

September 2009

EEF/CPH Consulting Employment Survey 2009

Report on union recognition/membership
and the employee relations climate

Introduction

Earlier this year, EEF undertook a survey of its members' human resources policies and practices as well as their views on some key current employment policy issues. This survey was sponsored by CPH Consulting which provides insourced direct recruitment solutions to both early-stage and established companies in the technology, business services and professional services sectors.

Responses were received from nearly 500 companies of different sizes that reflected EEF's overall membership.

Table 1 Survey respondents by company size

Company size	Number of respondents	Percentage of total respondents (%)
Small (1 to 100 employees)	221	44.3
Medium (101 to 250 employees)	171	34.3
Large (251 and more employees)	107	21.4

Source: EEF/CPH Consulting Employment Survey 2009

Whilst the vast majority of the responses were from manufacturing companies, there were enough (69) from non-manufacturing companies to enable us to draw some comparisons between them.

This first report looks at union recognition and membership and member companies' views on the current and future employee relations climate.

Subsequent reports will examine other aspects of the survey, including the incidence of flexible working in manufacturing, EEF members' practical experience of managing requests for flexible working, their views on retaining the default retirement age of 65 and the changing nature of pension provision in manufacturing. These short reports will then be drawn together into a more comprehensive report analysing the full results of the survey.

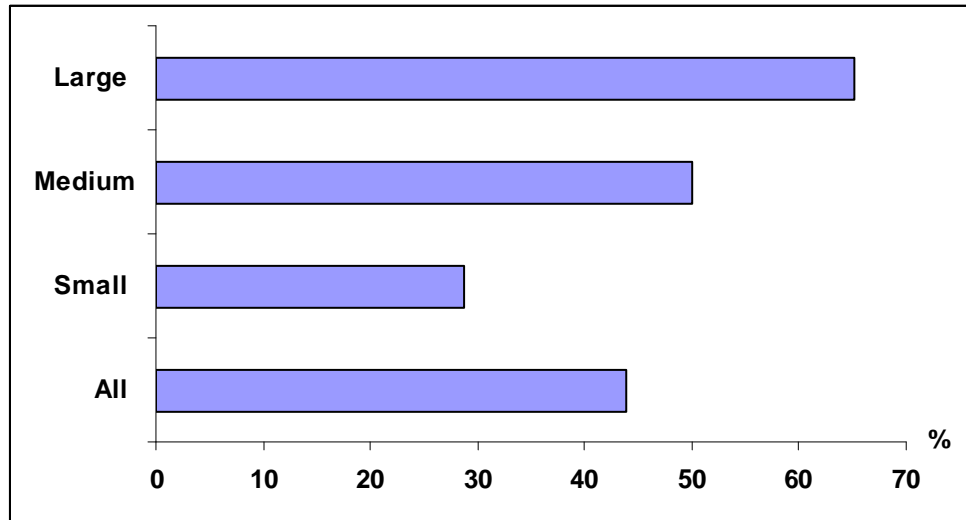
Union recognition

The survey shows that union recognition is relatively more prevalent amongst EEF members than in both manufacturing and the private sector as a whole. Nearly 45% of respondents recognise at least one union for collective bargaining. This is significantly higher than the 2004 Workplace Employment Relations Survey (WERS),¹ which reported union recognition in only 21% of private sector manufacturers. One of the likely reasons for the difference is EEF's history as an employers' association, participating until 1989 in a national agreement on pay and employment conditions with the Confederation of Shipbuilding and Engineering Unions (CSEU), and its employment relations services which have developed from this.

As Chart 1 shows, the level of union recognition varies quite significantly by company size. Nearly two-thirds of large employers recognise a union, compared with half of medium-sized companies and slightly more than a quarter of small companies. This result is in line with WERS 2004.

Chart 1 Larger firms more likely to recognise unions

% of firms recognising unions

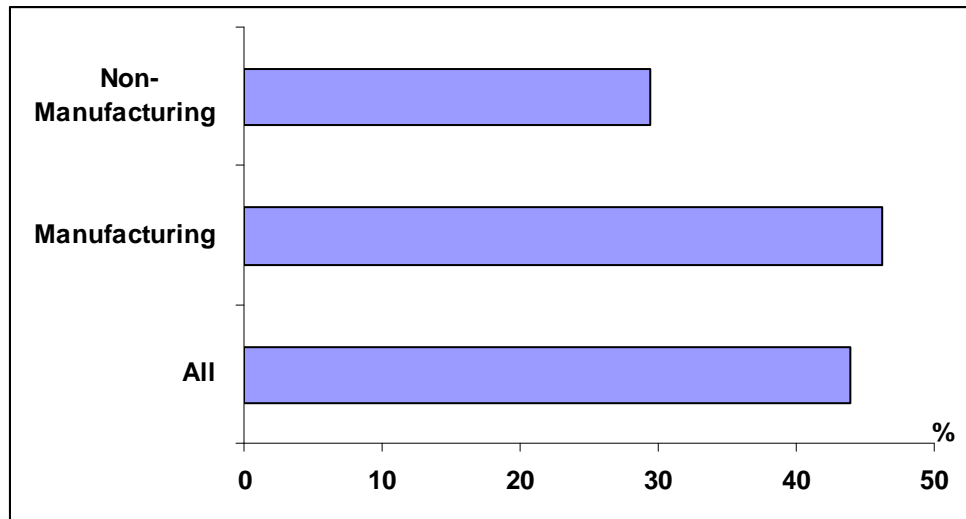


Source: EEF/CPH Consulting Employment Survey 2009

Chart 2 shows that there is a significant difference in union recognition between manufacturers (46.2%) and non-manufacturers (29.4%), reflecting the more limited inroads unions have made into growing areas of service sector employment. Here, too, however, EEF’s members are markedly more likely to recognise a trade union than companies in general.ⁱⁱ

Chart 2 Recognition higher in manufacturing

% of firms recognising unions

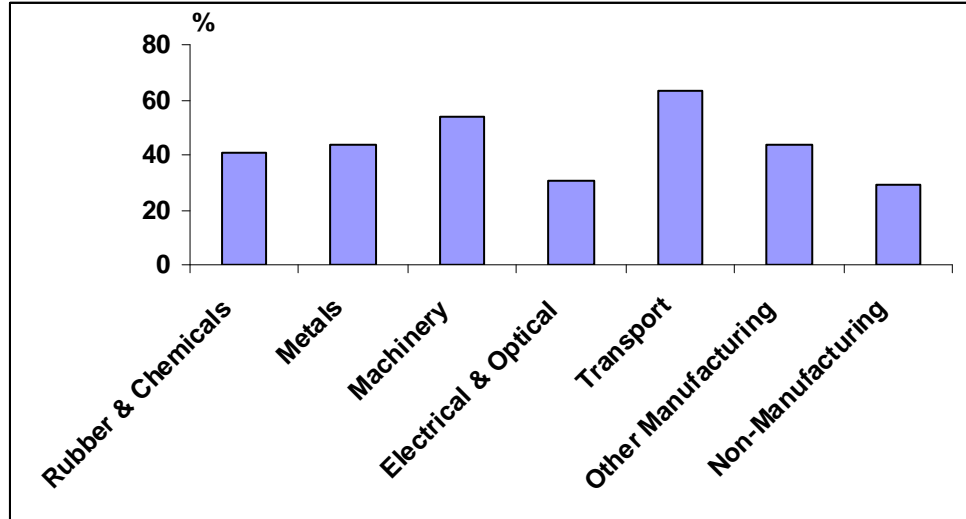


Source: EEF/CPH Consulting Employment Survey 2009

Chart 3 illustrates the wide variation in union recognition between the different parts of manufacturing. Recognition tends to be higher in the more traditional sectors such as transport (motor vehicles, aerospace, shipbuilding and railway equipment) and machinery and lower in newer sectors such as electrical and optical equipment.

Chart 3 Union recognition higher in transport equipment and machinery

% of firms recognising unions



Source: EEF/CPH Consulting Employment Survey 2009

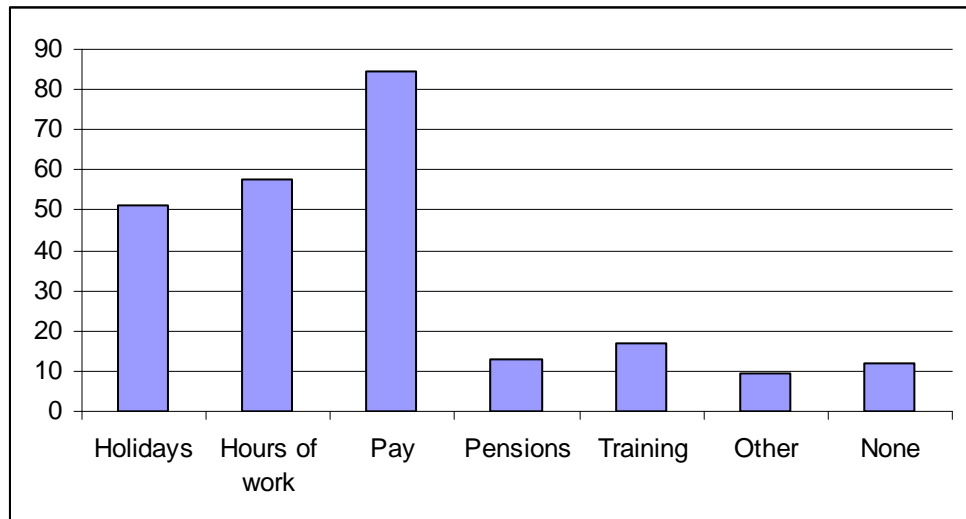
Not surprisingly, given their long-standing presence in manufacturing, the main unions recognised for collective bargaining are Unite and the GMB. However, a range of other unions is also recognised by a small number of firms, often as a result of mergers and acquisitions or the TUPE transfers of employees from the public sector.

Bargaining topics

Chart 4 shows that the main issues on which employers bargain with recognised unions are, unsurprisingly, pay, hours and holidays. Very few bargain on any other issue, including pensions. Indeed, as few (just over one in ten) do not negotiate on any topic with their recognised union as negotiate on pensions. It would appear that, whilst formally the employer still recognises the union, in 10% of cases recognition has no practical content, having withered on the vine.

Chart 4 Bargaining topics

% of firms that recognised a trade union bargaining on particular topics



Source: EEF/CPH Consulting Employment Survey 2009

Union membership

Levels of union membership vary quite considerably. As Table 2 shows, just under a third of the respondents have no union members, but in nearly 15 % of companies over half of the employees belong to a union. Not surprisingly, membership is significantly higher in large companies. Nearly a quarter of them have more than half of their employees in a union, compared with just under one in ten small companies. In contrast, nearly half of small companies have no union members at all, compared to only just over one in ten large companies.

Table 2 Level of union membership by company size

% of firms

	All companies (%)	Small companies (%)	Medium-sized companies (%)	Large companies (%)
None	32.0	49.8	21.3	11.7
1 – 10%	13.6	11.0	16.0	15.5
11 – 20%	7.1	5.9	8.3	7.8
21 – 50%	18.1	11.9	21.3	26.2
Over 50%	14.3	9.1	16.0	22.3
Don't know	14.9	12.3	17.2	16.5

Source: EEF/CPH Consulting Employment Survey 2009

This clear difference in union membership between large and small employers is in line with both the most recent government analysis of union membershipⁱⁱⁱ and the findings of WERS 2004. The Government's analysis showed that union density in 2008 was higher in workplaces with 50 or more employees, at 36.3 %, compared to only 18 % in workplaces with less than 50 employees.

Some comments on union recognition and membership

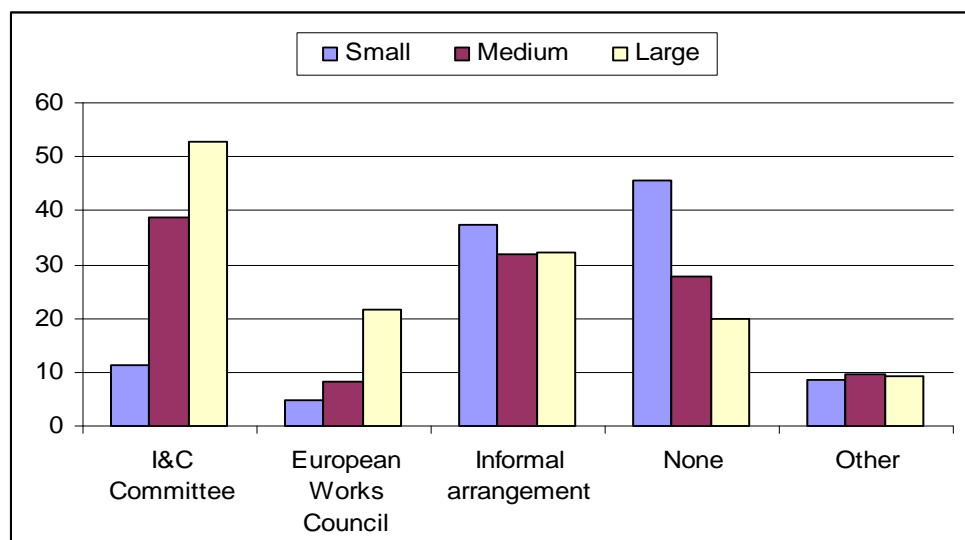
There is little doubt that union membership and recognition is now much lower than in the 1980s and even the early 1990s. In the 1980s, the national agreement for the engineering industry between EEF and the CSEU had a significant impact on pay negotiations throughout much of the private sector. This national agreement, together with its national procedure for resolving disputes within individual companies, meant that the major proportion of EEF members recognised a union, particularly for their manual employees. Indeed, the engineering industry was seen as the main centre of union activity within the private sector. Unions that were members of the CSEU had powerful leaderships that were able to undertake extensive campaigns for, in particular, a reduction in the working week, often with considerable membership support. Given this background, it is undoubtedly significant that this new survey suggests that a minority of EEF members (43.9 %) now recognise a trade union and that fewer than 15 % have more than 50 % union membership.

The end of national bargaining in 1989 saw companies starting to introduce pay and conditions of employment and to establish internal procedural arrangements for resolving disputes, instead of relying on the national agreement. As a result, some union recognition arrangements have now effectively withered on the vine and there have even been a few cases of union derecognition. Furthermore, this pattern was not really changed by the introduction of legislation on statutory union recognition in the late 1990s.

Alternative ‘employee voice’ arrangements

The survey shows that two-thirds of companies have some sort of consultative arrangement with their workforce, whether formal or informal. Small companies are less likely to have any arrangements (46% of them have no consultative provision compared with 20% of large companies). Large companies are most likely to have formal information and consultation committees (over half, compared with 39% of mid-sized companies and only 11% of small companies). Unsurprisingly, large companies are also most likely to have a European Works Council (EWC). Interestingly, those companies that recognise trade unions are slightly more likely to have some sort of consultative arrangement than non-unionised firms.

Chart 5 Consultative arrangements



Source: EEF/CPH Consulting Employment Survey 2009

Of concern in this chart is the percentage of businesses with apparently neither formal nor informal mechanisms for consulting employees, including one in five of the largest firms. Given the evidence that is available to support the importance of employee voice to business success,^{iv} these figures arguably present a challenge if manufacturing is to prosper as we emerge from the recession.

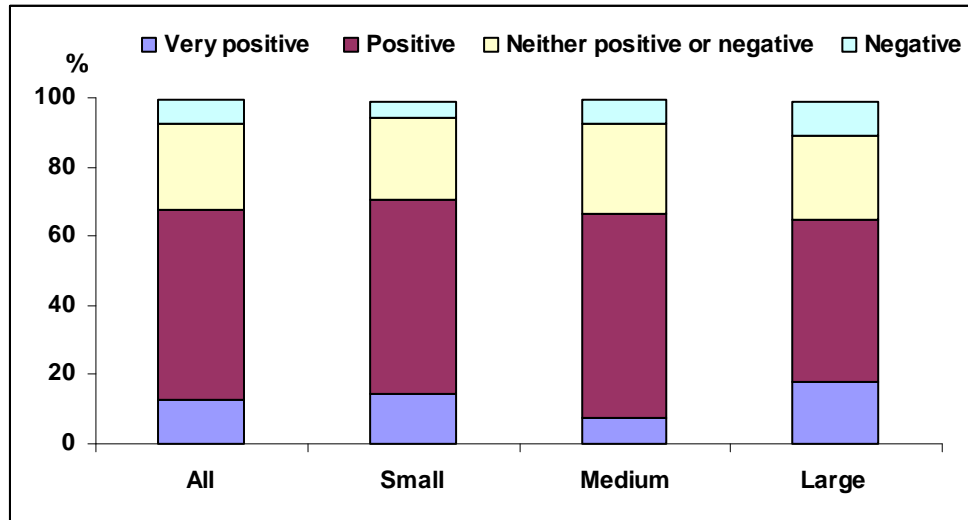
The employee relations climate

This survey was undertaken in March/April 2009 when the economic situation for manufacturers was looking very gloomy, so it is encouraging that firms generally expressed positive views about the current employee relations climate and were even more optimistic about the future.

As Chart 6 shows, just over two-thirds of respondents felt that the current employee relations climate was either positive or very positive and less than one in ten of them felt that it was negative. Small employers were slightly more positive than larger employers.

Chart 6 Employee relations climate seen as positive

% of firms

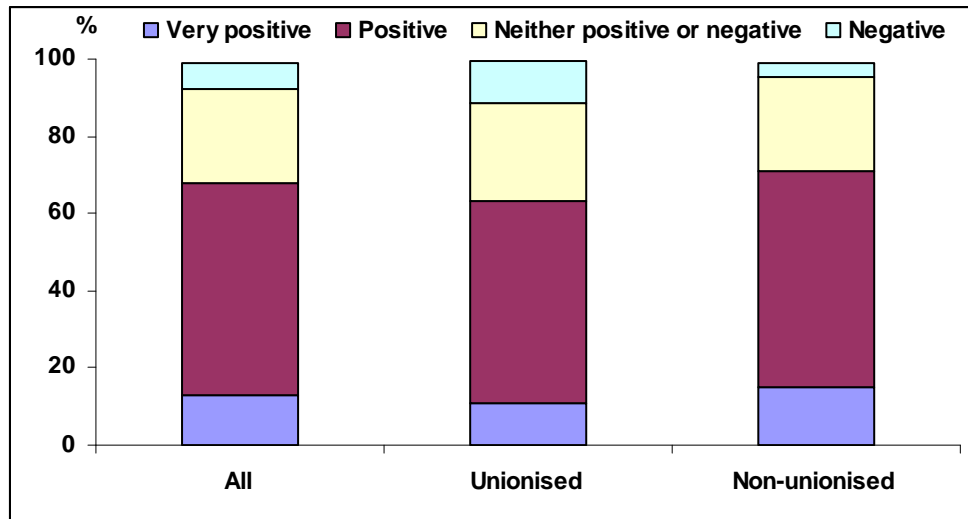


Source: EEF/CPH Consulting Employment Survey 2009

However, Chart 7 shows that unionised companies were slightly less positive about the current employee relations climate, with just under two-thirds (63.3%) of them expressing positive views compared to nearly three-quarters (71%) of non-unionised companies. Unionised companies were also more likely to characterise the current employee relations climate as negative.

Chart 7 Unionised companies less positive about employee relations climate

% of firms

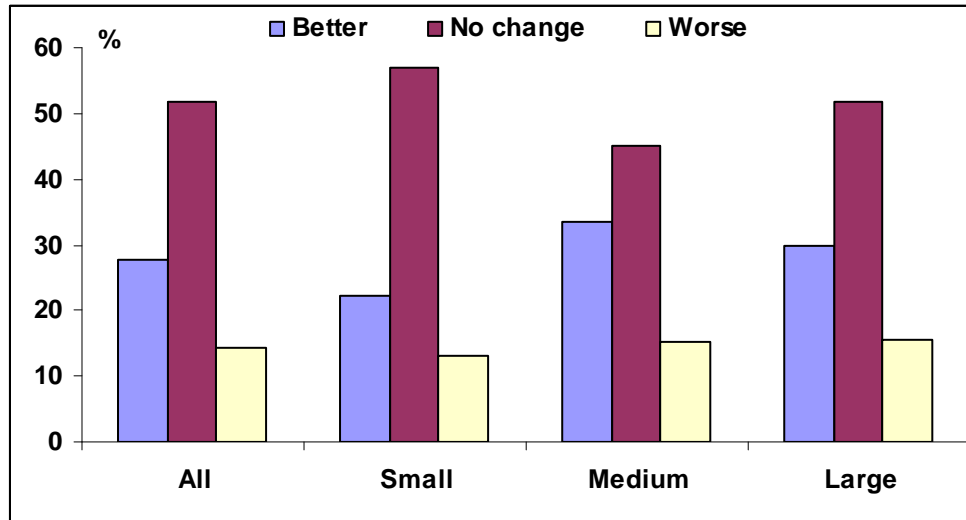


Source: EEF/CPH Consulting Employment Survey 2009

Companies were also relatively optimistic about the future employee relations climate. As Chart 8 shows, just over a quarter of them felt that it would get better in the next 12 months – nearly double the number that expected it to get worse. Nearly a third of large companies (29.8%) felt that it would improve compared with less than a quarter of small companies (22.2%).

Chart 8 Employee relations climate expected to improve in the next 12 months

% of firms

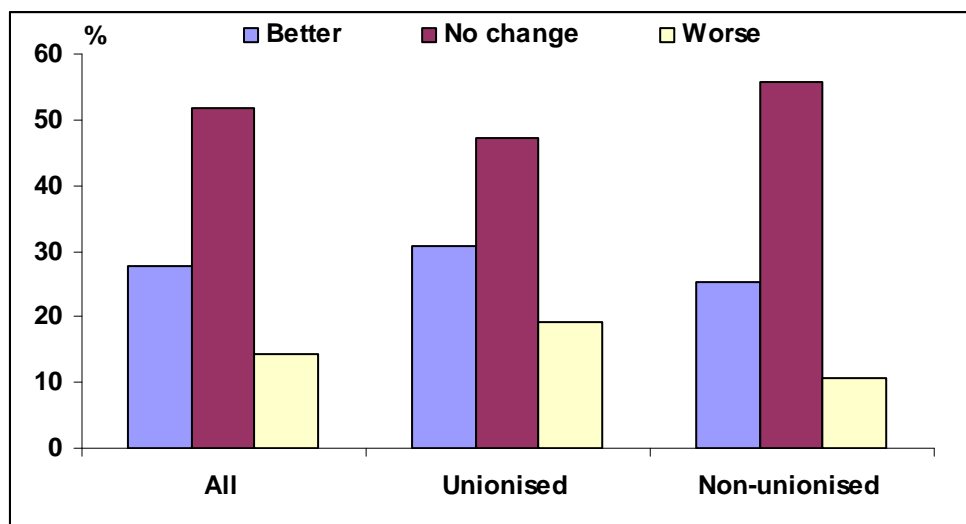


Source: EEF/CPH Consulting Employment Survey 2009

Chart 9 shows that the views of unionised companies about the employee relations climate in the next 12 months were more polarised than those of non-unionised companies. Nearly a third (30.8%) of unionised companies felt that it would get better, compared to only a quarter of non-unionised companies. However, nearly a fifth (19.2%) of unionised companies felt it would worsen compared to just over one in ten (10.8%) of non-unionised companies.

Chart 9 Unionised companies polarised on future employee relations climate

% of firms



Source: EEF/CPH Consulting Employment Survey 2009

Some comments on EEF members' views on the employee relations climate

Many manufacturers have had practical experience of managing through previous economic downturns and they appear to be using this experience to adopt a more pragmatic and longer-term approach this time. Companies have tried to minimise headcount reductions by implementing a range of different working arrangements, such as short-time working and periods of voluntary unpaid leave, and by exercising very tight controls on pay. The aim has been to try to maintain their skilled workforce so that they are in a stronger position to take their business forward when economic conditions start to improve.

EEF members are generally finding that employees and their representatives have responded quite positively to the introduction of these measures. This is probably one of the main reasons why they felt that the current employee relations climate was relatively positive and would improve in the future.

However, there is some cause for concern that unionised companies seem to have more polarised views about employee relations than those without unions. Our survey shows that more unionised companies are positive about the current and future employee relations climate than non-unionised companies. This may be because of the particularly important role trade unions have played in some businesses in putting in place strategies to reduce or avoid headcount reduction. However, more of the unionised companies have negative views, particularly about the future. This is possibly because they know that some difficult and controversial issues within their businesses still have to be tackled including, in some cases, the future of their defined benefit occupational pension scheme. This awareness of union campaigns, particularly in the pensions field, may give them reason to fear that employees and their representatives will react adversely to their plans.

This is a challenge that both employers and their recognised unions will need to address if employers and employees in the manufacturing sector are to benefit when the economy eventually improves. EEF's experienced team of legal and employee relations advisers is well-equipped to help EEF members improve their employee relations climate but, as in all relationships, it will also require the union movement to respond positively and constructively to these initiatives.

DJY
4/9/09

ⁱ Inside the Workplace: Findings from the 2004 Workplace Employment Relations Survey

ⁱⁱ WERS 2004: 16% of workplaces in the private sector recognised a union compared to 21% of workplaces in private sector manufacturing.

ⁱⁱⁱ Trade Union Membership 2008 – Department for Business, Enterprise and Regulatory Reform
^{iv} See, for a recent review, 'Engaging for success: enhancing performance through employee engagement.' A report to Government by David McLeod and Nita Clarke. Department for Business, Innovation and Skills. URN09/1075 -