

Labour Markets: Trade Unions

A2 Economics Presentation
2005

Trade Union Trends

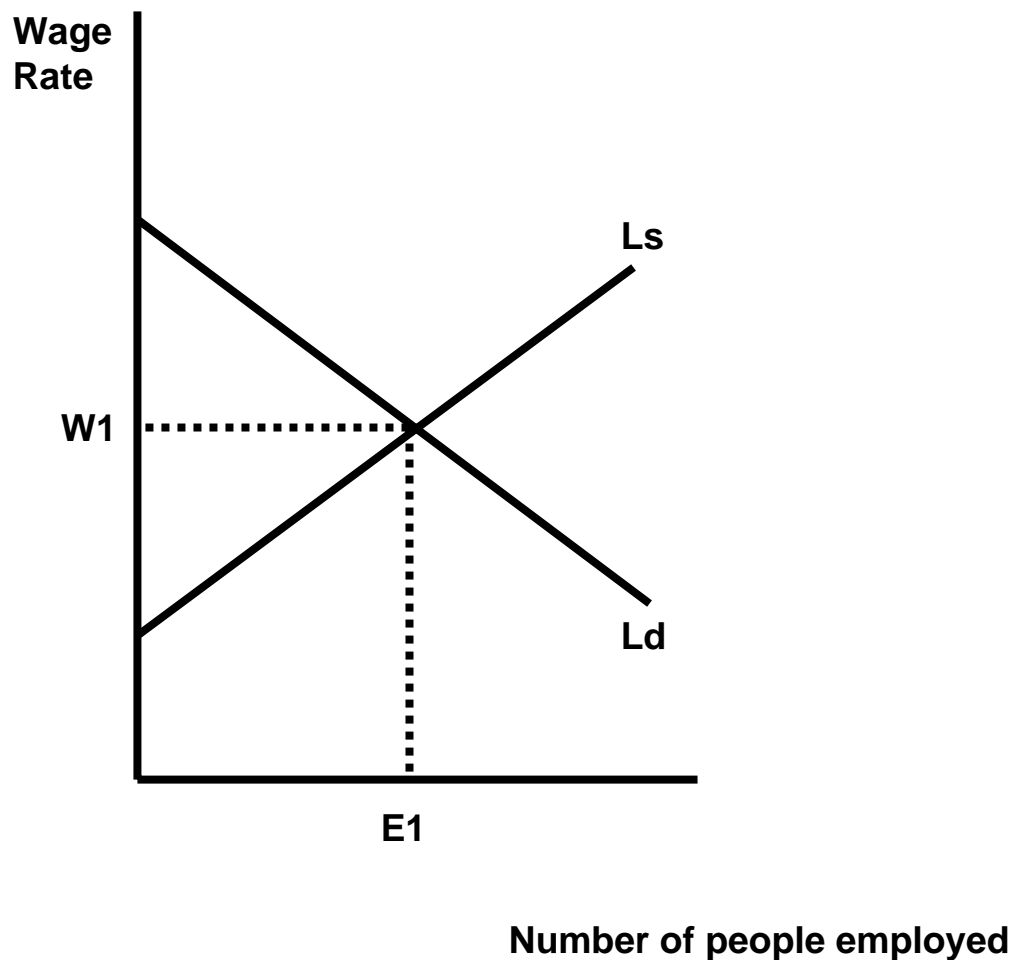
- There has been a large decline in union membership over the last twenty-five years
- Membership has decline from 8.9 million in 1989 to 7.4 million in 2003
- The proportion of employees who were union members in the UK was 29.1 per cent in 2003
- The number of employees covered by a collective pay agreement was 8.75 million in autumn 2003, 35.8 per cent of all employees
- 32% of full-time workers are members of a trade union whereas only 21% of part-time workers are unionised
- Union membership is very low among people working for small businesses. Where less than 25 people are in a place of work, union membership is only 15%
- Union membership is high in the public sector (59%) but only 18% in the private sector

How unions can influence wages

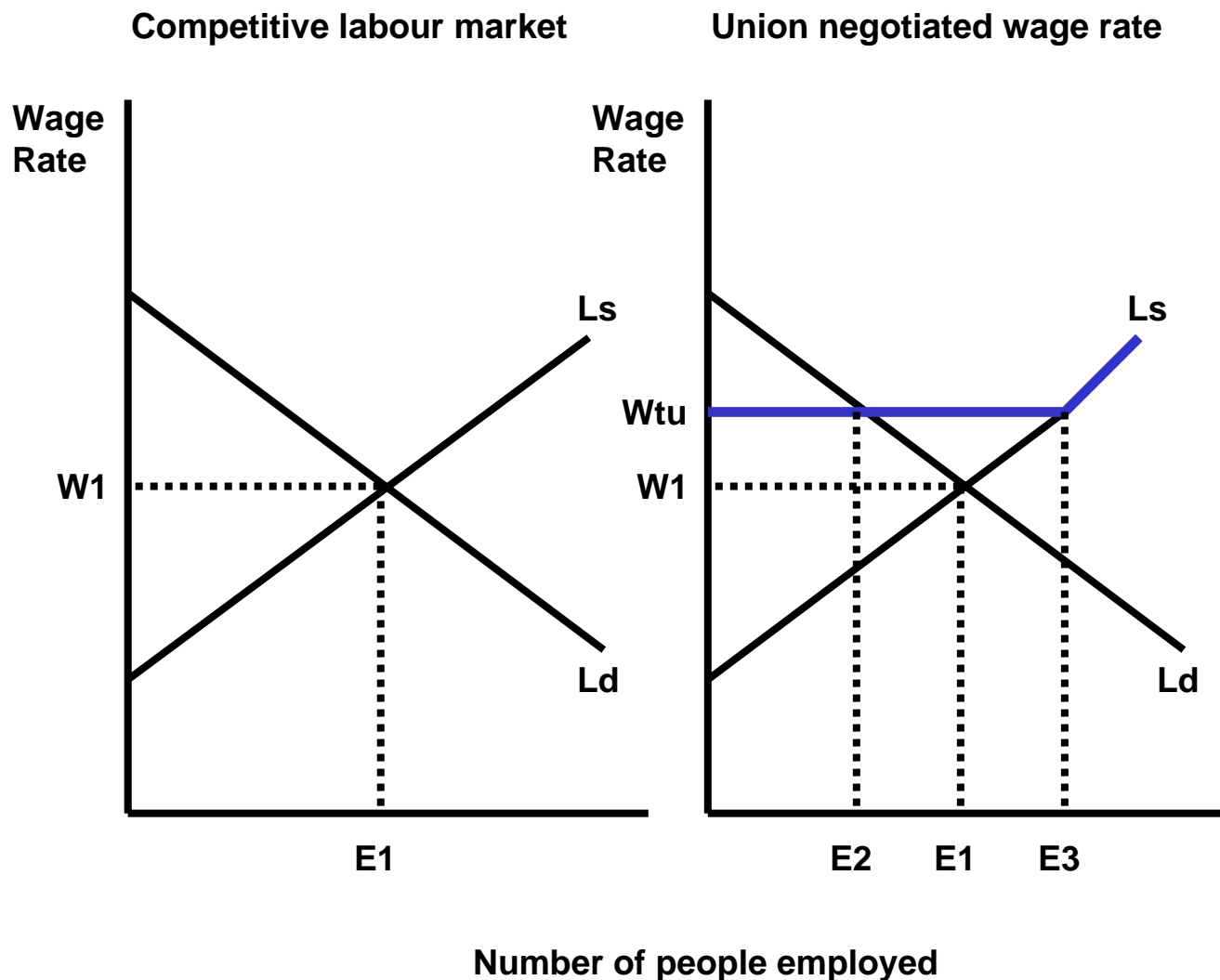
- Unions enter into negotiations (bargaining) with employers
 - They seek
 - Higher real incomes (pay rises above the current rate of inflation)
 - Improvements in working hours and conditions of service (including health and safety and worker training issues)
 - Employment protection
 - Can collective bargaining influence wage levels in different jobs and industries
 - Can trade unions achieve a “mark-up”?

A competitive labour market

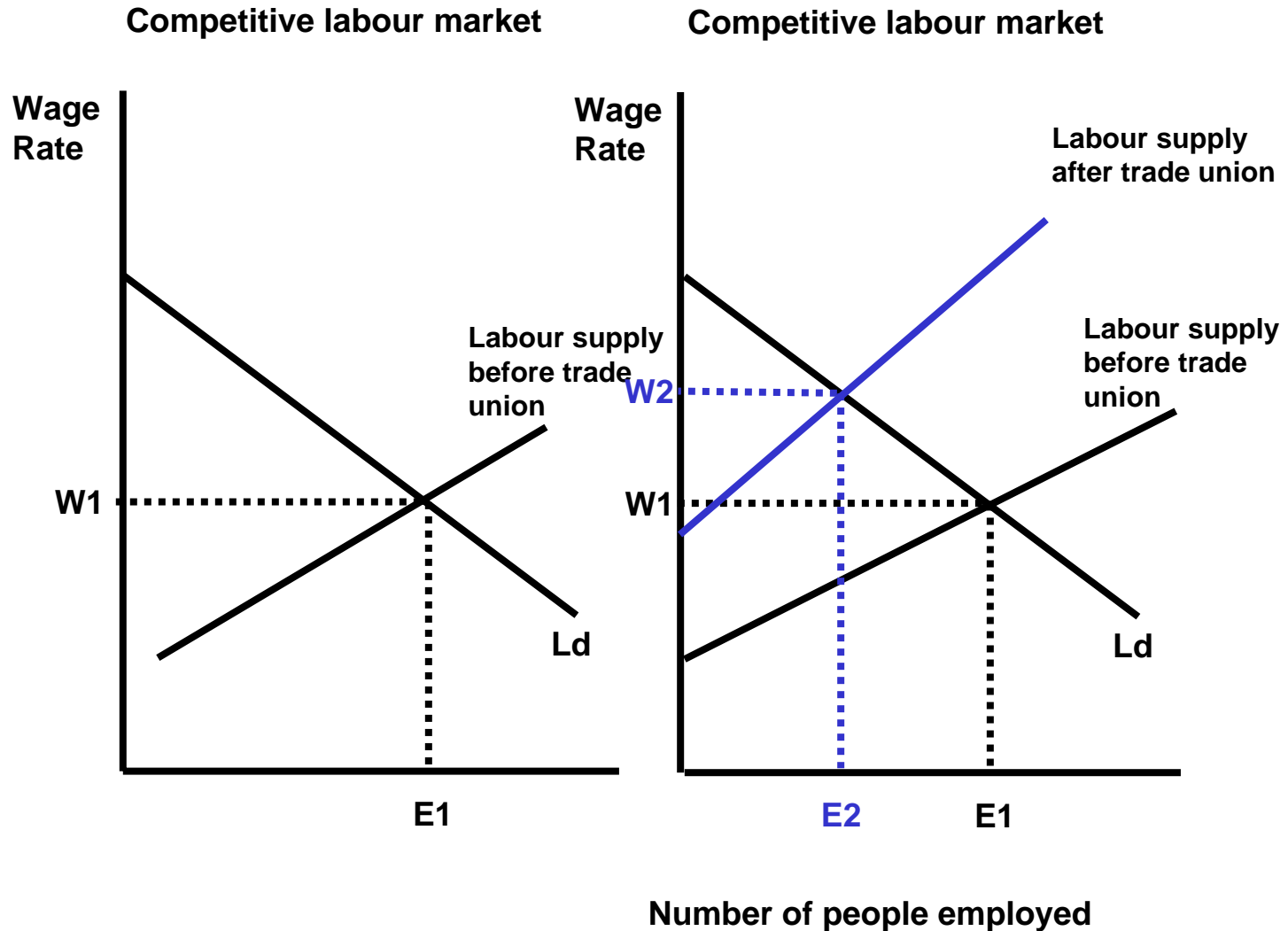
Competitive labour market



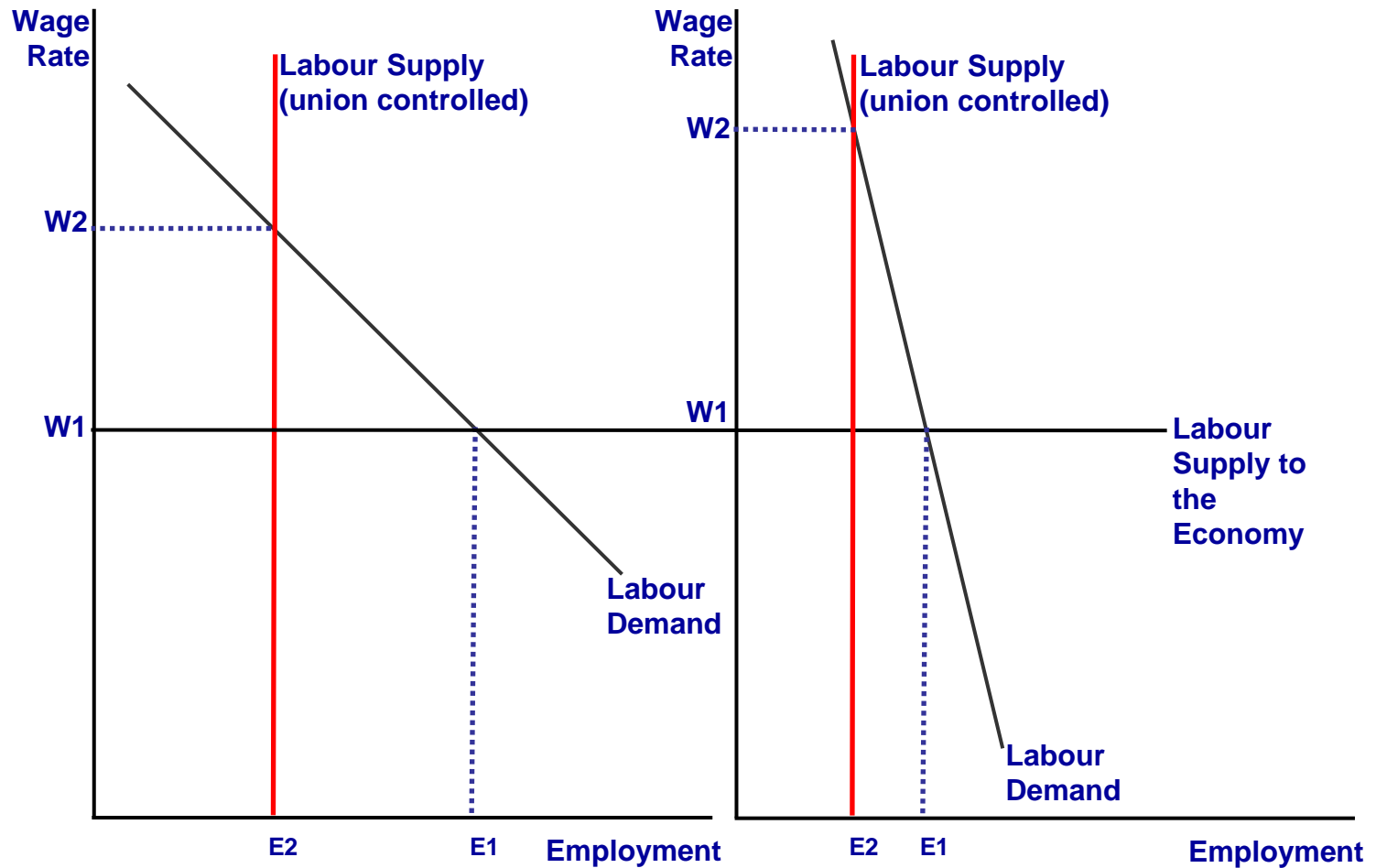
Unions may negotiate a minimum pay level – at the cost of jobs?



Controlling labour supply to boost wage rates



Trade Unions and Wage Mark-Ups



Trade Union Membership

Figure 4.10: Trade union membership, 1991-2001



Source: Labour Force Surveys.

Union Membership

Trade Union Membership in the UK

by occupation and sex, 2002, percentages of employment in each occupation

	Males	Females
Managers & senior officials	16	22
Professional	36	60
Associate professional & technical	37	46
Administrative & secretarial	31	23
Skilled trades	30	25
Personal service	37	30
Sales & customer service	13	13
Process, plant & machine operatives	38	27
Elementary	26	17
All occupations	29	29

Long term decline in union power

- Employment laws:
 - Employment legislation has outlawed illegal strikes, given employers the right to seek compensation for the effects of certain forms of industrial action and requires all unions to hold secret ballots of their members before any strike action is permitted
- Market competition
 - The effects of increased competition in product markets – in nearly every domestic market for goods and services, there is greater competition than there was a few years ago
- Changing pattern of employment
 - There has been a long term change in the structure of employment away from traditionally strong union sectors such as heavy engineering, coal-mining, steel and textiles, towards service sector jobs in the private sector where union density is much lower

Collective bargaining

- Unions might seek to exercise their collective bargaining power with employers to achieve a mark-up on wages compared to those on offer to non-union members
- A trade union may use bi-lateral negotiations with employers to achieve an increase in wages ahead of the rate of inflation so that real wages rise, and other improvements to working hours and conditions.
- The balance of power between employers and a trade union in their periodic wage negotiations depends on a range of factors:

The key functions of trade unions

- Protecting and improving the real living standards of their members
- Promoting improvements in working conditions and employment rights
- A counter-balance to the possible monopsony power of employers in the labour market