

Executive Summary

***Collective Bargaining and
Workplace Performance:***

An Investigation using the Workplace Employee Relations Survey 1998

By

Alex Bryson and David Wilkinson

of the Policy Studies Institute

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Aims of the study

The purpose of this study is to investigate what impact, if any, collective bargaining had on managerial and employee perceptions of the employee relations climate and managerial perceptions of workplace financial performance in Britain by the end of the 1990s. This assessment is made using descriptive and multivariate analyses of the 1998 Workplace Employee Relations Survey (*WERS98*), a nationally representative survey of workplaces and employees in all but the smallest workplaces.

The study has two principal aims:

- (a) mapping the extent of different aspects of collective bargaining in Britain; and
- (b) identifying associations between aspects of collective bargaining and performance using multivariate techniques, which control for other influences.

Mapping collective bargaining

In mapping collective bargaining, distinctions were made between:

- *bargaining arrangements*, by which we mean ways in which unions and employers are organised for bargaining purposes and, specifically, whether the employer negotiates with a single union or multiple unions and, if with more than one union, whether negotiations are with unions separately or jointly;
- *bargaining coverage*, that is, the percentage of workers in a workplace whose pay is set by collective bargaining;
- *bargaining levels*, that is, the level at which pay bargaining occurs (workplace, organisation or industry).

Simple typologies were developed for these three aspects of bargaining, and these were used in the analyses. *WERS* shows that, among workplaces with at least 10 employees:

- 36 per cent of all workplaces recognise trade unions. Approximately two-fifths are in the private sector.
- Around a quarter of all workplaces recognise only one union. These single-union workplaces were split evenly across the public and private sectors.
- Only 14 per cent of all workplaces recognise more than one union: 38 per cent in the public sector and 5 per cent in the private sector.
- 8 per cent of workplaces have *single-table bargaining* (22 per cent in the public sector and 3 per cent in the private sector).
- In around 6 per cent of workplaces employers negotiate with separate unions over pay (13 per cent in the public sector, 2 per cent in the private sector).

Associations between collective bargaining and performance

Managerial perceptions of the employee relations climate

- 90 per cent of managers rated the employee relations climate as either ‘very good’ or ‘good’
- Across the economy as a whole, *bargaining arrangements* and *bargaining levels* had little effect on managerial perceptions of climate. Climate was viewed most positively where some but by no means all workers had their pay set by collective bargaining. Management support for unions also fostered better climate.
- In the private sector, climate was poorer in the small percentage of workplaces where there were three or more *recognised unions*, and they were better where there was mid-range *bargaining coverage* and in the less than one per cent of workplaces with multi-level bargaining.
- In the public sector, climate was better where separate bargaining with groups of unions was avoided, but there was no advantage to *single-table bargaining* over separate negotiations with individual unions. *Bargaining levels* were not associated with climate. Climate was better where a low percentage of employees were covered by collective bargaining, but poorest where there was no effective bargaining over pay.

Employee perceptions of the employee relations climate

- Employees had poorer perceptions of the employee relations climate than managers did. Fifty-five per cent of employees regarded the employee relations climate as ‘very good’ or ‘good’. Employee perceptions of climate were poorer than managers’ perceptions *within the same workplace* in nearly half of all cases.
- In the economy as a whole, climate was poorer where there was separate bargaining with each union, and where there were multiple unions. Climate was better in the <1 per cent of workplaces with multi-level bargaining, where management supported unions, and where employees perceived unions as effective.
- In the private sector, climate was poorest in the small proportion of workplaces where there was separate bargaining with each union. In the public sector, employee perceptions of climate were better where there was multi-level bargaining.
- Union members had poorer perceptions of climate than non-members did, whether *recognised unions* were present or not. This is a common finding in the literature on climate, so it is not an unexpected finding. Their perceptions of climate were poorer where there was separate bargaining, whereas collective bargaining did not affect non-members’ perceptions of climate.

Managerial perceptions of workplace financial performance

- Financial performance is defined in terms of managers’ perceptions of the workplace’s performance relative to similar workplaces in the same industry.
- Union recognition and *bargaining arrangements* were not associated with financial performance. This finding held for the whole economy, the trading

sector and the private trading sector, and when restricting the analysis to those using profit or value added as their measure of performance.

- However, unions improved financial performance where the workplace faced a declining or turbulent market.
- Industry-level bargaining was associated with better financial performance. However, it is not possible to determine the direction of causation.

Implications of the findings

Despite moves towards simplified *bargaining arrangements* in the 1990s, there was no clear evidence of benefits arising from management dealing with a unified worker voice, although the avoidance of separate *bargaining arrangements* appeared advantageous in some circumstances. Analysis of panel data may shed further light on the issue.

Employer orientations to unions and union membership played an important role in determining performance outcomes. Managerial support for unions and union membership, and a preparedness to engage seriously with unions, brought rewards in terms of improved climate. Employees' belief that managers' took unions seriously improved their perceptions of climate, even where unions were not recognised. Equally, where unions were present, management opposition to them was detrimental to climate. This is consistent with the notion that the workplace can benefit from social partnership.

Unions were also beneficial where employees viewed them as effective in 'delivering' for them. The question that arises is what are the conditions under which employees perceive unions as effective, and thus able to contribute to better employee relations?

The absence of general union effects on financial performance, and their positive effects in the face of difficult product market conditions, implies that the negative influences of unions on performance, identified in earlier studies (McNabb and Whitfield, 1997; Machin et al., 1991, 1993; Machin and Stewart, 1990, 1996) have diminished in the 1990s.

Directions for future research

This research could be usefully extended in the following ways.

Panel analysis: Using the Workplace Industrial Relations Survey (WIRS) 1990-1998 Panel it would be easier to make causal inferences about the impact of unions on performance. These data also permit analysis of the impact of switches in regime, such as a move towards *single-table bargaining*, on changes in performance.

Alternative performance measures: The robustness of results could be tested on alternative measures of climate and performance. The latter could include financial information from the Annual Business Inquiry that could be matched to manufacturing workplaces in WERS. Research could be extended to other performance indicators such as labour productivity.

Organisation-level analysis: In many instances, non-independent workplaces are expected to follow policies or procedures emanating from higher up in the organisation. Organisation-level analysis would therefore be a useful complement to the workplace-level analysis presented here.

Tackling the changing nature of unions: Aspects of unionism which have not featured prominently in previous empirical research, such as their effectiveness in ‘delivering’ for members and employers, and managerial attitudes towards unions, negotiation and consultation, could be explored more thoroughly in future. As regards more traditional measures, there are mismatches in the WERS data between indicators of union recognition and *bargaining coverage*. These ought to be investigated further to establish whether these reflect ‘real world’ circumstances or data issues.