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Impact of the Recession on Workplaces and on Employment Relations

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Impact of the Recession on Workplaces and on Employment Relations

Abstract

The first findings of the 2011 UK Workplace Employment Relations Study, published in January 2013, present an authentic picture of employee representation, collective bargaining and consultation arrangements in British workplaces. They also throw an interesting light on the impact of the recession on workplaces, and practices relating to employees and employment relations. This report, which compares the situation with that of the 2004 survey, also explores the impact of recent major policy initiatives.

Keywords

European Union, employment relations, recession, workplace

Comments

Suggested Citation

European Foundation for the Improvement of Living and Working Conditions. (2013). *Impact of the recession on workplaces and on employment relations*. Dublin: Author.



Impact of the recession on workplaces and on employment relations

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The first findings of the 2011 UK Workplace Employment Relations Study, published in January 2013, present an authentic picture of employee representation, collective bargaining and consultation arrangements in British workplaces. They also throw an interesting light on the impact of the recession on workplaces, and practices relating to employees and employment relations. This report, which compares the situation with that of the 2004 survey, also explores the impact of recent major policy initiatives.

Introduction

[The first findings from the 2011 Workplace Employment Relations Study \(WERS 2011\) \(3.51 MB, PDF\)](#) were published on 23 January 2013. WERS 2011 is the sixth in a series of surveys which started in 1980. These provide an authentic picture of the institutions and practice of employment relations at the workplace and employees' working lives. Like its predecessors, WERS 2011 explores the following:

- the mechanisms for employee representation, via trade unions or through other arrangements;
- the extent of collective bargaining over pay and working conditions;
- the climate of employment relations and the incidence of disputes.

The survey also provides important indicators of the effects of the recession on workplaces and practices covering employees and employment relations, and explores the impact of major recent policy initiatives, including key EU regulatory measures, on issues such as [temporary agency work](#) and employee [information and consultation](#). It also provides comparisons with the results of the previous survey carried out in 2004 ([UK0509105F](#)).

It should be noted, however, that key findings on issues such as working time, work-related stress, flexible working and work-life balance, are the subject of a separate information update published by the European Working Conditions Observatory ([UK1306019I](#)) and are not discussed further here.

About the survey

WERS 2011 was co-sponsored by the following bodies:

- Department for Business, Innovation and Skills ([BIS](#));
- Advisory, Conciliation and Arbitration Service ([Acas](#));
- Economic and Social Research Council ([ESRC](#));
- National Institute of Economic and Social Research ([NIESR](#));
- UK Commission for Employment and Skills ([UKCES](#)).

The objectives of the WERS series are to:

- map the changes in British employment relations;
- inform policy and practice, and stimulate debate;
- provide a comprehensive and statistically reliable dataset on British workplace employment relations for public use.

The survey sample is representative of workplaces across Great Britain (England, Scotland and Wales) with five or more employees. It covers virtually all sectors, the main exceptions being agriculture, forestry and fishing, and mining and quarrying.

Fieldwork took place between March 2011 and June 2012 in 2,680 workplaces, comprising 1,691 'newly sampled' workplaces and 989 'continuing' workplaces that participated in WERS 2004. Surveying the panel of 'continuing' workplaces allows an assessment of the extent to which change has taken place in existing workplaces, as distinct from that arising from the changing composition of the overall population.

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The fieldwork involved:

- face-to-face questionnaire interviews with 2,680 managers, (a 46.5% response rate);
- shorter face-to-face or phone questionnaire interviews with 1,002 worker representatives, 797 of which were union representatives (63% response rate);
- a self-completion survey of 21,981 employees (54.3% response rate).

The average duration of interviews was 90 minutes with managers, and 30 minutes with employee representatives.

Employment relations

Union membership and representation

The key measures of union presence were broadly stable, usually showing only a small or statistically insignificant decline between 2004 and 2011. The survey showed that:

- union membership among employees in workplaces with five or more employees fell from 32% in 2004 to 30% in 2011;
- union members formed the majority of the workforce in only 10% of workplaces, down from 14%;
- the percentage of workplaces with any union members fell from 29% to 23%;
- the percentage of all workplaces where unions were recognised, for collective bargaining purposes, fell from 24% to 21%.

The decline in the headline figures for union presence recorded by WERS between 2004 and 2011 was largely accounted for by the continuing contraction of unionisation in the private sector, particularly in smaller workplaces. Figures 1 and 2 show the stark sectoral differences that exist with regard to union presence. The percentage of workplaces with any union members fell to 14% in both private manufacturing and private services, while remaining stable at 90% in the public sector (see Figure 1). Similarly, the percentage of workplaces with union recognition for collective bargaining purposes fell to 11% in both private manufacturing and private services, rising slightly to 91% in the public sector (Figure 2).

Figure 1: Union presence – workplaces with any union members (%)

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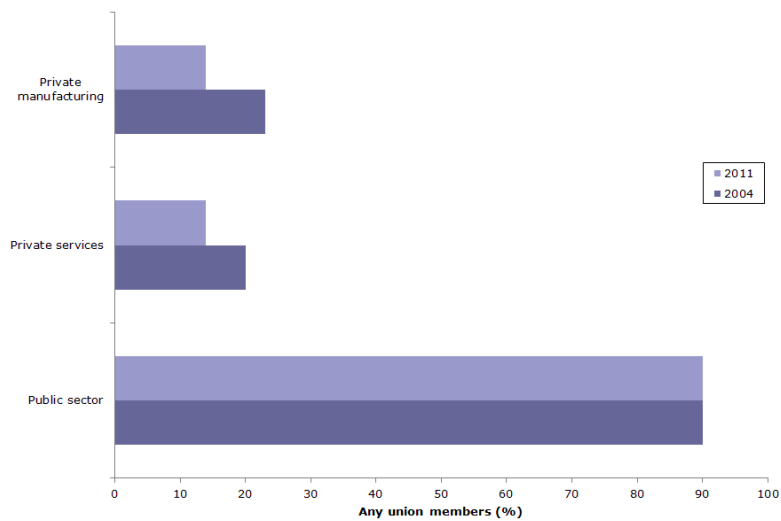


Figure 1: Union presence – workplaces with any union members (%)

Base: All workplaces with five or more employees.

Source: WERS 2011 first findings report, p. 14.

Figure 2: Union presence – workplaces with any recognised unions (%)

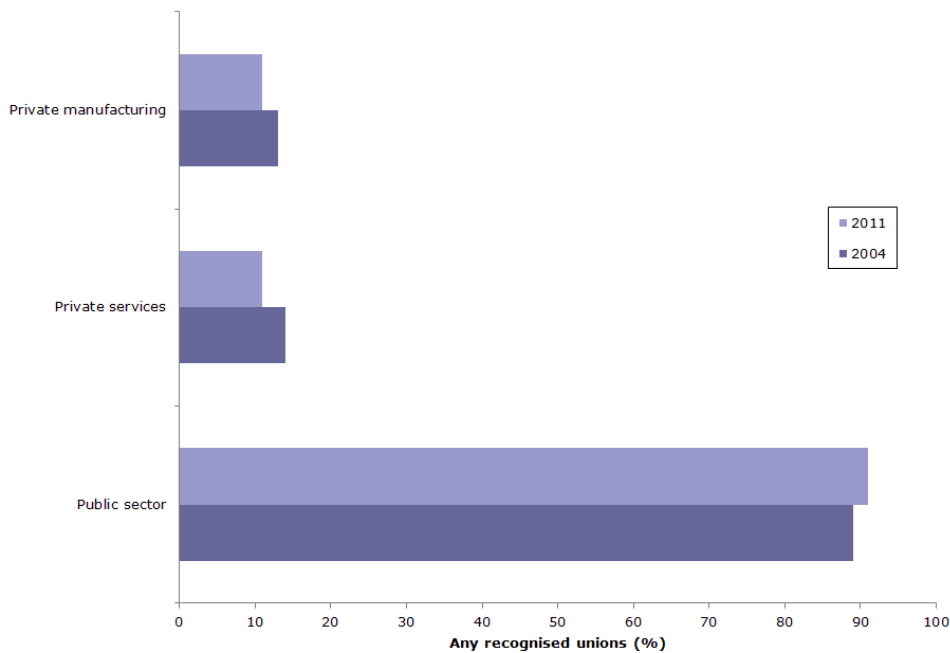


Figure 2: Union presence – workplaces with any recognised unions (%)

Base: All workplaces with five or more employees.

Source: WERS 2011 first findings report, p. 7.

Joint consultative committees

The introduction of regulations covering the [information and consultation](#) of employees in 2005, prompted by [EU Directive 2002/14/EC](#), led some commentators to predict an increase in joint consultative committees (JCCs) – the generic term used in the UK for bodies at workplace or organisation level, made up of management and employee representatives that

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are primarily concerned with information and consultation rather than negotiation. However, WERS showed no change in the incidence of workplace-level JCCs between 2004 and 2011, with 7% of workplaces (see Table 1). In multi-site organisations, the proportion of workplaces covered by a JCC at a higher level in the organisation fell, most notably in the private services sector. The proportion of workplaces covered by either type of JCC was 24%, compared with 36% in 2004.

Table 1: Workplaces covered by joint consultative committees (%)

Sector	Year	No JCC	Workplace-level JCC	Higher-level JCC only
Private manufacturing	2004	87	10	3
	2011	90	6	4
Private services	2004	67	5	28
	2011	80	6	15
Public sector	2004	28	19	53
	2011	37	15	48
All	2004	64	7	28
	2011	76	7	18

Base: All workplaces with five or more employees.

Source: WERS 2011 first findings report, p.15.

The percentage of workplace JCCs which included union representatives was largely unchanged at 28%.

Some of 18% of workplaces belonging to multinational organisations were covered by European Works Councils (EWCs), compared with 21% in 2004.

Workplace representation gap

The first findings report also provides a composite measure of the presence of any representation arrangement in the workplace, whether a recognised union, representative from a non-recognised union, workplace-level JCC or 'stand-alone' employee representatives who are non-union and do not operate within a JCC. The incidence of the latter remained stable between 2004 and 2011, being present in 7% of all workplaces.

Some 35% of all workplaces had some representation arrangement (down from 45% in 2004), meaning that in 65% of workplaces there were no structures for employee representation. Furthermore, on-site representatives were present in only 14% of workplaces. However, given that the decline in employee representation arrangements was concentrated in small workplaces (those with fewer than 50 employees) in the private sector, the proportion of employees working in workplaces covered by such arrangements remained broadly stable at 64%, as did the proportion of those working in workplaces with on-site representatives (47%).

Employee involvement

WERS 2011 asked questions about the various means used by managers to involve employees in the running of the organisation, which aim, for example, to:

- generate broader employee awareness of organisational strategy and performance;
- enable employee input to operational issues;

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- enhance employee commitment to the organisation.

In the UK, such issues are increasingly labelled as ‘employee engagement’, reflected in the establishment of [Engage for Success](#), a government-backed taskforce.

The survey recorded a growth in a range of methods for involving employees, with:

- 80% of workplaces using all-staff meetings (compared with 75% in 2004);
- 66% using team briefings (up from 60%);
- 61% providing information on financial information (up from 55%).

Staff surveys were used by 37% of workplaces (36% in 2004) and problem-solving groups by 14% of workplaces (down from 17% in 2004).

Some 52% of employees rated management as ‘very good’ or ‘good’ at seeking the views of employees and representatives, but fewer, 46%, said managers were ‘very good’ or ‘good’ at responding to suggestions from employees and representatives, with only 34% saying they were allowed to influence decisions. In each of these measures there was a slight increase in positive ratings compared with 2004.

WERS 2011 also recorded an increase in employees’ organisational commitment. In 2011:

- 75% of employees agreed that they felt loyalty to the organisation they worked for (compared with 70% in 2004);
- 68% said that they were proud to tell people who they worked for (up from 60%);
- 65% that they shared the values of their organisation (up from 55%).

The first findings report highlighted an association between organisational commitment and employee involvement in decision-making (see below), with 90% of those who were satisfied with their involvement feeling loyal to their organisation, compared with 48% among those who were not satisfied. Similarly, 85% of those satisfied with their involvement felt proud to work for their organisation, compared with 35% of those who were dissatisfied.

Consultation over workplace change

Reflecting the existence of legal obligations for consultation about redundancies, managers reported that, in 87% cases of redundancy, they had consulted employees or their representatives before making anyone redundant. This figure rose to 95% when two or more employees were affected. Outcomes of redundancy consultation were mixed, generating alternatives to redundancy or a reduction in the number of redundancies in 22% of workplaces where consultation took place. The next most common outcomes involved changes in preparing employees for redundancy (19%) and strategies for redeployment (14%).

Table 2: Incidence of workplace change and involvement of employees (%)

Issue	Overall incidence	Most important change	If most important change:	
			Any consultation	Negotiation with staff or representatives
Introduction/upgrading of new technology	48	21	47	8
Changes in work techniques	42	22	52	12
Changes in work	39	22	68	14

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	If most important change:			
organisation				
Product or service innovation	33	12	44	10
New employee involvement initiatives	27	9	58	27
Changes in working time arrangements	22	9	62	26
Introduction of performance-related pay	7	5	50	29
None of the above	22			

Base: All workplaces with five or more employees.

Source: WERS 2011 first findings report, p.21.

Managers were also asked about consultation over other workplace changes. Table 2 identifies the incidence of a range of changes made; which changes managers felt had the greatest impact on employees and the extent of employee involvement in decisions. Managers most frequently cited:

- changes in work techniques (22%)
- changes in work organisation (22%)
- the introduction of new technology (21%)

as the changes most affecting employees.

However, these issues, along with product or service innovation, were those over which managers were least likely to consult or negotiate with staff, or their representatives. Table 2 shows that consultation or negotiation were more likely if the changes affected terms and conditions of employment or employee involvement initiatives. The patterns of consultation and negotiation were similar to those recorded by the previous WERS with the exception that changes in work organisation were more likely to be subject to negotiation in 2011 (14%) than in 2004 (5%).

In terms of the operation of JCCs, 43% of managers in 2011 said that their usual approach was to use the committee to seek solutions to problems, 38% said that it was to seek feedback on a range of options and 19% said that it was to seek feedback on their preferred option. The latter figure is higher than that for 2004 (13%) but the difference is not statistically significant. However, responses from employee representatives on JCCs suggested a more extensive change of approach by management. The percentage who said that managers typically focused consultation around a preferred option rose from 8% in 2004 to 27% in 2011.

The proportion of employees who were satisfied with their level of involvement in workplace decisions increased from 40% in 2004 to 43% in 2011, while 57% agreed that managers were sincere in attempting to understand employees' views, up from 55% in 2004.

Collective bargaining coverage and pay determination

Table 3 summarises the WERS data from 2004 and 2011 relating to collective bargaining coverage.

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Table 3: Collective bargaining coverage

Year	Public	Private	All
Workplaces with any collective bargaining (%)			
2004	70	8	16
2011	58	6	13
Employees covered by collective bargaining (%)			
2004	69	17	29
2011	44	16	23
Workplaces with collective bargaining for 100% of employees (%)			
2004	50	5	11
2011	38	3	8

Base: All workplaces with five or more employees.

Source: WERS 2011 first findings report, p.22.

The most significant development is a significant fall in collective bargaining coverage in the public sector since 2004 reflecting, in part, the extension of the coverage of the independent pay review body for the health service and also a decline in public-sector multi-employer bargaining. Collective bargaining now takes place in 58% of public sector workplaces, setting pay for fewer than half of public sector employees (44%), down from over two-thirds (69% in 2004). Public sector workplaces where 100% of employees have their pay set by collective bargaining have also fallen notably. Collective bargaining in the private sector, though limited in coverage, has remained broadly stable since WERS 2004.

As regards the scope of collective bargaining where unions are present, WERS asked managers whether they normally informed, consulted or negotiated with unions on seven issues: pay, hours, holidays, pensions, training, grievance procedures, and health and safety. Table 4 shows the percentage of workplace managers saying they negotiated with the union on none, some, or all of these items.

Table 4: Scope of collective bargaining where unions present (%)

Year	None	Some	All
Public sector			
2004	37	59	4
2011	37	55	8
Private sector			
2004	54	41	5
2011	67	32	1
All workplaces			
2004	47	48	5
2011	53	43	5

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Base: All workplaces where a union is present.

Source: WERS 2011 first findings report, p.22.

While the proportion of unionised public sector workplaces that negotiated over at least some of the issues remained unchanged, the scope of bargaining in the private sector has narrowed. The percentage of unionised private sector workplaces that negotiated over at least some issues fell from 46% in 2004 to 33% in 2011.

The percentage of all unionised workplaces that negotiated over the ‘core’ issues of pay, hours and holidays fell from 33% in 2004 to 25% in 2011 which, according to the WERS first findings report, suggests a ‘hollowing out’ of union recognition in practice.

Performance-related pay

Table 5 shows that since 2004 the proportion of workplaces using incentive payment schemes has remained broadly stable at 54%, although the mix of schemes has changed.

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Table 5: Workplaces using incentive schemes (%)

Year	Public	Private	All
Any payment by results			
2004	10	35	31
2011	10	31	28
Any merit pay			
2004	10	16	15
2011	10	21	20
Any payment by results or merit pay			
2004	17	44	40
2011	17	43	40
Any profit-related pay			
2004	1	35	30
2011	6	32	29
Any share schemes			
2004	1	20	17
2011	5	10	9
At least one of the above incentive schemes			
2004	18	60	54
2011	22	58	54

Base: All workplaces with five or more employees.

Source: WERS 2011 first findings report, p.25.

In the private sector, a growth in the use of merit pay has been offset by a reduction in the use of payment by results, and the proportion of all workplaces using either payment by results or merit pay has remained constant at 43%. The percentage of private-sector workplaces using share schemes has dropped from 20% to 10%. In the public sector the use of profit-related pay and share ownership is minimal and largely confined to the postal service.

Workplace disputes

In response to a WERS question about the workplace employment relations climate, managers were typically positive about their relationship with their employees, with 96% rating this as either 'very good' or good' (up from 93% in 2004). Fewer employees (64%) offered the same assessment, though this figure too had grown from 62% in 2004.

Table 6 shows that the proportion of workplaces where managers reported having experienced **industrial action** in the previous 12 months was higher in 2011 than in 2004. However, this rise can be attributed primarily to an increase in strikes in the public sector in response to the UK government's austerity agenda. The low levels of strikes in the private sector and of other action across all workplaces were similar to those in 2004.

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Table 6: Industrial action in prior 12 months (%)

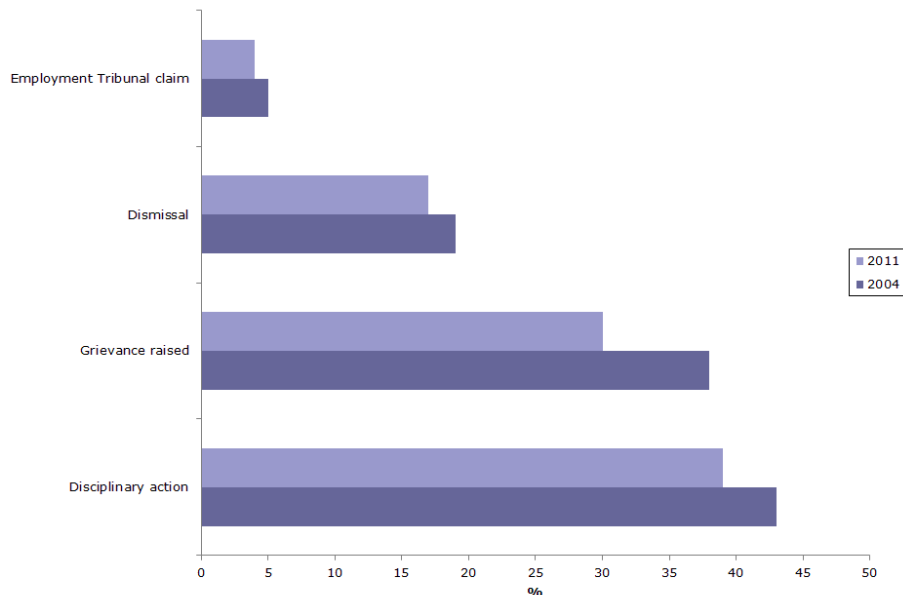
	Private sector		Public sector		All workplaces	
	2004	2011	2004	2011	2004	2011
Any strike action	0	1	6	27	1	4
Any non-strike action	1	4	(4)	6	1	1
Threats of action only	2	1	6	4	34	14
No action taken or threatened	97	98	86	66	95	94

Base: All workplaces with five or more employees.

Note: Strike and non-strike action are not mutually exclusive.

Source: WERS 2011 first findings report, p.26.

Figure 3 shows that the incidence of individual disputes at the workplace fell slightly across a range of measures.

Figure 3: Individual disputes (%)**Figure 3: Individual disputes (%)**

Base: All workplaces with five or more employees.

Source: WERS 2011 first findings report, p. 27.

In 2011, 39% of managers applied at least one of the following disciplinary sanctions:

- a formal verbal or written warning;
- suspension;
- deduction from pay;
- internal transfer or dismissal.

Some 17% dismissed at least one employee for disciplinary reasons. The percentage of workplaces where an employee raised a grievance in the 12 months prior to the survey

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decreased from 38% in 2004 to 30% in 2011. Only 4% of workplaces experienced an Employment Tribunal application, a similar level to that in 2004 (5%).

Impact of the recession

Few workplaces were left untouched by the recession that began in late 2008 ([UK1301019Q](#)). WERS 2011 asked both management and employee respondents about the impact of the recession on their workplaces and the range of actions taken in response.

Company responses

In 76% of all workplaces, managers said they had taken action in response to the recession that impacted directly on their workforce. The actions taken are summarised in Table 7.

Table 7: Actions taken in response to the recent recession (%)

Type of action	Private	Public	All
Freeze/cut in wages	39	63	42
Freeze on filling vacant posts	26	44	28
Changes in the organisation of work	22	35	24
Postpone workforce expansion	21	22	21
Reduce paid overtime	17	23	18
Reduce training expenditure	14	32	16
Reduce use of agency or temporary staff	13	31	16
Reduce basic hours	16	6	15
Compulsory redundancies	14	9	14
Voluntary redundancies	5	23	7
Reduce non-wage benefits	7	7	7
Enforced unpaid leave	3	2	3
Increase use of agency or temporary staff	2	4	3
Other response	3	5	3
No action taken	26	11	24

Base: All workplaces with five or more employees.

Source: WERS 2011 first findings report, p.7.

By far the most common response was a cut or freeze in wages (42%). Other common responses included:

- a freeze on filling vacant posts (28%);
- changing the organisation of work (24%);
- postponing plans to expand the workforce (21%).

Compulsory redundancies had taken place in 14% of all workplaces and voluntary redundancies in 7%.

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Public sector workplaces were more likely than those in the private sector to have experienced some form of response to the recession, but compulsory redundancies and reductions in basic hours were more common among private sector workplaces. Larger workplaces were also reported to be more likely than smaller ones to have taken some form of action.

Employee experiences

Employees too were asked whether they had experienced any of a specified list of changes as a result of recession. Their responses are shown in Figure 4.

Figure 4: Changes experienced by employees resulting from recession

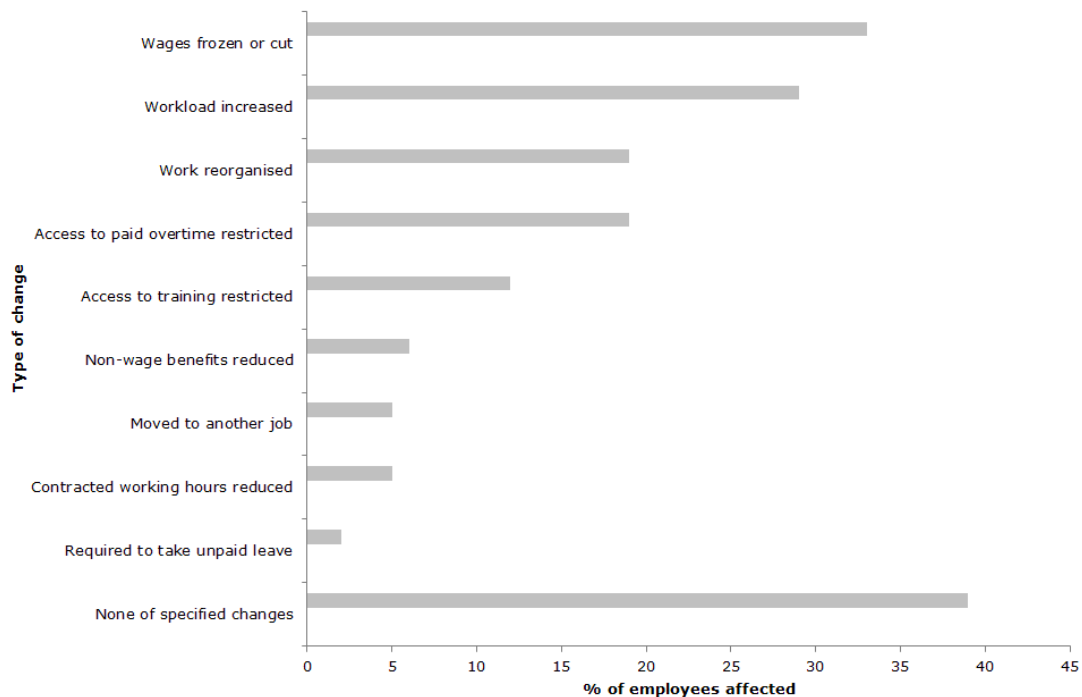


Figure 4: Changes experienced by employees resulting from recession

Base: Employees at workplace during recession.

Source: WERS 2011 first findings report, p. 8.

As the first findings report notes, the most common changes can be summarised as ‘more work, less pay’, with wage cuts being reported by 33% of employees and increases in workload by almost as many (29%). Reorganisation of work and restrictions on paid overtime were the next most common changes, each reported by 19% of employees.

Marked differences by sector are highlighted in the first findings report. Wage cuts or freezes were reported by 48% of employees in the public sector, compared with 27% in the private sector. Over one-third of public sector employees reported increased workloads, compared with just over a quarter (26%) in the private sector.

The industries with the highest percentage of employees reporting wages cuts or freezes were public administration (68%) and construction (50%). Increases in workload were also most commonly reported by employees in public administration (48%).

Unsurprisingly, employees’ perceptions of their job security were affected by the recession. In the 2004 WERS, 67% of employees agreed that their job was secure. In 2011, this had fallen to 60%.

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Non-standard working arrangements

WERS 2011 found an increase in the proportion of workplaces making some use of ‘non-standard working hours arrangements’ in response to the recession. The percentage of workplaces with at least some shift workers rose from 24% in 2004 to 32% in 2011. The percentage of workplaces with some employees on annual hours contracts rose from 4% in 2004 to 7% in 2011, and those with some employees on zero-hours contracts with no guaranteed working hours ([UK1308029I](#)) rose from 4% to 8%, though the incidence of such arrangements continued to be relatively low. Little increase was reported in the use of fixed-term and temporary contracts, with 25% of workplaces using such contracts for some employees, compared with 22% in 2004.

There was no significant change in the proportion of workplaces using agency workers; the figure fell slightly from 12% in 2004 to 10% in 2011. As shown in Table 7, managers in 16% of workplaces overall reported that the recession had resulted in reductions in the use of agency or temporary workers. Only 3% of workplaces increased their use of such workers.

Commentary

The first findings of successive WERS surveys are always keenly awaited by employment relations policy-makers, practitioners and academics and WERS 2011 was no exception. As outlined above, its first findings provide important indications of whether the three-decade decline of collective, trade union-based employee representation and employee relations arrangements has continued, slowed or been arrested since the previous WERS in 2004. WERS 2011 also provides a range of measures of how extensively workplaces and employees have been affected by the recession that began in late 2008, and by the austerity policies of the UK coalition government that took office in May 2010.

On the resilience or otherwise of collective representation, the evidence is mixed. As the first findings report notes, union representation remained ‘relatively robust’, often showing only a small or statistically insignificant decline between 2004 and 2011, other than in small, private-sector workplaces. Trade unions continued to be the ‘most prevalent’ mechanism of employee representation, and non-union representation remained ‘relatively uncommon’. At the same time, the survey showed a continuing decline in both collective bargaining coverage and the scope of collective bargaining where unions remain present. In similar vein, while managers were ‘no less likely’ to consult with employees or their representatives than in 2004, the range of options over which employees were typically consulted was narrower. The implication is that, while remaining in existence, some employee representation arrangements, whether union recognition or JCCs, may be becoming increasingly ‘hollowed out’ in terms of their practical influence.

Among a number of intriguing findings is that, contrary to expectations, the introduction of the UK’s Information and Consultation of Employees Regulations in 2005 has not resulted in an upturn in the proportion of workplaces covered by JCCs. In this area, as in a wide range of others, the more detailed analysis of the 2011 WERS that will be provided by the WERS source book, due to be published by the co-sponsors in late 2013, will be awaited with considerable interest, along with the eventual output from the numerous academic research projects that can now be expected to exploit the WERS 2011 data.

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