strike to be classed as legal two conditions must be met. Firstly, a minimum of 50% of members entitled to vote must vote in the strike ballot and secondly if the strike is to take place in an important public service industry then additional criteria exists. In this situation at least 40% of those members who voted must be in favour of the strike action (HM Government 2016).

While the TUC managed to negotiate a number of changes to the proposed bill, the passage of the Bill is still seen a direct challenge to the power of workers to take industrial

action (Moss 2016). The Act allows, for example, for employers to hire agency workers in the event of a strike, which was banned in the UK since 1973. Importantly, the notice an employer needs prior to a strike has been doubled from 7 days to 14 days. This increased notice period allows an employer more time to hire agency workers. While proponents of the Act say it protects the UK economy and workers from undemocratic industrial action (BBC 2015), others believe it has been introduced to weaken trade unions and the Labour Party (The Guardian 2016).

Methodology

This research is based upon four descriptive and evaluative case studies, one in each industry in the UK; automotive, healthcare, hospitality and retail (see table 1).

Table 1: Sample composition

Industry	Automotive	Healthcare	Hospitality	Retail
	Mid-skilled Mixed Capital- Labour intensive	Mid-skilled Labour intensive	Low-skilled Labour intensive	Low-skilled Labour intensive
Organizations				
	Multinational with large manufacturing plant in the UK	National Health Service	Largest operator of hotels, restaurants and coffee shops in the UK	British multinational grocery and general merchandise retailer

The initial stage of the research included secondary data analysis. Firstly, an academic literature review was conducted which explored productivity and the way in which productivity agreements have impacted employment relations and shop floor management in the past decades. Secondly, legislation and public policies that impacted upon productivity were analysed. The focus of the analysis of legislation and public policy documents was on employee participation, strategies of government and social partners regarding skilling, diversity and inclusion and pay. The combination of legislative, public policy and academic literature analysis resulted in in-depth knowledge of the context and historical background of the current situation with regard to productivity.

The project included primary data collection in the four sectors detailed above. The cases studied form a purposive sample and four key themes were explored. In each sector

background documents were analysed but existence and availability of collective agreements was limited, therefore the project could not include a content analysis of these documents. Next a selection was made of companies or organisations where relevant data can be obtained with regard to productivity and the way in which it is impacted by social partners. In each sector one or two organisations were chosen to interview social partners, management, HR and employees. The selection of respondents was slightly different between the various organisations as the nature of the organisations permits different actors to be more dominant impacting the productivity agenda.

In total, nine interviews were conducted with HR, employers and trade union representatives. The research team in the UK developed a semi-structured interview schedule with pay and reward, organisation and skills, voice and participation and inclusion and diversity as the core topics of the research interview. In practice, the focus of the interview could be different depending on the role and position of the respondent and the type of information they could provide. Interviews took place between March 2017 and May 2017; they lasted between 60 and 90 minutes and were recorded with the consent of participants. Field notes were produced after each interview to identify emerging themes. The cases were transcribed in a standardized format eliciting common or conflicting experiences. After transcription the interviews were subject to complete coding and codes were organised into primary and secondary themes. These themes were then used to ascertain the role of the social partners, labour productivity and collective bargaining. Occasionally, divergent narratives could be found where information was further verified and complemented so the analysis would represent varying views and experiences.

The methodology adhered to the Social Research Association Ethical Guidelines based on voluntary participation; informed consent; confidentiality and anonymity.

Part A.

The Retail Sector

Articulation of collective bargaining – Multi-employer or sectoral bargaining - has become something of a rarity in the private sector of the UK labour market, where union membership density and collective bargaining (CB) coverage have fallen to a low level (Emery 2015). CB at sectoral level in retail ceased in the late 1980's and it now occurs only at company level in a minority of enterprises. Union density in the retail sector is 12.7% and the percentage of employees' pay affected by collective agreement is 15.6% – figures include wholesale and retail trade, repair of motor vehicles and motorcycles, (Department for Business Innovation & Skills, 2016).

The retail sector has a predominance of small businesses, a high percentage of women and young workers, extensive part-time work and low wages. These trends also explain the traditional low trade union density in the sector in many countries and the weakness of collective bargaining in terms of effective regulation of employment conditions (Caprile 2004).

This section presents a case study of Tesco, a large British multinational grocery and general merchandise retailer employing just over 335,000 people in the UK. The collective agreement is a single-company, single-union agreement between Tesco and Usdaw, the main union for retail workers. The Usdaw-Tesco 'partnership agreement' was launched in 1998 and is the largest private sector agreement in the UK. Usdaw is the sole union recognised by Tesco for the purpose of representing and negotiating for Tesco staff. The agreement applies to all Tesco staff (union and non-union members) except managers above Section Manager level. It is reviewed and negotiated annually and contains agreements on pay, bonuses, as well as all other major areas of employment policy and practice, including grievance and disciplinary procedures, use of employment contracts, working time and sick pay.

The following sections contain information extracted from interviews with employee representatives and the Usdaw-Tesco partnership agreement document.

1. Pay and Reward

Tesco has a profit-related pay system for employees. All employees, including general assistants on the shop floor receive a bonus based on the financial performance of Tesco. If the company meets its targets they will then award a percentage of employees' salaries as a bonus. General assistants are hourly paid and managers, senior managers etc. are salary paid.

Employees used to receive only shares from Tesco. They were allowed to sell their shares after one year and if shares were sold between 1-3 years they would pay tax and national insurance (NI). After three years they would be tax and National Insurance free. In 2012 USDAW and Tesco worked on a new scheme for employees. Many of the employees wanted to receive the money rather than the shares. They then had the option to receive their bonus in cash or in shares. Since 2012, if employees choose shares they have to wait three years to sell. If they sell between 3-5 years they pay NI and tax on it and only after five years the shares are NI and tax-free. Nevertheless many employees prefer their bonus in cash, paid in June every year.

2. Voice and Participation

A distinctive feature of the partnership is the strong participatory framework for Usdaw local union representatives. Representatives are elected for all Tesco stores and they have clearly defined responsibilities at local, regional and national forums. The partnership agreement provides time off for union representatives to attend meetings and training outside the store.

Forums are one of the many ways employees and managers can discuss issues and get involved in the wider business. Employee representatives interviewed said that these Forums are an important engagement and communication channel that ensure the voice of employees is heard and represented at all levels. Employees attend the Forums as Forum Reps, representing the views and interests of all employees. During the Forums, reps receive information on the business, share ideas for improvement and jointly problem-solve store and business issues. Interviewees explained that there are three Forum levels. The Forums have different names depending on the format: Level 1 – Store Forum, Level 2 – Store Director Forum and Level 3 – National Forum.

The Store Forum takes place four times a year and it aims to improve ways of working, making jobs simpler and helping employees to improve the shopping experience of customers; to identify ways to safeguard the health and safety of staff, customers and communities; to jointly solve issues through practical solutions; to communicate to employees on business matters, such as updates on the business's performance and briefing upcoming initiatives; to ask employees for feedback and ideas on new initiatives, to ensure they are effective, successful and sustainable; to help employees to understand the business need for change, and support and communicate this in store; to select/elect a rep or reps from the Store Forum to the Store Director Forum.

The agenda for the Store Director Forum is similar to that of the Store Forum but also includes an update from the Lead Area Organiser, the National Forum Rep and any Working Party members. At the Store Director Forum, any issues that were not resolved at the Store Forum are discussed and worked through, in order to find a solution. Any issues that cannot be resolved at this level are escalated to Tesco's Support Office. If the

issue cannot be resolved in the office, it will then be escalated to the Retail Directors. If the matter is likely to have national significance, the Lead Area Organiser and Group Personnel Manager will pass the details on to the Employee Relations team and Usdaw's National Officer who will jointly determine if the issue should be escalated for discussion with Usdaw and the National Forum

The National Forum operates at the widest level of the Partnership, to ensure the voice of employees is represented and heard at the highest level within the company. The National Forum agenda covers the priorities of Tesco, Usdaw and employees. The agenda will look at topical areas, often asking reps to work on joint projects to develop recommendations for improvements. At the National Forum, national issues that affect the company, employees and Usdaw are discussed and debated. National Forum Reps are consulted and briefed on long-term strategic planning, board decisions and initiatives that are due to launch into stores. When proposing changes to the employment package, National Forum Reps will be part of the decision-making process.

3. Work Organisation and Skills

This organisation is one of the leaders on innovation, bringing new technologies and new ways of running the stores. Employees receive training for every new equipment or procedure implemented in stores. Union representatives are informed of changes happening in the organisation and in the stores and are asked about anything that might be necessary, at store level, before implementation takes place.

4. Inclusion and diversity

Employee representatives interviewed at Tesco mentioned several initiatives in the workplace on inclusion and diversity issues. A lot of work has been done in partnership with USDAW to raise awareness of women's health for example. Tesco also supports a range of employee networks to support and develop their employees. For example, the Women in Tesco network that promotes gender diversity and a culture of inclusive thinking to encourage women to share their views and articulate how they add value to the organisation; the Lesbian, Gay, Bisexual, Transgender and Intersex employee (LGBTI) network with over 2,000 members in the UK acting as a confidential advice service for all employees; the Black Asian Minority Ethnic network where employees are encouraged to connect with colleagues across the business and share their experiences and understand how they can progress their careers in the organisation.

Part B.

The Hospitality Sector in the UK

According to EurWORK, the European Observatory of Working Life (2012), the hospitality sector is a labour intensive sector, dominated by small businesses and characterised by low levels of affiliation to employer organisations and trade unions. Unionisation in the hospitality sector is rare, where global hotel chains are openly hostile to *'any form of regulation or collective bargaining on behalf of the workforce'* (Unite ND, 4). Working conditions in the sector can be very different from those in other service industries. Employment in this sector tends to be dominated by young people and females (EurWORK 2012).

This section will focus on a case study of 'Company Z' (CoZ), which is the parent company of many hospitality outlets in the UK and one of the biggest hospitality employers in the UK.

At CoZ, a worker's contract will clearly state that there are no collective agreements with regard to their employment. CoZ does not stand alone in this regard, it is common to have these contract clauses in the UK hospitality sector. In addition, there are no formal trade union recognition agreements. An employer's organisation exists in the hospitality sector – the British Hospitality Association (BHA), which is an umbrella organisation for employers and CoZ have representatives on the board. According to a senior union officer the BHA do issue specific union avoidance advice to their members.

1. Pay and Reward

In terms of pay and reward CoZ offers its employees a range of monetary and non monetary 'perks'. In the UK, it is generally accepted that customers will 'tip' employees in reward for good service and this tip has increased the hourly rate to a reasonable amount of pay. However, since the introduction of the 12% service charge system in some hospitality outlets, customers have been paying this charge, which does not always go directly to employees. On the contrary, overall the amount of earnings for various groups of employees has decreased – certainly when taking into account the rise of the costs of living.

At CoZ, there is no formalised pay system in place: employees are given a company loyalty card which would entitle them to 10% off refreshments or hotel rooms at one of the daughter companies. Points can be accrued through the loyalty scheme by receiving positive feedback from a customer, and the longer you have been employed by the company, the more points you can accrue. One daughter company offers a 'star rating' system: if a customer gives positive feedback, that member of staff receives a star and

also points for their loyalty card. Accumulation of stars leads to a reward such as sweets, but not a financial bonus.

Performance and productivity are monitored and managed through systems that are meant to control labour and the production process. Social partners reported that the work is ever more intensified and the number of outputs creep up gradually as productivity demands on housekeepers increase. For example, an employee could be tasked with cleaning 10 or 12 rooms in an eight hour shift and this could suddenly increase to 18, 19 or 20 rooms a day. Management set these targets without consideration of their feasibility. If employees are not able to meet these requirements they may be told at the end of their shift to stay and finish the allocated number of rooms. In this instance, employees do not always get paid for the overtime taken to meet set targets. The burden can be placed on the employee to increase their output, but there is no positive financial incentive for this.

2. Employee Participation and Voice

Currently, the social partners report that there are no formal mechanisms for employees within CoZ companies to have a voice in negotiations or bargaining. In the near future, however, this lack of voice may change in response to wider union campaigns in the retail sector which are influencing the hospitality sector. There is scope for some voice through Hospitality Action, which is a charity that runs an employment assistance helpline, which supports hospitality workers. The social partners believe this channel could be the only mechanism for employees to voice concerns around their employment.

While direct employee voice seems sparse, employee rights are being supported through CoZ's engagement at the 'foundation stage' of the Ethical Trading Initiative (ETI), which is a leading alliance of companies, trade unions and NGOs promoting respect for workers' rights around the globe. The vision behind this initiative is to create a world where all workers are free from exploitation and discrimination, and enjoy conditions of freedom, security and equity (ETI 2017). The initiative also states that the freedom of association and the right to collective bargaining should be respected and, most explicitly workers, without distinction, would have the right to join or form trade unions of their own choosing and to bargain collectively' (*ibid.*). In the interviews the trade union representatives felt CoZ was focusing more on applying this initiative to its supply chain than its own employees.

In summary, it appears that consultation with employees about their working practices is scarce. In the case of CoZ, according to a trade union officer, employees do not have any say in their workplace. These employees are also not consulted about the nature of their work, nor the nature of their employment. According to the trade union officer this situation is unlikely to change – even after full ETI membership.

3. Skills

Some employers have engaged with the Corporate Social Responsibility (CSR) agenda, and have produced comprehensive documents. CoZ has a CSR programme, 'Good Together', which is about the way they work with their team members, customers and suppliers. The programme focuses on recruiting the right people and having a positive impact on the local community.

One of the major developments in the hospitality sector, in recent years, has been the automation of work; for example using an electronic device to record a customer's order in a restaurant or the 'self-check-in' machines in hotels. In general, investment in skills development in this sector has been about increasing productivity through automation of parts of the job.

CoZ has an online training manual, *Academy Online*, which is a self-directed study which employees do in their own time and are not paid for. The courses are often linked to the introduction of new technologies and employees may participate to find out how to operate systems such as the 'process data quickly' (PDQ) card machines. According to a trade union officer, some of the higher end companies will give their staff proper training and development but it is always geared towards what is good for the business rather than what's good for the staff.

Unions have been trying to promote the training that hospitality workers, and employers, can benefit from, such as *English for Speakers of Other Languages* (ESOL), numeracy and literacy qualifications. ESOL is particularly relevant as many hospitality workers are migrants. This is one area where unions have had some successes, when working either directly with employers of facility management companies. Such a change has only been achieved after two years of campaigning, after which trade unions finally made an agreement about acquiring access to employees and doing some joint projects with employers on topics like health and safety and ESOL.

The developments on skilling in the sector appear to be, at least, very limited and, at best, focused on organisational needs, we may conclude. Although trade unions are rather active on this topic they find it hard to achieve changes with the fragmented structure of the sector and the largely unorganised nature of the labourforce in the sector.

4. Inclusion and Diversity

As mentioned previously, the hospitality sector has a diverse workforce; there are a large proportion of women and migrant workers employed in hotels, restaurants, bars and cafes. Unions have been campaigning for a number of issues that disproportionately affect women, such as the use of *Personal Protective Equipment* (PPE): this is, for example, about generic uniforms that are not designed to fit the shape of a woman's body. Unions also produce bargaining policies that are designed to introduce elements of gender,

ethnicity and disability into collective bargaining discussions. This type of union policy has been viewed to be a positive move as often collective bargaining structures and policies are generic and tend to ignore that certain groups of employees may have different needs that should be addressed by union activity. The European TUC (ETUC), for example, suggests that women may have more caring responsibilities than men and, by including flexible working patterns on the collective bargaining agenda, it becomes less of a 'women's issue' and part of the mainstream (ETUC 2007).

Unions have *Equality Reps* at workplace level, who have a role in identifying equality issues and helping to make workplaces more equality aware. Each of the hospitality branches of the organising union in London has an equalities representative, so, for example, in the hotel workers branch a young woman has taken on the job of equalities rep and when lay members identify any equality issue, the equalities rep could get involved.

However, the lack of a formal union recognition or bargaining structure is problematic. So, being an equality rep does not necessarily imply representation because the mechanisms for that are not in place for collective bargaining. In this context, the role is more a champion for equality and diversity within the industry and to promote best practice and to get trade union members to identify equality issues in their workplace.

Sexual harassment can be a problem for workers, particularly housekeepers in the hotel industry. Women are often working on their own and may find themselves in a vulnerable situation when cleaning bedrooms. The Nordic Hotel, Restaurant and Tourism Industry has produced extensive research on this issue, exploring the power dynamics in hospitality, which has been of interest to UK unions organising in this sector.

According to the Global Software Company, Fourth, who work with UK leisure and hospitality industries, women are now being paid marginally more than men in the hospitality sector (Fourth 2017). In March 2017, it was reported that on average women were being paid 2p per hour more than men, with the gender pay gap reducing by 21p since 2014 (*ibid.*). Interestingly, the report analyses the linking of pay rates for different jobs to the potential to 'earn' tips from customers in certain jobs, such as 'front of house' work, which they identify is often a role undertaken by women (*ibid.*). The implication is that a large segment of the wage is off-set by tips. So the wage for women may be higher, but this is reliant on customer tips, giving men a significant advantage in secure wage differentials.

The analysis in this sector points to a sector with low unionisation levels and small scope to increase these levels in the near future. Key areas of concern lie around skills and increasing productivity targets. While some steps have been made at headquarter level, such as the Ethical Trading Initiative, these gains have not been translated onto the shop floor.

Part C.

Health Care Sector Content Analysis

The National Health Service (NHS) was created in July 1948 and is considered the envy of the world (Sullivan 2017). Based on three key principles the NHS was created to meet the population's needs, be free to use and access would be based on clinical need and not the ability to pay (Delamothe 2008). While the NHS has stood the test of some 70 years of different political parties in power, its workers are subject to the most unique collective bargaining arrangements found in the UK. This section of the report investigates collective bargaining and productivity in the NHS, in the UK. The complications of categorising productivity and collecting data in the NHS, however, combined with the lack of attention paid to productivity in the UK means data is not collected on productivity in the NHS per se.

The NHS is one of the five largest employers globally; it employs 1.3 million people (NHS Jobs 2017). Each of these 1.3 million employees, with the exception of doctors and dentists, are covered by a collective agreement, Agenda for Change (A4C). Agenda for Change has resulted in 100% collective bargaining coverage in the healthcare sector since 2004 (EurWORK 2011). This 100% sectoral coverage stands in stark contrast to the 60% coverage for the public sector as a whole in 2015, based on Labour Force Survey statistics (BIS 2016).

Agenda for Change provides a single and consistent system of job evaluation resulting in harmonised pay, grading and terms and conditions of employment (Sullivan 2017). Agenda for change covers topics such as redundancy pay, holiday entitlement, unsocial hours and sick pay. Agenda for Change leaves some scope for local negotiations around recruitment and retention premiums but the majority of negotiations are collectively bargained at national level, reports one senior organiser interviewed.

Productivity in the NHS centres around streamlining processes to create more efficient patient care (NHS Institute for Innovation and Improvement 2009). The resultant "Productive Ward" mandate focuses on releasing time to care for patients, improved quality of care, improved patient safety, improved staff moral and financial savings through eliminating waste (NHS Institute for Innovation and Improvement 2009). Such strategies have resulted in £30,000 savings and 40% more time spent on direct patient care (NHS Institute for Innovation and Improvement 2009).

In 2014, Lord Carter was tasked with a review to improve efficiency in hospitals, echoing the earlier Productive Ward mandate. The review included a Care Hours Per Patient Day (CHPPD) as a productivity tool to assess safe levels of staffing. Despite these measures, when social partners were interviewed about productivity in the NHS, the unequivocal view was that productivity in the NHS is side-lined for numerous reasons. A senior organiser for a general union reported that the nature of the job means there is always a question about what productivity means in the healthcare setting. What this suggests is

that while some attention is paid to productivity at government levels, its impact and effect ‘on the ground’ is minimal.

The NHS Agenda for Change comprises multi-employer and multi union bargaining. This centralised structure is divided into two systems. One section deals with distributive bargaining; the pay and terms and conditions and a separate mechanism, the English Social Partnership focuses on integrative bargaining issues, more or less anything to do with workplace culture, bullying and harassment, any partnership issues, so domestic violence at work, and freedom to speak up or to have voice at the workplace. This type of collective bargaining system is very unique in the UK and one interviewee reports that it is modelled much more on a European system. They believe the system is based on working in partnership overall. While issues around pay and pensions have “*got sticky*”, overall it is a tripartite arrangement which works well.

All social partners interviewed were very proud of what has been achieved through Agenda for Change. In particular, they were proud of the way Agenda for Change has been maintained in difficult political and economic climates. This commitment reflects the commonly felt need for focus on professionalism in terms of quality of the process and care.

1. Pay and Reward

The A4C handbook outlines the rates of pay for each job as a result of an annual pay review body and job evaluations. These rates of pay are subject to change to comply with legislation. This system for determining the rate for pay is considered by the social partners to be a good process because all jobs are job evaluated and evidence is submitted to an annual pay review body. However, due to austerity measures in the UK, the social partners report a public sector pay cap which has determined rates of pay in the NHS.

A key concern for all social partners was issues around the rate of pay for a job. Staff are recruited at several increments lower than the rate of pay for the job. It then takes staff several years to climb the increment scale to reach the rate of pay for the job. The result of the pay cap and the long increment ladders is staff disenchantment. Together the various unions are working to reduce the increment points at each pay scale so that staff reach the rate for the job earlier.

Unlike other sectors, performance related pay (PRP) plays a marginal role in the NHS. In healthcare, PRP causes significantly more resentment than it solves, and it’s basically worked on a flawed premise that the motivator for staff in healthcare is pay, which is actually not the case. Some social partners reported that PRP creates resentment. In the widely held view in the sector, the government push for PRP would be counterproductive and reflects an ideological view on performance related pay. But, as it is pushed across the public sector, it is felt that it will be a matter of time before it will be attempted in healthcare.

2. Employee Participation and Voice

Voice in the NHS is clearly separated between integrative and distributive bargaining. There is no role for non-union employee voice, when non-union voice bodies appear, the union is quick to dismantle them. The separation of the bargaining system into two discrete halves and the high density rate has led to the social partners to report that they are happy with current voice systems in the NHS. There is a positive relationship between the numerous unions and they work hard to achieve this environment. The majority of the social partners interviewed reported they feel the NHS employer-side values the A4C agreement and collaborates to keep the agreements in place.

A challenge to the voice mechanisms, however, is the complex nature and number of the organisations who represent the employers. Further challenges in the future are expected to come from the Trade Union Act 2016 which curtails trade union's abilities to take industrial action. Social partners reported concerns around these new regulations.

3. Skills and Work organisation

Currently, the major challenge facing the NHS in terms of skills is the removal of bursaries for healthcare professionals. Social partners report that removal of the bursaries will be "*chaotic*" based on the premise that you cannot work part time and do a nursing degree due to the placements that need to be completed.

The separate unions have worked hard together to fight the removal of bursaries which they are framing as a workforce planning issue. There is currently a shortage of healthcare professionals and the unions are worried about the impact removing bursaries will have on the uptake of training places, which could further enhance the skill shortages faced by the NHS.

Secondly, there has been lack of attention paid to the knowledge and skills framework, originally in the A4C documents. A lack of investment in skills was a key theme in all the interviews with reports of healthcare professionals undertaking CPD in their own time and at their own expense. It appears that only mandatory training is covered by employers. Alongside the need to fund CPD from staff's own pocket, is the need to revalidate. Revalidation is a periodical process where a healthcare professional demonstrates they have maintained and developed their skills and competency. Revalidation becomes more complex in an environment where there is underinvestment in skills in terms of time and money.

Despite the current challenges to the skill development of staff in the NHS, the social partners reported that the long incremental ladders at each grade build in targets as gateways to achieving higher incremental pay points. These gateways are supported by

clear job descriptions of the skills needed for each role. This clarity allows the employee to know their targets clearly and facilitates transparency in benchmarking.

Overall, however, austerity has driven a marginalisation of the skills agenda and the impact of such cuts are feared by all social partners.

4. Inclusion and Diversity

Inclusion and Diversity concerns are mainly focused around gender, the gender pay gap and flexible working, which is particularly pertinent for a largely female workforce. A national officer reported that the pay gap will increase in importance due to legislative changes. Gender issues were a key driver for the Agenda for Change framework where all jobs are equality-proof through the job evaluation scheme. However, such job evaluations do not account for occupational segregation within the healthcare professions. Further gender issues are focused on long incremental ladders which disadvantage female workers and the need to revalidate which reduces the ability to return to work after absence from the labour market due to career breaks for mothers.

At the micro level the social partners reported that ensuring implementation of the national agreement around flexible working is a key issue facing their members. The Agenda for Change supports part time and flexible working but there is a problem implementing these issues on the ground. Requests are placed and refused and staff members are not challenging this refusal. We can conclude that there is an issue of enforcement and monitoring when looking at flexible working and flexible work arrangements. Trade unions are keen to encourage members to seek to enforce their rights under Agenda for Change and believe that educating their members about their rights could encourage them to challenge poor local implementation.

Alongside gender concerns are issues of racial (in)equality. Across the sector the removal of the bursaries could have a large impact on the diversity of new recruits into the healthcare professions. Removing the bursary is anticipated to have an impact on the class and race of new entrants to the profession. Only individuals who can afford to study without supporting themselves with a part time job is expected to create a reduction in racial diversity in the NHS.

Further race equality issues centre around disciplinary action. A national officer of a specialist union reported that there are differences in the racial background of its members involved in disciplinary procedures. This area is likely to become more important and will receive special attention from this particular union in the future. Overall, race and gender are the key inclusion and diversity areas of concern for social partners in the NHS. In an austerity context, where bargaining is constrained by the need to lower unit cost, several key themes occur in the interviews with social partners. Firstly, legislation has a key impact upon the Agenda for Change and was a driver in its implementation to ensure all jobs were job evaluated for equality purposes. As legislation has filtered down from

the European Union, Agenda for Change terms and conditions have changed to ensure legislative compliance.

The biggest challenge to the survival of the coordinated 'Agenda for change' is austerity and politics. Despite such a difficult environment, all participants reported that they were proud the agreement is still in place 13 years after its introduction. All parties work hard to ensure that the agreement does not unravel and think ahead to preserve the agreement. Nevertheless, workload issues, pay caps and lack of investment in skills remain key challenges for the trade unions and their members.

Part D.

Manufacturing: Automotive

The automotive sector used to be the heart of manufacturing in the UK, especially around the Midlands and in London (Ford Dagenham) where most companies were located. The industry has been through various rounds of restructuring over the last decades. In the 1980s of last century many companies were closed down or were taken over. At the same time big Japanese companies invested in the UK: Nissan and Toyota.

Toyota set up a manufacturing plant in Derby and an engine plant in Deeside, Wales. The main reasons for investment was expanding the market, being closer to Europe – actually still Europe at the time –, and to be able to produce without the tariffs and quotas regarding imports from Japan. Toyota employs now around 3000 employees and has been very successful with high performance and continuous improvement being the leading dynamics behind its production. At the moment of interviewing and writing this report article 50 of the Treaty of Rome has been triggered and will Brexit be negotiated.

The uncertainty over Brexit and the type of outcome, in terms of being part of the Single Market and/or the Customs Union, overshadows the future of the company. Although some new investments in the plant have been announced in Toyota New Global Architecture platform, implying the building of various types of cars on the same platform, there is a lot of uncertainty. The low value of the Pound has already led to higher costs of import from suppliers. With the Brexit negotiations hanging over the future of British industry – with a hard Brexit leading to higher import prices and export tariffs being unavoidable – more uncertainty will impact the future position of British industry, including Toyota or, better, especially Toyota and in general the automotive sector as automotive companies generally outsource many activities and the main suppliers would be outside the UK. The company took therefore also a stand against Brexit before the referendum they send out – together with the trade union Unite – a letter stating the risk of Brexit. Nevertheless, in the region there was a majority of votes in favour of Brexit.

Toyota employs about 2.500 employees at Derby (Toyota Manufacturing) and 500 employees at the engine plant in Wales, totalling 3000 employees in total across the UK. The company started to operate in 1992 when large parts of the UK, and especially the Midlands, had little investment and the economy was suffering from a period of decline. The Thatcher government did not help to promote the position of trade unions. On the contrary, the position of trade unions was continuously under attack and employee rights were restricted. In this environment of a struggling economy and a limited influence of trade unions at company level they felt more a need to be involved with industry and to be recognised as a trade union when new industries started to set up a greenfield.

Initially different unions would have approached Toyota in a ‘beauty contest’. The reason for winning the beauty contest by Unite would be that they would have promised concessions operating as a union, therefore operating as a union under conditions of concession bargaining when it comes to collective bargaining. The agreements Unite

agreed with would be operating like a company union being recognised as single union. This is in line with traditions of Japanese employment relations for which Japanese companies would also be critically looked at. There is a clear effect of Japanese traditions of industrial relations, but there is also a difference with Honda and other Japanese companies in the sense that there would be more openness to British traditions. Within management a clear change has taken place where the layers of upper management are gradually being replaced by British managers. A reflection of Japanese business culture is also the labelling of employees as members (of a family), which reflects more collectivist aspects of this culture.

Over the years the union used the management philosophy, which is very much about involving employees in various decisions, to improve working conditions and moved away from the way it operated initially. At the start of operation of Toyota in the UK the trade union, Unite, would operate as a kind of works council, so also covering non-union employees: Toyota Member Advisory Board (TMAB). This has changed three years ago when Unite started to organise only their members and acted more like other trade unions across the UK.

1. Pay and Reward

This committee meets six times a year and is composed of thirteen union reps and six company directors and managers. They deal with the pay review as it is called: the pay negotiations. The average pay rise from 25 years ago, depending on the indicator used, would be 15 to 20% increase of pay. As a rule a period of seven years is looked upon. In 2008, however, there was not any pay rise as the recession hit the company hard. With collective bargaining – pay reviews – other car manufacturers will be looked at as a way to compare and justify a certain pay rise. The main indicators for pay review are inflation levels and productivity improvement. On both sides of the table these indicators are used as it suits them best. The trade union, Unite, is always accused of cherry picking, but the management, it appears, will do the same. Performance is however more relevant than productivity agreements per se. Performance is looked upon in terms of continuous improvement (*kaizen*) and cost minimisation through improvement. These figures are handled in a strategic way as the basis for wage increases.

The same applies to the level of the individual employee and their wage levels. Appraisals consist of performance related pay; each annual increase is dependent on the number of improvements proposed. With appraisals there is individual performance related pay. Each annual increase is dependent on the number of improvements proposed. A lack of proposals at the individual level leads to a decrease of the level of pay.

The core is on pensionable pay, which is both what is agreed collectively and what is awarded to the individual. Bonuses come on top of that and are paid in cash without having an impact on the pension.

2. Employee Voice and Participation

The trade union Unite operates, as stated, as a quasi ‘Works Council’; in the past also covering non-union employees. In the meetings with management the trade union would deal with various issues regarding collective agreements – pay reviews as they are labelled – and issues with regard to individual employees. Quality circles are organised to discuss problems in the work organisation analysing the backgrounds and, using various tools of problem solving, developing proposals for improvement. Such proposals may be small changes making huge cost cuttings when implemented at a large scale. In so called Conventions the leader of such a quality circle may be invited to present the proposed changes in front of a broad audience of colleagues. This may be nationally and, when the suggestion would have a broader impact on the production of Toyota, also abroad.

Quality circles are a key element of the production, like in many Japanese companies, especially in the automotive industry and, even more, Toyota being the birthplace of the Toyota Production System (TPS) as the model for *kaizen*. The main objective is the continuous improvement and the optimisation of cost reduction and improvement of performance. Issues with regard to the improvement of working conditions can be part of the agenda and, as management is strongly in favour of a committed and highly motivated workforce, issues are most likely being taken serious and solutions would be looked for – possibly with the support of the union.

The purpose of quality circles, as a form of direct participation, is clearly focused on the increase of efficiency and performance of the company. Quality circles have a leader – the supervisor – who has a more outspoken role as driving the participation and leading the activities and outcomes of it to a higher level within the organisation. There is however little concern from the side of the union. Activities and the role of quality management is clearly accepted as an integral part of the operating of the company. Even more, Unite appears to be a strong supporter of this type of participation as it is looked upon as in line with direct participation like through the union itself.

3. Skills and skill development

The majority of employees have a mixture of technical and broader managerial and soft skills. When entering the shop floor employees could be offered a job without any qualification. Most important is to be dexterous and being able to adjust to a certain speed of operations. When the company was just set up the speed of the line and the level of commitment was very much in line with the expectations of Japanese management. Employees would often stay until very late as they felt they needed to stay longer hours

than management in order to be valued as a member of the organisation. This has changed over the years, but there are still clear expectations with regard to commitment and efforts put in to improve the production organisation. The lack of formal qualifications would not be considered a problem. On the contrary, a career built around the requirements and needs of the organisation would be valued above the hiring of all-round workers.

Skills are not discussed directly, but continuous improvement (Kaizen) plays a central role in evaluating the performance of the individual. Kaizen is organised in the form of QCs (Quality Circles) at the team-level of the organisation. During the week there is an hour or half an hour where the production is stopped for the whole shop. This time is used for the discussion of ideas for improvement.

Training is at the heart of the organisation. Most of the training takes place in the form of on-the-job-training. As such this is integral part of the job. Also, other forms of training take place in the company, possibly in specifically designated lecture and seminar rooms. Training may concern specific skills with regard to the job, technical skills – like quality and maintenance – and management skills like leadership, communication and continuous improvement.

4. Inclusion and Diversity

Traditionally, the automotive industry has never been a very diverse industry – ‘boys with their toys’. At Toyota the overwhelming majority of the employees are male. This is different in the office where the majority is female. One senior union rep was interviewed who is female and who worked on the shop floor as a quality officer. She was clearly a huge exception.

With regard to the pay gap between men and women it was reported there would not be a difference. On the contrary, white collar jobs are generally higher paid and therefore women carrying out this type of work they would even earn a higher wage than their male colleagues at the shop floor. When looked at chances for promotion it becomes however clear that there is a clear glass ceiling preventing women to reach the highest level of the hierarchy. This would be partly due to the effect of the male dominance in terms of technical expertise and partly to other, more diffuse mechanisms.

The company aims to change this with a more inclusive culture. Women are encouraged to apply for a job and also in the union there seems to be a clear eagerness to promote more diversity within the company. According to a senior HR manager training is organised where managers are confronted with the narratives and stereotypes that may still exist, thereby preventing female employees being promoted to higher levels of management. To conclude, the need of diversity is felt as a very relevant topic for the future development of the organisation – also with regard to other aspects of diversity like LGBT and ethnic diversity –, but it is rather underdeveloped as a policy aspect. Both management and the union are however concerned about its improvement and show a

clear awareness of the urgency of this policy field. In a broader sense, the advantages of diversity are valued as it could enrich the organisational culture and bring more diverse perspectives to the work organisation.

It is hard to generalise for the whole automotive sector in the UK. There are still some conclusions to be drawn. Productivity figures for manufacturing in the UK may be relatively poor; the automotive sector has its ups and downs but recently the automotive sector has been going through a phase of restructuring and improvement of the performance. Toyota is able to compete with many other car producers including with others in the same company. Bench marking is the major principle for performance but also for pay increases. For the sector as a whole in the UK, as well for Toyota, the future is however grim when looked at the potential impact from Brexit. Costs may be increased to a level that the competitive advantages of the companies do not outweigh the increase of costs of imports and the export tariffs, which would impact consumer demands on the continent.

Collective bargaining is characterised by concession bargaining, which was especially reflected in the negotiations (pay review) during the recession in 2008. Wages were kept at the same level and concessions were made in order to protect the position of the company. In terms of industrial relations there is a different climate from other companies in the UK where Unite organises its members. The employment relations are – from the start of the company – built around the principle that adversarial relations, like were more common until the 80-ees in the last century, should be avoided. The ‘beauty contest’, which was the basis for the recognition of Unite as the only union, was implicitly a deal struck with the trade union at the start of their operating. The fact there has not been a strike in the plant since underlines the consensual way of making decisions regarding employment relations.

In interviews with both unions reps and the management it was emphasised that employees are the core of the company and they are the backbone of what makes productivity. Whether it is *kaizen* or *Just-in-Time*, all organisational principles of the TPS are the core target of HR as they depend on contributions from the shop floor. In the view of Toyota productivity increase is primarily dependent on the work organisation. It is also striking how HR policies are geared towards aims that are more common across Japanese companies, like the development of employees through internal training and development rather than formal education. In the pay review productivity and inflation are the elements for pay rise. Especially over the most recent years, when the inflation was low, productivity increase still led to pay rises across Toyota UK. Skill development is, in line with the emphasis put on the need for organisational development, linked to group and individual bonuses, although they still make up a small part of the payment.

As was mentioned by the senior HR manager, within Toyota, there is also a recognition of the regional demands. In terms of diversity, there is a lagging behind, but the targeting is in line with what is more typical for the UK and Europe more generally. Although the role of the union seems to reflect the Japanese model of having a company union, there

is a clear difference. The climate of employment relations is more in line with Japanese management, but other policies are more in line with UK employment relations, like the representation of union members only which is now the case since three years.

The question that remains to be answered is whether the company is representative for the sector in the UK. At the start of the company, the main question for manufacturing was how to beat the Japanese and become more flexible, both through implementing a lean production and through continuous improvement. Since then there has been Japanese investment in the UK. Within Toyota as a whole the productivity is high compared across the company although clear figures are hard to obtain. This is the case even after taking into account the higher labour costs.

In the meantime the Toyota principles – labelled as TPS – are more common for many industries, including service sectors. Car producers in the UK have been taken over by others and many are now either German (Rover) or Indian (Jaguar) – owned. TPS has set a standard, but the standard keeps on moving. Toyota is still ahead compared with other UK car manufacturers, but remains in many respects more a Japanese company than others. This is shown in career development, seeking harmonious relationships with employees and their unions and in the way quality circles operate.

Developments in the sector are not only determined by productivity on the shop floor, but also by corporate governance and the way finances are dealt with. The high competition levels makes that companies aim to follow similar principles and are closely watched by their peers in the sector. Toyota, like many competitors, is therefore a major example how productivity comes in as a major principle for organisational development. Employment relations follow this principle, which makes a major difference compared to other UK car manufacturers. It is therefore safe to conclude that Toyota is a good example for the sector regarding the first; in the other respect it remains an exception with clearly a hybrid mix of British and Japanese employment relations.

Section 5.

Comparison of sectoral analyses

Productivity figures have always been relevant for setting pay-levels. Basically, pay and profits are both led by productivity growth. Recent years have seen a slow growth of pay-levels, with 2% per cent increase being the norm for the private sector and a 1 per cent cap on the pay increases in the public sector. With the decreased power and influence of trade unions and the low coverage of collective agreements in the UK there is, however, a limited countervailing power to the power of employers setting more unilaterally levels of pay. Only the automotive sector and the health sector are characterised by rather high levels of union membership with the last sector having a higher coverage of collective agreements.

Although the situation at the labour market is very different, there is a similarity with the 1970s where the low productivity levels were targeted with productivity agreements. Also currently there is a comparatively low level of productivity across the UK. In the 1970s this was the reason for setting up productivity agreements. Industrial relations and particularly the power of trade unions were blamed for low levels of productivity and the agreements concluded forecasted the strong trend to decentralised collective bargaining which took place from that time onwards. Although the impact on productivity is highly doubted the impact was most of all a different focus of industrial relations.

Although the increase of productivity is clearly behind most collective bargaining – with the compensation for past inflation levels, there is now little evidence of productivity being targeted as explicitly. The main reason for this is the low levels of productivity and, as it was put by trade union representatives, depending on which ever is the highest, reference is made with collective bargaining to either inflation or productivity levels. This implies that inflation levels act more as a basis for wage increases than productivity levels as these show only a low increase across the economy. In individual companies there is however more evidence of productivity increase. As these figures are highly sensitive for competitive reasons there is little evidence of concrete figures. During and after the financial crisis of 2008 there is a clear tendency towards wage moderation, which led to some cases of a ban wage increase at all while productivity levels would have been enhanced. This is an incongruence which largely continues until this very moment where governments and employers only very hesitantly become more inclined to give up some of the most stringent moderation policies.

What became clear from the research is, however, that the pressure on labour costs leads to the decrease of costs through the intensification of labour – which also mentioned as the outcomes of earlier productivity agreements – and the flexibilisation of labour (hospitality) and outsourcing (healthcare). As some researchers concluded, productivity agreements used to have more a symbolic function in the past directly addressing the power of trade unions and the sclerosis of the economy to which this would be partly related. While productivity increase definitely plays a role in the automotive sector we found wage levels being more directly linked to quality management and improvement of processes in line with the principles of Japanese management.

1. Pay and Reward Cross Sector Analysis

A cross sector analysis of pay and reward in the four sectors – retail, automotive, healthcare and hospitality, demonstrates some common practices among certain industries, mainly in the private sector (Table 2). In the private sector, both automotive and retail, favour pay arrangements based on performance, whereas healthcare favours seniority pay, in line with most of the public sector in the UK.

It is noted that employers in the Healthcare system place more importance on job evaluations and service-related pay to make pay decisions. According to interviews, performance monitoring is present but employees' pay is not linked to performance, despite the move towards performance-related pay (PRP) in other areas of the public sector in the UK. Although in the automotive and retail industries performance-related pay is widely used, they differ in terms of types of schemes. In the cases studied in this report, the automotive company has an individual performance-related pay scheme in place where employees have their appraisal results linked to pay. Goals are agreed with employees and if met, employees receive a bonus award. Managerial discretion in pay decisions has increased in the past years in many sectors in the UK. Nevertheless, delegating authority for linking pay progression and performance to line managers works best where an organisation has in place a robust and trusted performance management system.

In the retail case the pay scheme adopted is profit-related pay, where performance is measured at the organisational level. Employees receive an annual bonus based on the financial performance of the organisation. The Hospitality sector however is entirely different. Most employees in the case study are hourly paid with no formal pay progression system in place. Only a few reward schemes are in place, such as hotel and coffee discounts for employees.

Another point of interest is the coverage of collective bargaining (CB) agreements in the different sectors. The Healthcare sector has a multi-employer and multi-union CB arrangement with 100% coverage (public sector average is 60%). Productivity focuses on quality of care, patient safety and cost savings by eliminating waste. In the Automotive

and Retail cases, collective agreements are at company level and trade union influence diminished over the years. This is even more prevalent in the case of Retail, where collective bargaining is present in only a small minority of organizations. The Retail case presented here has a single union and single company collective agreement arrangement and it covers all staff (union and non-union members). The ‘partnership agreement’ between the Retail company in this report and the trade union is perhaps one the best examples of CB still in place in the sector. The Hospitality sector lacks any form of collective representation or union recognition, despite the company presented in this report being the biggest hospitality employer in the UK. Looking at the range of collective forms of pay bargaining in this report, although not entirely absent, the central role CB played in pay determination is no longer the case, even in many parts of the public sector.

Table 2: Pay determination in the four sectors

Sector	Manufacturing	Retail	Healthcare	Hospitality
Hourly pay				✓
Seniority pay			✓	
Pay by performance	✓	✓		
Profit-related pay		✓		
Individual performance-related pay (IPRP)	✓			
Objective measures of performance		✓		
Subjective measures of performance	✓		✓	
Collective bargaining	✓	✓	✓	None

2. Skills and Skill Development Cross Sector Analysis

The skills agenda has gained a lot of attention recently as productivity problems in the UK linger on. Both employers and the government are aware of the problems that could be caused by the lack of skills and the nature of the available skills. Trade unions attempted to use their lost power to gain more influence on the agenda for life long learning in order to find compensation for the loss of pay over the last years and stimulating the attention for employability and career development of employees. Apprenticeships and lifelong learning are being deployed to improve business and create a better and more adequately skilled workforce. We found evidence of this agenda but

there are limitations impacting the relative success of such policies – from the perspective of employers and the perspective of employees.

Table 3: Skill trends

	Manufacturing	Retail	Healthcare	Hospitality
Skills agenda				
Skills investment	High	Medium	High	Low
Skills policies as long-term investment	High	Medium	High	Low
Skills part of a broader employability agenda	Selected job roles	Limited	High	Low
Is skills bargaining present?	Focused on quality	–	Professional needs	–
Role of trade unions	Lifelong learning	Idem	Idem	–

In some sectors, especially hospitality, there is more a continuous emphasis on lowering labour costs and accepting lower training costs and therefore low skill levels. To put it differently, there is evidence of a low road to skilling in some sectors. In other sectors (health) there is a high demand and a strong wage moderation, but there is no evidence of a road towards a low wage/ low skilled economy. The reason being for this skilling as an answer to fulfil the needs of strategic objectives of business. These objectives may be defined broader than just enhancing efficiency and lowering costs, including labour costs. In the case of the hospitality sector we found evidence of Corporate Social Responsibility being targeted as a strategic objective. In order to maintain a better reputation and prepare for a global competition this is considered a relevant qualification for the workforce. In the automotive sector it was found that quality and continuous improvement are considered the levers for improvement of the competitive position within the sector. Although there has been some increase of investment in this sector in the UK over the last decades, the current Brexit negotiations cast a dark shade over this type of investment in the UK. There are still investments made, for example by Toyota, but there is little doubt that a negative outcome of the Brexit talks on import and export will impact most severely as the main market for car manufacturing is Europe rather than other regions in the world.

It may be clear that, even more with this possibly posing a threat to the competitive position of manufacturing companies in the UK, the pressure on productivity enhancement remains very high. In most sectors of the economy there will be a strong need for skilling. At the same time there is evidence that the need for skilling may be compensated for by decreasing labour costs and the flexibilisation of labour. There are

therefore strong signs of segmentation of the workforce within companies and between sectors. Skilling is led strongly by the need of organisations to improve their productivity and competitiveness rather than needs of employees with regard to employability and career development. The trend of skilling labour on the workplace and the contents of training fitted with the needs of the company may not be the exception – like found in the automotive sector – but seems to have a broader resonance across the economy.

The productivity puzzle remains intrinsically linked to the need for skilling, but a crucial element in the discussion here is how to measure productivity and how to link it to skill development and the deployment of labour in the work organisation. The link between the two is hardly disputed, but we did not find evidence of the two being addressed as a combined target of HR and strategic policies of companies. The link is as such always hard to disentangle because of the problems of measurement (for example difficulties comparing part-time and full-time labour) and the difficulty of the correlation between investment in training and skilling and productivity at the company level.

Like the case of the impact of the financial crisis clearly shows, competition may be not be that much dependent on labour – while there may be work intensification at the same time – but more on external forces and the role of financial targets of companies. The financialisation of companies leads more the strategy rather than investment in HR and competition and, therefore, becomes more influential, also determining wage levels, than investment in HR and skilling. This is probably the main reason for the absence of productivity agreements as they were quite common in the 70-ies and 80-ies. The productivity puzzle has moved from labour to finances but did not disappear. On the contrary, the urgency is even higher with the coming Brexit putting its shades over the economy.

3. Participation and Voice Cross Sector Analysis

Participation is generally viewed as a major incentive for employees to be more satisfied with the work and for employees to have a long term loyalty and commitment with the organisation. Traditional forms of employee participation put more emphasis on voice trade unions for being involved decision making. Elements of participation with regard to voice are more rarely found in the UK. One reason for this being the slow and only fragmented development of the Works Council as an institution of voice in the UK. By effect the most common form of employee participation is with the management taking the lead and largely defining processes and outcomes of participation.

Table 4: Voice and participation trends

	Manufacturing	Retail	Healthcare	Hospitality
Employee Participation				
Employers led	✓	✓	✓	Limited
Communication	✓	✓	✓	✓
Organisational development	Essential	Limited	Professional needs	✓
Decision making and voice	Consensual	Limited	Professionally oriented	–
Role of trade unions	Strong	Limited	strong	Limited
Direct participation	✓	✓	✓	Limited

There is a considerable amount of evidence of employee participation being integrated in shop floor management. Communication and direct participation are the dominant forms of participation, being more directly led by management targeting organisational goals. The motivation for the introduction of such schemes can be mainly found in the need for efficiency enhancement, communication as a part of the organisational culture and quality improvement across processes and the management of it.

As also found in various research across the UK, like the WERS survey and research on the impact of ICE regulation at workplaces, there is very little evidence of real voice. Voice may be part of employment relations where either trade unions have an outspoken influence on working conditions within the company and the shop floor or works councils representing the workforce having an effective influence on decision making within the company. Both of these channels are under threat as the last is hardly developed, or at best very fragmented, across the UK. The position of trade unions is clearly dependent on the levels of union membership within the company and the effectiveness of their mobilisation of employee voice. In some cases trade unions may be effective as representation of employees but they may act in a more consensual way than traditionally used to be the case in British industrial relations. In retail, Tesco appears to be a case where there is both distributive and integrative bargaining. The last seems more common with various types of social partnership being more common. In the case of Toyota there is subtle interplay between the parties involved and the label of the negotiations indicates more a unilateral approach, more common in Japanese employment relations, than a pluralistic approach. Obviously, there is still more influence on various aspects of working conditions and pay than in sectors with low union membership, like the hospitality sector.

When considering the impact of direct participation on productivity development there is a clear implicit link between both. As mentioned before, quality and continuous improvement are the main targets with direct participation and they are most relevant for the improvement of productivity. But, rather than productivity as such, the main focus is on the competitive position of corporations in the globalised economy. As productivity becomes ever more dependent on financial aspects of the business the strategic focus moves on now to the question how to improve the financial position and more emphasis is put on shareholders value rather than long term development and productivity enhancement.

4. Equality Cross Sector Analysis

This project examined inclusion and diversity in four sectors, retail, manufacturing, healthcare and hospitality. A cross sector analysis of the findings demonstrate several commonalities between the sectors; continuation of historical occupational segregation, a focus on gender and ethnicity, little evidence of mainstreaming of equality issues and small gains in equality bargaining. Several points of divergence also exist; the role of the trade union in securing equality outcomes, the type of equality strands mentioned and the role of the business case for diversity. Each of these themes, demonstrated in the table below, will now be explored in more detail.

Table 5: Inclusion and diversity trends

Sector	Manufacturing	Retail	Healthcare	Hospitality
Reported historical occupational segregation?	✓		✓	✓
Gender	✓	✓	✓	✓
Race	✓	✓	✓	✓
Disability		✓		
LGBT(I)	✓	✓		
Is Equality bargaining present?			✓	
Reported significant gains the equality arena?			✓	
Equality was reported to be reactive or proactively pursued?	Proactive (for gender)	Reactive	Proactive	Reactive
Business Case rationale reported?	✓			

Role of the trade union in respect of equality?	Marginal	Marginal	Strong	None
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Firstly, in three of the four sectors, manufacturing, healthcare and hospitality, the social partners noted historical occupational segregation. This historical segregation has continued to the present day with hospitality and healthcare dominated by female workers and manufacturing by a male workforce. This occupational segregation was reported to have impact on equality outcomes. While gender segregation is not a new phenomenon (Campos-Soria et al. 2011; Jarman et al. 2012) scholars disagree about the impact of segregation on equality outcomes. Jarman et al. (2012) report that women fare better when they are in more segregated organisations, where the smaller the pay advantage received by men, the greater the female advantage on stratification. In contrast, Stier and Yaish (2014) report that women fall behind men in most dimensions of job quality in segregated occupations. What this research shows is that when occupational segregation exists there are still issues of gender equality that need addressing. The dominance of women in the hospitality and healthcare sectors has not reduced the amount of gender inequality faced by female workers.

The second key trend is the dominance of gender issues on the equality agenda. When interviewed the social partners in each sector referred to initiatives to improve gender equality. For example, in healthcare job evaluations were initiated to address gender inequality, in the manufacturing case study trade union and management were implementing initiatives to address the glass ceiling and challenge the notion of manufacturing being ‘men’s work’, retail was exploring women’s health and hospitality focused on the uniforms that were unsuitable for the female body shape and the safety of female domestic staff.

Thirdly, only one of the four sectors reported equality bargaining in its true form where issues of gender equality are addressed in collective bargaining negotiations. Healthcare reported that gender issues are present in its integrative and distributive bargaining. Hospitality alluded to gender dimensions to its collective bargaining but due to a lack of recognition bargaining does not take place. What this trend hints at is a marginalisation of equality issues to a more case by case, firefighting agenda. Indeed, all sectors reported ongoing battles with management around equality issues without these issues being addressed at collective bargaining level.

Penultimate, the analysis of the four sectors showed very little gains in the equality arena. Those gains that were secured, such as the women’s health initiative in retail or promotions training in manufacturing were limited to marginal areas and not core to the business. This trend is suggestive of marginalisation of equality issues where equality issues take second place to organisational agendas (Colling, Dickens 1998).

In general, equality issues that were tackled were reactively addressed as opposed to proactively pursued. In healthcare, for example, equality initiatives that came from management were usually in response to changes in legislation.

While the above trends suggest commonalities among the sectors, there were also important points of divergence. Firstly, the role and influence of the trade union was different in each sector. In healthcare the trade union had a more powerful role in equality which was attributed to the more European structure of collective bargaining that occurs in the NHS. In retail and manufacturing there was a more marginal scope for trade union involvement in equality and in hospitality there was no room for equality bargaining due to the lack of recognition in the sector. These findings support earlier work that centralized bargaining systems and high bargaining coverage, as found in the NHS are likely to support equality outcomes (Briskin 2014).

A second divergence among the sectors is the strands of equality mentioned by the social partners. Only retail mentioned disability in passing while all the other sectors did not highlight disability in their equality agenda. LGBT issues received a mention by social partners in manufacturing and retail but not healthcare or hospitality. Ethnicity was referred to by healthcare, manufacturing, retail and hospitality, although it received less attention than gender.

Finally, the business case rationale for promoting equality was only mentioned by social partners in manufacturing. While this omission by other sectors does not mean that the business case does not drive equality agendas, it hints at a place for a more social justice rationale for inclusion in the other sectors. The lack of discussion around the business case is surprising given that equality action is usually taken in response to the idea that equality will serve organisational interests, rather than just address social fairness or comply with the law (Colling, Dickens 1998).

The patterns in these findings suggest that unions attempt to address equality issues but their success has been uneven and patchy, as reported in earlier work by Bacon and Hoque (2012) and Milner (2017). The TUC (2016b) reported that economic concerns preside over equality bargaining agenda, which is also found in this study (see also Briskin 2014). Overall, equality agendas in trade unions have a large scope for action despite recent wins by some trade unions.

Conclusion

The report indicates that productivity does not play a large role in the UK. A decentralised collective bargaining structure has led to workplaces with weak unions and a management preoccupation with lowering unit labour costs. Healthcare stands apart with its multi-union, national terms and conditions. Yet despite this more European model of collective bargaining, the sector still experiences lack of investment in skills, preoccupation with unit cost and little attention to inclusion and diversity. This does, however, not imply that the main trend is low costs/ low skills economy with no investment in labour. The automotive sector may be looked upon as a sector leading the way for others in several ways: high investment in skills for core jobs, but the type of skills mainly focused on processes and quality enhancement.

Overall, across the sectors the lack of productivity growth is not reflected in collective bargaining. A major difference with the 1970s, when productivity agreements were widespread, is the level of wage moderation and the levels of consumer spending. Recently there is a slowing down of wage increases to below the level of inflation, which means a real wage decrease for many jobs. Data from XpertHR indicate that 30% of pay settlements clustered on 2% (XpertHR, 2017). For the public sector there is a wage cap of 1%, which is now being disputed with some within the Government arguing for an end to this cap in recognition of public backlash to pay restraint. This situation is fundamentally different from the period before when, during the ‘trente glorieuses’, the economy was expanding, growth figures were high and, at the same time, in the UK lower than in other European countries. While we may find in the current study the impact of a lack of coordination on productivity – as there are no trade-offs between management and labour above the company-level –, productivity agreements were used in the 1970s as a catalyst to decentralise collective bargaining. This paradox, where productivity leads to less coordination, which now seems to hamper productivity, would be hard to remedy although such attempts are found for example in the proposal from Labour during the last elections campaign to re-introduce sectoral bargaining as a mechanism to enhance solidarity within sectors.

The current lack of efforts to address productivity within sectors and across the economy is also reflected in the fact we did not find any productivity agreements, while productivity growth is more implicitly targeted with collective bargaining. In some sectors participation of employees appears to be targeted on both quality enhancement (automotive) and achieving high professional quality standards (health). Such policies are

directly linked to improvement of work processes and, therefore, productivity enhancement.

There is one more aspect of the economy which affects the levels of spending and wages, which is wage distribution. The level of wage inequality has risen year by year since 1979 (Dorling 2015). The pressure on wages at the low end implies that spending occurs on the basis of debts rather than prosperity, which will unavoidably impact the sluggish growth of GDP and productivity per hour. This trend is not unique for the UK, but appears to be more widely accepted here when compared with other EU member states. As mentioned before in this chapter of the report the role of trade unions and the loss of their bargaining power has a clear impact on wage development. When wage moderation may be driven in other economies by the coordination of labour market policies and the trade-off between objectives, like with regard to flexibility and security of jobs, the role of trade unions in the UK is markedly different in the sense that the system of industrial relations has been decentralised and fragmented – cynically enough on the back of productivity agreements in the 1970s and 1980s. The effects of the lack of coordination of labour markets can most noticeably be found in the hospitality sector, where cost control and flexibilisation became most dominant in the strategy of employers.

What the conclusions, therefore, point to is the need for a coordinated industrial policy, supported by legislation, in order to move the UK to an economy where meaningful collective bargaining can thrive and outstrip the financialisation agenda. Productivity growth should, in such a model, be led by industrial relations on the basis of social dialogue and long-term development.

The future of productivity is hard to predict under the increased levels of uncertainty in the economy. Brexit sheds its shades on the whole economy with inflation going up with the low Pound Sterling and, therefore, the need to adjust pay levels accordingly. Even with the high public debt there are signs that there is willingness within the Government to leave strict wage increases within the 1% boundary and public sector unions announced the target of a wage increase of 4-5% for the coming negotiations in the Autumn.

This is only before the actual start of Brexit where there is not any clarity about the type of relationships between the UK economy and the EU Single Market and the type of trade deal targeted. The prospects of a hard Brexit would, however, severely impact the economy implying a return to a type of economy without any coordination and deregulated labour markets, where productivity will be most of all achieved by pushing the limits of working hours, unlimited intensification of work and unrestricted competition at the costs of the majority of the working people. The social economy went earlier on through a transition from a more regulated to a fragmented one – the next transition could however be an even further step back into history.

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