



Recession Report

Number 4 February 2009

February's statistics

The latest employment figures cover the three months to December, and show:

- 29.36 million employees, 45,000 fewer than in the previous 3 months and 37,000 fewer than the same period a year earlier.
- An employment rate of 74.1%, down 0.3 percentage points on the previous 3 months and 0.7 points on the same period in 2007.
- Unemployment at 1.97 million, up 146,000 on the quarter and 369,000 on the year.
- An unemployment rate of 6.3%, up 0.4 points on the previous quarter, 0.7 on the year.
- 504,000 job vacancies, 76,000 down on the previous 3 months and 48,000 on the year.

These figures are bad, but could have been worse. Unemployment remained below 2 million, and the employment rate is still over 74%. These figures will get worse over the next few months, but there may be some cause for hope in the fact that they have not accelerated as fast as they could have done.

The industrial impact

We now know that three sectors - finance, manufacturing and distribution hotels and restaurants - were hardest hit in the early months of the recession.

The recession is generally agreed to have begun in April, and the latest data on "workforce jobs"¹ provide figures for March and September 2008, and a breakdown into broad sectors. More detailed figures will be available next month, but we can already build up a picture of the recession's initial impact on jobs.

Job gains and losses, (000s), Mar – Sep

| Sectors losing jobs | |
|------------------------------------|-------------|
| Finance & Business Services | -73 |
| Distribution, Hotels & Restaurants | -67 |
| Manufacturing | -59 |
| Transport & Communications | -10 |
| Other Services | -5 |
| Agriculture & Fishing | -3 |
| Energy & Water | -1 |
| Total losses | -218 |
| Sectors gaining jobs | |
| Public Admin, Education & Health | 71 |
| Construction | 31 |
| Total gains | 102 |
| Net job losses | -116 |

Overall, seven broad sectors lost 218,000 jobs, while two gained a total of 102,000, producing a net loss of 116,000. Since September redundancies in construction have piled up, and it is unlikely that a similar table for the period since September would show this industry as growing. The picture in this period for the public sector is more mixed, but a number of local authorities have announced their intention

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of cutting jobs, and other large employers have cut back on recruitment plans.

There are interesting differences between the figures for men and women. Job gains for women were overwhelmingly concentrated in the public sector, and the greatest number of job losses was in distribution, hotels and restaurants. For men, construction accounted for over half of job gains, whilst losses were concentrated in manufacturing and finance.

Women's job gains and losses (000s)

| Sectors losing jobs | |
|------------------------------------|--------------|
| Distribution, Hotels & Restaurants | -36 |
| Finance & Business Services | -28 |
| Manufacturing | -18 |
| Agriculture & Fishing | -12 |
| Other Services | -11 |
| Energy & Water | -2 |
| Total losses | - 107 |
| Sectors gaining jobs | |
| Public Admin, Education & Health | 68 |
| Construction | 10 |
| Transport & Communications | 10 |
| Total gains | 88 |
| Net losses | -19 |

Men's job gains and losses (000s)

| Sectors losing jobs | |
|------------------------------------|--------------|
| Finance & Business Services | -45 |
| Manufacturing | -41 |
| Distribution, Hotels & Restaurants | -31 |
| Transport & Communications | -20 |
| Total losses | - 137 |
| Sectors gaining jobs | |
| Construction | 22 |
| Agriculture & Fishing | 8 |
| Other Services | 6 |
| Public Admin, Education & Health | 3 |
| Energy & Water | 2 |
| Total gains | 41 |
| Net Job Losses | -97 |

Admittedly, the picture relates only to the early days of the recession, but the importance of the public sector emerges clearly. Given what has

happened to construction in the meantime, it is clear that, in many parts of the country, public sector cutbacks would leave us with no prospect of mitigating job losses and the impact on women would be especially severe.

Age and the recession

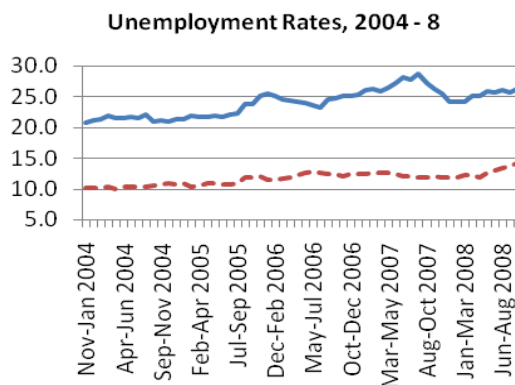
This month's statistics show that over-25s made up a majority of the increase in unemployment, but under-25s saw a far greater increase in the risk of unemployment.

By comparing the figures for January – March, the last quarter before the recession, with those for October – December, we can see that nearly two thirds of the increase in unemployment – 65% - was accounted for by prime age and older workers. At the same time, both these age groups saw their unemployment *rates* increase by 0.8 percentage points: significantly lower than the rise for younger people.

Unemployment levels and rates by age, increase between Jan-Mar and Oct – Dec²

| | Increase in unemployment level (000s) | Increase in unemployment rate (percentage points) |
|---------|---------------------------------------|---|
| All 16+ | 347 | 1.1 |
| 16 – 17 | 16 | 4.1 |
| 18 – 24 | 104 | 2.3 |
| 25 – 49 | 155 | 0.8 |
| 50+ | 72 | 0.8 |

The increase in youth unemployment rates exacerbates a trend that has been established for more than five years. In the chart below, the unbroken line is the unemployment rate for 16 – 17 year olds, rising from 20% to nearly 30%; the dashed line is the rate for 18 – 24 year olds, rising from 10% to 15%.³



These are early results, and it will be some time before we know which age groups are more likely to face long-term unemployment once they have lost their jobs. It is possible that older workers may face a growing likelihood of redundancy as the recession progresses.

Organising in the recession

The recession is undoubtedly having a direct impact on union members. Job losses, increased job insecurity, extended lay-offs, short-time working, and significant changes in working practices and terms and conditions are being reported in workplaces up and down the country and across a range of industries and sectors. But what impact is the recession likely to have on union membership and union organising strategies? This issue of our recession report explores the possible short-term impacts and the prospects for union membership beyond the downturn.

Union membership in the short-term

Short-term pressures

It is impossible to accurately forecast the impact of the recession on union membership. In the short-term a number of TUC unions are likely to see an immediate membership reduction linked to job losses and closures. Unlike the recessions of the early 1980s and 1990s the current downturn is hitting a wide range of sectors – and hence may impact upon a range of unions.

Unionised companies that have recently hit the headlines because of job losses and/or closures have included Woolworths, Nissan, Barclays, JCB, Wedgewood Waterford, Jaguar-Land Rover and Corus. The TUC has tracked over 60,000 actual/likely reported job losses in unionised companies since December 2008 and this figure is likely to grossly under-represent the actual number of jobs lost in unionised firms. While union density is low in some of the sectors under the most pressure (such as retail and hospitality), membership is likely to be hit hard in sectors including financial services, manufacturing and engineering and transport. One recent survey suggested that three-quarters of employers made job cuts in 2008, and that a similar proportion are planning to do so in 2009. Four out of five employers also expect ongoing restructuring in 2009.⁴ The recession is also impacting on public sector employment – and any spending cuts are likely to disproportionately hit union membership as union density is significantly higher than in the private sector. Although, as we show in our economic analysis, the public sector is one of the only areas where jobs are currently being created, one in seven local authorities reported job losses in 2008 as a result of the ‘credit crunch’; one quarter have announced recruitment ‘freezes’; and the Local Government Chronicle (LGC) reported that 2,500 local authority jobs were cut in the first three weeks of January 2009. These trends are likely to be accelerated throughout the year. Local councils employ over two million workers in the UK and so even a relatively small percentage decline in local authority employment could result in significant job reductions.⁵

While job losses are inevitable in a recessionary period, there is also increasing concern among unions and advice agencies that employers are using the current economic climate as an excuse to cut jobs or change working practices, even

when they are not under financial pressure.⁶

Historical precedents

One way of assessing the potential impact of the recession on union membership is to examine the impact on membership in previous periods of severe economic downturn, particularly those from 1973 onwards.

The recession of 1973-1975 had a less dramatic effect on union membership than those of the 1930s and 1920s, which resulted in significant membership decline – with TUC affiliated membership effectively stable from 1973-1975. This was set against an overall increase in union membership of two million and a seven per cent rise in union density during the 1970s, driven by factors including successful union efforts to organise white-collar workers, women and employees in the public sector.

The recessions of the 1980s and 1990s coincided with a period of continuous membership decline from 1979-1998. During this period union membership fell every single year, from a high of 12.6 million to 7.1 million. Density experienced a similar decline from a high of 56.1 per cent to 27 per cent.⁷ There are many factors that contributed to this rapid decline in trade union membership – including the hostile political environment, the introduction of anti-trade union legislation, significant changes to the structure of the economy and labour market, the privatisation and marketisation of public services and publically owned utilities and significant union defeats.

While previous UK recessions have been associated with declines in union membership, the scale and pace of decline has varied significantly. The impact of recessions, and consequent high unemployment rates, are dependent on many other factors. The political climate, the response of Government to unemployment and the ability of unions to offset membership losses in sectors and

industries hit hardest with organising success in other areas all play key roles in determining impacts.

Longer-term prospects for union growth

Longer-term pressures on membership

While union membership may come under pressure over the coming year, the medium-long term outlook for union growth appears more mixed. Projected trends in the occupational composition of the workforce suggest a positive reading of membership prospects, indicating that increases in union membership (if not density) among professional and associate professional workers will effectively offset losses among other occupational groups.⁸ However, these changes in the occupational composition of the workforce need to be set against other likely trends. Analysis from the UK Employment and Skills Commission suggests that sectors with high union density including ‘primary and utilities’, ‘electricity, gas and water supply’, and ‘public administration and defence’ are all likely to see declines in employment, while by 2010 ‘manufacturing’ employment is projected to fall by 400,000 jobs. Their study concludes that employment growth is likely to be strongest in areas where union density is currently low, such as ‘business and other services’ and retail.⁹

These trends suggest that any substantial increases in union membership in the medium-long term are unlikely to arise as a result of external factors, and that drivers for growth will need to come from *within* the union movement rather than from *without*. Increasing union capacity to organise and recruit new members; reversing the ongoing decline in the lay representative base; and stepping up union efforts to organise in expanding parts of the private service sector will need to remain priorities for unions throughout and beyond the recession.

Potential for longer-term growth

Many factors suggest there is scope for unions to weather the current economic storm better than they did the recessions of the 1980s and 1990s.

UK unions still have plenty of scope to increase membership in areas where they already have membership and recognition. Some three million potential members work in unionised workplaces but are not union members – and two million of these workers say they have never been asked to join the union in their current workplace. In the public sector, where unions are present in more than 85 per cent of workplaces, two in five workers are unorganised. Driving up union density in these areas is by no means an easy task, but presents unions with a realistic opportunity, particularly at a time when many non-members may be worried by job insecurity. The current situation therefore gives unions an opportunity to prove the real and tangible difference that union membership and representation can make, and the 200,000 or so lay-union reps and stewards will have a key role to play in reaching out to non-members in these unionised workplaces.

Secondly, while the headlines are rightly dominated by stories of job losses and closures there have been some recent announcements that buck this trend. In retail, several unionised companies have announced plans to create new jobs in 2009 – for example Tesco (10,000 jobs) and Asda (7000 jobs); non-unionised Aldi also has 227 new stores planned. Beyond retail other companies have announced plans to take on new staff, including Pontins (2000 jobs) and BSkyB (1000 jobs). Government plans to invest £40 billion in capital investment projects will also go some way to offsetting job losses in sectors including construction.

And while unemployment is forecast to increase steeply to the end of 2009, there will still be over 28 million people in employment in the

UK. According to the British Social Attitudes Survey, 39 per cent of non-union members in non-union workplaces say they would be likely to join a union if there was one in their workplace. Even if this figure overstates the potential ‘demand’ for union membership, there is still clearly a sizeable pool of potential members for unions to draw upon. Tapping into this pool of membership will not be easy for unions – particularly when officers and organisers are likely to be under pressure to effectively represent existing members – but a number of unions have already reported to the TUC that they are managing to hold membership steady, or post small increases, in recent months.

Finally unions are better placed than in previous downturns to play an active role in ongoing efforts to bring the economy out of recession. The Government’s response to the recession has been in marked contrast to the broadly laissez-faire response of the Conservative Government to the recessions of the 1980s and 1990s. This has included the active engagement of unions at a national and regional level,¹⁰ and a greater focus on intervening to create new jobs and prevent long-term unemployment taking hold.

Action that unions are taking now

Unions have stepped up their efforts to support members hit by the recession – preventing redundancies, reaching agreement on restructuring at a local level, negotiating to achieve fair wage settlements, advising members on benefits and working with employers to increase access to training. Unions are also campaigning for Government support for key sectors such as the automotive industry.

The recession is likely to impact upon collective bargaining settlements in 2009. However, unions will be working hard to ensure a fair deal for their members, and most commentators predict that average pay settlements will not fall

below three per cent,¹¹ which would deliver real increases in spending power in a time of falling inflation. Many employers recognise that staff should not be expected to pick up the bill for the economic downturn.

Despite the robust health of pay increases in general, there will be real problems in some cases. Labour Research, for example, has suggested that one in ten reps had been told by their employer to expect pay freezes in 2009.¹² This assessment is probably too pessimistic, but some employers have already signalled their intention to resist pay increases – for example, Southern Water have announced plans to freeze pay in 2009-2010 and despite significant cost-savings resulting from the fall in fuel costs British Airways entered this year’s pay-round with a public announcement that it will be seeking to avoid pay increases.

As the recession continues through 2009, unions are likely to adapt their organising strategies to reflect the changing economic and political landscape. A priority for unions will be identifying opportunities for growth in those sectors (for example retail and business services) which are likely to prove most resilient to job losses in the medium-long term.

On a practical note the TUC has produced new support materials for union reps and members (including ‘Coping with the Economic Downturn’ produced with the support of Citizens Advice); is providing ‘Dealing with the Downturn’ briefings for 500 union reps and stewards; and is developing new support materials for union officers and organisers.¹³

Policy recommendations

The TUC is calling on Government to take immediate measures to challenge rising unemployment – including increasing measures to support short-term working, increasing redundancy pay and Jobseekers Allowance and

improving access to skills and support for the newly unemployed.

The TUC also believes that there is more the Government could do to realise the value of unions as essential partners in addressing the current economic crisis. Formal Government recognition that unions are ‘part of the solution’ would match developments in the US where President Obama recently noted that:

*“I do not view the labor movement as part of the problem, to me it's part of the solution. We need to level the playing field for workers and the unions that represent their interests, because we know that you cannot have a strong middle class without a strong labor movement. We know that strong, vibrant, growing unions can exist side by side with strong, vibrant and growing businesses. This isn't an either/or proposition between the interests of workers and the interests of shareholders. That's the old argument. The new argument is that the American economy is not and has never been a zero-sum game. When workers are prospering, they buy products that make businesses prosper. We can be competitive and lean and mean and still create a situation where workers are thriving in this country”.*¹⁴

Support for trade union reps

Workplace representatives are well placed to advise workers facing redundancy on the training and benefit entitlements that they may have, their employment rights and on how to access vacancies with other employers in the sector. Government should fund new training for union reps to better enable them to provide services and support.

Improving administration procedures

The TUC is concerned that insolvency practitioners are not taking their duties to consult with unions genuinely. This means that union proposals for avoiding redundancies are never explored and there is limited discussion

of redundancy payments or training options for staff losing their jobs. All insolvency practitioners should be trained in good employment relations practice and Government guidance on insolvency should emphasise the importance of practitioners complying with their duties to inform and consult. The Guidance should make clear that the duty to consult is triggered by the issuing of an insolvency notice. There should also be a duty on insolvency practitioners to protect employee interests and to avoid job losses.

Greater powers for unions to call in the Rapid Response Service

The Jobcentre Plus Rapid Response Service (RRS) provides immediate support to workers facing redundancy. But the TUC is concerned some employers are not allowing the RRS access to their workplaces. The Government should introduce a duty for employers to work with the Rapid Response Service and unions should have the right to call in the Rapid Response Service to a firm facing redundancies.

Strengthen the Posting of Workers Directive

During the recession there is a need for an effective framework of employment rights, ensuring that all workers, migrant workers, posted workers and UK workers receive fair treatment and equal opportunities at work. Trade unions also need a modernised framework of law to be able to represent their members and the wider working population more effectively. The TUC, working with the ETUC, will continue to campaign for revisions to EU law, including the adoption of a Social Progress Clause and a strengthened Posting of Workers Directive. We will also continue to press for improvements to UK trade union law, including improved rights to consultation where companies face insolvency. In this way unions will be able to continue to bargain and organise around effective national agreements, ensuring

industry standards and collectively agreed terms and conditions are respected.

Notes

¹ *Labour Market Statistics*, Feb 09, ONS, table 5 (2).

² *Ibid*, tables 9(1) and 9(2).

³ *Ibid*, tables 9(1) and 9(2).

⁴ Clark L *Job cuts only avoided by a quarter of UK employers in 2008* Personnel Today, 2nd February 2009.

⁵ Information from <http://www.lgcplus.com/>, accessed 12th February 2009 and from LGA *Economic Slowdown, a survey of impact on Local Authorities* 2008 January 2009.

⁶ For example see Walker P *Recession-hit firms 'use dodges to shed staff without redundancy pay*, The Guardian, Monday 16 February 2009.

⁷ Figures based on a TUC analysis of data drawn collected by the Department of Employment 1970-1991, by the Central Statistical Office from 1992-1995 and Office of National Statistics (ONS) from 1996 onwards.

⁸ Wilson T (2008) *The Future for Unions* London: Unions 21.

⁹ UK Commission for Employment & Skills (2009) *Working Futures, 2007- 2017* London: UKCES.

¹⁰ For example, unions are represented on the recently Regional Economic Council and have been actively engaged in developing national and regional responses to the downturn.

¹¹ Income Data Services, Industrial Relations Services and Labour Research all predict 2009 average pay settlements will be somewhere between 3.0 - 3.5%.

¹² Wyatt W (2009) *Pay Freezes Grip Some January Settlements While Wages Overall Continue to Rise* Labour Research Department, January 2009.

¹³ 'Coping with the Economic Downturn' and 'Facing Redundancy' can be downloaded from <http://www.worksmart.org.uk/career/downturn>.

¹⁴ *Remarks by the President and the Vice President in announcement of Labor Executive Orders and Middle Class Working Families Task Force*, The White House, January 30th 2009. More information: http://www.whitehouse.gov/blog_post/Todaysevent/