

Productivity bargaining in the UK – comparison across sectors

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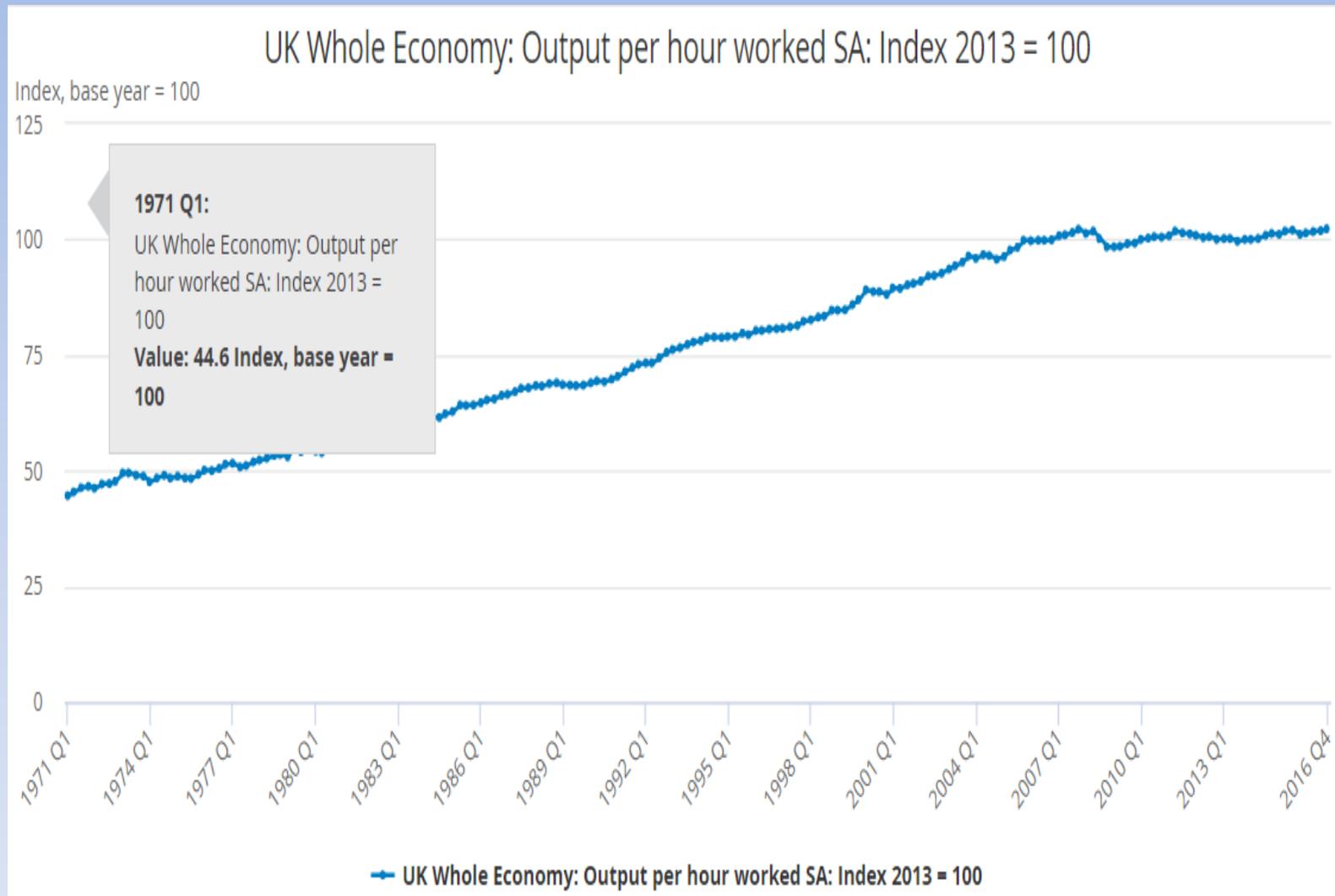
Laura William



Summary

- Productivity not on the agenda of social partners – lack of coordination
- Fragmented system of employment relations: decided at the company- and plantlevel
- Skills and skilling considered a problem – policies short-term and focused on production and requirements of quality management and professional needs
- Participation management led with limited scope regarding needs of employees
- Diversity considered as element of CSR but very limited agenda with gender issues given most substance

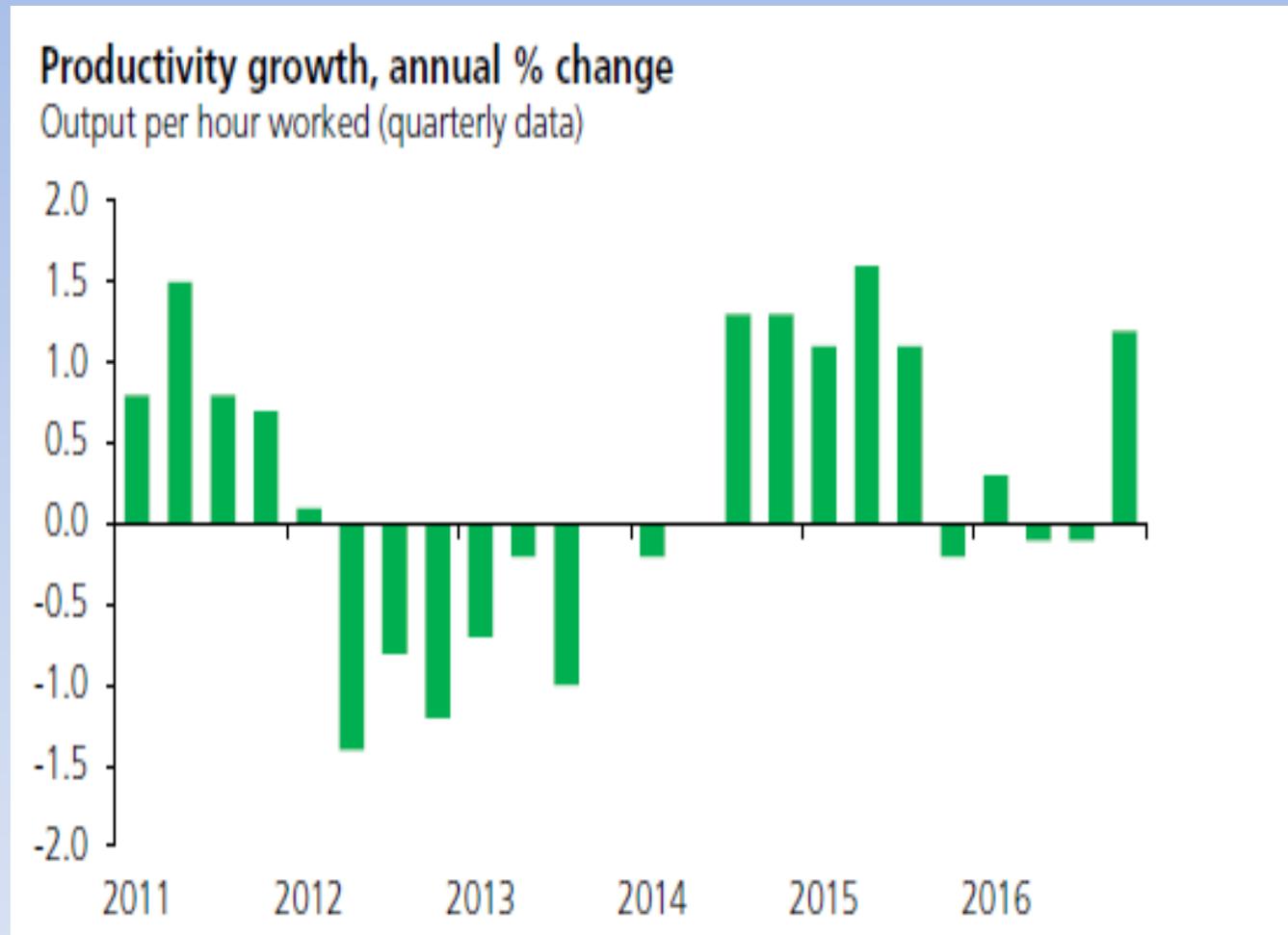
Productivity in the UK



Source:

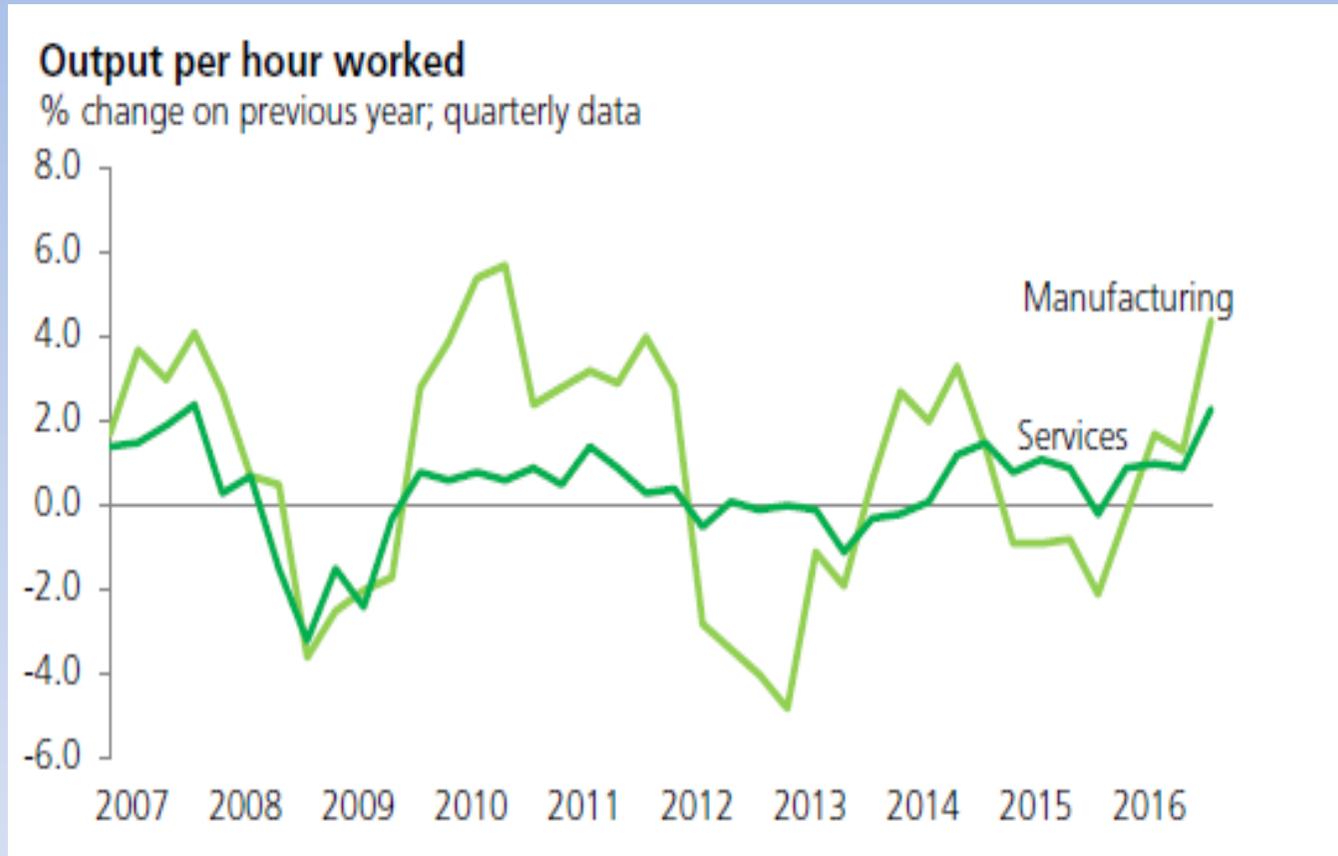
<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity/timeseries/lzvb/prdy>

Changes in productivity



Source: Harari, 2017:6

Productivity by Sector



Source: Harari, 2017:7

Productivity and measurement

- Essential for prosperity and growth of economy
- Relevant at all levels of the economy and business
- Linked to objectives of organisations: profit, quality and/or market growth: pressure from global competition

Factors impacting and issues with measurement:

- labour can not be looked at in isolation:
- financial and strategic issues
- technology may be a driver
- skilling and/or intensification of labour?
- impact of professional requirements or objectives regarding public (public/private)

Pay and reward

- Decentralisation of collective bargaining agreements since the 1980's
- pay largely determined by management
- external factors (global competition) and internal factors (quality and process requirements) leading for setting of pay
- Widespread use of incentive pay systems to enhance performance

Table 1: Pay and reward trends

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



Variation across sectors

- Trend towards pay based on performance mainly in private sector rather than skills and experience with some variation between sectors

Limited impact of collective agreements because of the low union memberships rates and limited coverage across sectors with exception of public sector (i.e. healthcare)

Skills and Skill development

- Skills agenda: lack of skills and match between supply and demand
- Nature of skills: lack of technical skills
- Attention from both the government and employers
- Trade unions: lack of influence attempt to find compensation for loss of pay and focus on lifelong learning, employability and opportunities for career opportunities
- Practice: focus on narrow skills defined by the demand side - new technology and quality improvement
- Less focus on long-term investment in skills



Table 2: Skill trends

Skills agenda	Manufacturing	Retail	Healthcare	Hospitality
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	–



Variation across sectors

- Hospitality sector: focus on lowering costs and low wage and low skills road. Skilling being targeted as a strategic objective with CSR
- Health sector: high demand and strong wage moderation (1 % wage cap), but high skills road with high professional quality demands
- Automotive sector: quality and continuous improvement leading the need for skilling as creating added value with the high level of competition in the sector
- Retail industry: new technology in logistics leading the need for skilling

Participation and Voice of Employees

- Participation usually viewed as promoting both employees' needs (HR), like satisfaction, loyalty and commitment
- Needs of efficiency enhancement and organisational development driver behind
- Limited voice: having a say and influence on decision making
- Various mechanisms: direct participation, trade unions and works councils or Joint Consultation Committees

Table 3: 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



Variation across sectors

- Little evidence of having voice and more focus on management led direct participation
- Crucial in the automotive industry where productivity is most impacted by continuous improvement and involvement of employees around (improvement of) the production process
- Communication as a means of organisational development and change
- Role of trade unions: less powerful and more integrative bargaining with some evidence of concession bargaining particularly after the financial crisis
- Hospitality sector: least impacted by employee participation while health sector characterised by strong professional needs

Inclusion and Diversity

- Historically uneasy relationship between trade unions and minorities in the labour market
- Increasingly diverse trade union membership
- Turnaround in equality in unions with small gains
- Role of (gender) equality bargaining
- Dominance of economic issues

Table 4: Inclusion and diversity

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

Variation across sectors

- Focus on gender issues:
 - Continuation of occupational segregation
 - Little evidence of giving substance to equality issues
 - Small gains in equality bargaining

Differences in:

- Role of trade unions in securing equality outcomes
- Differing attention paid to different types of equality
- business case most dominant

Conclusion

- Productivity does not play an explicit role in collective bargaining
- Decentralised system of collective bargaining: fragmented and little power of trade unions - overall low membership rate and low coverage of collective agreements -> less voice
- Productivity agreements in the 70-ies targeted increase of productivity with effects on Industrial Relations – less pay for overtime etc. – and focus on technological change and direct employee participation
- Current growth of productivity impacted by work intensification (long working hours) and debts driving consumption growth

Conclusion *(contd.)*

- Currently: different from growth of 'trentes glorieux': low productivity growth and pay sometimes below inflation growth – currently reaching 3 %
- Although not explicitly targeted – productivity growth through direct participation and quality improvement and productivity enhancement at the shop floor
- High levels of wage inequality. Evidence of cost cutting leading to growth flexible and marginalised jobs
- Financialisation having an impact on focus on shareholders value and lack of vision on the need for coordination of labour market strategies and solving the 'productivity puzzle'
- Brexit puts shades on future of UK economy: hard Brexit means complete unregulated market domination

References

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