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The crisis and the evolution of labour relations in the United Kingdom

STUDY



European Economic and Social Committee



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Abstract

Twenty-one months into deep recession a new and untried Coalition government chose deficit reduction and welfare-to-work as its main priorities, confronting the UK's numerically weakened trade union movement in its public sector heartlands over pensions, pay and jobs. The employers, more fragmented but by no means less powerful and influential than the unions, applauded the government's deregulatory, flexible-labour-market stance and were relieved when peak unemployment fell short of their worst fears. However, despite impressive and continuing private sector employment growth (much of it into self-employed, temporary, part-time and zero-hours jobs) economic recovery remained painfully uncertain. Productivity stagnated and there was an unprecedented fall in average real earnings although the feared "double dip" recession was avoided. Collective bargaining (covering 15-20% of the private sector) coupled with ongoing public sector pay curbs resulted in pay increases below their pre-recession trend, but was helped eventually by a sharp fall in consumer price inflation. Pressure for higher wages found its voice in the spread of the Living Wage as well as through bargaining and industrial action, which continued at a reduced level. A new right-of-centre government elected in 2015 unveiled plans to further restrict the trade unions, while promising higher statutory minimum wages.

Table of Contents

1. Introduction.....	1
2. Facing the crisis	1
3. Labour relations before the crisis.....	1
3.1 Trade unions.....	1
3.2 Employers	3
3.3 Other institutions and legal influences.....	3
4. Representation and bargaining.....	5
4.1 Bargaining and pay	5
4.2 Disputes.....	5
5. Economic and socio-economic context.....	6
5.1 Growth and productivity	6
5.2 Public spending and the deficit	6
5.3 Employment and unemployment	6
5.4 Hours worked and employment status	7
5.5 Inflation and earnings	7
5.6 Equality and inequality	8
6. Social protection and welfare.....	9
7. After 2007 - responding to the crisis.....	9
7.1 Labour government 2007-2010.....	9
7.2 Coalition government 2010-2015	10
7.3 Conservative government - from 2015	11
7.4 Beyond Westminster.....	12
8. Labour relations after the crisis.....	13
8.1 Trade unions and the crisis.....	13
8.2 Employers and the crisis	14
8.3 Other institutions and legal developments post-crisis.....	15
8.4 The Trade Union Bill.....	16
9. Representation and bargaining after the crisis	18
9.1 Bargaining and pay after the crisis.....	18
9.2 Workplace representation and disputes.....	20

10. Economic and socio-economic trends post-crisis	21
10.1 Growth and productivity after the crisis.....	21
10.2 Public spending and the deficit	22
10.3 Employment and unemployment after the crisis.....	22
10.4 Hours worked and employment status after the crisis	23
10.5 Inflation and earnings post-crisis	25
10.6 Equality and inequality after the crisis.....	26
11. Social protection and welfare after the crisis	26
11.1 Welfare benefits	26
11.2 Pensions	27
12. Conclusions.....	29
Bibliography	31
Appendix 1: Tables and charts.....	34
Appendix 2: Statements on the UK EU referendum.....	40

1. Introduction

This report describes the socio-economic situation in the United Kingdom after the ‘credit crunch’ and the ‘Great Recession’ of 2008-09. Its focus is on social protection and living and working conditions, the social and labour measures taken, their effects and in particular the evolution of labour relations. It therefore concentrates on the social partners, the environment in which they operate, and the role of central government – recognising that the relationship between the social partners and government can be as influential, sometimes more so, as their relationship with each other. It starts with how things stood just before the crisis, in 2007, before going on to review what happened.

2. Facing the crisis

Since the end of the Second World War governmental power in Westminster had alternated between the Conservative Party on the right and the Labour Party on the left. Labour was in power in 2007 and had to deal with the global financial collapse. In September of that year Northern Rock, the UK’s fifth-largest mortgage lender sought and received emergency funding from the Bank of England, and in February 2008 was temporarily nationalised. But problems could not be contained in the finance sector. Output (Gross Domestic Product, GDP) began to shrink and the economy went into technical recession in the third quarter of 2008. The impact rippled out to other sectors, with almost 30,000 jobs lost at Woolworths, a well-known high street retail chain and a prominent early ‘casualty’. Gordon Brown, who became Labour leader when Tony Blair stepped down in June 2007, and his Chancellor of the Exchequer, Alasdair Darling, had to pilot the UK through the first two years of the crisis.

3. Labour relations before the crisis

By 2007 UK labour relations had settled into a familiar framework. Trade unions represented and bargained for a minority, still strong in the public sector but with limited collective engagement between the social partners across much of the private sector. Unlike many other EU countries, the UK has not, for many years¹, had national arrangements for consulting social partners (neither trade unions nor employer’s organisations) on matters of economic policy, such as the European Semester.

3.1 Trade unions

By 2007-2008 total UK trade union membership stood at 7,656,000, lower than in the 1990-92 recession (when it was around nine million) or the 1980-81 recession (when membership was close to its peak at over 12 million). Most of the decline took place in the 1980-90s and membership had stabilised numerically. However with employment growing, union density was still declining, especially in the private sector. As a proportion of employees, 28.0% (7,051,000) were union

¹ Such a forum, the National Economic Development Council, was set up by Labour Government in the 1960’s but fell into decline under the 1980s Conservative Government. It was formally abolished in 1992.

members in 2007-8 (*see Table A*) but there was a big disparity between public sector with a union density of 59.0% and the private sector where it was only 16.1%. The reality was that most trade union members (58.4%, 4,118,000) worked in the public sector, where they would be vulnerable to the austerity policies that lay ahead, while a minority, albeit a large one (41.6%, 2,933,000), worked in the private sector - where the recession would hit first. The gender balance in the trade union movement was also shifting. Male membership had declined but the proportion of female employees in membership remained steady at just under 30%, reflecting a numerical increase to 3.657 million².

Union membership was divided between 167 unions 'listed' by the Certification Officer³ (including 119 with certificates of independence from the employers) plus 18 more that satisfied the statutory definition of a trade union. Most belonged to unions affiliated to the Trades Union Congress. It is important to recognise that the TUC does not usually negotiate with employers, leaving that to the unions, which are independent. It had 61 affiliates at that time with a combined membership of 6.5 million (some UK unions also affiliate to the Irish Congress of Trade Unions through its Northern Ireland Committee). Non-TUC unions tend to be small but include the Royal College of Nursing with 391,000 members in 2007 and the British Medical Association (137,000) representing doctors.

Mergers have offset the impact of declining union membership to a degree and 2007 saw another example, the formation of Unite (merging the TGWU and Amicus) with 1,977,000 members in a wide range of industries. UNISON, with 1,317,000 members concentrated in various public services (but with a presence in private companies due to privatisation and contracting out) was the product of an earlier merger. The third-largest, the GMB (another general union with 575,300 members) was originally part of the Unite merger discussions but pulled out to remain independent.

Around half of the membership of the TUC belonged to unions affiliated to the Labour Party in 2007 (although the TUC itself is not affiliated) contributing about 60% of its income. Their activity is coordinated through the Trade Union and Labour Party Liaison Organisation (TULO) that had 17 member unions in 2006⁴. Although rules concerning union input into the Labour Party had changed, they had a clear impact on policy. That was exemplified by the 2004 'Warwick agreement' (a deal struck at Warwick University between the government and the unions over Labour policy and trade union law) covering issues like employment rights, social protection, working conditions, union reps and apprenticeships. These commitments were still being rolled out when Brown took over as leader.

At that point in time the TUC believed it had prospects for growth, particularly among professional and managerial workers. With a regional structure that included the Wales TUC, and a close working relationship with the independent Scottish Trades Union Congress (STUC), unions were well placed to deal with increasingly devolved UK governmental institutions. When Brown took over as Labour leader the TUC was hoping for a change of approach, arguing that too often the Labour government appeared to 'pander' to the business lobby. In fact Brown brought a number of business people into

² Trade Union Statistics,

³ The Certification Officer is responsible for information on unions and employer associations

⁴ The RMT transport union had recently been expelled while the FBU firefighters' union had withdrawn.

his new government of ‘all the talents’ (including Digby Jones, a former director-general of the Confederation of British Industry, the central employers’ organisation).

3.2 Employers

The employers’ voice in UK labour relations is more fragmented than the unions’, which is not to say it is less powerful or influential – far from it. Most private sector employers no longer rely on belonging to an association that regulates relations between employers and workers or their unions (although the impulse to collectivise labour relations in that way has not entirely disappeared⁵). Historically (1983) there were 375 such associations, according to the Certification Officer, but by 2007-08, 80 were voluntarily listed and 66 more identified as meeting the statutory definition.

The central employers’ organisation, the Confederation of British Industry (CBI, then representing around 240,000 employers) describes itself as the UK’s premier business lobbying organisation, providing a voice for employers at a national and international level while campaigning for a ‘competitive policy landscape’. The CBI is not involved in collective bargaining. That holds true also for some sectoral employer bodies, such as the EEF, formerly the Engineering Employers Federation but now the ‘voice of UK manufacturing’. In 2007 the British Printing Industries Federation (BPIF) was one of those employer associations still involved in collective bargaining, while the Local Government Association (LGA) was a prominent example from the public sector.

Employer priorities at the time, as articulated by the CBI, included the risk of over-regulation (in relation to agency workers or the Working Time Directive), rises in the National Minimum Wage⁶, and the cost of Employment Tribunal⁷ claims (where unfair dismissal, discrimination and other related cases are heard). It approved of ‘restraint’ on pay but was positive about employees’ rights to request flexible working, gender equality, better schooling and skills, the role of migrants in the UK economy, and EU membership. It had particular concerns about the change in Labour leadership and said that resisting the Agency Workers Directive would be ‘the first test of the new Brown premiership on employment regulation’. However in May 2008 it reached a social partners-style agreement with the TUC over implementation of the directive, paving the way for rights for agency workers after a 12-week qualifying period. That followed a joint initiative in 2007 by the CBI, TUC and eight other organisations to promote flexible working, and an earlier CBI-TUC framework agreement on which the Information and Consultation of Employees Regulations 2004 were based.

3.3 Other institutions and legal influences

Other institutions have played an important role in labour relations, during and after the crisis. The Advisory, Conciliation and Arbitration Service (Acas, a statutory body under the Employment Protection Act 1975) provides conciliation in individual and collective disputes but it had developed a

⁵ ETUI 2015

⁶ CBI (2008)

⁷ <https://www.gov.uk/employment-tribunals>

more ‘preventative’ role and on the eve of the crisis was working on a less formal system of dispute resolution (at the request of the government, following the so-called Gibbons review)⁸. The Low Pay Commission (LPC) makes recommendations to government on the National Minimum Wage; the Gangmasters Licensing Authority (GLA, established in 2004-05) has an important role in combating exploitation in certain sectors; and Pay Review Bodies (in 2007 there were six) advise government on pay for over two million public sector workers (NHS staff, doctors and dentists, armed forces, prison service, school teachers in England and Wales, and senior salaried staff).

UK law surrounding industrial action has never included a positive right to strike. Instead, workers and unions engaged in specific forms of industrial action are given “immunity” from legal action, as long as they comply with the key restrictions. These regulate picketing, secondary action and political strikes, require postal ballots, and allow employers to sue unions for damages and to seize their assets.

Regulations on union recognition (where employers and unions make arrangements for collective bargaining)⁹ have been in place since 1999 but have not produced the boost in coverage that unions hoped for. To use the legal route to recognition (rather than the voluntary route) unions must prove to the Central Arbitration Committee (CAC) that more than half of employees in the chosen ‘bargaining unit’ are members, or win support from a majority in a ballot (equivalent to at least 40% of all those employees). Applications to use the procedure, rarely more than 100 per year, had dwindled to 64 per year just before the onset of the crisis (a proportion of applications are regularly withdrawn).

There were new regulations implementing the EU directive on information and consultation (the Information and Consultation of Employees Regulations 2004, ICE). These were still being phased in but from April 2008 covered organisations with more than 50 employees. The first compensation award (£55,000 paid to the Amicus section of Unite) was settled shortly before the crisis took hold.

⁸ Acas (2007/08)

⁹ <https://www.gov.uk/government/organisations/central-arbitration-committee>

4. Representation and bargaining

The decline in membership prior to the crisis was mirrored by a decline in employees covered by collective bargaining, which stood at 34.7% (20% in the private sector and 72% in the public sector).

4.1 Bargaining and pay

Where it takes place, most collective bargaining in the private sector has long been devolved to company or even workplace level. In the public sector national or multi-employer bargaining remained the norm right up to the start of the crisis, in some cases underpinned by Pay Review Body (PRB) recommendations (see above). However, aspects of some national pay arrangements in the public sector could be subject to local variation by agreement (such as in local government). In the civil service bargaining was ‘devolved’ (de-centralised) although still subject to Treasury approval. Long-term deals (usually lasting two or perhaps three years) had become commonplace. Pay settlements had settled into a stable pattern, with median increases of just over 3% (see *chart A*) that compared favourably with trends in the Euro zone¹⁰. From 1999 onwards, pay rises were underpinned by annual increases in the National Minimum Wage (see *table B*).

4.2 Disputes

In 2007, 1,039,000 working days were lost due to disputes, the second highest annual total since 2000 (see *chart B*) apart from 2002 and higher than throughout most of the 1990s (but far lower than the 29.5 million in 1979, the ‘winter of discontent’). Most of the action was in the public sector (one million days lost in 90 stoppages, 96% of the total) where health workers threatened action over the staging of a PRB-recommended pay award; schoolteachers were unhappy about the impact of rising inflation; and there were strikes at the Royal Mail over cost cutting.

The Brown government was imposing ‘pay discipline’ on public sector workers (along with job cuts, privatisation, increased workloads and deskilling) following a review into public sector efficiency by Sir Peter Gershon. The strike level was much lower in the private sector (38,900 days lost) but it was not immune to conflict. Among 896 requests for assistance received in 2007/08, Acas highlighted information technology company Fujitsu, in dispute with Unite over redundancy terms, union recognition and pay. Pay and conditions accounted for 53% of conciliation requests received by Acas that year, followed by 18% for union recognition.

¹⁰ ETUI 2015, page 254-255.

5. Economic and socio-economic context

Gross Domestic Product (GDP), employment, productivity and public spending were growing before the crisis, although there were concerns about vulnerable employment.

5.1 Growth and productivity

Labour's boast was that it had put an end to 'boom and bust' with 60 consecutive quarters of economic growth. GDP growth was recorded at 3.25% in the first half of 2007 and forecast to continue at 2% to 2.5% in 2008, before strengthening to trend at 2.5% to 3% in 2009 and 2010. Productivity was rising, with output per worker up by 12.7% compared with 2000, and per hour by 14.6% (see *table C*) and the government hoped to make significant progress in narrowing the gap with the UK's main industrialised competitors. However, by October 2007, Darling's first Pre-Budget Report noted early signs of 'disruption in financial markets', making prospects more uncertain.

5.2 Public spending and the deficit

The Brown/Darling government followed a 1998 Code for Fiscal Stability committing it to principles for fiscal and debt management, explicitly-stated fiscal policy objectives and a specific primary objective for debt management policy. Its aimed 'over the economic cycle' to meet a 'golden rule' on spending (the current budget to be in balance or surplus, borrowing only to invest not to fund current spending) and a 'sustainable investment rule' on borrowing (public sector net debt maintained at a stable and prudent level, below 40% of GDP). The policy included a single, symmetrical inflation target and full operational independence for the Bank of England's Monetary Policy Committee (MPC) in setting interest rates to meet that inflation target.

Spending was rising, even as Brown found his government in conflict with the public sector trade unions over public sector pay restraint and cuts. His last Budget as Chancellor talked of 'locking in the historic increases in investment of the past decade while allowing public spending to increase by an average of 2 per cent a year in real terms'. After running a surplus between 1998 and 2002 government income was lower than expenditure, resulting in a deficit on the current budget (see *chart C*). But by 2006-07 the deficit at £4.7 billion was lower than expected and reducing compared with 2003-04¹¹. Public sector net debt (a measure of how much the government owed) was projected to remain low and stable at less than 39%.

5.3 Employment and unemployment

Employment was growing, up by more than 2.6 million since 1997¹². Taking the period from 2000 to 2007 the 16-64 population grew by 6.0% but the number of people in employment by 6.7% to 29.32

¹¹ ONS (2014)

¹² HM Treasury (2007)

million resulting in an increase in the economic activity rate to 76.8% (see *table D*). Growth in the number of employees had been slightly slower, up by 5.7% to 25.3 million, reflecting faster growth in self-employment (see *table I*). There was growth in the private sector (79.4% of the workforce) and public sector (20.6% of the workforce). The voluntary sector was strong but there were worries about manufacturing (together with construction, energy, water, mining and agriculture, it accounted for only 19% of jobs). Employment was increasing among lone parents, working-age people over 50, and people with a health condition or disability.

Over a quarter (27%) of workers were in lower managerial and professional roles with second place shared by higher managerial and professional workers and 'semi-routine occupations' (each accounting for 14%, see *table F*). Unemployment (those not in work but seeking and available to work) was rising (1.64 million aged 16-64 in 2007) but the unemployment rate fell to 5.4% of economically active people. The proportion of long-term unemployed (over 12 months) was down. The unemployment rate among young people aged 18-24 was rising but numbers claiming Jobseekers' Allowance (unemployment benefit) fell to 878,200. Redundancies were running at a low level.

5.4 Hours worked and employment status

Total hours of work were rising, with both full-time and part-time employment growing, but average hours of work per worker were falling, down a little to 32.2 hours (full-timers and part-timers) and the risks of under-employment were recognised: 25% of all employees were part-timers (as were 23.6% of the self-employed). One in ten part-time workers (9.4%) said they'd been unable to find a full-time job. The number of temporary employees had dropped a little to 1.5 million (6.0%) but 27.7% said they were doing it because they could not find a permanent job.

Much of the growth in pre-crisis employment came from a 16.9% rise in the number of self-employed workers. The TUC Commission on Vulnerable Employment¹³ found that there were two million UK workers in precarious work¹⁴, putting them at risk of continuing poverty and injustice. An 'imbalance of power in the employer-worker relationship' and the resulting two-tier labour market were products both of weak law and of law-breaking.

5.5 Inflation and earnings

Consumer price inflation is always a significant factor in labour relations but was now linked directly in to government economic policy. The Bank of England's 2% inflation target was based on the Consumer Price Index (CPI, internationally known as the Harmonised Index of Consumer Prices). In 2006 and 2007 CPI inflation was above-target, averaging 2.3% in both years (see *table E*). Inflation as measured by the Retail Price Index (RPI, an older index, still widely used in bargaining) rose from

¹³ TUC (2008)

¹⁴ Workers with low skills in low-paid work, low-paid temporary workers, low-paid migrant workers and workers in the informal economy. *Hard Work, Hidden Lives*, short report, page 13.

3.2% to 4.3%. Given reduced spare capacity and above-trend growth, the Monetary Policy Committee responded by raising interest rates five times between August 2006 and July 2007, to 5.75%.

Average Weekly Earnings (AWE, regular pay excluding bonuses) were on an upward trajectory, having risen by 32% from £297 in 2000 to £392 in 2007 (see *table H*). Earnings outpaced consumer price inflation, a real terms increase. At constant 2000 prices the Office for National Statistics (ONS) calculated AWE at £350 in 2007, up from £299 (17%). Earnings were growing faster than pay settlements (see *chart A*) resulting in a familiar pattern of positive ‘pay drift’. However the TUC was worried about a growing gap between rich and poor. The Labour government sought to reduce poverty by improving access to work and modifying the state benefit system (see below). Nevertheless, by 2007 average post-tax income for a single-parent household (inclusive of benefits but excluding benefits in kind) was barely 38% of two-parent household income (see *table G*).

5.6 Equality and inequality

Equality and discrimination issues had ‘risen significantly’ up the list of companies' key concerns, according to the EEF employers' organisation. The TUC's Equality Audit suggested that unions had responded to these issues quickly too. The full-time gender pay gap (the difference between men's and women's hourly earnings as a percentage of men's earnings) narrowed from 16.3% in 2000 to 12.5% in 2007. Median gross hourly earnings excluding overtime were £11.48 for men and £8.97 for women (£10.48 for female full-timers, £7.28 for female part-timers)¹⁵. Nevertheless, many public sector employers (particularly in local government and the NHS) went into the crisis facing big equal pay claims. Unions were also taking steps to inform and protect migrant workers, while things were changing at an institutional level with the creation of the Equality and Human Rights Commission (EHRC) and Government Equalities Office¹⁶.

¹⁵ ONS ASHE (2007)

¹⁶ <https://www.gov.uk/government/organisations/government-equalities-office>

6. Social protection and welfare

Social protection in the UK is usually provided either as a state benefit or a statutory benefit paid by the employer. The values of these benefits were maintained in line with inflation as measured by the RPI or the ‘Rossi index’ (RPI less certain housing costs); or, in the case of Pension Credit (for older workers) by earnings growth. The Labour government introduced Tax Credits to provide support for people responsible for children, disabled workers and other workers on lower incomes. The government planned to increase Child Tax Credit with the aim of lifting more children out of poverty. The government also planned to increase Jobseekers Allowance (JSA, the main out-of-work benefit) and Income Support for young workers, while rolling out In-Work Credit for lone parents. There were plans to reform the UK retirement pension system too, following recommendations made by Labour’s 2002-2006 Pensions Commission. These were supported by the TUC but it was critical of welfare reform plans and a tougher obligation on lone parents and the unemployed to seek work¹⁷.

7. After 2007 - responding to the crisis

The crisis produced big changes in government policy and the labour market including an unprecedented fall in real earnings; further growth in precarious employment; stagnating productivity and big welfare cuts. But there were improvements in some rights at work and, reflecting pressure to improve earnings¹⁸, a higher statutory minimum wage for workers aged 25 and over from 2016.

7.1 Labour government 2007-2010

From December 2008 the Brown government’s overriding priority was to ensure the stability of the British economy during the global economic downturn. The 2008 Queen’s Speech¹⁹ (setting out government policy) favoured a “coordinated international response” coupled with measures to secure the financial sector; promote local economic development; reform education, training and apprenticeships; and eradicate child poverty. It promised to strengthen border controls and ‘ensure that newcomers to the United Kingdom earn the right to stay’; to promote equality, fight discrimination and introduce transparency in the workplace, addressing the gender pay gap.

In a bid to boost spending power the standard rate of Value Added Tax (VAT) was cut temporarily to 15% from 1 December 2008 (reverting back to 17.5% on 1 January 2010). Government statements at the time emphasised the need for sustained growth as the economy recovered. Its plans included fostering active employment and training programmes, restructuring the financial sector, strengthening the national infrastructure and providing ‘responsible investment’. But in May 2010, Brown lost the general election, paving the way for a government that would play down the global origins of the crisis and place the blame on Labour for failing to reduce the deficit.

¹⁷ DWP (2007)

¹⁸ Includes the Living Wage campaign, see section 9.1.1 of this report

¹⁹ Labour government (2008)

7.2 Coalition government 2010-2015

Before the crisis there was no post-war history of coalition government at UK level but a Conservative-Liberal Democrat coalition was formed after the May 2010 general election and made deficit reduction its first priority. The Coalition agreement²⁰ confirmed that the main burden would be borne by reduced spending rather than increased taxes (although the standard rate of Value Added Tax increased from 17.5% to 20% in January 2011). The agreement promised ‘arrangements that will protect those on low incomes from the effect of public sector pay constraint and other spending constraints’. They agreed ‘modest’ cuts of £6 billion to non-front line services in 2010-11 and created an independent Office for Budget Responsibility (OBR) to provide forecasts. Further large spending cuts and public sector job losses followed.

Social protection was in the new government’s sights, with a new welfare-to-work programme (including ‘sanctions’ for those who refused), reform to state and public sector pensions, and a rising State Pension Age (see below). To help ‘make work pay’ the personal allowance (above which Income Tax starts to be paid) increased substantially with the aim of further raising it to £10,000. The Coalition government also promised an annual limit on the number of non-EU economic migrants. The Royal Mail would be modernised (ultimately it was privatised); barriers to flexible working removed; equal pay promoted; further changes to the school system made; the National Health Service (NHS) reorganised; social enterprise encouraged; and public bodies cut.

Many of these measures brought the Coalition government into direct conflict with trade unions and their members. Much of the government’s early policy was framed by reference to the ‘Big society’ – in essence getting more things done by voluntary sector providers – and ‘localism’. However the government was not slow to use its central power to secure changes, and it started by cancelling a £55 billion Building Schools for the Future programme.

The focus of the 2011 Budget²¹ was on tax cuts (affecting Corporation Tax, Inheritance Tax and raising the Income Tax personal allowance); funding for certain projects (in rail, local government, and University Technical Colleges); work experience places for young people and apprenticeships; de-regulation and reforms to the state pension. It also revealed that the government and its Office for Budget Responsibility advisors had lowered their expectations for growth to 1.7% (predicting that growth would then strengthen and peak at 2.9% in 2013 – in fact it came in at 2.2%, see *table E*).

Fears of a ‘double-dip recession persisted, even though private sector employment was growing, leading to talk about ‘growthless jobs’ (the opposite of ‘jobless growth’). There was a renewed focus on economic growth, and de-regulation, but the first priority would still be deficit reduction. There was a commitment to ‘reduce burdens on business by repealing unnecessary legislation and to limit state inspection of businesses’; continued emphasis on pension changes (the cause of a major dispute with the public sector unions) and raising the state pension age, but also measures to make parental leave more flexible for both parents.

²⁰ Coalition government (2010)

²¹ HM Treasury (2011)

The need for a stronger economy and deficit reduction had become the government's twin objectives by May 2013²², but with strong evidence that real earnings were being eroded (see below) the government insisted that 'people who work hard are properly rewarded'. Returning to a popular theme it also promised two million apprenticeships by the end of the Parliament and steps to make it 'typical' that school leavers start a traineeship or an apprenticeship, or to go to university. By June 2014²³ deficit reduction was still top of the priorities list but long-awaited pension changes were in hand and important changes to workplace rights (in particular, access to justice through the Employment Tribunal system) had been made (see below).

7.3 Conservative government - from 2015

A general election in May 2015 saw the government's coalition partners (the Liberal Democrats) lose most of their seats, while the Scottish National Party made big gains across Scotland, mainly at the expense of the Labour Party. The result was a Conservative government with David Cameron as Prime Minister and George Osborne as Chancellor, implying continuity on eliminating the deficit, coupled with a range of Conservative manifesto promises including further limits on the trade unions (see below). There were more planned changes to social protection (a freeze on key benefits and a reduced total benefits cap) but also 30 hours free childcare a week for three and four-year-olds by 2017; plans for a further rise in the Income Tax personal allowance, from the £10,000 to £12,500; measures to control immigration; and a referendum on the UK's membership of the European Union.

In the summer of 2015 the government announced new plans to cut the deficit by around 1% of GDP on average in each year to yield a surplus in 2019-20 and to reduce debt. That meant savings of £12 billion by 2019-20 involving more welfare cuts (see below). But there was also the prospect that by 2020 people working 30 hours a week on the National Minimum Wage wouldn't pay Income Tax at all. That was followed by the announcement of a new 'National Living Wage' (see below) while the number of new apprenticeships promised went up to three million, to funded by a levy on large employers. However, public sector pay restraint was to be extended again (see below).

Better than expected forecasts produced by the OBR in time for the Spending Review and Autumn Statement on 25 November 2015 allowed the Chancellor to abandon planned cuts including a reduction in social protection (Tax Credit cuts opposed by the House of Lords) whilst still aiming for a £10 billion surplus by 2019-20. However just six weeks later the mood changed again, as Osborne issued a warning that 2016 was likely to be one of the toughest since the financial crisis. Carolyn Fairbairn, CBI Director-General, approved but added: 'Firms want relief from the building cumulative burden of government policy, including the apprenticeship levy, National Living Wage, an out-of-date business rates system and the administrative challenge of pensions enrolment.'

²² Coalition government (2013)

²³ Coalition government (2014)

7.4 Beyond Westminster

One of the hallmarks of post-crisis UK politics has been that the dominant Westminster parties, the Conservatives and Labour, lost support to challenger parties, in particular the United Kingdom Independence Party (UKIP) to the right and the Scottish Nationalist Party, perceived as on the left. Although the Scottish referendum in September 2014 resulted in a 55.3% to 44.7% majority against independence, scope for different approaches to labour relations by the devolved governments increased. There was already more widespread acceptance of the voluntary Living Wage (see below) and distinctive approaches to pay in the public sector and in agriculture; but the prospect of the Conservative government's Trade Union Bill (see below) not being fully implemented in Scotland or Wales is on the horizon.

Ongoing debate over the UK's EU membership referendum also has big implications for labour relations and the social partners. The CBI²⁴ insists that that the 'vast majority' of its members are clear that the benefits of EU membership outweigh the costs, but that the EU must reform to be more competitive. Its stance emphasised the importance of access to the Single Market; the value of EU membership for attracting investment; how EU trade deals help to grow exports; how EU free movement helps businesses to grow and create jobs; how EU reforms like the digital single market, TTIP and other trade deals help businesses grow; and where reducing EU 'red tape' and fewer rules can help make it easier to do business.

The TUC General Council (16 September 2015, see Appendix 2) confirmed its support for the EU as an institution that delivers economic prosperity based on social justice, civil and human rights, equality for all and rights at work. But it expressed concerns over the part played by EU institutions in 'intensifying the crisis in Greece' and its advocacy of treaties (like CETA and TTIP) designed to advance the interests of transnational capital across Europe. Once the results of the negotiation between the UK government and the EU were known it would 'take stock' of its position. It warned that 'workers will not back or support a Europe that fails to protect and enhance the position of working people, citizens and civil society or one that solely works in the narrow interests of global corporations and finance capital'. Any further undermining of British workers' rights would see pressure to put TUC resources and support in the referendum behind a vote to leave the European Union 'intensify dramatically'.

A joint statement by Frances O'Grady, TUC General Secretary and Reiner Hoffman, President of the Deutscher Gewerkschaftsbund on proposals for EU re-negotiation (19 November 2015, see Appendix 2) was positive about Social Europe and called for a 'stronger level playing field' to restore demand, foster productivity and 'address the exploitation and undercutting that fosters antagonism towards migrants' (migration and its perceived impact on the UK labour market and public services is and will be a key issue in the referendum campaign).

²⁴ CBI (2016)

When details of the draft deal published by European Council president Donald Tusk became known on 2 February 2016, the TUC was critical of plans to allow the UK to restrict in-work benefits for migrants, but it was pleased that UK Prime Minister David Cameron had ‘listened to trade unions and stopped trying to negotiate away workers’ rights this time’. The CBI said that ambitions to create a more competitive and outward-looking EU were ‘making clear progress’.

8. Labour relations after the crisis

Over the last seven years the unions have suffered a further decline and been challenged in their public sector heartlands. Employers have had to cope with slow and uncertain economic recovery.

8.1 Trade unions and the crisis

The crisis and its aftermath saw a further fall in total trade union membership to 7,010,527 while employee membership was down to 6,446,000 in 2014 (a drop of 8.5% since 2007). Overall union density fell from 28% to 25% (see *table A*): 2,681,000, in the private sector and 3,764,000 in the public sector. There was some numerical growth in private sector membership after 2010 but transfers of employment between the public and private sectors may have played a part in that. Recent trends in public sector membership were the mirror opposite, rising until 2010 but declining after that.

Membership is concentrated in a slightly smaller number of unions. In 2014-15 the Certification Officer listed 150 trade unions and identified 13 others that met the definition (163 in all compared with 185 in all in 2007-08). The TUC had 52 affiliated unions (compared with 61 in 2007) with a combined membership of 5.8 million (6.5 million in 2007). The Royal College of Midwives (RCM) with around 30,000 members was the latest to affiliate. The three largest unions were still Unite 1,310,649 (including 327,494 women); UNISON 1,266,711 (864,470 women) and GMB 617,064. UNISON said it was fighting hard to counteract an ‘exodus of members caused by steep job cuts in the public sector’: 180,000 left the union in 2014 after being made redundant, while 170,000 joined, many recruited from businesses taking on contracted-out public sector contracts.

Non-TUC unions have been propelled into a more prominent role, following the crisis. The Royal College of Nursing (with 426,000 members in Britain and Northern Ireland in 2014) played a full role in the successful trade union campaign to prevent National Health Service employers in the South West of England from breaking away from NHS national agreement (Agenda for Change) and subsequent negotiations allowing more local flexibility. The Police Federation was vocal about changes to members’ terms and conditions following the so-called Winsor report²⁵, but saw its long-standing bargaining arrangements replaced by a pay review body (PRB). In 2016 members of the British Medical Association took strike action against a change in junior doctors’ contracts.

²⁵ Home Office (2013)

Unions continued to interact with the Labour Party²⁶ following Gordon Brown's defeat, playing a part in the election of Ed Milliband as leader in 2010 and in the election of Jeremy Corbyn in 2015 (following the introduction of new rules for electing the leader and deputy leader in 2014). In May 2013 the TUC published its own plans for the 2015 election including a jobs guarantee for young people, spreading the voluntary Living Wage, putting 'communities not profit' at the heart of public services, and creating a stronger voice for workers in the management of companies. However the Labour Party's National Policy Forum in October 2014 was another opportunity to directly influence policy before the election. UNISON, for example, was pleased to get Labour backing for the repeal of the Health and Social Care Act and a commitment that the NHS would be the 'preferred healthcare provider' under a Labour government (rather than the 'any qualified provider' approach that has allowed for growing private sector involvement in the health service).

8.2 Employers and the crisis

The Certification Officer's report for 2014-15 identifies 93 employers' associations, 54 voluntarily 'listed' and 39 others compared with 80 listed and 66 others in 2007-08 (some of that reduction may reflect a re-organisation of entries in the list). Following a re-assessment in late 2014/early 2015, the CBI now says it represents 190,000 businesses (previously it was 240,000) that employ nearly 7 million people, one third of the private sector employed workforce. Successive *Employment Trends* reports published by the CBI from 2009 onwards reveal that it was initially shocked by the scale of the crisis, the deepest recession since the Second World War, and apprehensive about the scale of likely job losses and the low level of vacancies. Business investment was expected to fall by 17.7% in 2009. However unemployment did not rise as high as the CBI itself had forecast and widespread changes in working patterns (see *table J*) coupled with flexibility in the labour market played an important part in that. Other factors in the mix included extreme pay moderation, direct employee engagement, work experience schemes and internships.

When the recovery faltered in 2011 the CBI acknowledged that downside risks were growing (while also noting public sector job losses on a huge scale). It highlighted the creative solutions being found to hold up employment (see *table J*), and the collaboration that lay behind them (although without referring to trade union involvement). For the CBI the combination of a flat economy with robust employment growth was not a puzzle – just firms and staff working together to find flexible new ways to preserve and create jobs. By 2013 it joined others in expressing concerns about the lack of productivity growth, and in August 2014 it signed a joint statement with the TUC on traineeships²⁷.

The CBI also commented on the need for welfare adjustments (see below) and better skills, but said intervention once people have made it into the labour market was 'plainly too late' and it saw schooling outcomes as part of the problem²⁸. By 2014 the CBI noted a rising trend in employee morale, with solid economic growth, and by 2015 it saw the UK enjoying a high employment rate.

²⁶ In 2016 the Trade Union and Labour Party Liaison Organisation (TULO) coordinated the activity of 14 affiliated trade unions representing almost 3 million union members.

²⁷ <https://www.tuc.org.uk/industrial-issues/skills-policy/tuc-and-cbi-agree-joint-statement-traineeships>

²⁸ The age to which young people are required to remain in education or training rose from 16 to 17 in 2013 and 18 in 2015

However it was concerned about the Conservative government's plan to increase the minimum wage for older workers (see below). Individual employers' associations were also vocal about the possible implications, not only those listed by the Certification Officer (like the National Farmers Union and Road Haulage Association) but others too (like the Food and Drink Federation, the British Retail Consortium and the British Hospitality Association)²⁹.

8.3 Other institutions and legal developments post-crisis

In its early days the Coalition government made a determined effort to cut a number of public bodies. Acas, LPC, GLA and the PRBs (see 3.4) weren't affected (there are now eight Pay Review Bodies rather than six). However some other institutions with a clear link to UK labour relations were culled: The Agricultural Wages Board for England and Wales; the School Support Staff Negotiating Body (a new bargaining arrangement that didn't 'fit well' with the government's priorities for greater deregulation of pay and conditions for the school workforce.); and the Regional Development Agencies (RDAs) which coordinated economic efforts at regional level (their place was soon taken by Local Enterprise Partnerships, LEPs). The Union Modernisation Fund, set up in 2005 to help unions adapt to a changing labour market, was also abolished. More recently, government reforms to the powers, functions and scope of the Gangmasters Licensing Authority (GLA, renamed as the Gangmasters and Labour Abuse Authority) could lead to fewer workplace inspections and more workers at risk of exploitation, the TUC has warned³⁰.

Legal developments since the crisis have had a direct impact on everyday labour relations. Some changes like the right for all employees to request flexible working, and shared parental leave (under the Children and Families Act 2014) have been widely welcomed but other changes have been far more contentious. In 2010 the government also removed the 2005 Code of Practice on Workforce Matters in Public Sector Service Contracts (the 'two-tier code') that guaranteed 'no less favourable' terms and conditions for new recruits working alongside transferred employees. The move led to new starters being appointed on lower rates of pay³¹.

Workers with a grievance are now required to consult with Acas before making a tribunal claim. Should they wish to go further, there are Employment Tribunal fees for what was previously a free service: £160 or £250 to issue a claim; a further £230 or £950 if the claim goes to a hearing (the lower fee applied to unpaid wages and redundancy pay, the higher fee to unfair dismissal and discrimination claims). In cases of unfair dismissal, the qualifying period for most claims has increased from one year to two, and there is a new cap on the maximum compensatory award, so that it can be no more than 12 months' pay or around £78,000, whichever is the lower.

Most unfair dismissal claims are now heard by employment tribunal judges sitting alone (removing the two "lay" representatives from employer and trade union backgrounds). Where there are redundancies, the minimum collective redundancy consultation period for where 100 or more

²⁹ LRD (2016)

³⁰ TUC (2016)

³¹ Smith Institute (2014)

workers' jobs are at risk has been halved from 90 days to 45, and fixed-term workers are no longer covered by the consultation requirements. There is also provision for 'Employee shareholder status' where participating employees give up a number of statutory employment rights in return for shares valued at a minimum of £2,000 (Growth and Infrastructure Act 2013 and the Finance Act 2013)³².

The transfer of undertakings regulations (TUPE) have been amended to limit the benefit of post-transfer improvements. Equality law has changed in that provision for employer liability for third party harassment has been repealed and the statutory questionnaire procedure removed (Enterprise and Regulatory Reform Act 2013). The same legislation has reformed whistleblowing rules to ensure that only disclosures that are in the public interest are protected; and a breach of duty imposed by health and safety regulations would no longer be actionable in the civil courts (unless the regulation specifies this). Self-employed workers are exempted from health and safety law unless they work in one of a list of designated professions, under the Deregulation Act 2015. On the other hand, the Small Business Enterprise and Employment Act 2015 curbed 'exclusivity clauses' in zero hours contracts (see below) while making further changes on tribunal awards and 'whistleblowing'.

8.4 The Trade Union Bill

With the change from Coalition to Conservative government came plans to restrict trade union activity through the Trade Union Bill. The Bill had not yet completed its passage through the parliamentary system when this report was written but its key proposals were described by Vince Cable (former business secretary in the coalition government) and Frances O'Grady (general secretary of the TUC) as a 'very provocative, highly ideological' attack on trade unions'.³³

It proposed that industrial action would require a ballot to secure a 50% turnout threshold and ballot abstentions would count as "No" votes. There is a further requirement in "important public services" where support of at least 40% of all members entitled to vote in the ballot is required. The CBI has long called for the introduction of a threshold which it sees as an 'important, but fair' step to ensure that strikes have the full support of the workforce. Unions counter that they are currently unable to use more modern methods of balloting including online, digital and more 'secure and secret' balloting in the workplace to maximise participation.

On strike action itself the bill lifts the existing ban on the use of agency workers to provide cover for the employer, something previously prevented by Regulation 7 of the Conduct of Employment Agencies and Employment Business Regulations 2003. Unions saw this as contrary to the ILO Freedom of Association Committee position that 'the hiring of workers to break a strike in a sector which cannot be regarded as an essential sector ... constitutes a serious violation of freedom of association'. In addition, the period of notice of industrial action would be extended from seven days to 14 while the mandate for action would expire after four months.

³² Department for Business Innovation and Skills (2013)

³³ <http://www.theguardian.com/politics/2015/sep/10/vince-cable-condemns-vindictive-trade-union-bill>

The bill also proposed to prohibit public sector employers from deducting trade union subscriptions from workers' wages and sending these to the unions concerned, a system known as 'check off'. The Department for Work and Pensions had already implemented this approach in 2015 and it was seen by the PCS union as a political attack and an attempt to disrupt its finances and weaken its ability to campaign against austerity, as the combined effect of check-off removal and job cuts in the civil service could reduce its income by as much as £6.5 million: 'It is no exaggeration to state that our survival is at stake', the union said.

In addition the bill would change the system of political funds (which unions use to finance their political objects) from one where members make an explicit decision not to contribute, to one where they must make an explicit decision to contribute (a change expected to significantly reduce Labour Party funding). It would also extend the role of the Certification Officer (CO) by requiring national unions to report annually on all industrial action in the previous 12 months, including the nature of the dispute, action taken, turnout and ballot results. The CO had already been given the job of verifying union membership under the Transparency of Funding Non-Party Campaigning and Trade Union Administration Act 2014 (the Lobbying Act).

In evidence to the House of Commons Public Bill Committee in October 2015 the CBI said business backed plans to modernise the industrial relations framework, arguing that over the past three decades workplaces have rapidly evolved and a new more flexible and individual employment relationship has grown up: 'While employment law has been transformed in recent years, union laws have not moved on at the same speed. The employee voice must be returned to the centre of our industrial relations framework because our laws too often empower union leaders rather than union members'.

The CBI went on to make the case for strike ballot thresholds; more time for businesses and the public to prepare for industrial action; greater transparency during industrial action; and strengthening of enforcement of the regulations with penalties increased for non-compliance. The TUC continued to oppose the Trade Union Bill in its entirety, but was heartened by indications in early 2016 that government ministers expected the House of Lords to defeat 'flagship' parts of the bill³⁴.

³⁴ TUC 2016 (2)

9. Representation and bargaining after the crisis

Collective bargaining coverage continued to decline after the crisis (following a period of stability, see *table A*). From 34.7% in 2007 it dropped to 27.5% in 2014. The private sector lost almost a quarter of its coverage, down from 20.0% to 15.4% while the public sector dropped from 72.0% to 60.7%. There was some further erosion of private sector multi-employer bargaining (in print, ceramics and agriculture) while a consortium of NHS employers in the South West of England tried, unsuccessfully, to break away from the requirements of the Agenda for Change national agreement.

However it would be wrong to underestimate trade union influence in the private sector. Unofficial action at the Lindsey Oil Refinery in 2009 in support of the existing engineering construction agreement made a big impact. A separate dispute prevented the substitution of a different agreement (known as BESNA) for a range of existing construction industry deals. Some unions argued for a return to more sector-level bargaining (as on London buses) and sector-based approach to the minimum wage was proposed by the TUC before the 2015 general election (it called for modern ‘Wages Councils’, referencing back to an earlier form of statutory but negotiated minimum wage protection). On the employers’ side the presumption continues to be that bargaining in the private sector usually takes place at company level³⁵.

9.1 Bargaining and pay after the crisis

Pay bargaining has been seriously affected by the crisis. ‘Extreme pay moderation’ was the norm, the CBI reported in 2009 and, three years on, pay caution was still ‘the new normal’. It was not until a year or two later that the CBI detected a pay ‘thaw’. But while that meant inflation-matching pay rises for those who remained in work, those with ‘more broken employment histories’ were still seeing low or no rises. The figures below, from the LRD Payline database, confirm that pay increases fell from above 3% to significantly less than 3% from 2008-09 onward, with not much sign of a recovery so far. Even so, the median level of pay increases was higher than the growth in Average Weekly Earnings (see *chart A*): Since the recession there has been an unusual negative pay ‘drift’.

Median increase on lowest basic rates

Sector	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
All	3.60%	3.90%	2.70%	2.00%	2.80%	2.50%	2.50%	2.50%	2.0%
Private	3.80%	4.00%	2.60%	2.00%	3.00%	2.90%	2.50%	2.50%	2.25%
Public	3.00%	3.00%	2.70%	2.00%	1.60%	1.00%	1.00%	1.50%	1.87%

Sources: LRD Payline, Workplace Report and the LRD Pay Survey

³⁵ ETUI 2015

What these figures also show, though, is that pay rises in general did not come to a complete halt during the recession. Beneath the headline median figures there was a ‘bi-modal’ pattern, one group of deals resulting in a pay freeze, another producing positive pay increases. At the height of the crisis during the 2008-09 pay round 18% of settlements resulted in freeze, peaking at around 27% in the month of April 2009, mainly affecting private sector companies. The impact on industry-level and public sector settlements came a little later.

9.1.1 National Minimum Wage and Living Wage

Faced with recession the Low Pay Commission began to recommend National Minimum Wage (NMW) rises more cautiously, starting with the October 2009 increase (1.2% on the adult rate and similar increases on the youth development rate and apprentice rate). Over the five years between 2009 and 2013 the average annual rise in the adult rate was 1.92% (compared with an annual average of 5.3% between 2000 and 2008). However with concern mounting about the fall in real earnings after the crisis (see below) a return to rises of 3.0% in October 2014 and 3.08% in October 2015 was agreed. The age threshold for the adult rate was lowered from 22 to 21 in October 2010.

The CBI welcomed the Low Pay Commission’s decision to slow things down and urged a cautious approach to setting the rate for 2013. However as the 2015 general election approached it became likely that whoever won there would be some boost to the value of the NMW. The CBI described it as disappointing to see politicians ‘of all political hues’ increasingly talking about new controls and regulations, whether on employment law, pay or immigration.

Alongside the National Minimum Wage, the voluntary Living Wage has become a significant part of the labour relations landscape. The initiative dates back to before the crisis, emerging from community-based campaigning, before being taken up by the Greater London Authority, but most of its growth has taken place since then. By early 2016, 2,100 employers had ‘accredited’ with the Living Wage Foundation and were committed to pay at or above the Living Wage or London Living Wage. By November 2015 the Living Wage had risen to be set at £8.25 per hour, and £9.40 per hour in London, considerably more than the adult National Minimum Wage set in October 2015 at £6.70 per hour. Some unions have adopted a higher campaigning target of £10 per hour.

While the Living Wage is voluntary the confusingly-named National Living Wage (NLW) recently announced by the government is a statutory requirement for workers aged 25 and over. From April 2016 they will be legally entitled to be paid not less than £7.20 per hour and this should rise to around £9.00 per hour by 2020. Although it is less than the voluntary Living Wage it is statutory in nature and will therefore have a more profound effect on businesses and organisations employing adult workers on minimum wage rates.

Government plans for the NLW (which unions generally welcomed) sparked a wide-ranging debate about how it would be implemented. Research on the subject has been published by the Resolution

Foundation³⁶ and other bodies. In its latest Employment Trends survey the CBI found that half (51%) of service sector respondents intended to raise their prices in response to the NLW; 27% said that they would employ fewer people; while 18% will make changes to their reward packages.

9.1.2 Public sector pay

Public sector pay restraint has now been in place for an unusually long period. It started shortly before the crisis under Labour, continued as a pay freeze (but ‘at least £250’ for those on less than £21,000) by the Coalition and was then replaced by a 1% limit which the Conservative government has now extended until 2016-17. While restraining pay the government attempted – unsuccessfully – to get public sector employers and the Pay Review Bodies to apply local market-linked pay. But it has had more success curbing the use of pay progression where an individual’s salary rises within a band as they acquire experience in the job.

Where not ended entirely, pay progression has been made more discretionary by linking it to individual performance or appraisal ratings. Moves in that direction for school teachers have been opposed by their unions. The NUT for example says: “The Government has sought to undermine the national pay system by ending fixed pay scales, imposing PRP (performance-related pay) on all teachers and giving schools ever-increasing powers over pay. The NUT believes that all of this will create much greater inequality and discrimination in teachers’ pay”.

9.2 Workplace representation and disputes

While the average number of stoppages, working days lost and working days lost per 1,000 employees was lower between 2008 and 2014 than in the period 2000 to 2007 (see *chart B*) industrial action has not ceased. An average of 128 stoppages were in progress each year between 2007 and 2014 (compared with an average of 156 each year between 2000 and 2006). The Coalition government’s attempt to impose unwelcome changes on the pensions of public sector workers contributed to the huge number of working days lost in 2011 (1.39 million) and workers involved (1.53 million).

The respected Workplace Employment Relations Survey (WERS) provides a snapshot of how workplace relations stood shortly after the crisis in 2011, compared with the position in 2004³⁷. It underlines the fact that there is continuity as well as change, before and after the recession. The proportion of all workplaces with five or more employees that recognised unions in 2011 (22%) was no different to the overall rate in 2004 (it had fallen from 13% to 9% in private sector manufacturing but was more or less unchanged at 12% in private sector services, and up at 92% in the public sector). In fact there was a statistically significant increase in recognition among workplaces with 50 or more employees (from 44% to 50%).

³⁶ Resolution Foundation (2015)

³⁷ WERS (2011) page 58-60

Neither was there any change in the proportion of workplaces with a recognised union that had a lay union representative on site (34% in 2004, 32% in 2011). These ‘reps’ or ‘shop stewards’ are the main conduit for formal representation of members to the employer on a day-to-day basis: 72% of all public sector employees were in a workplace with an on-site union rep, as were 24% of private sector employees (the 2011 survey also recorded that 13% of public sector employees and 18% of private sector employees worked in establishments with ‘non-union representatives’). In relation to union organisation, a survey of union branches³⁸ in 2014 noted that they have always formed the link between the rank and file membership and the union’s body politic, and often between the members and their employers, but now they must also be recruiting, campaigning, representing and organising.

However, difficult post-crisis conditions have seen the re-emergence of blacklisting (the systematic compilation of information on individual trade unionists, used to discriminate against them³⁹). It came to light in 2008/09 when the Information Commissioner’s Office (ICO) carried out an investigation into the construction industry and The Consulting Association. Unions⁴⁰ have acted to support their members and regard their branches as key to ensuring the continued health of the movement.

10. Economic and socio-economic trends post-crisis

The UK’s crisis was more protracted than expected, and continues to affect labour relations.

10.1 Growth and productivity after the crisis

Labour Chancellor Alistair Darling’s expectation that GDP growth would continue at 2.5% to 3.0% in 2009 and 2010 was knocked far off mark by the crisis. As it turned out, GDP growth in 2007 amounted to 2.6% before falling to -0.5% in 2008 and -4.2% in 2009 (see *table E*). A slow recovery began in 2010 with annual growth of 1.5% rising to 2.0% in 2011 but it fell back to 1.2% in 2012 fuelling fears of a ‘double-dip’ recession. By 2013 growth was stronger at 2.2%, and back to its pre-recession trend at 2.9% in 2014. However the return to growth following the 2008-09 recession was unprecedentedly slow.

As a parliamentary note⁴¹ recently explained: ‘The economic recovery following the 2008-2009 recession was the weakest of the post-war era. Since mid-2013, however, the economy has been growing at a faster pace: the estimated rate of growth in 2014 of 2.8% was the fastest of the G7 countries. However, this extra output has been “bought” predominantly through extra work, rather than an increase in productivity. Although this has resulted in strong employment growth, it means we are working slightly harder to produce each pound’s worth of goods and services than we were in 2007, and considerably harder than if productivity growth had continued on its pre-crisis trend. This weakness in productivity has translated into a stagnation in wages and living standards’.

³⁸ LRD (2014)

³⁹ BIS (2010)

⁴⁰ UCATT campaign on blacklisting

⁴¹ UK Parliament (2015)

George Osborne's 15-point productivity plan published in 2015⁴² accepted that productivity growth stalled sharply in the wake of the crisis, although MPs on the Business, Innovation and Skills (BIS) Committee concluded that his remedies lacked clear, measurable objectives and largely amounted to 'an assortment of existing policies'⁴³. Researchers at the National Institute of Economic and Social Research (NIESR) confirmed that by 2014 productivity was 15 to 16 percentage points below the level it might have reached had it continued on its pre-recessionary path. The Office for National Statistics observed that it is not unusual for productivity to fall during downturns, as in 2008-09, but the 'flatlining of productivity since 2010' was unprecedented in the post-war era.

A very wide range of factors are seen as potentially helping to account for these productivity figures, from lack of business investment to 'labour hoarding' (or a lack of mobility/re-allocation in the labour market); prolonged lack of demand; the absorption of public finances by the finance sector; to the cheapness of labour. However the potential for workers and their unions to have an impact on innovation, and therefore on productivity, was highlighted in a recent Acas discussion paper⁴⁴.

10.2 Public spending and the deficit

Under Brown and Darling, public spending continued rising beyond the start of the crisis, from £589 billion in 2007-08 to £678 billion in 2010-11 (an average increase of 2.1% per year in real terms). As *chart C* shows the deficit grew extensively after 2008, but began to reduce from early 2010. However that recovery was knocked off course in 2012 when the deficit began to grow again for a period. The current Conservative government is still aiming for a budget surplus but predictions as to the course of events have proved to be unreliable.

10.3 Employment and unemployment after the crisis

Continuing employment growth has been a highlight of the post-recession period. On an 'all in employment' basis it grew by 4.6% between 2007 and 2014 to 30.7 million, and rose further in 2015 to 31 million (April-June figures, see *table D*). This is not as fast as the rate of growth between 2000 and 2007 (6.7%) but spans the recession period when many jobs were lost. The number of employees has not grown as fast (up by 2.1% between 2007 and 2014) highlighting the role of rising self-employment in inflating employment growth since the crisis (see below).

Unemployment peaked at around 2.7 million in the autumn of 2011 (a rate of 8.6%), less than its previous peak of just over three million in 1993, but more than one million higher than in 2007. In the 16-64 age range, unemployment was still 24.8% higher in 2014 than in 2007 at 2.05 million. It has now fallen by around a million and by late 2015 the rate was 5.1%, but most of that fall occurred within the last two years. It means that the fear of unemployment has hung over the UK for most of the post-crisis period. While the recession in 2008 led to lower levels of unemployment than might

⁴² HM Treasury (2015)

⁴³ House of Commons February 2016

⁴⁴ Acas 2015

have been anticipated (given the experience of previous economic downturns of the 1980s and 1990s) it heralded an increase in insecure and casual forms of work.

Employment in the trade unions' public sector heartlands grew faster than private sector employment before the recession (9.4% over seven years compared with 5.9% in the private sector) and contributed to the relative stability of overall employment when the crisis first hit. But comparing 2014 with 2007 public sector employment shrank by 10.4% whereas private sector employment grew by 8.4%. By 2012 private sector employers were generating new jobs at a 'remarkable rate', 600,000 in the previous year as the CBI put it⁴⁵.

Caution is needed in comparing public and private employment figures because of transfers between the two sectors in the post-recession period. Northern Rock, Lloyds Banking Group and the Royal Bank of Scotland moved into the public sector but the Royal Mail was privatised (despite the opposition of its employees) along with other services including 70% of the probation service.

10.4 Hours worked and employment status after the crisis

The number of hours worked in the economy increased by 4.8% between 2007 and 2014, reflecting the increase in employment. Average 'actual' hours per worker were unchanged at 32.2 per week but the way in which those hours are worked became one of the most contentious issues in UK labour relations. The use of 'zero hours contracts' (where workers have no guaranteed weekly hours or income, paid only for the hours they work) is one symptom, but it is part of a wider set of issues along with involuntary part-time working, temporary and agency working, and 'bogus' self-employment.

The CBI recently found⁴⁶ that more than half of respondent businesses (55%) in its Employment Trends survey reported the use of temporary workers, freelancers and contractors; almost two thirds (63%) used non-standard working hours; while almost three quarters (73%) used flexible working. Employers argue that these are necessary and beneficial 'flexibilities' but there is concern on the union side that employment for many has become more 'precarious' since the crisis, leaving low-paid workers including migrant workers vulnerable to exploitation. Updating its earlier work on precarious employment and the 'decent jobs deficit'⁴⁷ the TUC concluded in 2015 that for those at the bottom end of the labour market, the struggle for a decent day's work in return for decent pay and conditions had intensified: 'Those at the greatest disadvantage in society – women and young workers – are most likely to find themselves in precarious work'. However it also found that levels of insecurity are rising amongst higher skilled and better paid staff too.

As **Table I** shows, between 2007 and 2014, the number of full-time employees rose by only 0.7%, from 18.93 million to 19.06 million (although a rise to 19.48 million in 2015 pointed to a bigger increase of around 3%). By contrast, the number of part-time employees rose by 6.2% to 6.8 million. With a further 1.34 million self-employed people working part-time, there was a total of nearly 8.27

⁴⁵ CBI (2012)

⁴⁶ CBI (2015)

⁴⁷ TUC (2015) (2)

million part-timers in 2014 (the latest figure for September-November 2015 was 8,428,000). The proportion of part-time workers who said they could not find a full-time job rose from 9.4% to 16.6%. Along with workers who want more hours in their existing job the TUC calculates that there were 2.3 million people under-employed in early 2008, but 3.4 million in early 2014. That number fell slowly in 2015 to just under 3.3 million, but was still 900,000 higher than before the crisis.

Between 2007 and 2014 the number of temporary employees rose by 9.6% to 1.65 million while the proportion of those who were ‘temps’ because they could not find a permanent job rose from 27.7% to 36.6%. These statistics do not reveal how many were agency workers but in 2012 the government and the Recruitment and Employment Confederation jointly estimated the number at 1.1 million, (*Decent Jobs Deficit 2015*). Neither do the figures indicate how many are employed under the so-called ‘Swedish derogation’ where they are paid between assignments. Individuals employed on such contracts are not entitled to equal pay with permanent staff even where they have been on an assignment for more than 12 weeks, and in some workplaces agency workers are paid up to £135 less a week than permanent staff doing the same jobs (TUC).

Self-employment grew strongly after the crisis, from 3.8 million in 2007 to 4.6 million in 2014 (a 21.2% increase). According to TUC analysis, it accounted for 44% of the net rise in employment since mid-2010, with pensioners, part-time workers and ‘odd-jobbers’ the fastest growing groups. The TUC is concerned that many people are only taking this kind of work because they are unable to find good quality employee jobs. Many newly self-employed workers do the same work as employees but with less job security and often less take home pay (*Decent Jobs Deficit 2015*).

Employment on zero hours contracts is more difficult to assess but it has grown and become a hot political issue, to the extent that the government took steps to outlaw ‘exclusivity clauses’ that prevent a zero hours worker holding more than one contract at a time. In September 2015 the Office for National Statistics presented varying evidence on the extent of zero hours working, from 744,000 on a zero hours contract in their main job, to 1.5 million on contracts (where work was carried out) that do not guarantee a minimum number of hours. It also found that zero hours workers usually work 25 hours per week on average; that around 40% of people on zero hours contracts want more hours (most wanting them in their current job); and that they are more likely to be women, in full-time education, aged under 25 or 65 and over.

The regulation of working time and the enforcement of the Working Time Regulations threatened to become part of the political debate over the UK’s EU membership, although that seems to have receded (see section 7.4 above). The CBI says that businesses see the individual working time opt out as an essential element of the UK’s flexible labour market but the TUC calls for ‘stronger rules around excessive working, not an opt-out of the Working Time Directive’.

10.5 Inflation and earnings post-crisis

Despite the crisis and recession, consumer price inflation remained relatively high until 2012/2013, outpacing average earnings growth. From an already high level of 3.6% in 2008, Consumer Price Index (CPI) inflation remained volatile at 2.2% in 2009, 3.3% in 2010, 4.5% in 2011, 2.8% in 2012 and 2.6% in 2013 (see *table E*). It fell to an average of 1.5% in 2014 before dropping to negative values and by October 2015 had been at or close to zero for nine months. Cumulatively CPI rose by 22.6% between 2007 and 2014 compared with 12.5% between 2000 and 2007.

Retail Price Index (RPI) inflation briefly became negative in 2009 but was high by modern standards at 4.6% in 2010 and 5.2% in 2011. It fell to 3.2% in 2012, 3.0% in 2013 and 2.4% (annual averages) in 2014. By the end of 2015 it had fallen to 1% or less (0.7% in October). Cumulatively the RPI rose by 24.5% between 2007 and 2014 compared with 20.8% between 2000 and 2007. The RPI was deprived of its status as a National Statistic in 2013 on the grounds that it did not meet international standards. However it is still widely used in pay bargaining and if its substitution by the usually-lower CPI continues to advance following the crisis, the consequences for pay could be long-lasting.

Average Weekly Earnings (regular pay excluding bonus) rose by 32.0% between 2000 and 2007 but only 14.3% between 2007 and 2014. At constant 2000 prices AWE rose by 17.1% pre-2007 but fell by 6.9% post-2007. The consequence of these trends has been what researchers at the National Institute for Economic and Social Research described as an unprecedented fall in real wages and living standards⁴⁸. Using the CPI and a variety of different measures of earnings growth they reached a ‘balanced view’ that from 2008 real weekly wages had fallen by around 8%, amounting to a fall in annual earnings of about £2000 for the typical (median) worker. At the 2014 TUC congress Mark Carney, Bank of England governor, confirmed his view that there had been a 10% fall in incomes since the crisis.

What caused this drop in earnings is still not completely clear and there are different explanations: from moves between full-time, part-time and self-employed work to the relative growth and decline in different sectors; redundant workers moving into lower-paid jobs; changes in demand for jobs at different skill levels; the pressure of unemployment; poor productivity; or the historic share of profits between labour and capital. Ongoing uncertainty about whether and when growth might return could have been another factor. The statistics themselves have also come under scrutiny⁴⁹ and have behaved differently from the trend in pay settlements (see above) but all of the main political parties approached the 2015 general election with the idea that something needed to be done about wages.

⁴⁸ NIESR (2014)

⁴⁹ TUC (2014)

10.6 Equality and inequality after the crisis

The gender pay gap in 2015 (based on hourly earnings for full-time employees excluding overtime) has fallen to 9.4%, the lowest since the survey began⁵⁰, although there has been little change over the last four years. New measures to eradicate gender inequality in the work place and remove barriers to women's success, including gender pay gap reporting, were announced by the Conservative government in October 2015. Other forms of inequality have come to the fore since the crisis. Research published by the TUC in 2014 found that average weekly earnings for zero hours workers (see above) are just £188, compared to £479 for permanent workers⁵¹. Almost two-fifths (39%) of zero hours workers earn less than £111 a week, which at that point was the qualifying threshold for statutory sick pay, compared to one in 12 (8%) of permanent employees.

A report by the Institute for Fiscal Studies⁵² demonstrated the impact of falling real earnings on in work poverty and also showed that the top 1% have been taking an increasing share of household income. It has risen from 5.7% in 1990, to 8.4% in 2007–08 and has not fallen back during the post-crisis period (it was 8.3% in 2013–14). Rising employment between 2009–10 and 2013–14 led to increases in the proportion of children living with working parents but at the same time, falls in real earnings reduced the incomes of working families: 'These two contrasting trends led to absolute child poverty remaining unchanged overall in this period. However, the proportion of children in poverty living in a working family rose from 54% in 2009–10 to 63% by 2013–14'.

11. Social protection and welfare after the crisis

Changes to welfare benefits and the state pension system accelerated following the 2010 general election as the Coalition government embarked on a large-scale austerity programme.

11.1 Welfare benefits

The final years of the Brown/Darling Labour government saw limited changes to social protection (on health and pregnancy, Child Benefit 'disregards', lone parent Income Support and permitted work rules under Council Tax Benefit). In contrast the Coalition 2010 agreement promised a new welfare-to-work programme (to which Jobseeker's Allowance claimants 'facing the most significant barriers to work' would be referred immediately, and under-25s after a maximum of six months). Contracts with the organisation providing that service would be 'realigned' to reflect its results in getting people back into work, with benefits conditional on the willingness to work (for those able to).

The Coalition's first step (in June 2010) was to change the way that benefits are uprated annually, replacing the Retail Price Index (RPI) by the Consumer Price Index (with the exception of the Basic State Pension, see below). Then, in 2013, increases were capped at 1% for three years through the

⁵⁰ Based on the Annual Survey of Hours and Earnings, ASHE, which began in 1997

⁵¹ TUC (2014)

⁵² IFS (2015)

Welfare Benefits Up-Rating Act. The Welfare Reform Act went much further, providing for a back-to-work programme; a maximum three-year loss of benefits for those refusing work; plans to cut housing benefits for tenants deemed to be under-occupying their homes (known either as the ‘Bedroom tax’ or the ‘Spare room subsidy’); an annual benefit cap of around £26,000 per family; and the replacement of six existing means-tested benefits and Tax Credits for people of working age by Universal Credit (including out-of-work benefits such as Jobseeker’s Allowance, and in-work benefits such as Working Tax Credit). This was intended to simplify the system, end ‘welfare dependency’ and make work pay. It was due to be phased in over 4 years (2013-17) but is behind schedule.

Further changes announced as part of the 2013 spending round included ‘upfront work search’ (things new claimants have to do); weekly rather than fortnightly visits to jobcentres; and an extended waiting period for Jobseekers Allowance. Following the 2015 general election the Conservative government announced a further round of changes, affecting a wide range of benefits. However, plans to cut the effective value of Tax Credits were frustrated and abandoned following opposition in the House of Lords (the second parliamentary chamber) but the roll-out of Universal Credit continued. A report from the Institute for Fiscal Studies⁵³ concluded that a series of pre-emptive cuts means that introducing UC ‘will in the long run reduce the generosity of the benefit system – including to working families, in a reversal of the original intention’. However, it would still do a lot to help make work pay for many of those who currently face the most severe disincentive, IFS added.

As earnings were eroded by inflation, household disposable incomes depended even more on the impact of benefits and Tax Credits received, direct taxes, National Insurance contributions (if family members are employed), indirect taxes such as VAT, and benefits in kind. Comparing figures for 2002-08 with 2013-14 (see *table G*) appears to show that cash benefits have been more important than pay in raising post-tax household income over this period.

The CBI has indicated its preference for making welfare a ‘highway to employment’ by making work pay, for example by lowering the cost of hiring young people in the first year, and changing benefit rules so claimants who take a risk on a job do not lose out for weeks if it goes wrong. But the TUC was concerned about the direction being taken. General secretary Frances O’Grady said: “The economic crash has led to the longest decline in living standards since the 1870s. Britain needs a pay rise but we must also defend and extend the in-work benefits that lift families – particularly those with children – out of poverty. The best way to make work pay is not only to spread the Living Wage, but also to reverse cuts in Tax Credits and make Universal Credit more generous for the working poor”.

11.2 Pensions

Big changes have been made both to the state pension and workplace pensions since the crisis. Some of these can be traced back to the Labour government’s Pensions Commission, which the Coalition government followed through. Its early attempt to change pension schemes for public sector workers led to a huge battle with the trade unions. In the end a series of new pensions schemes were

⁵³ IFS (2016)

established under the Public Service Pensions Act 2013, with transitional arrangements, and in most parts of the public sector these arrangements were negotiated and agreed.

In another early move the Coalition addressed the politically sensitive issue of uprating of the basic state pension. It introduced a 'triple guarantee' that the pension would increase by CPI inflation, average earnings or 2.5%, whichever is higher. It also put an end to the default retirement age, so employers can no longer make employees retire at 65. But at the same time it set about raising the age at which people can claim their state pension, the State Pension Age (SPA). For many years that has been 60 for women and 65 for men. A process of equalising the SPA between women and men (for women reaching 60 after April 2010) was already planned but the Coalition government accelerated that process and brought forward planned increases for men and women to 66, 67 and beyond.

For people reaching State Pension Age after April 2016 a single-tier state pension will begin to apply, raising the value of the basic state pension and reforming its rules, but ending the 'additional state pension' and the top-up benefit (the Savings Credit part of Pension Credit). The actual value of an individual's state pension will depend for some time to come on transitional arrangements. There will be 'winners and losers' but the government expects to save money from the new state pension in the long run.

The Pension Commission's main proposal, for mandatory employer contributions to workplace pensions for eligible workers, was taken forward by the Coalition government and 'auto-enrolment' pensions are now being phased in, to be complete by 2019. At that point the minimum overall contribution level will rise to a modest 8% of qualifying earning. It is certainly helping to reverse a long-term decline in membership of workplace pension schemes. However, many of the lowest paid workers (often women) are being left out, while the shift away from 'defined benefit' pensions to usually less valuable 'defined contribution' pensions has accelerated.

The incoming Conservative government announced a new direction in pensions policy, emphasising 'freedom and choice'. People aged 55 or over with a pension pot are now able to spend it however they like (subject to certain tax rules). While addressing frustrations over the annuities products which most pension pots would previously have been used to buy, and the problem of small pension pots, the policy removes any certainty that members will have an 'income for life' after they stop work. Further, related changes to the taxation of pensions were expected in the March 2016 Budget. The outlook is therefore much less certain than might have been anticipated by the Pensions Commission.

12. Conclusions

The crisis has had a marked effect on the social and economic situation in the UK. Although unemployment did not rise as high as some feared, it reached its peak three and a half years after the technical start of the recession. The prolonged uncertainty, seen also in the hesitant return to growth and the lack of any improvement in productivity – blamed by the trade unions, if not the employers' organisations, on austerity – has to be weighed against the undoubted growth in employment, much of which has been in precarious forms of employment.

Overt poverty has become more visible as a national network of 'food banks' sprang up while systems of social protection have been eroded on grounds of cutting public expenditure but also 'making work pay'. Researchers analysing the British Social Attitudes Survey conclude that since the crisis the public appear to have become 'more circumspect' about whether additional money should be spent on supporting those who have fallen on hard times (even though that principle itself is just as popular or unpopular as it has ever been)⁵⁴.

Against a backdrop of spending cuts, austerity and selective tax cuts there have been a range of measures that employers' representatives would see as increasing rather than decreasing the regulation of the labour market such as auto-enrolment pensions, shared parental leave, gender pay gap reporting, the planned apprenticeship levy, and the National Living Wage. Perhaps the trade unions' most popular slogan has been 'Britain needs a pay rise' and in the 2015 general election campaign it seemed to be something all sides agreed on, given the fall in real earnings after the crisis.

But other measures taken, and still being taken under the Conservative-led government, have shifted the balance of power in the workplace in favour of the employers on a range of issues – from the charges now levied on workers seeking redress through the tribunal system, to ending the two-tier code, weakening the transfer of undertakings (TUPE) regulations and now the Trade Union Bill. The public sector, where unions have the greatest concentration of members, has seen some of the sharpest clashes, over job cuts, pay restraint, outsourcing and privatisation, and pension changes.

For the social partners themselves, there is a degree of continuity which the crisis has tested but not overturned. Nevertheless, union membership and the coverage of collective bargaining has declined further; there have been challenges to bargaining arrangements in the public sector; and the number of private sector employer associations willing to negotiate at sector or level has declined a little further.

But the election of a government disposed towards tax cuts, deregulation, privatisation and curbs on the unions has shifted the balance of labour relations further towards the employers, notwithstanding the new areas of regulation that the Coalition and Conservative governments have introduced. The defeat of the Labour Party in general elections in 2010 and again in 2015 has undoubtedly put off measures of the kind set out in the TUC's 2013 Campaign Plan or Labour's 'work manifesto' that trade unions hoped would improve prospects for them and the members they represent.

⁵⁴ Taylor-Gooby and Taylor, 2015

Finally, the further devolution of political power away from the UK parliament has added the potential for increasing diversity in labour relations while the forthcoming referendum on the UK's EU membership of the European Union highlights divisions among the social partners as well as the wider electorate that could yet shake up the familiar labour relations landscape.

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Appendix 1: Tables and charts

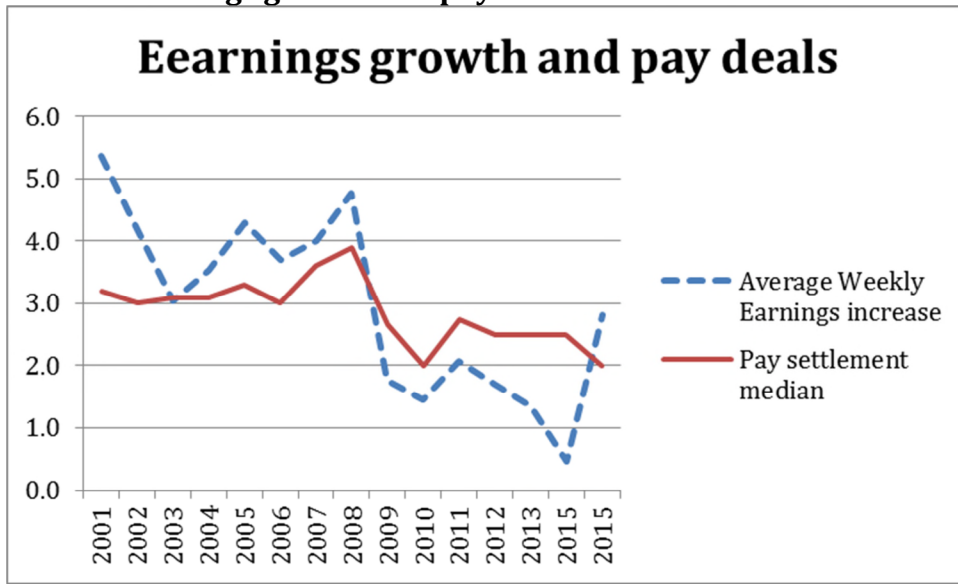
	2000	2007	2014
Employee trade union membership (thousands)	7,119	7,051	6,446
Employee trade union membership (%)	29.8	28.0	25.0
All employees covered by collective bargaining (%)	36.4	34.7	27.5
Public sector membership (thousands)	3,810	4,118	3,764
Public sector membership (%)	60.3	59.0	54.3
Public sector employees covered by collective bargaining (%)	74.2	72.0	60.7
Private sector membership (thousands)	3,308	2,933	2,681
Private sector membership (%)	18.8	16.1	14.2
Private sector employees covered by collective bargaining (%)	22.5	20.0	15.4

Source: Trade union statistics, UK government

	Adult rate £	Adult rate % change	Youth development rate £	Youth development rate % change	16-17 year old rate £	16-17 year old % change	Apprentice rate £	Apprentice rate % change
Oct 2015- Oct 2016*	6.70	3.08	5.30	3.31	3.87	2.11	3.30	20.88
Oct 2014- Oct 2015*	6.50	3.0	5.13	2.0	3.79	1.9	2.73	1.9
Oct 2013-Sept 2014 *	6.31	1.9	5.03	1.0	3.72	1.1	2.68	1.1
Oct 2012-Sept 2013*	6.19	1.8	4.98	0.0	3.68	0.0	2.65	1.9
Oct 2011-Sept 2012*	6.08	2.5	4.98	1.2	3.68	1.1	2.60	4.0
Oct 2010-Sept 2011*	5.93	2.2	4.92	1.9	3.64	2.0	2.50	
Oct 2009-Sept 2010	5.80	1.2	4.83	1.3	3.57	1.1		
Oct 2008-Sept 2009	5.73	3.8	4.77	3.7	3.53	3.8		
Oct 2007-Sept 2008	5.52	3.2	4.60	3.4	3.40	3.0		
Oct 2006-Sept 2007	5.35	5.9	4.45	4.7	3.30	10.0		
Oct 2005-Sept 2006	5.05	4.1	4.25	3.7	3.00	0.0		
Oct 2004-Sept 2005	4.85	7.8	4.10	7.9	3.00			
Oct 2003-Sept 2004	4.50	7.1	3.80	5.6				
Oct 2002-Sept 2003	4.20	2.4	3.60	2.9				
Oct 2001-Sept 2002	4.10	10.8	3.50	9.4				
Oct 2000-Sept 2001	3.70	2.8	3.20	0.0				
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Apr 1999-May 2000	3.60		3.00					

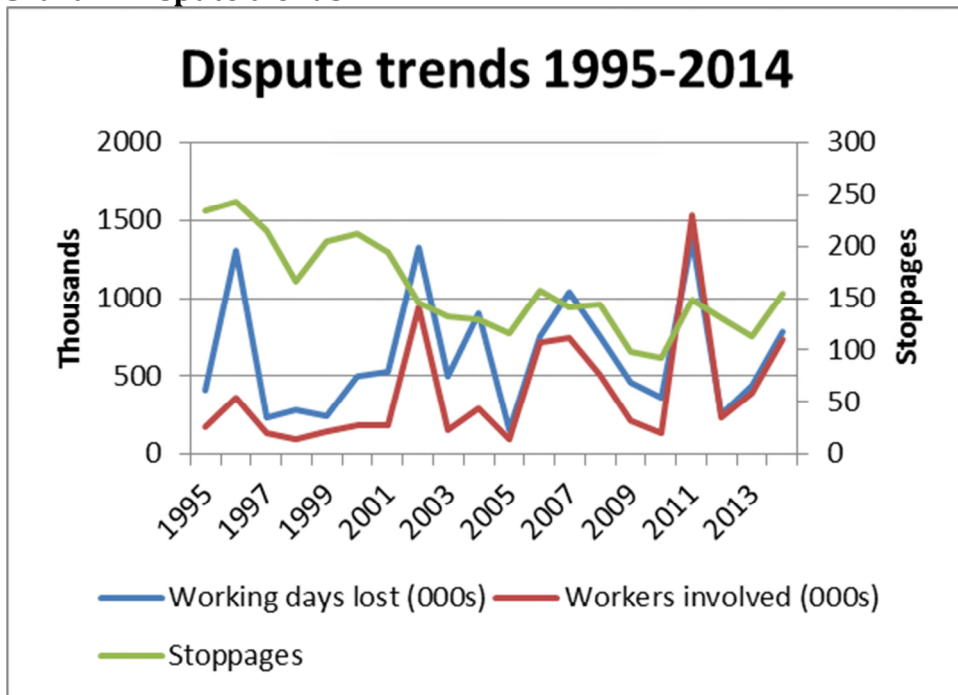
Source: Low Pay Commission *From October 2010, those aged 21 have been covered by the adult rate. Previously they were covered by the Youth Development Rate which up to that point applied to those aged 18-21

Chart A: Earnings growth and pay deals



Source: Office for National Statistics (earnings) and Labour Research Department (pay)

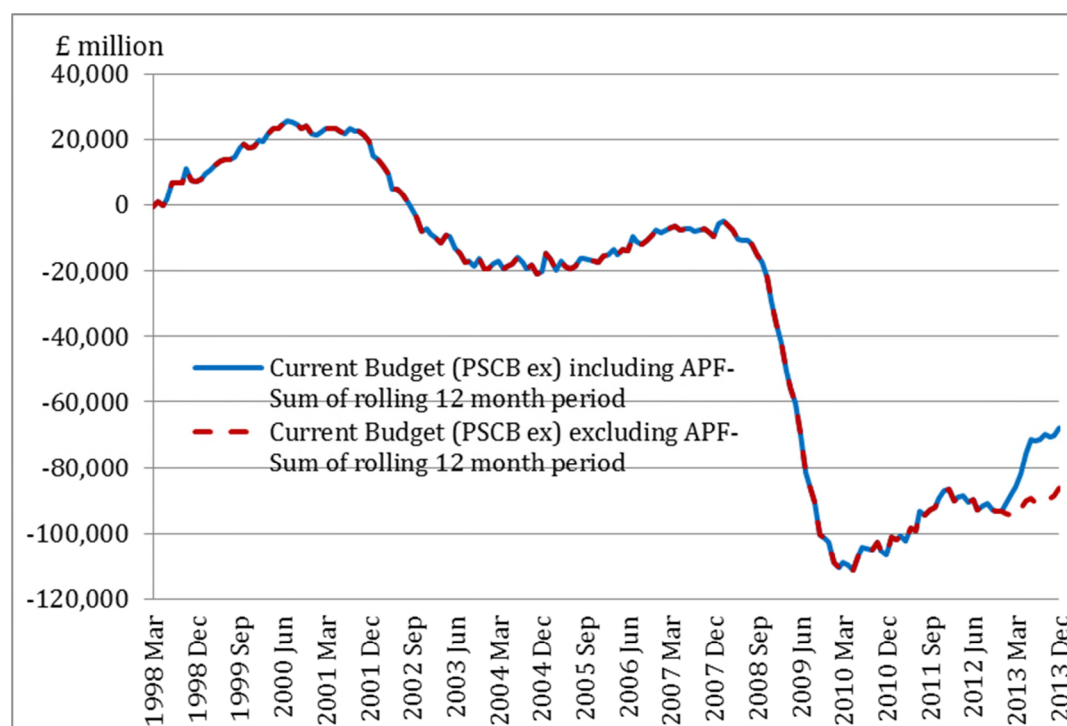
Chart B: Dispute trends



Source: Data from the Office for National Statistics

Table C: Growth and productivity						
<i>Figures compiled by LRD from Office for National Statistics tables</i>	2000	2007	% change	2014	% change	2015
Gross domestic product (GDP) annual levels £billion	1377.6	1666.8	21.0	1751.2	5.1	na
Gross domestic product (GDP) annual levels £ current prices	1027568.0	1484273.0	44.4	1816439.0	22.4	na
Productivity (output per worker) 2012 = 100	89.8	101.2	12.7	101.6	0.4	na
Productivity (output per hour) 2012 = 100	87.7	100.5	14.6	100.6	0.1	na
Inflation (Consumer Prices Index) April (2005 = 100)	92.9	104.5	12.5	128.1	22.6	128.0
Inflation (Retail Prices Index) April (Jan 1987=100)	170.1	205.4	20.8	255.7	24.5	258.0

Chart C: Public Sector Current Budget (excl financial interventions) sum of rolling 12 months



Source: Office for National Statistics

<http://www.ons.gov.uk/ons/rel/psa/public-sector-finances/december-2013/sty-current-budget.html>

Table D: Employment, unemployment and population						
<i>Figures compiled by LRD from Office for National Statistics tables</i>	2000	2007	% change	2014	% change	2015
Population aged 16 to 64 (April-June) thousands (LFS estimate)	37271.0	39498.0	6.0	40618.0	2.8	40713.0
Economically active 16-64 (April-June) thousands (LFS estimate)	28601.0	30336.0	6.1	31626.0	4.3	31723.0
Economically active 16-64 (April-June) rate (%) (LFS estimate)	76.7	76.8		77.9		77.9
All in employment (April-June) thousands	27468.0	29322.0	6.7	30680.0	4.6	31035.0
Employees (April-June) thousands	23956.0	25310.0	5.7	25831.0	2.1	26316.0
Private sector (as defined) employment (June) thousands	22001.0	23308.0	5.9	25265.0	8.4	25737.0
Public sector (as defined) employment (June) thousands	5527.0	6044.0	9.4	5417.0	-10.4	5358.0
Private sector (as defined) employment (June) % of total employment	79.9	79.4		82.3		82.8
Public sector (as defined) employment (June) % of total employment	20.1	20.6		17.7	-	17.2
Unemployment (April-June) all aged 16-64 thousands	1588.0	1640.0	3.3	2047.0	24.8	1829.0
Unemployment (April-June) all aged 16-64 rate (%)	5.6	5.4		6.5		5.8
Unemployment (April-June) all aged 16-64 over 12 months (%)	27.6	23.9		35.8		31.0
Unemployment (April-June) all aged 18-24 thousands	386.0	515.0	33.4	610.0	18.4	591.0
Unemployment (April-June) all aged 18-24 rate (%)	10.6	12.5	17.9	14.9	19.2	14.3
Claimants (April-June) thousands	1113.3	878.2	-21.1	1114.8	26.9	798.3
Claimants (April-June) rate (%)	3.6	2.7		3.2		2.3
Redundancies (April-June) thousands	179.0	117.0	-34.6	112.0	-4.3	112.0

Table E: Annual increases/falls in output and consumer price inflation								
Year	GDP	CPI	RPI		Year	GDP	CPI	RPI
2000	3.8	0.8	3.0		2008	-0.5	3.6	4.0
2001	2.8	1.2	1.8		2009	-4.2	2.2	-0.5
2002	2.5	1.3	1.7		2010	1.5	3.3	4.6
2003	3.3	1.4	2.9		2011	2	4.5	5.2
2004	2.5	1.3	3.0		2012	1.2	2.8	3.2
2005	3	2.1	2.8		2013	2.2	2.6	3.0
2006	2.7	2.3	3.2		2014	2.9	1.5	2.4
2007	2.6	2.3	4.3					

Source: Compiled from Office for National Statistics tables

	All	Higher managerial & professional	Lower managerial and professional	Intermediate occupations	Small employers and own account workers	Lower supervisory and technical	Semi-routine occupations	Routine occupations
Apr-Jun 2001	27,643	3,497	6,965	3,456	2,425	2,975	4,050	3,051
%		13	25	13	9	11	15	11
Apr-Jun 2007	29,242	4,085	7,801	3,396	2,789	2,929	4,013	2,912
%		14	27	12	10	10	14	10
Apr-Jun 2014	30,608	4,692	8,103	4,020	3,299	2,260	4,066	2,881
%		15	26	13	11	7	13	9
Apr-Jun 2015	30,950	4,693	8,214	4,194	3,170	2,362	3,998	3,002
%		15	27	14	10	8	13	10

Source: Based on ONS EMP11: Employment by socio-economic classification. 11 November 2015.

Average per household (£ per year)	2007-08		2013-14		Change %	
<i>Figures compiled by LRD from Office for National Statistics tables</i>	2 adults with 2 children	1 adult with children	2 adults with 2 children	1 adult with children	2 adults with 2 children	1 adult with children
Original income	51,449	11,038	55,043	13,208	7.0	19.7
plus Cash benefits	3,265	7,884	3,948	10,114	20.9	28.3
Gross income	54,714	18,921	58,990	23,322	7.8	23.3
less Direct taxes and employees' NIC	12,806	2,137	13,186	2,306	3.0	7.9
Disposable income	41,908	16,784	45,804	21,016	9.3	25.2
<i>Equivalised disposable income</i>	<i>28,922</i>	<i>16,340</i>	<i>31,722</i>	<i>20,269</i>	<i>9.7</i>	<i>24.0</i>
less Indirect taxes	6,871	3,515	7,628	4,217	11.0	20.0
Post-tax income	35,038	13,269	38,176	16,799	9.0	26.6
plus Benefits in kind	11,039	9,673	13,686	11,345	24.0	17.3
Final income	46,077	22,942	51,861	28,145	12.6	22.7

Source: Based on Summary: Tables from the Effects of Taxes and Benefits on Household Income, 1977 to Financial Year Ending 2014. Table 23

http://www.ons.gov.uk/ons/dcp171780_407945.pdf

Table H: Earnings and inflation						
<i>Figures compiled by LRD from Office for National Statistics tables</i>	2000	2007	% change	2014	% change	2015
Average Weekly Earnings (regular pay) April whole economy £pwk	297.0	392.0	32.0	448.0	14.3	461.0
Average Weekly Earnings (regular pay) April at constant 2000 prices £pwk	299.0	350.0	17.1	326.0	-6.9	336.0
Inflation (Consumer Prices Index) April (2005 = 100)	92.9	104.5	12.5	128.1	22.6	128.0
Inflation (Retail Prices Index) April (Jan 1987=100)	170.1	205.4	20.8	255.7	24.5	258.0

Table I: Hours and employment status						
<i>Figures compiled by LRD from Office for National Statistics tables</i>	2000	2007	% change	2014	% change	2015
Actual weekly hours of work (April) total, millions	895.3	941.2	5.1	986.8	4.8	996.4
Actual weekly hours of work (April) average, all workers, hours	32.6	32.2	-1.2	32.2	0.0	32.1
Self-employed (April-June) 000s	3253.0	3803.0	16.9	4608.0	21.2	4512.0
Full-time employees (April-June) 000s	17897.0	18935.0	5.8	19062.0	0.7	19484.0
Part-time employees (April-June) 000s	6059.0	6375.0	5.2	6769.0	6.2	6832.0
Could not find full-time job (April-June) % of part-time workers	9.6	9.4	-2.1	16.6	76.6	15.8
Temporary employees (April-June) 000s	1707.0	1507.0	-11.7	1651.0	9.6	1644.0
Temporary employees (April –June) % of all employees	7.1	6.0	-15.5	6.4	6.7	6.2
Could not find permanent job (April –June) % of temp employees	29.4	27.7	-5.8	36.6	32.1	34.4

Table J: Changes to working patterns that organisations had made or intended to make (2009)		
Source: Easing up? CBI/Harvey Nash	Have made %	Intend to make within 6 months %
Reducing paid overtime	54	35
Encouraging more flexible working	50	30
Reduced use of agency workers	38	22
Increased use of fixed-term contracts	33	14
Cutting some shifts	19	14
Stopped use of agency workers	17	5
Implementing short-time working	17	16
Closing down sites	15	8
Other changes to shift patterns	13	8
Increased use of agency workers	12	8
Bringing forward annual leave entitlements	12	3
Reduced use of fixed-term contracts	4	3
Other	6	11

Appendix 2: Statements on the UK EU referendum

TUC General Council statement on EU referendum

16 September 2015

Congress notes that there will be a referendum on Britain's continued membership of the European Union at some time in the next two years, possibly before the 2016 Congress.

Over the years, Congress has consistently expressed support for a European Union that delivers economic prosperity based on social justice, civil and human rights, equality for all and rights at work. However, two developments in the recent period have called the achievements of the EU into question:

- i. The part played by the institutions of the EU in intensifying the crisis in Greece, in demanding the imposition of further neo-liberal measures including extensive privatisation and cuts to welfare and social provisions on that country, and in undermining the policies of its democratically elected government.
- ii. The EU's advocacy of CETA, TTIP and similar agreements designed to advance the interests of transnational capital across Europe, opening up public services to marketisation and privatisation and over-riding the policies of elected governments.

These factors reflect the increasing domination of neo-liberal ideology within the European Union and inevitably prejudice the EU's historic high standing within the labour movement. There is a danger that these factors can only be exacerbated by David Cameron's renegotiation of the terms of Britain's membership. He has made it clear that these include the possibility of a further dilution or even disappearance of EU wide social protections as they apply in Britain.

These protections have included rights for women, part-time, temporary and agency workers, rights in situations of redundancy and information and consultation, rights for working parents and a range of health and safety rights, including limitations on excessive hours and the creation of a work-life balance. The positive benefits that the EU has delivered for working people are recognised – rights which are essential in any modern economy - and those rights should be both promoted and strengthened. Congress strongly rejects the attempts being made by the Prime Minister to use the renegotiation process to undermine workers' rights, to foster divisions around migration, and to promote a Europe for financial and business elites only.

Congress believes that Conservative attempts to obtain an 'opt-out' from EU wide protections for UK workers, seeking to water down rights – especially the Working Time Directive and the Temporary Agency Workers Directive – and to impose a moratorium on future employment rights is wrong and counter-productive. Working people, faced with the prospect of a Europe based on insecurity at work

and flexibility on employers' terms, will have little enthusiasm to vote and be even less likely if they do, to vote to stay in the European Union.

We have also consistently argued that Government attempts to restrict benefits for migrants coming from other parts of Europe would herald an attack on everyone's in-work benefits – a view justified by reports this summer. Some employers will always try to use new entrants to the labour market – women, young workers or migrants – to drive down wages, and we believe the EU has a positive role to play in preventing this exploitation by providing a floor of EU wide fundamental rights and labour standards, including the right to collective bargaining and the protection and enforcement of national level collective agreements. Congress believes that the only effective and acceptable ways to address concerns about free movement are to provide working people with the security against exploitation and undercutting that strong unions and decent rights at work, robustly enforced, would provide; and to expand access to public services and housing, using EU funding that follows migrants so that they can adapt to population changes.

Since the Government announced its plans for the EU Referendum, the TUC has campaigned and lobbied to expose the Government's anti-worker rights agenda; to press employers to accept the need for a high level of workers' rights as the quid pro quo for access to the single market; and to persuade other European Governments to reject the agenda of worse rights for working people, including freedom of movement, that the Prime Minister is more or less openly advocating. We have worked closely with other trade unions across Europe in seeking to ensure that their politicians understand that no concessions will satisfy the Prime Minister's Eurosceptic backbenchers or UKIP, and that such concessions would also undermine support for the European Union in their own countries.

The European Union is Britain's biggest trading partner, and millions of jobs in Britain aligned to that trade and could be put at risk if the UK left the EU. But we deplore the way in which European political leaders have put narrow sectional interests and the economics of austerity ahead of solidarity with countries facing economic crises - in particular Greece, but also Ireland, Italy, Portugal and Spain - as well as refugees like those fleeing oppression and war on Europe's southern borders. We reject the European Union's support for liberalisation and deregulation, including in trade deals like CETA with Canada and TTIP with the USA, both of which the TUC opposes, measures undermining collective bargaining in Eastern and Southern Europe and judgements of European courts that undermine negotiated sector level agreements providing minimum labour protections.

The TUC will continue to advocate a positive vision of a people's Europe and reforms that would promote investment for sustainable growth, decent work with good wages and a greater say for people at work. Investment in public infrastructure like social housing, transport, telecommunications and energy efficiency could create 11 million highly skilled and well-paid jobs across Europe. Europe needs a pay rise and an adequate floor of enforceable minimum wages to protect the most vulnerable.

In the run up to the EU Referendum, we will continue to campaign and lobby against the Government's attempts to further water down Social Europe. The government and industry needs to understand that neither the TUC position nor the votes of millions of trade unionists can be taken for

granted. Workers will not back or support a Europe that fails to protect and enhance the position of working people, citizens and civil society or one that solely works in the narrow interests of global corporations and finance capital. We hope that the Prime Minister's efforts to weaken workers' rights will fail but if they do not, we are issuing a warning to the Prime Minister: you will lose our members votes to stay in the EU by worsening workers' rights. Once the full results of the renegotiation and timetable for the referendum are known the TUC will take stock of our position. However, both the Prime Minister and CBI should note that should he succeed in further undermining British workers rights pressure to put TUC resources and support in the referendum behind a vote to leave the European Union will intensify dramatically.

UK proposals for EU renegotiation: Joint DGB-TUC statement

19 November 2015

Frances O'Grady
General Secretary, Trades Union Congress

Reiner Hoffman
President, Deutscher Gewerkschaftsbund

Having regard to the UK Prime Minister's letter to the Council President last week proposing reforms to the relationship between the UK and the EU, we, the leaders of the trade union movements of Germany and Great Britain, urge the governments, political representatives and business leaders in our countries to:

1. Recognise that the success of the European Union as a political as well as economic project depends on a balance of economic and social measures - Europe must not just be a free trade area, but provide working people with decent work, including more and better jobs, health and safety and respect at work, good quality public services and social protection. A sustainable investment initiative to create high quality, high skill, high wage jobs in developing the physical & social infrastructure of Europe could create 11 million jobs and tackle youth unemployment and the threat of deflation. We need to ensure that all trade agreements are fair agreements, with decent labour standards at their heart.

2. Recognise that for Europe to respond to the needs and wants of its people, working people must have a voice that is taken into account at work and in decisions about the future of work and Europe. That must require greater democracy at work, including but not limited to rights to information and consultation, and a greater say through workers on boards, collective bargaining with employers and social dialogue with employers and governments at national and European level.

3. The call for competitiveness and better regulation such as the REFIT initiative should not be allowed to reduce the protection of workers' health and safety, consumer protections or sustainable environmental policies. In a European labour market that is constantly evolving, workers' rights to fair and equal treatment, defence against arbitrary management decisions and economic dislocations should be modernised and updated by agreement with social partners.

4. Indeed, workers and employers have a shared interest in a stronger level playing field across Europe of modern labour market regulation and higher wages, because they would restore demand, foster productivity and address the exploitation and undercutting that fosters antagonism towards migrants. Stronger wage growth and better regulation of the labour market would be a more effective way to address popular concerns about benefits for migrant workers than discrimination which we believe would only pave the way for benefit cuts for all working families.

Europe must address the refugee crisis by working together. That is the best way for member states to meet their international obligations to help those fleeing oppression, sexual violence and persecution. Now Europe's far-right politicians are seeking to exploit the fear, grief and anger that people feel following the terrorist attacks in Paris, which caused such a terrible loss of life and injuries, to stir up

opposition to helping refugees. But closing our borders to refugees - men, women and children, who have often been victims of the very same terror and violence that we all want to stop - is not the answer. At this time of all times, we must stand together and speak up for our values of compassion, solidarity and democracy.

Trade Unions stand for a social Europe, for economic success and global competitiveness based on a high floor of social rights and skills. We jointly pledge to support a social protocol to the European Treaties to restore balance to the European economy. Globalisation cannot be prevented, and should not be passively accepted: it needs to be shaped and controlled so that it serves the interests of all of the people.



European Economic and Social Committee

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