



IPPR Commission on Economic Justice

Power to the People

**How stronger unions can
deliver economic justice**

Discussion Paper

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This report was first published in May 2018

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The IPPR Commission on Economic Justice

The IPPR Commission on Economic Justice is a landmark initiative to rethink economic policy for post-Brexit Britain.

Launched in November 2016, the Commission brings together leading figures from across society – from business and trade unions, civil society organisations and academia – to examine the challenges facing the UK economy and make practical recommendations for reform.

The Commission is undertaking a wide-ranging programme of research and policy consultation on issues including industrial strategy, macroeconomic policy, taxation, work and labour markets, wealth and ownership, sub-national economic policy and technological change. Through a major programme of communications, events and stakeholder engagement it aims to contribute to both public debate and public policy on the economy. Non-partisan, it has been welcomed by both government and opposition parties.

The Commission's Interim Report, *Time for Change: A New Vision for the British Economy*, was published in September 2017. Its Final Report will be published in autumn 2018.

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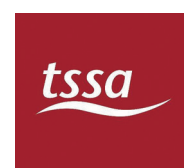
ACKNOWLEDGEMENTS

The author would like to thank John Earls, Janet Williamson and Kate Bell for their comments on the draft, and for their support throughout the project. We would like to thank Prospect, IWGB, STUC, TUC, Melanie Simms, Peter Ackers, and particularly Unite for their detailed submission to our call for evidence.

Thanks to Lawrence Turner, Maggie Dewhurst, Gill Dix, Andrew Pakes, Patrick Brione and Becky Wright for their input. Thanks also to my colleagues Michael Jacobs, Phoebe Griffiths, Carys Roberts, Mat Lawrence and Tom Kibasi for their support during the project.

THANKS

IPPR is extremely grateful to USDAW for their generous donation, and to the Friends Provident Charitable Foundation, City of London Corporation, GMB and TSSA, and a number of individual donors, for their support of the Commission. Their support should not be taken as agreement with the content of this or other Commission publications.



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Summary

Achieving better wages and working conditions as part of a new growth model will require a renaissance of collective bargaining and a growth in trade union membership. The decline of the union movement has contributed to a growing imbalance of power in the economy, and a consequent decline in the share of national income going to labour and an increase in inequality. The state should not be agnostic about the decline of the union movement; public policy should seek to support a renaissance in collective bargaining at sector and firm level, and to reverse the decline in union membership. Trade unions should become social partners in industrial strategy and in managing automation to build a more productive economy that works for all.

These conclusions are based on six key propositions.

- 1. Trade unions and collective bargaining are good for workers and good for the economy**
 - Trade unions exist to aggregate the bargaining power of working people, enabling them to improve pay and the quality of work. The decline of union density and collective bargaining has contributed to an imbalance of power at work.
 - This imbalance of power has led to a decline in the share of national income going to labour, an increase in inequality and slower growth. Weaker labour power has meant workers have been less able to secure a fair share of the wealth they generate, and the labour share has become increasingly unevenly distributed among workers. This has acted as a drag on growth.
 - Trade unions are associated with higher quality work and protection of workers from exploitation. The absence of trade unions has contributed to much badly paid and precarious employment.
- 2. Workers who could most benefit from union membership are least likely to join and membership is set to decline further still**
 - Trade union density and collective bargaining coverage have fallen rapidly in the UK. Over the last 40 years, union density has fallen from one in two workers to fewer than one in four. Collective bargaining coverage has fallen from three in four workers to one in four; the largest fall among advanced economies.
 - It is the workers who could most benefit from union membership who are least likely to be members. Membership is lower in low-paid industries and among the low-skilled and low-paid workers who could most benefit from collective action. Union membership is lower in the occupations and industries which have a higher potential for automation.
 - Membership is set to fall further. Membership has fallen most among younger workers; with 2.5million union members aged over 50 and set to retire in the next two decades, the movement is struggling to recruit young workers to replace them. Union membership is lowest in sectors that are set to experience the largest employment growth.
- 3. Public policy has contributed to the decline of trade unions, so public policy must be part of the solution**
 - Economic change has contributed to the decline in union membership with a decline of heavily unionised manufacturing sectors, a growth in private service sectors with low union density, and changing business models.

- There remains strong latent support for trade unions. Three in four adults say unions are vital for protecting workers' interests.
- The decline of trade unions and collective bargaining can be partially explained by a deliberate and ideologically driven assault on the union movement. This hostile environment should now be reversed.

4. Government should promote a renaissance of collective bargaining to improve wages and working conditions

- A Minister of State for Labour should be appointed, with a target of doubling the coverage of collective bargaining to 50 per cent of workers by 2030.
- Sectoral collective bargaining should be promoted in low-paid sectors in order to boost productivity and ensure competition does not drive down pay.
- Firm-level collective bargaining should be supported through lowering the barrier to achieving statutory recognition and using public procurement.

5. Trade unions should be supported to recruit members and to innovate

- Government should introduce a Right of Access to support unions to recruit, giving unions a physical right of access to workplaces as well as a digital right of access to workers.
- Government should introduce a Right to Join to encourage workers to join a union. As part of a statement of rights for workers, this would set out the right to join a union and the benefits of joining, and allow workers to 'opt in' to membership on starting employment, with subs deducted from payroll.
- Government should trial auto-enrolment in the gig economy. Building on the success of pensions auto-enrolment, the government should pilot auto-enrolment into trade unions for workers selling their labour on digital platforms in the gig economy in order to tackle low pay and exploitation in this atomised workforce.
- Trade unions *are* innovating, but they should be supported to do so. Government should introduce a WorkerTech Innovation Fund to support unions to innovate. Overseen by the Trades Union Congress (TUC), the fund could be worth £10 million over five years, paid for by a surcharge on compensation payments paid by employers at employment tribunals.

6. Trade unions should be seen as social partners in industrial strategy and for the managed acceleration of automation

- The UK economy needs stronger unions, but this need not lead to widespread industrial unrest. Some countries combine high levels of union density and collective bargaining with low levels of industrial unrest as part of a dynamic and inclusive economy.
- Government should support social partnership whereby unions are involved alongside employers as key stakeholders in the management of the economy. Social partnership should be encouraged through sector deals and through elected workers on company boards.
- Trade unions should be embraced as key partners in a managed acceleration of automation. Automation will not lead to a jobless future, but it could lead to a further rise in inequality. Through collective bargaining, and representation on company boards and key labour market institutions, unions can help manage the process of automation. Stronger unions can ensure that workers benefit from increases in productivity, with higher wages and/or reduced working time.

Introduction

Trade unions are voluntary associations of workers that aim to aggregate their bargaining power in order to help them to protect and improve their pay, conditions and rights.

The union movement grew out of the Industrial Revolution, which led to the creation of a large urban working class. In 1867, a Royal Commission on Trade Unions found that they could benefit employees and employers, and unions were subsequently legalised in the Trade Union Act of 1871.

Trade union membership grew from two million members at the turn of the 20th century to eight million by 1920, before falling back to four million in the early 1930s. There was then a long and sustained period of growth in membership, reaching over 13 million in 1979, the year that Margaret Thatcher came to power.

Union membership has declined significantly since that point, and is now under seven million, just over half the previous peak. Only one in four (23.2 per cent) employees are in a trade union, with the figure in the private sector being just 13.5 per cent (BEIS 2018).

In this discussion paper, we argue that achieving better wages and working conditions as part of a new growth model will require a renaissance of collective bargaining and a growth in union membership. There are many reports setting out what trade unions could do to adapt to the changing labour market (see Tait 2017, Arnold 2018, Kelly and Tomlinson 2018) and there are many examples of union-led innovation (Bance 2018). However, our argument is that while union adaptation and innovation are vital – and while it is happening in pockets – this alone is unlikely to be sufficient to reverse the decline. There will need to be wider changes to level the playing field, so that trade unions are better able to recruit, to organise, to innovate and to fight for economic justice. Government has a role to play here.

To this end, we set out six propositions in the chapters which follow.

- 1. Trade unions and collective bargaining are good for workers and good for the economy.** The decline of union density and collective bargaining has led to a power imbalance in our economy, contributing to a decline in the labour share of national income and a rise in inequality.
- 2. Workers who could most benefit from union membership are least likely to join and membership is set to decline further still.** Density and collective bargaining have fallen particularly rapidly in the UK, and membership is lowest among low-skilled, low-paid workers. Membership is set to continue falling as unions struggle to recruit young workers to replace retiring members.
- 3. Public policy has contributed to the decline of trade unions, so public policy must be part of the solution.** The decline of union membership and collective bargaining coverage was in large part due to a deliberate and ideologically driven assault on the union movement. This hostile environment must now be reversed.
- 4. Government should promote a renaissance of collective bargaining to improve wages and working conditions.** This should be delivered through sectoral collective bargaining in low productivity, low pay sectors, as well as more widespread firm-level bargaining.
- 5. Trade unions should be supported to recruit members and to innovate.** There should be stronger rights for unions to access workplaces and a

requirement for employers to inform workers of their right to join a union. Auto-enrolment into trade unions should be trialled in the gig economy, and a WorkerTech Innovation Fund should be introduced to support unions to harness digital technology.

- 6. Trade unions should be seen as social partners in industrial strategy and for the managed acceleration of automation.** Stronger unions need not mean widespread industrial unrest. Government should promote positive industrial relations by support social partnership with unions involved as key stakeholders in managing the economy. Unions should be key partners in delivering a managed acceleration of automation, and in ensuring that it benefits working people.

1. Trade unions and collective bargaining are good for workers and good for the economy

There is extensive evidence of the benefits of trade unions, both for workers and for the economy. By aggregating the power of working people, trade unions help them to win a fairer share of the wealth they help generate, and they ensure that the wealth is shared more equally. Through doing so, trade unions can support stronger and more sustainable growth.

BOOSTING STAGNANT WAGES AND INCREASING THE LABOUR SHARE

The UK is in the grip of the longest squeeze on living standards in over a century. Median full-time gross weekly earnings remain 4.7 per cent lower in real terms than the pre-crash peak in 2008 (ONS 2017a).

There is substantial evidence that trade unions and collective bargaining can play a vital role in boosting wages by strengthening the bargaining power of labour. On an individual level, trade union members earn more than non-members, with this 'wage premium' standing at 13.7 per cent (BEIS 2018). Even controlling for differences between union members and non-members, there is a wage premium of around 5 per cent (Bryson and Forth 2017). As members and non-members benefit from unions negotiating on behalf of workers, the wage premium is not exclusive to members. Workers at workplaces covered by a collective agreement earn 4 per cent more than those in workplaces without a union (ibid).

On a collective level, trade unions support working people to secure a fairer share of the wealth that they collectively generate. The decline in trade union membership from 1979 coincided with a large decline in the labour share of gross domestic product (GDP) – the proportion of national income that goes to workers in wages. The labour share fell from a peak of 67 per cent of GDP in 1975 to a nadir of 52.1 per cent in 1996. It has since recovered some of the lost ground, and it now stands at 58.3 per cent (AMECO 2018). However, as we show below, this partial recovery coincided with a rapid growth in inequality, meaning that many workers have not fairly shared in this growth.

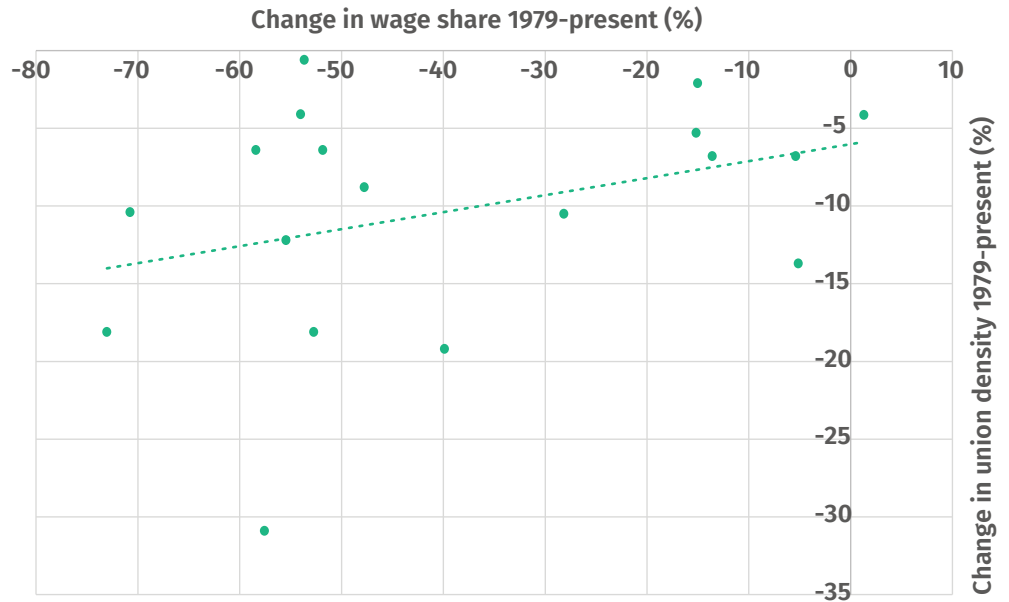
The UK is not alone in this. As figure 1.1 below shows, most advanced economies have seen a decline in both union density and the labour share in the last four decades, with higher falls in the labour share being in countries with higher falls in union density. There is a similar pattern with collective bargaining coverage.

There is a growing consensus that the decline in union density and collective bargaining has contributed to the decline in the labour share, and to poorer wage growth in recent years. Analysis conducted by the University of Greenwich and New Economics Foundation (NEF) found that the decline in union density in the UK has contributed to a decline in the labour share of GDP of 4.4 percentage points (Onaran et al 2015). In a recent speech, Andy Haldane, chief economist at the Bank of England, argued that the decline in union membership would have subtracted one per cent from wages since 2000 (Haldane 2017).

FIGURE 1.1

Union density and labour share has declined in most advanced economies since 1979

Change in union density between 1979 and 2016 (or most recent year) as a proportion of union density in 1979 (per cent) and labour share of GDP (per cent) from 1979 until 2016 or most recent year



Source: IPPR analysis of AMECO 2018 and OECD 2018b, R = -0.43.

While there has been a partial recovery in the labour share, there are powerful trends – including automation and the rise of digital platforms – that are likely to lead to a further decline in coming years (Roberts and Lawrence 2018).

The decline in union density and collective bargaining coverage has contributed to a growing power imbalance in the UK economy, and to a decline in the labour share of GDP. Reversing the decline could help reverse the decline and help workers to win a fair share of the wealth they help generate.

TACKLING GROWING INEQUALITY

The UK has seen a rapid rise in income inequality in recent years. As figure 1.2 shows, the GINI coefficient, which measures how equally income is distributed across society, saw a very rapid increase from the late 1970s to the early 1990s.

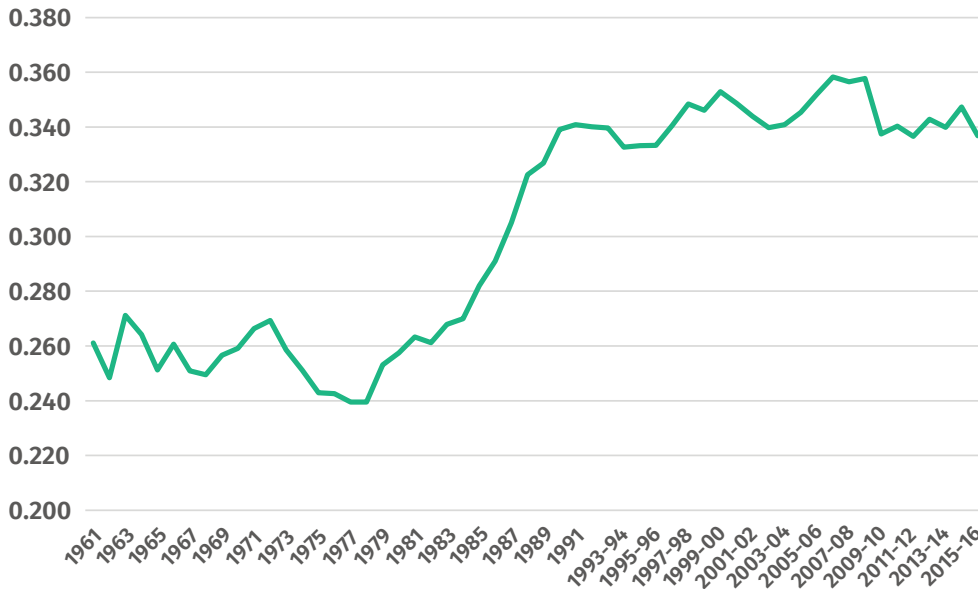
The decline in trade union density and collective bargaining coverage in the UK contributed to the significant increase in inequality. That is because – in addition to influencing the labour share of GDP – trade unions help ensure the labour share is more fairly shared among workers.

Again, this is about power. While some workers may be able to secure high pay in an atomised labour market as they have skills that are in high demand, many are unable to do so as they have less bargaining power. In addition to strengthening the relative power of labour, trade unions can play a vital role in aggregating the power of mid- and low-skilled workers and others who would otherwise lack power in the labour market, helping them to secure a fair share of the wealth that they help generate.

FIGURE 1.2

Inequality rose rapidly in the UK between the late 1970s and the 1990s

GINI coefficient in UK, 1961–2015/16



Source: IFS 2018.

There is extensive evidence of the link between trade unions, collective bargaining and equality. At a firm level, the presence of trade unions is linked to more equal pay. By helping raise the wages of the lowest paid, and encouraging the use of objective criteria in setting pay, wages in unionised jobs are less widely dispersed, and wage inequality in unionised firms is lower (Bryson and Forth 2017).

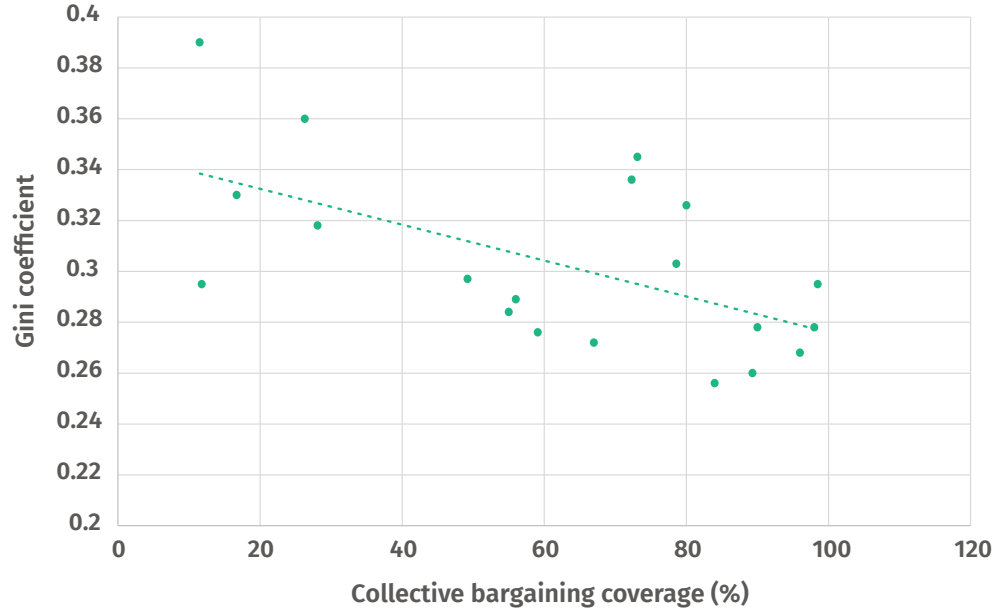
Looking internationally, the extent of collective bargaining is linked to inequality. A recent study by the International Monetary Fund (IMF) has shown that "less prevalent collective bargaining and trade unions are associated with higher market inequality" (Dabla-Norris et al 2015). As figure 1.3 below shows, there is a strong negative relationship ($R = -0.583$) between collective bargaining coverage and the GINI coefficient in OECD countries.

The relationship between union membership and inequality is visible in the UK over time. As figure 1.4 shows, the period between the 1930s and the late 1970s was characterised both by a significant rise in union membership and by a large decline in inequality, as measured by the share of income going to the top one per cent. Conversely, the period from 1979 until the late 1990s saw a rapid decline in trade union membership and a resurgence in inequality.

FIGURE 1.3

Higher levels of collective bargaining are associated with lower inequality for OECD member states

Collective bargaining coverage in 2014–16 and GINI coefficient (2015) for selected OECD nations

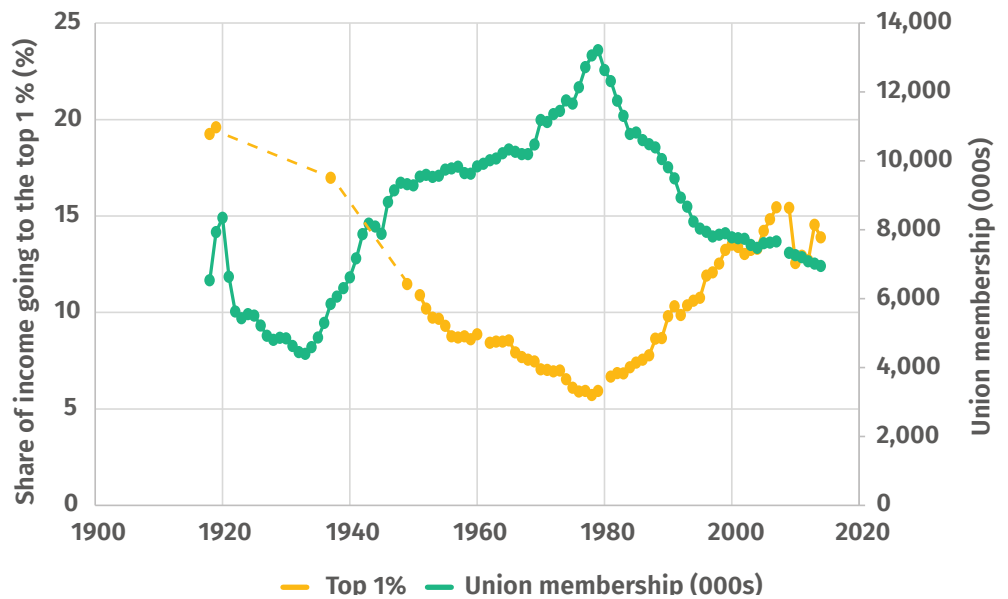


Source: OECD 2017a and OECD 2018a¹ R = -0.583.

FIGURE 1.4

Union membership over the last century mirrors the income share of the top 1 per cent

Union membership (1,000s) and share of income going to the top 1 per cent (%), 1918–2014



Source: World Inequality Database and BEIS 2017a.

¹ Where data for collective bargaining coverage in 2016 is unavailable on a national level, we have used data from 2014.

As we showed above, while the labour share experienced a partial recovery from 1996 to 2010, reversing some of the decline since the 1970s, this period coincided with a rapid increase in inequality. So, while the labour share was increasing, wages were becoming more unequal, with a higher share going to those at the top, and a declining share to those on middle and low incomes. This has meant that low- and middle-income earners have not fairly shared in the growth that we have seen in recent years.

Reversing the decline in trade union membership and collective bargaining coverage – particularly among workers who have less individual power – could help reverse the significant increase in inequality that we have seen in recent decades.

DRIVING PRODUCTIVITY

The lost decade of wage growth in the UK has in large part been caused by the stall in productivity growth. Productivity in the first three months of 2018 (Q4 2017) was just 1.8 per cent higher than a decade earlier (IPPR analysis of ONS 2018a).

There is some evidence that trade unions can help boost productivity. On an international level, there is evidence of a link between both union density and collective bargaining coverage and productivity. Countries with stronger participation rights – including collective bargaining – tend to perform better on a wide range of productivity-enhancing measures (Acas 2015). There is a weak but positive relationship ($R = 0.295$) between union density and productivity across OECD member states and a weak but positive relationship between collective bargaining coverage and productivity (IPPR analysis of OECD 2018a, 2018b, 2018c).

On a workplace level, there is some evidence that trade unions can help boost productivity. Workplaces with a trade union are more likely to demonstrate high-performance working practices which are associated with higher levels of productivity (Appelbaum et al 2011). Analysis of the Workplace Employment Relations Study by Bryson and Forth showed that an increase in union density between 2004 and 2011 was associated with improved performance relative to the industry average (Bryson and Forth 2015). Similarly, research looking at Norwegian firms from 2001 to 2012 found that increases in union density led to substantial increases in both firm productivity and wages (Barth et al 2017).

BOOSTING GROWTH

As shown above, the decline in union density and in collective bargaining has contributed to a lower wage share in the UK. Recent research by the University of Greenwich and NEF has suggested that this has acted as a drag on economic growth (Onaran et al 2015).

While wages are sometimes seen just as a cost to businesses, wage levels are also a crucial source of demand in the economy. Strong wage growth helps consumers buy products, generating revenue for companies and growth for the economy. The UK is a particularly 'wage-led' economy, with levels of investment and growth being determined more by wage growth than by profit levels (ibid).

The large fall in union density in recent decades can therefore be seen as having had a negative effect on the UK economy. Onaran et al argue that restoring union density to the levels seen in the early 1980s could lead to a significant increase in the labour share, stimulating growth and increasing GDP by up to £27.2 billion (ibid).

SUPPORTING GOOD WORK

There has been a growing concern about job quality in recent years. Beyond the impact on wages and inequality, various studies have shown that unionised workplaces are associated with a number of positive job characteristics commonly associated with 'good work' (Bryson and Forth 2017).

- **Training** – employees are significantly more likely to receive job-related training if they are a union member and if they are covered by a collective agreement (Stuart et al 2015).
- **Working time** – unionised employees work fewer hours of unpaid overtime and enjoy longer holiday entitlements (Bryson and Forth 2017).
- **Employment benefits** – unionised workplaces are more likely to offer employment benefits, including occupational sick pay schemes, employer-provided pensions and subsidised childcare (Budd and Mumford 2004).
- **Flexibility** – unionised workplaces are more likely to have family-friendly practices compared with similar workplaces without unions (Bryson and Forth 2017).
- **Job security** – unionised workplaces are more likely to have job-security provisions which means that redundancies – where they occur – are more likely to be voluntary (ibid).

In addition to improving wages, trade unions can help promote good work. Increasing union density, the coverage of collective bargaining and the presence of workplace union representatives could help address the growing concerns around job quality.

TACKLING EXPLOITATION

The UK employment rights system relies largely on individuals to enforce their employment rights. However, many workers are not aware of their employment rights, and where they are, many do not feel able to enforce them. Even when workers do enforce their rights through Employment Tribunals, many employers do not apply these rulings to similar workers on the same contracts. Finally, Britain has some of the weakest employment law enforcement structures in Europe, with comparatively few labour inspectors (Hayes 2017). This allows for a situation in which there is widespread exploitation of workers and the denial of statutory employment rights.

Trade unions play an important role in helping workers understand their employment rights, and to have the confidence to enforce them. A survey of Employment Tribunal applicants in 2013, found that 11 per cent of claimants were prompted to go to tribunal by a union or worker representative. Among union or staff association members who did take a claim to tribunal, more said that the idea of going to tribunal came from their union/workplace representative (36 per cent) than said that they had the idea themselves (31 per cent) (BIS 2014).

Reversing the decline of trade union membership could help tackle the widespread evidence of exploitation in the workplace, through raising awareness of employment rights and giving workers the confidence and means to enforce them.

THE BALANCE OF POWER IN THE LABOUR MARKET

It is hard to escape the conclusion that the decline of trade union membership and of collective bargaining over the last four decades has contributed to a significant and growing imbalance of power in the modern economy, with a consequent decline in the share of income going to wages, and an increase in inequality.

In today's labour market, workers with scarce skills are able to secure decent pay, but many others find themselves trapped in low-paid, precarious work. Yet as we shall show in the next chapter, it is the latter group of workers – workers who individually lack power – who are least likely to be members of trade unions.

2. Workers who could most benefit from union membership are least likely to join and membership is set to decline further still

Over the past four decades, union density and collective bargaining coverage have fallen in most developed economies, but the decline has been particularly steep in the UK. It should be particularly concerning that the workers who could most benefit from union membership and collective bargaining coverage are the least likely to be union members. With the union movement struggling to recruit younger workers to replace retiring members, union density looks set to fall further.

UNION MEMBERSHIP AND DENSITY

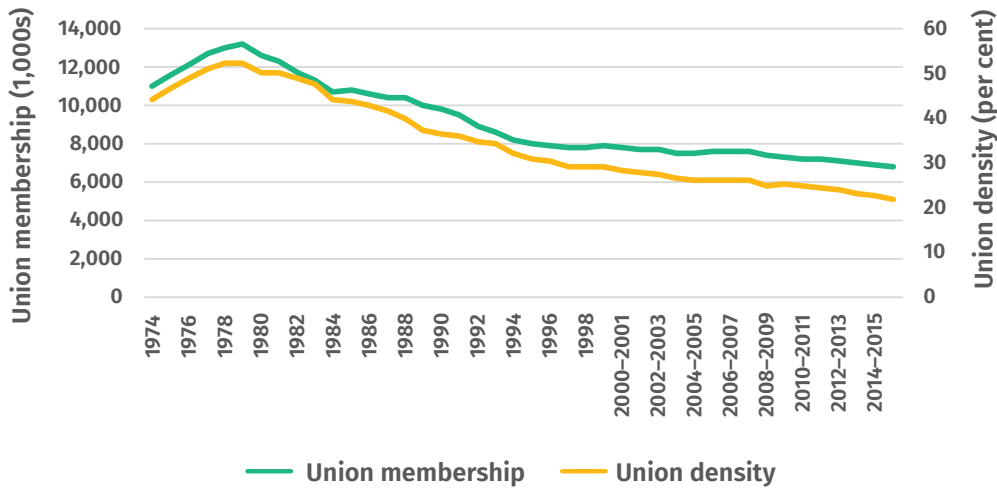
Despite the evidence that unions are good for workers and the economy in general, there has been a steep decline in membership over the last 40 years. Figures from the Certification Officer show union membership in the UK peaked at 13.2 million in 1979, the year that Margaret Thatcher came to power. By 2015/16 it had fallen to 6.9 million, a decline of nearly 50 per cent. Data from the Labour Force Survey puts membership slightly lower, at 6.2 million in 2017, up 19,000 on 2016 (BEIS 2018).

More important than union membership is union density – the number of members as a proportion of all in employment. Density has fallen more rapidly than membership, as the workforce has been increasing while membership has been shrinking. In 1979, one in two workers in the UK were union members. As figure 2.1 shows, union density has fallen significantly since and. According to the Labour Force Survey, fewer than one in four (23.2 per cent) of employees were members of a trade union (ibid).

FIGURE 2.1

Union density has fallen by over half since 1979

Union membership and density in the UK, 1974–2014/15



Source: IPPR analysis of ONS 2018b and BEIS 2017a.

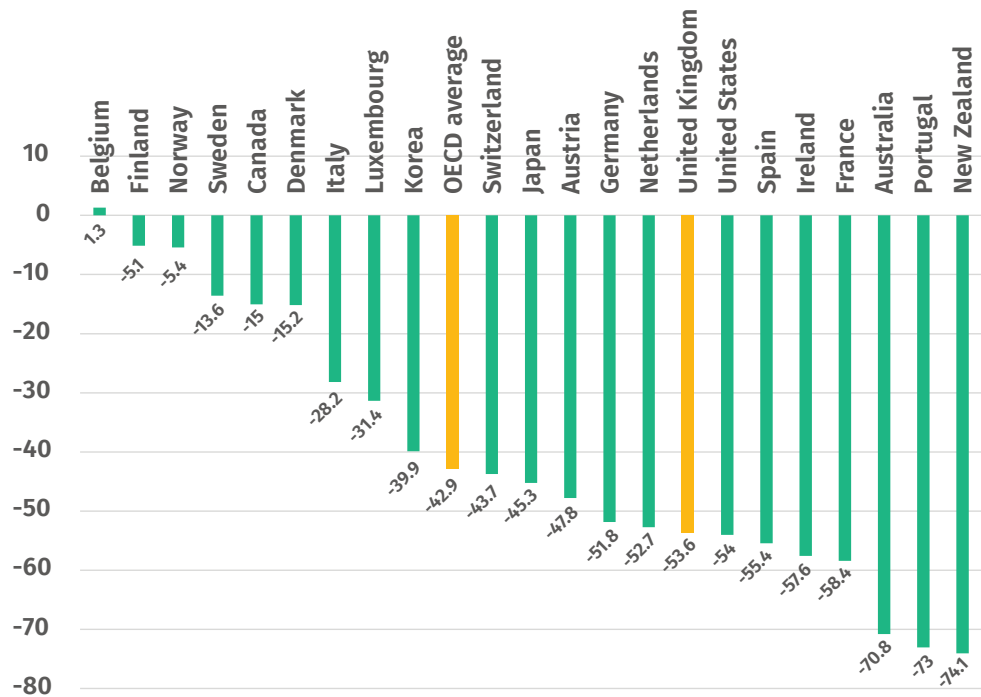
While the UK is not alone in seeing a decline in union density in recent years, the fall has been greater than in most OECD countries. As figure 2.2 shows, union density in the UK fell by half between 1979 and 2016, considerably faster than the average for OECD countries.

Trade union membership has fallen particularly low in the private sector, leaving the movement increasingly concentrated in the public sector. While just one in six (16.6 per cent) of all people in paid work are in the public sector, nearly three in five union members (56.8 per cent) are public sector employees (IPPR analysis of BEIS 2018 and ONS 2018c). Many significant areas of the private sector have virtually no union membership; just 2.9 per cent of workers in accommodation and food services are in a union (BEIS 2018).

While all workers could benefit from membership of a trade union and collective bargaining coverage, workers who individually lack bargaining power have the most to gain. So it should be a cause for concern that currently it is these workers who are least likely to be members.

FIGURE 2.2

The decline in union density has been larger in the UK than in most advanced economies
Decline in trade union density in selected OECD countries, 1979–2016 (or most recent year available) as a proportion of union density in 1979



Source: IPPR analysis of OECD 2018b.²

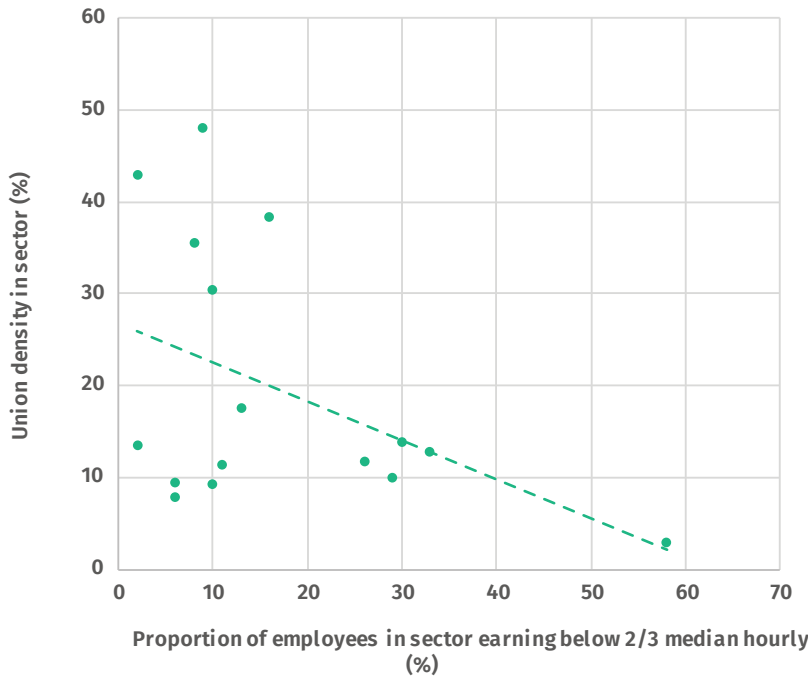
On an industry level, as figure 2.3 shows, union density is lower in low-pay industries. There are five industries in which at least one in four workers were low paid in 2017.³ Across these industries just one in 10 (10.2 per cent) of employees were union members, compared to one in four (24 per cent) across the rest of the economy (IPPR analysis of D’Arcy 2017, BEIS 2018).

2 Where data for union density in 2016 is unavailable on a national level, we have used data from 2014 or 2015.
 3 Accommodation and food services; wholesale and retail trade; arts, entertainment and recreation; administrative and support services, and other service activities. ‘Low paid’ is defined as earning less than two-thirds of the median hourly pay.

FIGURE 2.3

Industries with high incidences of low pay have lower union density

Union density by industry and proportion of workers in low pay by industry (2017)



Source: D'Arcy 2018 and BEIS 2018.

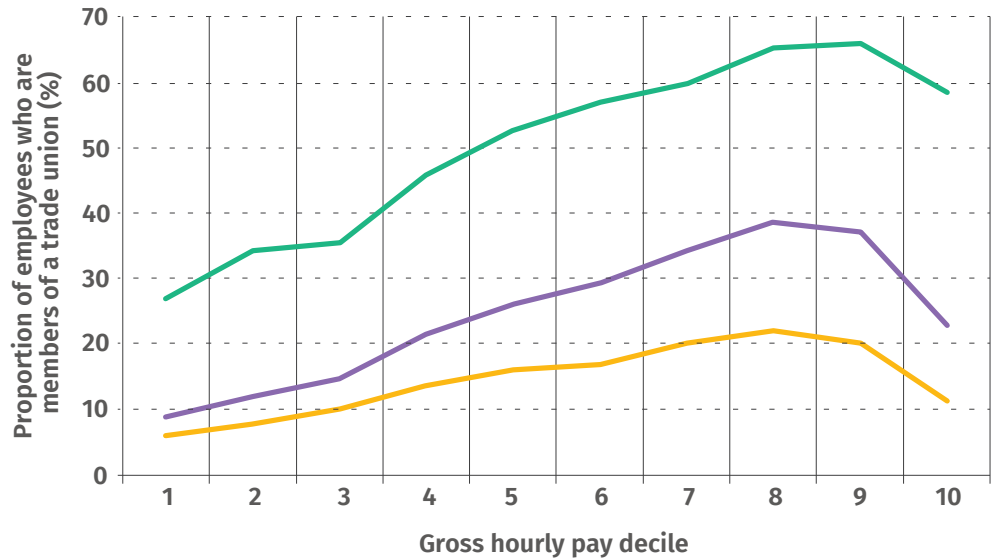
On an individual level, union membership is lowest among low-paid workers. Just one in nine (11.3 per cent) employees earning less than £250 a week are union members, compared to one in four (23.2 per cent) of all employees (BEIS 2018). As figure 2.4 below shows, union membership is lowest in the lowest pay decile. A highly paid worker in the public sector is 17 times more likely to be a member of a trade union than a younger low-paid worker in the private sector (Kelly and Tomlinson 2018). Similarly, union membership is lowest among those with fewer or no qualifications. Membership among adults with no qualifications (14.8 per cent) is just half that of workers with degrees (28.7 per cent) (BEIS 2018).

Finally, union density is lower in industries and in occupations at greater risk of automation. There is a strong negative correlation ($R = -0.523$) between union density in an occupation and the proportion of jobs with a high potential for automation (IPPR analysis of Lawrence et al 2017 and BEIS 2017a). So, where more jobs are at risk of automation, union density tends to be lower. There is also a moderate correlation ($R = -0.314$) between potential for automation and union density by industry (IPPR analysis of Lawrence et al 2017 and BEIS 2018).

FIGURE 2.4

Union membership is lowest among low-paid workers

Proportion of employees in trade union membership by gross hourly pay decile, 2015–2017



Source: Kelly and Tomlinson 2018.

Union membership is set to decline further still. As figure 2.5 shows, union membership has declined across every age group since 1997, aside from employees aged 60 and over. Among workers in their 20s, 30s and 40s, union density fell by one-third over the last two decades. The decline was smaller among workers in their fifties, and density increased among those in their 60s (IPPR analysis of BEIS 2018).

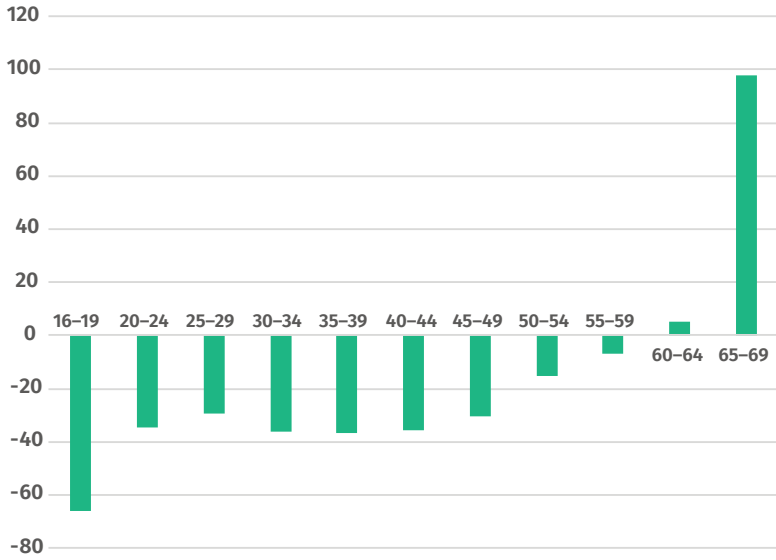
As a result of this, the average age of union members is increasing fast. The proportion of union members aged 50 or over nearly doubled from 22 per cent in 1995 to 40 per cent in 2017, and, in the next two decades, 2.5 million union members are set to retire (IPPR analysis of BEIS 2018).

With a large number of union members retiring in the coming years, and with the movement struggling to recruit younger workers to replace them, there is a risk that the union movement will continue to shrink. Recent projections by Kelly and Tomlinson have suggested that with younger workers being less likely to join a trade union than previous cohorts at the same age, union density is set to fall to just 16 per cent by the end of the next decade.

In addition to the demographic challenge, trade unions face a sectoral challenge. Union density is highest in the public sector, which has been shrinking as a proportion of total employment, and union membership in the private sector tends to be lowest in the industries which are set to see the largest employment growth (Tait 2017).

FIGURE 2.5

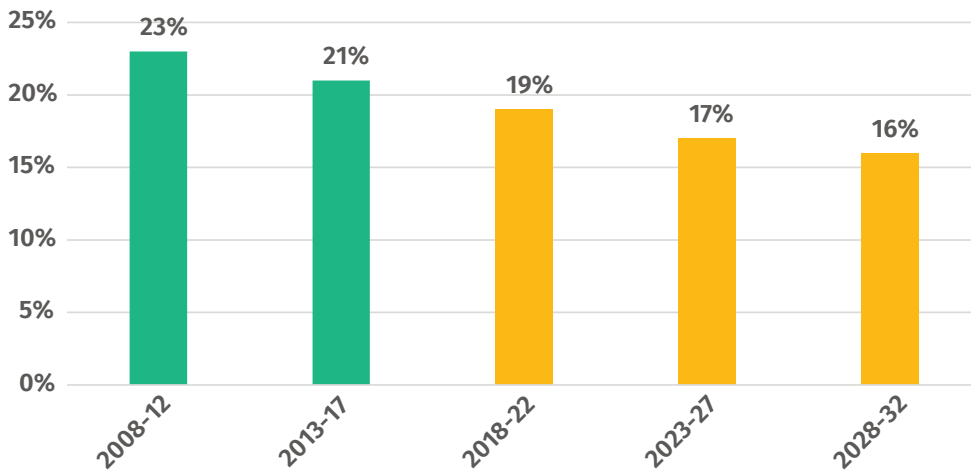
Union membership has fallen among every age group apart from those aged over 60
Change in union membership by age range between 1997 and 2017 as a proportion of membership in 1997



Source: IPPR analysis of BEIS 2018.

FIGURE 2.6

Union density is projected to fall to 16 per cent by 2030
Union members as share of all in employment, actual and projected, 16-64, 2008-12 to 2028-32



Source: Kelly and Tomlinson 2018.

COLLECTIVE BARGAINING

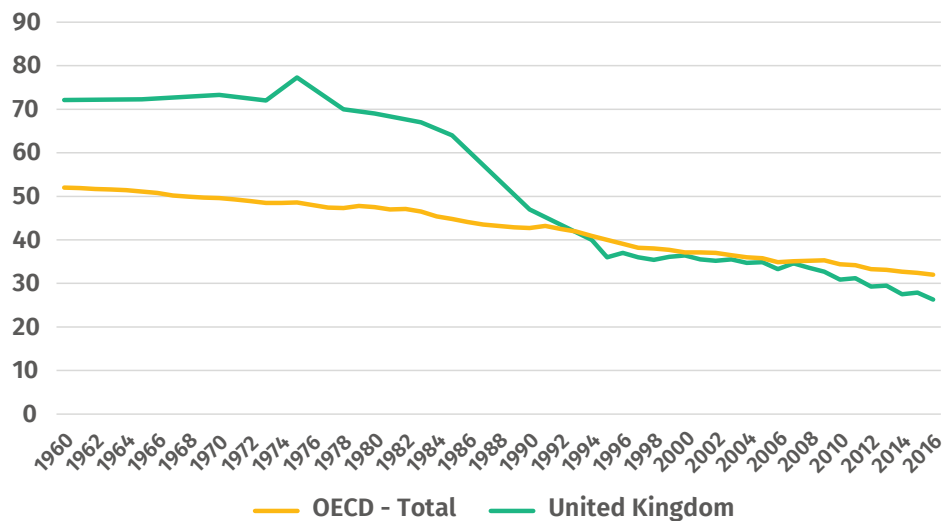
Collective bargaining is the process by which recognised trade unions and employers negotiate and agree pay and terms and conditions of employment. This can take place at a single employer or across a wider sector.

The proportion of employees covered by collective bargaining in the UK has fallen significantly since the 1970s. Throughout the 1960s and 1970s, the proportion of workers covered by collective bargaining never fell below 70 per cent. Today, just one in four workers (26 per cent) is covered by a collective agreement. While collective bargaining coverage has fallen in many advanced economies, the decline has been particularly steep in the UK. Of the 20 OECD countries for which there is data on collective bargaining in 1980, the decline in the UK has been the largest (IPPR analysis of OECD 2018a).⁴

FIGURE 2.7

The proportion of employees covered by collective bargaining has fallen by two-thirds in the last 40 years

Proportion of employees with the right to bargain in the UK (%)



Source: OECD 2018a.

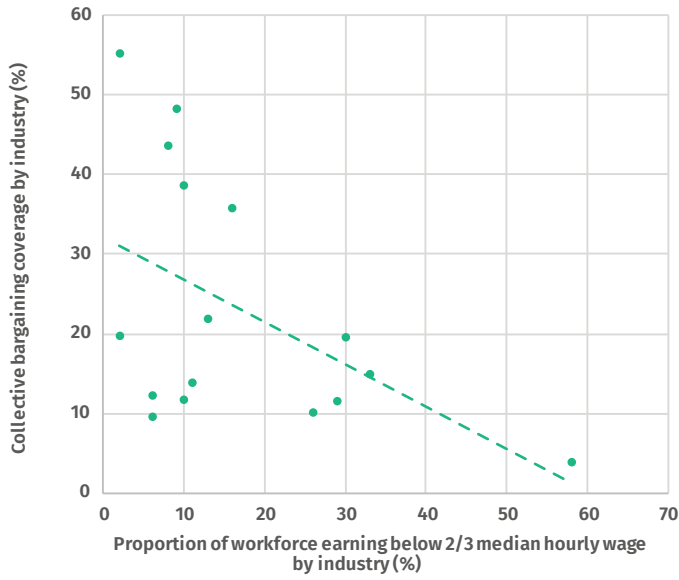
Collective bargaining coverage is lowest where it is needed most. As figure 2.8 shows, there is a negative correlation ($R = -0.497$) between coverage of collective bargaining by industry and the proportion of workers on low pay. While this may in part be due to the positive impact of unions in pushing up pay in sectors which do have higher levels of collective bargaining, it should be a cause for concern that collective bargaining is so rare in sectors where low pay is the norm.

⁴ Where data on collective bargaining in 2016 is unavailable on a national level, we have used data from 2013, 2014 or 2015.

FIGURE 2.8

Collective bargaining coverage is lower in low-pay sectors

Union density (%) and proportion of employees on low pay (% earning below two-thirds median hourly pay) by industry (2017)



Source: Clarke and D'Arcy 2018 and BEIS 2018.

3. Public policy has contributed to the decline of trade unions, so public policy must be part of the solution

Changes in the structure of the economy and in social attitudes can help explain the decline in union density and collective bargaining set out above. However, there remains strong latent support for trade unions.

The decline in union density and in collective bargaining coverage has also in part been due to a deliberate, sustained and ideologically driven assault on the movement by government. If public policy was part of the problem, then public policy must be part of the solution.

CHANGE IN THE ECONOMY

The transformation of the UK economy in recent decades has posed a serious challenge for the trade union movement.

The last 40 years have seen very significant changes in the sectoral composition of the economy through the process of de-industrialisation. In 1961, manufacturing – which traditionally had high levels of union density – accounted for nearly two in five (36.3 per cent) jobs in the UK. By the last census in 2011, this had fallen to fewer than one in 10 (8.9 per cent) (ONS 2015). Over the same period, we have seen a very significant increase in the private service sector, which traditionally has very low levels of union membership. There has also been a decline in the size of the public sector which fell from 24.9 per cent of employment in 2010 to 21.3 per cent in 2017 (IPPR analysis of ONS 2018b).

The growth in self-employment also poses a challenge for a trade union movement based on organising employees to win better terms from employers. Self-employment has increased from 12 per cent of employment in 2001 to 15.1 per cent in 2017 (ONS 2018b).

Finally, advances in digital technology have led to an increasing number of employers using remote workforces. With many workers not having a workplace, or even coming into contact with other workers from the same employer, organising can be a significant challenge.

Changing worker attitudes

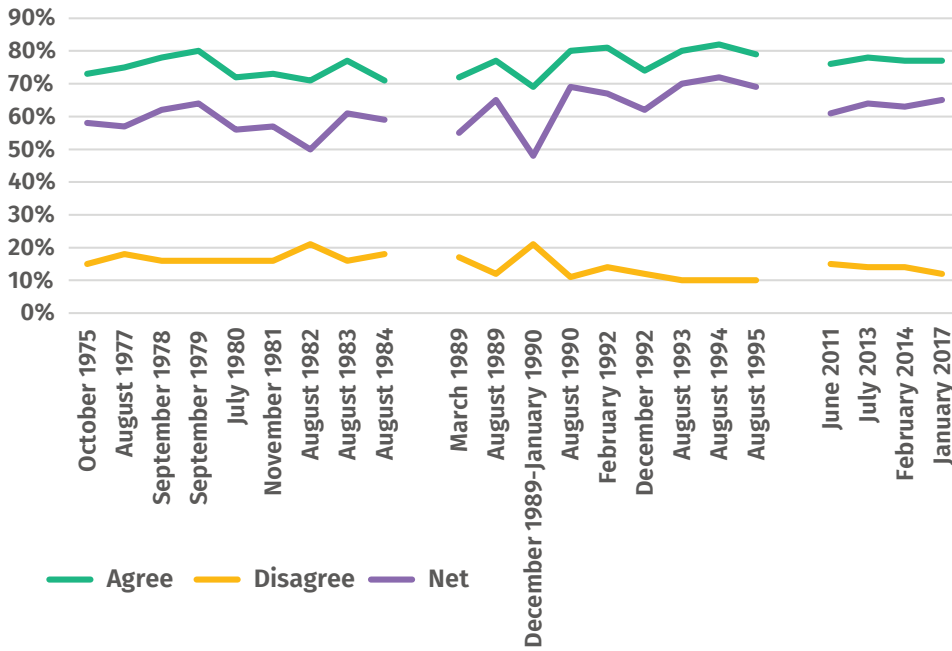
Some have suggested that the decline in trade union membership is due in large part to changing social attitudes, including a decline in collectivism and a rise in individualism (Tait 2017).

However, despite the decline in trade density, there is evidence that latent public support for trade unions remains strong. In surveys, over three in four (77 per cent) of adults in the UK agree that trade unions are essential to protect workers' interests. While younger adults are less likely to join a union, they are more likely to see unions as essential to protecting workers' interests.

FIGURE 3.1

Three in four adults in the UK believe that trade unions are essential to protect workers interests

Agree/disagree with the statement 'Trade unions are essential to protect workers' interests' (%)



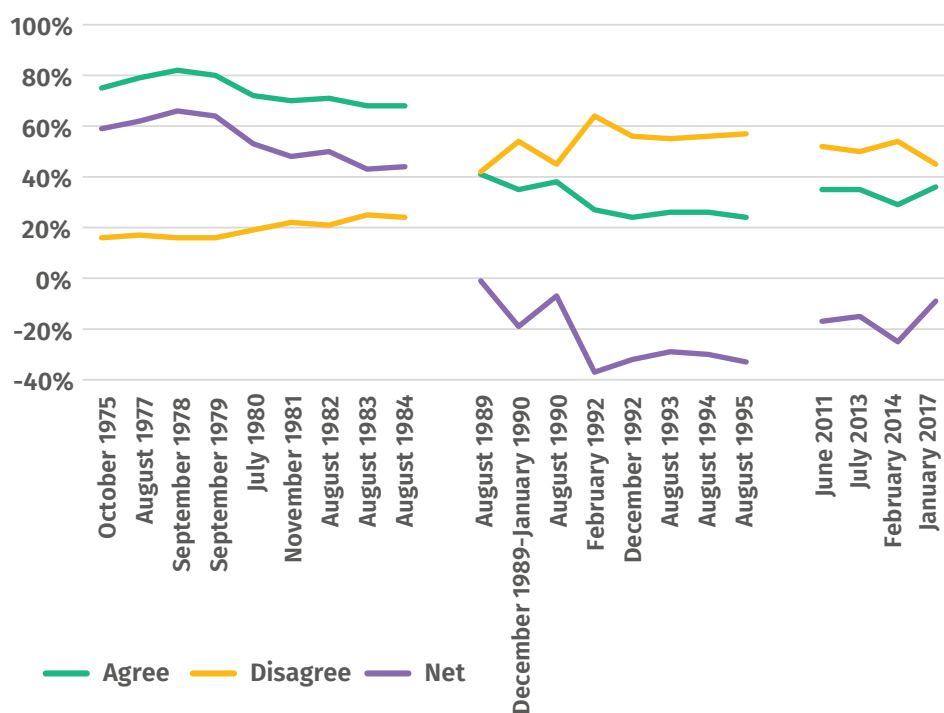
Source: Ipsos Mori 2017.

The proportion of adults displaying negative perceptions of trade unions has declined very significantly in recent years. In 1979, in the aftermath of the 'winter of discontent', four out of five (80 per cent) adults said that trade unions had too much power in Britain. As figure 3.2 shows, by 2017, this had fallen to fewer than two in five (36 per cent).

FIGURE 3.2

There has been a long-term decline in the number of adults in the UK who think trade unions have too much power

Proportion of adults who agree/disagree that 'trade unions have too much power in Britain today' (%)



Source: Ipsos Mori 2017.

Government policy

In addition to changes in the structure of our economy, government policy has played a significant role in curtailing the powers of the union movement.

The Conservative governments of Margaret Thatcher and John Major passed a series of acts impacting on trade unions. Some of the measures could be justified as making unions more democratic and increasing accountability to members and as such now command general support. These include the requirement to elect general secretaries, to hold a secret ballot on industrial action, and the banning of the 'closed shop', under which an employer agreed only to hire union members.

However, the combined impact of the legislative changes was to increase significantly the cost and the complexity of industrial action (Brown 2011). This was no accident; the aim of the Thatcher government was to create a hostile environment for trade unions, in order to weaken the movement and reduce its influence on the economy. Described by Thatcher in 1984 as 'the enemy within', trade unions were subjected to a sustained attack in the media, open hostility from many employers, and the overtly political and often violent use of the police during industrial disputes.

While the Labour government of 1997 to 2010 was less overtly antagonistic towards the trade union movement, its approach was 'distinctly ambivalent', driven by a wariness of being seen to be too close to the union movement, and a desire to be seen as 'business friendly' (Brown 2011). There were some limited reversals to the Thatcher trade union legislation, and the introduction of a statutory recognition procedure. There were some positive measures, including the introduction of

Union Learning Reps and the Union Modernisation Fund (ibid). However, these measures were not enough to turn the tide, and both density and collective bargaining coverage continued to decline, though at a slower rate than the previous two decades.

Following the coalition government (2010–15), and despite historically low levels of industrial unrest, the Conservative government of David Cameron made further attempts to restrict the power of the union movement through the Trade Union Act of 2016. Measures included (Legislation.gov.uk 2018):

- a turnout threshold of at least 50 per cent of those entitled to vote in order to make a vote for industrial action valid. An additional threshold is required for ‘important public services’, with at least 40 per cent of those entitled to vote having to vote in favour
- extending the notice period for industrial action from seven to 14 days
- a time limit for the mandate provided by a ballot of six months
- a responsibility on unions to appoint a picket supervisor and inform the police
- the requirement for union members to opt in to the political fund, and
- new powers for the Certification Officer to investigate and take enforcement action against unions for breaches of statutory duties.

The decline in union membership is in part due to changes in the economy brought about by de-industrialisation and in part due to changing social attitudes. However, public policy has clearly played a role too. The deliberate, sustained and ideologically driven attack on the union movement from the Thatcher era onwards has contributed to a decline in union membership and in collective bargaining coverage.

Since public policy and the hostile environment for the movement has contributed to the decline of trade unions, public policy should be part of the solution. In the following sections, we set out how government could support a renaissance of trade union membership and collective bargaining in order to promote economic justice.

4. Government should promote a renaissance of collective bargaining to improve wages and working conditions

As we set out in chapter 1, the decline in collective bargaining in the UK has led to a growing power imbalance in our economy, contributing to a lower labour share and greater inequality. As we set out in chapter 2, while collective bargaining has fallen in many advanced economies, the decline has been most significant in the UK, and collective bargaining coverage is lowest where it is needed most.

A greater role for the state in promoting collective bargaining would not be out of keeping with UK economic policy for most of the last century or with the approach of many advanced economies. For most of the first three-quarters of the 20th century, the state had been engaged in promoting collective bargaining in order to ensure a fair distribution of economic growth (Ewing and Hendy 2013). Collective bargaining remains widespread in many dynamic, innovative and successful advanced economies such as Sweden, where nine in 10 (90 per cent) workers are covered by a collective agreement (OECD 2018a).

If we are to see a return to strong and sustainable wage growth, if we are to see a reduction in excessive levels of inequality and in low pay, we need to see a renaissance of collective bargaining (Earls 2014).

A MINISTER OF STATE FOR LABOUR AND A RENAISSANCE OF COLLECTIVE BARGAINING

We propose that the government should set a strategic objective of reversing the decline in collective bargaining in order to boost pay, productivity and job quality. This should be overseen by a new Minister of State for Labour, working within a re-designed and rebranded Department for Business, Enterprise and Industrial Strategy.⁵

The Ministry of Labour was established in 1916, before being gradually transformed to create the Department for Employment in 1970 (Ewing and Hendy 2013). The responsibilities for overseeing the labour market are now split between the Department for Work & Pensions, which is largely focused on reducing unemployment and administering welfare, and the Department for Business, Enterprise & Industrial Strategy, which is primarily focused on supporting business growth. This has left insufficient focus on promoting job quality or on regulating the labour market effectively.

A new Minister of State for Labour could be responsible for improving the quantity and quality of employment across the economy, and for supporting a renaissance in collective bargaining. This should involve a target for doubling the proportion of workers covered by collective bargaining to 50 per cent by 2030, with a particular focus on increasing collective bargaining in low-pay low-productivity industries. In order to meet this ambitious target, the government should both encourage sectoral collective bargaining in key sectors and facilitate firm-level collective bargaining.

⁵ We will set out our full recommendations for machinery of government changes in the final report of the Commission on Economic Justice.

SUPPORTING SECTORAL COLLECTIVE BARGAINING

The UK model of collective bargaining focuses largely on the firm level. This poses significant challenges to trade unions, which have to secure collective agreements workplace by workplace. Similar models based primarily on firm-level bargaining operate in the US and Canada, and in no such model does collective bargaining exceed 35 per cent (ibid). Collective bargaining coverage has only remained high and stable in countries where multi-employer agreements are negotiated (OECD 2017b).

In order to reverse the decline in collective bargaining and to boost pay and productivity, the government should seek to promote sectoral collective bargaining in key sectors. Sectoral collective bargaining is not necessary across all sectors in the economy, but it is most needed in low-pay sectors where workers alone have limited bargaining power. Government's focus should therefore be on securing collective bargaining in sectors characterised by low pay and low productivity, and where there are natural challenges to organising, rather than across the whole economy. This should include hotels and restaurants, wholesale and retail, agriculture and social care.

This should be delivered through establishing Sector Councils as part of a new Employment Act. Sector Councils would include representation from employers and from trade unions, and they would be tasked with developing sectoral collective agreements and setting out minimum levels of pay for given roles, as well as other terms and conditions.

Sectoral collective agreements should apply to all workers in the given sector, irrespective of whether they are union members or not. Government should also seek to ensure that sectoral agreements cover all employers in the given sector. This could be delivered through 'administrative extensions', whereby an agreement that receives the support of a sufficiently representative number of workers and employers in a sector can be extended to all employers in that sector. Such administrative extensions are used in most OECD member states, and they can ensure fair competition between employers and broad coverage for workers (OECD 2017b). In keeping with ILO guidance, the Secretary of State for Labour should be entitled to extend the collective agreement to all employers, once it has reached sufficient density within the sector, and where it is deemed in the public interest to do so (ILO 2018).

There would need to be different approaches to sectoral collective bargaining in different sectors, with different levers used to secure a binding collective agreement. Government should use industrial strategy as a lever to support sectoral collective bargaining in key sectors. In this way, investment support to sectors for skills development, technology adoption and other strategic support could be made conditional on employer engagement in collective bargaining. We set out in box 4.1 below how a sectoral collective agreement could be made to work in adult social care.

The aim of a sectoral agreement would not be to set the pay and terms and conditions for all workers, but to establish a reasonable minimum that is bespoke for the sector and that goes beyond the statutory minimum. This would then provide a floor to ensure fair competition; employers would be able to offer pay and terms and conditions that improve upon the collective agreement – including through firm-level bargaining – in order to attract, retain, motivate and reward staff. This would both prevent the exploitation of workers that is widespread in some sectors, and also protect responsible employers from being undercut by those who exploit their workers. It would support and encourage competition based on quality and productivity, rather than just cost.

Effective collective bargaining will require stronger employer associations in order to represent employers across a sector, as well as close co-operation between trade unions in the sector. In order to support this, the government should reintroduce the duty on Acas to promote collective bargaining, which was scrapped in 2000.

Once agreed, sectoral collective agreements should be legally enforceable. In order to maximise compliance with the collective agreement, they should be published so that workers are aware of terms, and trade unions should be entitled to check that employers are abiding by them, supported by enhanced rights of access to workplaces (see Chapter 5). Employers who are found to be not complying should be subject to a similar ‘name and shame’ approach as with the minimum wage.

Box 4.1: Sectoral collective bargaining to tackle low pay and exploitation in adult social care

The adult social care sector provides some of the most important public services for some of the most vulnerable residents in society. Yet it is characterised by endemic low pay and widespread exploitation of the workforce.

The average care worker earned £13,703 in 2017 and half (48 per cent) earn below the Living Wage (IPPR analysis of ONS 2017b). Analysis found that in 2011, one in 10 care workers were paid below the statutory minimum wage (Hussein 2011). The sector is characterised by poor employment practice and high levels of insecurity; one in three (34 per cent) care workers are on a zero hours contract (Skills for Care 2018). There are low levels of training and limited opportunities for progression. The appalling treatment of the adult social care workforce has contributed to a growing workforce crisis as the sector is increasingly struggling to recruit and retain the care workers it needs.

An increase in public funding for social care will be necessary to tackle low pay. But it alone will not be sufficient; for every additional £1 that is paid to care providers, just 14p in care homes and 18p for domiciliary care makes its way to care workers’ pay (Grimshaw et al 2015). This is due to the low bargaining power of the social care workforce, and the model of competition among largely private providers for social care contracts. In these circumstances, the pay of care workers is seen as a cost to be minimised.

UNISON who represent social care workers have sought to challenge systematic exploitation of care workers, including non-payment of the minimum wage. However, despite their efforts to recruit care workers, density remains low. This may reflect the lower level of union membership in low-skill, low-pay sectors, the precarity of much of the work, and the fragmented nature of the industry.

There is a strong case for the introduction of sectoral collective bargaining in adult social care in order to increase the bargaining power of the workforce, tackle endemic low pay and exploitation, and address the growing workforce crisis.

Sectoral collective bargaining would involve trade unions, representatives of employers, government and, potentially, representatives of care recipients coming together to develop a collective agreement covering pay and terms and conditions which are tailored for the sector (Hayes 2017). As with Agenda for Change in the NHS, the agreement could cover pay for

defined roles that could be updated annually to reflect the cost of living. Pay scales could include increments in order to support progression and retention.

Beyond pay, and building on the UNISON Ethical Care Charter (UNISON 2016), the collective agreement could include a wide variety of other elements of job quality such as training, job security, occupational sick pay and pension entitlements.

Government would have a number of levers to secure a sectoral agreement in social care. With woefully insufficient funding for the sector contributing both to a growing workforce crisis and to a growing risk of provider failure, government could make the additional funding the sector needs conditional on securing a collective agreement.

Sectoral collective bargaining in adult social care would ensure that competition between providers is based on quality, rather than just cost. It would ensure that pay is not driven down, and it would ensure a decent level of employment rights, tailored to the needs of workers and care recipients.

ENABLING FIRM-LEVEL COLLECTIVE BARGAINING

Beyond the minimum standards set out in a sectoral collective agreement, workers and employers should be entitled and encouraged to agree firm-level collective agreements.

Currently, in order to achieve recognition at an employer with 21 or more staff, a trade union has to demonstrate membership of 10 per cent or more, and then win the support of a majority of employees in a ballot of all staff, overseen by the Central Arbitration Committee (CAC). This has represented a significant hurdle for trade unions, with relatively few recognition agreements secured through this process. Between 2000, when the current recognition system was introduced, and 2018, there have been 1,041 'part one applications' from unions for recognition, of which 153 achieved recognition without a ballot and 247 proceeded to a ballot, with 156 approved and 91 rejected by the workforce. This represents just 17 incidences of unions achieving recognition through CAC per year (CAC 2018). Unions seeking to secure collective agreements at the firm level often struggle to gain access to workers in order to secure sufficient density and to make the case for the agreement, and they often face efforts from employers to frustrate the process.

In order to support a wider presence of collective bargaining at the firm level, the minimum number of workers required to trigger a recognition ballot should be reduced to five per cent as part of a new Employment Act. At this point, a union should still be required to win the support of a majority of workers in the enterprise in order to gain recognition. However, stronger rights of union access to workplaces, set out in chapter 5, would help more unions make their case to workers and secure the support that they need to gain recognition.

In addition, Government should introduce a requirement for large employers to consult on pay, terms and conditions, and major decisions that affect the workforce. Introduced as part of a new Employment Act, and affecting all employers with 250 or more workers, this duty could be met either through recognising an independent union, or through establishing a works council that is independent of management control and elected by staff. This would ensure that all large firms have a forum for independent employee voice in order to influence decisions that affect the workforce.

Finally, government and other public bodies should seek to use public procurement to support collective bargaining. There is evidence that the outsourcing of public services has had a detrimental impact on the workforce. Compared to public servants, workers in privatised services tend to work longer hours, receive less pay and are more likely to be on insecure or temporary contracts (TUC 2015). The perceived savings available as a result of outsourcing often come at the cost of the pay and terms and conditions of the workers delivering the services, which can be driven down in private companies that do not have union recognition.

In order to address this, and in order to ensure that outsourcing does not lead to lower pay, lower union density and poorer job quality, the government should amend the Public Services (Social Value) Act 2012 to include improving labour standards as a specific goal of the Act. This should include an explicit recognition of firm-level collective bargaining as an indicator of economic and social wellbeing. In this way, government contracting would support collective bargaining, helping to improve pay and terms and conditions for the workforce, and reducing some of the incentive for outsourcing in the first place.

Government should support a renaissance of collective bargaining – at both sectoral and firm level – in order to tackle inequality and ensure that workers are better able to secure a fair share of the wealth that they help generate. However, while an increase in collective bargaining is important, it alone will not be sufficient to address the growing power imbalance in the economy. Union density matters too. In the next chapter, we set out how government should level the playing field in order to ensure that trade unions are better able to innovate and recruit.

5. Trade unions should be supported to recruit members and to innovate

Collective bargaining – at sectoral and firm level – works best when union membership is high, and where workers have a meaningful voice in the process. So we propose that the government should do more to level the playing field and support unions to recruit.

In recent years, a number of trade unions and the Trades Union Congress (TUC) as a whole have been innovating in the recruitment of new members, particularly in casualised sectors and among young people. They need support to do so, and in this chapter we set out how.

THE RIGHT OF ACCESS

While trade unions are increasingly embracing digital tools to support recruitment, face-to-face contact remains the most effective means for unions to attract new members. However, unions often struggle to secure access to workers in order to explain to them the benefits of membership.

We therefore propose that trade unions be given a Right of Access, as part of a new Employment Act. This would give unions the right to access workers – physically and digitally – in order to recruit and represent members, and to improve the quality of work.

Such a right could be based on the model introduced in New Zealand in 2000. This gave rights to trade unions to access workplaces in order to recruit members, discuss union business, support members and check on compliance with collective agreements and employment law. While union representatives must gain the employers' consent and request access, and while the visit has to be conducted in a reasonable manner, employers cannot unreasonably deny union representatives access or withhold consent. If no response has been received within two working days, consent is deemed to have been given. A penalty can be imposed on any employer who unreasonably withholds consent or fails to give a reason for withholding consent (Find Law New Zealand 2018).

Building on the New Zealand model in the UK, union representatives should be entitled to request physical access to a workplace with 24 hours' notice in order to recruit members, to represent workers and to ensure compliance with employment rights and collective agreements. Employers should only be entitled to refuse access with good cause. Acas should set out a code of conduct for trade unions and employers regarding access to the workplace, and they should be entitled to impose fines either on employers who refuse access without good cause, or on trade unions who violate the code of conduct. This would ensure that trade unions have reasonable access to workplaces, but that employers do not experience unreasonable disruption.

In addition to physical access, the Right of Access should also include a digital right of access to members. This would be particularly important at employers with remote and atomised workforces, which can be challenging to organise. This should include the right to contact workers up to twice a year in order to inform them of the union's activity, of their right to join the union and of the benefit of joining a union. Workers should have a right to opt out of such communications,

and they should be delivered via a third party so that individual worker data is not shared.

THE RIGHT TO JOIN

Currently, employers are obliged to provide employees with a statement of employment particulars after two months of employment, though there is no requirement to do so for those defined as workers. This leaves many workers unaware of their employment rights. The Taylor Review recommended that the government should introduce a statutory requirement for employers to provide all workers with written statement of rights on day one of their job (Taylor 2017).

As part of a statutory statement of rights from day one, government should require employers to inform workers in writing of their right to join a trade union. This should include requiring standardised text added to contracts, setting out what trade unions do, outlining the benefits of joining, and listing the trade unions that represent the sector. Trade unions in the sector should be entitled to provide a short text setting out their work, the benefits of joining and their membership fees. This right should cover all independent trade unions in the sector, and employers should not be entitled to determine which unions are included or excluded.

In addition to this information, we propose that all large employers with 250 or more staff should be required to allow workers to opt in to membership on signing their contract, with union subs deducted from payroll via check-off. Alongside the information on the benefits of joining, this would provide an easy way for workers to join a union on starting employment.

Box 5.1: Pension auto-enrolment

Faced with an ageing population and with low levels of participation in occupational pensions, there have been growing concerns about the sustainability of the UK pensions system. In recognition of the need to boost worker participation, the coalition government introduced auto-enrolment into workplace pensions (DWP 2012).

Starting in October 2012, large employers have been required to enrol all their workers aged over 22 and earning over £10,000 into a private pension, and make contributions to this (gov.uk 2018). If a worker does not wish to be enrolled, they can simply inform their employer on starting employment or at any time thereafter that they do not want to take part (ibid). Following a gradual roll-out to progressively smaller organisations, all employers are now covered.

Pensions auto-enrolment relies on the ‘nudge’ theory of behavioural psychology. It recognised that while the majority of workers understood the importance of saving for a pension, a significant minority were failing to do so. In order to address this, auto-enrolment simply turned the default from not saving – an ‘opt-in’ system – to an ‘opt-out’ system.

Pensions auto-enrolment has been a significant success. The number of private sector workers in a workplace pension almost doubled between 2012 and 2015, from 5.4 million to 10 million. Participation rates increased among those affected by 37 percentage points to 88 per cent, and it has been particularly successful at boosting saving rates among groups who had previously been least likely to save, including young workers and low-paid workers (Cribb and Emmerson 2016). Overall an extra £2.5 billion was saved in workplace pensions between 2012 and 2015 under auto-enrolment into pensions (ibid).

AUTO-ENROLMENT INTO TRADE UNIONS

Building on the success of auto-enrolment in pensions, the government should pilot auto-enrolment into trade union membership. We would propose that this start with workers using digital platforms to sell their labour in the so-called ‘gig economy’. This would cover businesses such as Uber and Deliveroo.

There is significant evidence of low pay, insecurity and exploitation in this new and growing section of the labour market. A recent review conducted for the government found that one in four (25 per cent) workers in the gig economy were earning below the level of the National Living Wage (BEIS 2018b). Trade unions face significant barriers to organising in these sectors, given the atomisation of the workforce. Despite the efforts of unions such as GMB and the Independent Workers Union of Great Britain, membership remains very low, and these represent relatively ‘greenfield’ sites.

Under auto-enrolment workers signing up to these digital platforms would be automatically enrolled into an independent trade union in the sector. As with pensions auto-enrolment – and unlike with the ‘closed shop’ – membership would not be compulsory, and the worker would be given the right to opt out, either on joining the organisation or at any point thereafter.

Membership could be set at a fixed percentage of the worker’s income on the platform, at a level set by the trade union up to a specified maximum, with subs being deducted from payroll check-off, and the union would be entitled to contact the member to engage them in campaigns and in the democratic process of the union. Where there are relevant trade unions for the area of work, workers should be auto-enrolled into that union, with the TUC acting as an arbiter on any inter-union disputes.

Given the large latent support for trade unions, and given the success of auto-enrolment in pensions, auto-enrolment could lead to a very significant increase in trade union membership in areas where it is introduced, supporting workers in those sectors to build towards collective bargaining rights. If successful in the gig economy, the government should consider rolling it out to other areas of the economy characterised by low pay, insecurity, widespread exploitation and where there is low union density and natural barriers to recruitment.

SUPPORTING UNION INNOVATION

In response to a rapidly changing labour market, and to the significant decline in union membership, density and collective bargaining, trade unions will have to change, adapt and innovate. This is already happening in parts of the movement. The TUC is undertaking an innovation-led programme to pilot new approaches to recruiting young workers (see Box 5.3). Many individual unions are also using digital technology effectively to recruit and organise workers. Other non-union actors – such as Organise – are using digital technology to engage workers in campaigns to improve their workplace conditions.

However, given the scale of the challenge for the union movement, the level of investment in innovation is not sufficient. There is an urgent need to up the pace, and to provide more structured support to unions and other organisations in harnessing the potential of WorkerTech.

Box 5.2: Union Modernisation Fund

The Union Modernisation Fund (UMF) was established by the government within the Employment Relations Act 2004 to fund innovative projects with the intention of supporting unions to adapt to changes in the labour market. These projects were expected to offer a ‘transformational change’ in the efficiency and effectiveness of trade unions by updating and improving historical working practices (Stuart and Martinez Lucio 2014).

Grants of up to £300,000 were made available, with trade unions expected to provide 50 per cent or more of total project costs. Across three rounds, 79 projects were funded, with a total of £7.2 million provided in funding. Funded projects covered a range of issues, including improving communications, internal management processes, working better with employers, the role and contribution of equalities and diversity representatives, and supporting the vulnerable workforce in low-paid and insecure work.

Evaluations showed the projects have been successful in engaging a much more diverse set of workers (Stuart and Martinez Lucio 2014; see also, Stuart et al 2009, Stuart et al 2010). This included young workers, BAME groups, disabled workers and migrant workers, as well as agency staff, freelancers and those working for outsourced organisations. In doing so, unions reported increased awareness of employment rights, the development of more focused information available for specific occupations which had not existed before, toolkits for working with vulnerable workers, closer links to community groups, and the growth of social media in internal and external communications.

The original scheme was scrapped by the incoming coalition government in 2010. However, the Scottish Government introduced a Trade Union Modernisation Fund worth £250,000 in 2016 to mitigate the impact of the Trade Union Act and support unions to adapt (gov.scot 2016). A further £250,000 Trade Union Fair Work and Modernisation Fund was announced in March 2018 (gov.scot 2018).

Box 5.3: TUC prototyping a new trade union offer for young workers

While trade union membership has fallen across the economy, it has fallen particularly low among young workers in the private sector. In response, the TUC has undertaken an innovation programme to find new ways to engage with young private sector workers.

The programme began with insight work, looking at young people’s experience of the labour market and their views, expectations and hopes. This involved using WhatsApp diaries, interviewing over 100 young workers around the country, running workshops and engaging with young workers online. This helped the TUC focus in on the key issues young people were concerned about, including rude and abusive customers, unfair managers and unpredictable shifts, and it helped identify the barriers to recruiting these workers, including low expectations of work, a lack of trust between colleagues and a sense of futility that they could make any positive change (Coatman 2017, Bance 2017).

Based on this information, the TUC has been working with union officers and young workers to develop WorkSmart, a digital platform that aims to engage with young workers, help them to take control of their career, and eventually encourage them to join a trade union.

The platform provides a set of bite size, action orientated and social activities. It then moves on to introduce information on rights at work, to

encourage workers to think about problems at work, and how they can be overcome. The plan is eventually to introduce young workers to WorkSmart Extra, a paid offer that incorporates membership of a TUC union (Unite, GMB, Prospect or CWU), to identify emerging leaders, and to build towards active branches and recognition in new workplaces (Bance 2018).

Box 5.4: WorkerTech

The Resolution Trust and Bethnal Green Ventures have partnered to provide funding for projects which encourage pro-worker innovation and technology to help ‘increase bargaining power, boost pay, curb insecurity and make “flexibility” beneficial for workers as well as employers’ (BGV 2018a).

Applicants must apply, demonstrating their innovative ideas for using technology, their ability to deliver and their motivation for working in the field, with face-to-face interviews as a second stage for shortlisted ideas (BGV 2018b).

If successful, applicants to the WorkerTech start-up accelerator programme can receive up to £20,000 investment (in exchange for six per cent equity) in addition to support through a three-month programme or workshops, 1:1 mentoring over the course of the venture, access to mentors, founders and investors, and six months’ free office space in central London (ibid).

A WORKERTECH INNOVATION FUND

We propose that as part of a new Employment Act, the government should introduce a WorkerTech Innovation Fund to support trade unions to innovate, harness digital technology and develop new platforms tools and approaches to recruiting, organising and representing workers. Such a fund would be overseen by the TUC, with trade unions being able to bid for funding for specific projects. Trade unions should be expected to provide match-funding. While the WorkerTech Innovation Fund would be focused on supporting trade unions, it should also be able to fund non-union WorkerTech initiatives, as long as the bid includes a partnership with a relevant union and the project is likely to lead to an increase in union membership.

Alongside providing funding, the TUC should provide practical support from an in-house team to unions to develop new projects. This should include user insight, digital support and help with designing, prototyping, testing and iterating new tools and approaches. This central resource at TUC, funded through the WorkerTech Innovation Fund, would provide unions with access to expertise and support unions in learning from each other.

We propose that the WorkerTech Innovation Fund should aim to invest £10 million over five years. It should be funded by a surcharge on employer compensation payments from employment tribunal cases, ensuring that the cost of supporting trade unions to innovate is covered by employers who have been found to have denied workers their rights.

SUPPORTING UNIONS TO ORGANISE

Finally, in addition to supporting unions to recruit, the government should make it easier for unions to organise. The UK has some of the most restrictive trade union laws among advanced economies. Yet despite this, and despite the low levels of industrial unrest, the government further restricted trade union rights in the Trade Union Act 2016, which placed additional unnecessary burdens on trade unions. This included an arbitrary and highly unusual turnout threshold on industrial ballots.

Government should repeal the unnecessary and undemocratic Trade Union Act (2016) as part of a new Employment Act. In addition to repealing the provisions of the latest Trade Union Act, the government should include provision for the introduction of secure electronic balloting, alongside secure workplace balloting.

6. Trade unions should be seen as social partners in industrial strategy and for the managed acceleration of automation

The UK economy needs stronger unions, higher union membership and more widespread collective bargaining. However, this need not lead to a significant increase in industrial unrest compared to historically low current levels.⁶

Collective bargaining can serve to regulate relations between employers and workers, thereby helping bring about more stable industrial relations and industrial peace (OECD 2017b). Many countries combine far higher levels of union density and collective bargaining coverage with constructive industrial relations and low levels of industrial disputes, as part of a dynamic, innovative and productive economic model. In Sweden, two in three (67 per cent) of workers are union members and nine in 10 (90 per cent) are covered by a collective agreement (OECD 2018a and OECD 2018b). However, levels of industrial unrest in Sweden are very low, with just 3,450 working days lost to strikes in 2014 (Anxo 2017). This is in part due to the approach to social partnership, in which trade unions are engaged as key actors in managing the economy, with extensive participation at firm level, at sectoral level and in key labour market institutions.

PROMOTING SOCIAL PARTNERSHIP

We propose that government should support and foster social partnership in the UK. This approach would recognise that while employers and workers often have divergent interests, in many areas they have common interests – whether that be in maximising productivity, in supporting skills development and utilisation, or in promoting worker wellbeing. Social partnership also recognises that employers, workers have an interest in ensuring there are processes and procedures to build trust, to support co-operation, and to manage industrial disputes when they arise. Finally, social partnership also recognises the vital role that unions and employers can play in working with the government to manage the economy. This approach is visible in much of Europe, where the social partners (unions and employers) are involved in negotiating labour market policy and are represented on labour market institutions.

A new Minister of State for Labour working in a re-designed and re-branded Department for Business, Enterprise and Industrial Strategy should be responsible for supporting social partnership and for promoting positive industrial relations based on trust and co-operation. In order to support this, Acas should be given a statutory duty to promote social partnership as well as collective bargaining. This

6 In the 1970s, an average of 12.9 million working days were lost each year to industrial unrest. Over the last 10 years for which we have data (2008–2017), just 0.5 million working days were lost each year on average, representing just 0.04 working days lost per member per year (IPPR analysis of BEIS 2018 and 2018d).

should be based on the six principles of partnership working set out by the TUC (TUC 1999).⁷

Promoting and incentivising co-operation between social partners can help promote high quality industrial relations. Through encouraging workers and unions on the one hand and employers and employer bodies on the other to work together at the firm level, at the sectoral level, and on key labour market institutions and reforms, can help improve trust and common understanding between social partners (OECD 2017b).

SOCIAL PARTNERSHIP IN INDUSTRIAL STRATEGY

Where trade unions have been involved in labour market institutions, these have generally been successful. The involvement of trade unions on the Low Pay Commission, which sets the minimum wage, has helped ensure that working people have a voice in the system, and it has helped secure widespread support for the policy.

The Government's White Paper on industrial strategy sets out plans to develop sector deals – partnerships between government and industry that aim to boost productivity. While the document sets out the need for extensive employer involvement in setting up sector deals, there is no mention of the role of trade unions or any form of worker voice in developing sector deals. The Government has announced plans to establish an Industrial Strategy Council, which will assess progress and make recommendations to Government (BEIS 2017b). Again, while the membership will include business leaders, economists and academics, it appears trade unions will not have a role (Parliament 2017).

In order to promote social partnership and to ensure workers as well as employers are involved in industrial strategy, trade unions should be involved as key partners in the design, delivery and implementation of sector deals. Government should ensure that the TUC and relevant unions are represented on the Industrial Strategy Council in order to offer expertise and ensure that workers have a voice in the system. Government should also set out guidance that sector deals should be developed with the active involvement of relevant trade unions, and no sector deal should be approved without the support of the relevant trade union for the sector, apart from in exceptional circumstances.

SOCIAL PARTNERSHIP IN THE SKILLS SYSTEM

A key part of the government's industrial strategy is improving the skills system. Trade unions already play a vital role in adult skills through supporting work-based learning. Where union reps are present in private sector firms, workers are more likely to receive off-the-job training than those in comparable firms. Union Learning Representatives (ULRs) are highly effective at engaging workers in learning, have been shown to deliver significant financial benefits for workers and employers, and are valued by both (Stuart et al 2016). The role of trade unions in the skills system has been partially recognised by Government, and its industrial strategy renewed funding for the Union Learning Fund and set out a plan for a National Retraining Partnership – made up of TUC and CBI – that will oversee the implementation of a National Retraining Scheme in England (BEIS 2017b).

⁷ 1. a shared commitment to the business goals of the organisation, 2. a recognition of differences of interest between the partners, 3. recognition that increases in flexibility should not be at the expense of workers' security, 4. opportunities made for the personal development of workers, 5. open and well-informed consultation, and 6. value added through improved worker motivation.

Trade unions should therefore be seen as key partners in building a skills system which supports progression and productivity for the benefit of both workers and employers.

In the short term, the TUC and the largest unions should be represented on the board of the Institute for Apprenticeships, which approves apprenticeship standards. The Department for Education should ensure that all trailblazers include union representation from the relevant sector.⁸

The National Retraining Scheme should seek to expand the network of Union Learning Reps (ULRs) across the country. In order to incentivise employers to work with ULRs, and to minimise the cost for employers, employers should be entitled to use their apprenticeship levy funds to pay for both training and for time off for trade union activities for ULRs. This would ensure that employers face no additional cost for working with ULRs.

In the medium term, Government should use sector deals to support the establishment of strong sectoral institutions to improve the quantity and quality of training, and to drive skills utilisation and productivity. These institutions would be responsible for identifying and articulating demand in their sector, designing standards, training content and career pathways, overseeing awarding bodies, investing levy underspend and boosting job quality. Strong sectoral institutions should be social partnership bodies, with representation from trade unions as well as employers in the sector (Dromey et al 2017).

WORKERS ON BOARDS

Unlike most European countries, the UK currently has no statutory requirement for worker representation on company boards. The Conservative Manifesto in 2017 said that boards should take account of the interests of employees and the wider community, but suggested that this could be done through simply assigning a specific responsibility for employee representation to a designated non-executive director (Conservative Party 2017). This has since been proposed in a consultation on revising the UK's Corporate Governance Code. This falls far short of elected representatives of workers on company boards, able to ensure workers are genuinely heard.

TUC have long made the case for elected worker representatives on company boards. They have demonstrated the flaws in the UK model of shareholder primacy and highlighted the fact that most EU nations have worker representation in some form. TUC has set out the case for workers on boards – in order to promote economic democracy, to support worker voice, and ensure those who are most affected by decisions can help shape them – and how worker representation could be made to work in the UK (Williamson 2014). IPPR have also argued, worker representation should be embedded in corporate governance, including elected worker directors on large company boards and representatives on remuneration committees. At least two members of the board – and preferably one-third of the total – should be elected worker directors, with similar representation on remuneration committees (Lawrence 2017).

Elected representatives on company boards would provide another opportunity for worker voice at the firm level, and for social partnership. It would increase contact between employers and worker representatives – who would often be union representatives – enabling them to work on shared priorities and to build trust.

⁸ Trailblazers are groups of employers who come together to design apprenticeship standards which are then approved by the Institute for Apprenticeships.

TRADE UNIONS AND AUTOMATION

Rapid advances in technology, including in robotics and artificial intelligence, have led some to suggest that we will see widespread automation of existing roles, with human labour being displaced by capital. Some have even suggested we are on the brink of a 'post-human' economy, in which there will be a significant decline in demand for labour.

Recent IPPR research has suggested that, while automation could have a transformative impact on our labour market, it is unlikely to lead to a decline in demand for labour. Rather than leading to a jobless future, the productivity gains as a result of automation will be recirculated, leading to a reallocation rather than elimination of human labour (Lawrence et al 2017). Automation offers significant opportunities for the UK labour market, including the chance to boost stagnant productivity. Indeed with low levels of investment in the UK economy, it is the relative absence of robots – rather than their presence – that is the biggest challenge (ibid).

However, automation will pose some significant challenges for the UK economy which are relevant to trade unions. First, while aggregate demand for labour is likely to remain robust, automation is likely to lead to profound change in many sectors, and to significant reductions in net demand in *some* industries and occupations. Second, while the jobs that will be created are likely to exceed those that are eliminated, they may not be accessible to those who are displaced from the labour market. Third, while automation can lead to a welcome boost in productivity, working people may not share in the wealth that will be generated. As automation involves the displacement of labour by capital, it may lead to a significant further decline in the labour share and a further rapid increase in inequality as returns to capital increase (ibid). This is a particular risk given the current weakness of labour.

However, the process of automation and the outcomes as a result of it are not inevitable. The pace, extent and distributional effects of automation will be shaped by collective choices, by institutional arrangements and by the broader distribution of economic power in society (ibid).

In addition to supporting new institutions, and new models of capital ownership, there is a strong case for the involvement of trade unions in managing the process of automation. As significant actors in the labour market, and as aggregators of worker power, trade unions could help shape the process of automation.

We propose that trade unions should be engaged as key social partners in managing the acceleration of automation, and ensuring that it works for working people.

While many low-skill roles have a high potential for automation, the low cost of labour in these sectors can act as a disincentive for employers to investing in automation. Through tackling low pay and increasing the cost of labour, widespread collective bargaining could actually accelerate automation by boosting employer investment in capital. This would be welcome insofar as it would support a move away from the current low-productivity, low-pay work seen in many industries.

However, through engaging in decisions on the introduction of new technology, trade unions can help manage the process of automation too. There is evidence to suggest that trade unions can help support workers through the process of technology-driven change. Recent research shows that job-related anxiety that accompanies organisational change at work can be ameliorated where employees work in a unionised workplace and where they are involved in the introduction of changes (Bryson et al 2013).

The involvement of trade unions in organisation change should take place at the workplace level, with workers shaping decisions on the introduction of new technology through both collective bargaining and worker representation on company boards. At the sector level, trade unions should contribute to decisions on automation through participation in sector deals. At the economy-wide level, trade unions should be represented on key labour market institutions. IPPR have called for an Authority for the Ethical Use of Robotics and Artificial Intelligence, which would regulate the use of automated technologies (Lawrence et al 2017). The TUC and the UK's major unions – particularly those in areas at risk of automation - should be represented on this body to ensure that workers have a voice in the process.

By strengthening the relative power of labour, trade unions can help ensure that workers benefit from automation. Automation could lead to very significant increases in productivity, which could help boost the UK's stalled productivity performance. However, with the decline in the labour share of GDP, and increasing inequality within that wage share, there is a risk that working people will not fairly benefit from the increases in productivity that would result. This may in turn lead to resistance to automation, if the workforce feels that it will not benefit as a result, and it sees it solely as a risk. An increase in union membership and collective bargaining coverage is essential in order to strengthen the relative power of the workforce, and ensure that a fair share of the benefits of productivity increases arising from automation can be secured. This could be in the form of increased wages, reductions in working time or a combination of the two.

As automation is more likely to *change* roles – rather than eliminate them – participation in lifelong learning will become increasingly important to ensure workers are not left behind. Trade unions should be engaged as key partners in supporting the training and retraining of the workforce in order to adapt to automation. The National Retraining Scheme is a welcome recognition of the potential role of trade unions in this regard (BEIS 2017b). Over time, it should be accompanied by the expansion of the Union Learning Fund, and of the network of ULRs, including through allowing the use of apprenticeship levy funds as we set out above.

Conclusion

Trade unions are a force for good in the economy. Through aggregating the power of workers, they help them secure a fairer share of the wealth that they generate, they help mitigate against inequality, and they help improve the quality of work.

As such, the state should not be agnostic about the decline in union membership and in collective bargaining. Instead, this should be recognised as a contributing factor to many challenges we see in our economy; it should be seen as a cause for concern, and it should be reversed.

In this discussion paper, we argue that achieving better wages and working conditions as part of a new growth model will require a renaissance of collective bargaining, a growth in trade union membership and support for social partnership. The changes we propose in this report – to promote collective bargaining at the sector and firm level, to support unions to recruit and innovate, and to support positive industrial relations and the involvement of unions as social partners in managing the economy – will help this.

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Power to the People

How stronger unions can deliver economic justice

Discussion Paper

The IPPR Commission on Economic Justice is a landmark initiative to rethink economic policy for post-Brexit Britain. The Commission brings together leading figures from across society to examine the challenges facing the UK economy and make practical recommendations for reform.

The decline of trade union membership and of collective bargaining in the UK have contributed to a growing power imbalance in the economy, and to a massive increase in inequality. This discussion paper sets out why we need stronger trade unions and a renaissance in collective bargaining in order to deliver a more just and productive economy. It sets out how government could support collective bargaining at the sector and firm level; how we could level the playing field so that trade unions are better able to recruit, organise and innovate; and how trade unions could be social partners in delivering industrial strategy and managing automation.