

ARITAKE-WILD

Joint European Level Social Partners'
Work-programme 2006 – 2008

Joint Study on Restructuring in the “EU15”
Phase one

The United Kingdom
Country Report

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ARITAKE-WILD



Project of the European Social Partners with the financial support of the European Commission

Joint European Level Social Partners' Work-programme 2006 - 2008

Joint Study on Restructuring in the "EU15" - Phase 1

Country Report – the United Kingdom

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Introduction - the Purpose of the National Report

The report presented below is the product of a two-staged process: A draft version was prepared for discussion by the UK national social partners at the ninth in a series of national seminars between April 2007 and June 2008 in ten European Union member states.¹

The draft version of the report was prepared during March and April 2008 by the selected external expert for the UK, Tom Hayes, working with the expert coordinator for the project, Mr Alan Wild and presented to the UK social partners at a seminar which took place in London on 6th and 7th May 2008.

Following a common framework of contents the main body of the report is structured in three sections:

- ✧ Section one – A macroeconomic review of restructuring;
- ✧ Section two – The role of social partners in restructuring;
- ✧ Section three - Case study reports

The UK social partners were asked to comment and contribute to the first two sections of the report in the context of the national seminar. Individual cases of restructuring were presented by representatives from the organisations involved (from the management and employee side). Based on these presentations and other available information, case study reports have been prepared and are included in the third section of this report.

The final version of the report was produced after the seminar in London. Whilst it takes into account the content of the meeting, it remains an “independent expert report”. It represents the views of the individuals involved in its preparation and does not purport to represent the views, either individually or collectively of the UK social partners; the case study company representatives that contributed to it; or those of the European level social partner organisations that were responsible for its commissioning.

The main purpose of the report is to encourage discussion and debate on the role of the UK social partners in the process of economic restructuring at the national, sectoral and enterprise levels. It will contribute to the development of a synthesis report that compares and contrasts the roles of the social partners in the ten countries studied with a view to drawing lessons for the future and to help shape the activities and priorities of the social partners at the European level in this area. It should be noted that the ultimate audience for this document is “non British” and the authors therefore apologise to the national seminar participants for providing elements of detail and background that may appear obvious or superfluous to the British reader. The inclusion of this material is essential however if the broader objectives of the project described above are to be accomplished.

By the end of phase two of the project, national dossiers will have been prepared and been discussed by the social partners in 27 European countries. It is planned to develop an overall discussion document based on the role of the social partners in restructuring every country in the European Union for consideration by social partner representatives from throughout the EU.

¹ Phase one of the project involves Austria; Denmark; France; Greece; the Republic of Ireland; Italy; the Netherlands; Spain; Sweden; and the UK.

Section one – a macroeconomic review and trends of restructuring in the United Kingdom

Summary

The UK population is just over 60 millions making it one of the EU's largest countries. The UK population is expected to grow from 60.6 million in 2006, to 71 million in 2031 and 85 million in 2081. Net immigration, rather than births and death rates, has been the main driver of UK population growth since the early 1990s and around two thirds of predicted future growth will be attributable to net immigration.

Immigration is recognised as having the potential to impact positively on economic growth and productivity in the UK and on the nation's ability to cope with the costs of an increasing dependency rate (the proportion of those of working age to the total population). At the same time, increased immigration has an impact on the delivery of public services, with additional resources being required to deal with increases in demand and the challenges posed by an increasingly multi-cultural and multi-lingual population (particularly in schools).

Manufacturing, construction, mining and quarrying and utilities account for 24% of UK output; public and private service for more than 75%; and agriculture forestry and fisheries less than 1%. Over the ten years from 1996 to 2006, the contribution of manufacturing reduced by one third and agriculture and fisheries by a half. The service sector, and in particular business services, have increased greatly in economic significance.

There were an estimated 4.5 million business enterprises in the UK at the start of 2006, an increase of 125,000 (2.9 per cent) on the start of 2005. Almost all of these enterprises (99.3%) were small (0 to 49 employees). Only 27,000 (0.6%) were medium-sized (50 to 249 employees) and 6,000 (0.1%) were large (250 or more employees).

Today's UK economy is one of the most competitive in the world, although according to the World Economic Forum the UK fell to ninth place in the world rankings between 2006/7 and 2007/8. Looking at broader indicators of economic success and societal well being, the UNDP Human Development Index ranks the country 16th out of 177 countries. The UK ranking for gender equality using UNDP's GDI index is 19th in the world and 14th Using the GEM index.

On World Bank measures of achievement against the Lisbon indicators, in 2006 the UK achieved 6th position out of the EU25 countries, performing internationally slightly better than the cluster of East Asian countries and similarly to the United States. The UK has a tradition of being an open economy and a strong proponent of free trade. The UK has benefited in terms of higher exports from the rapid growth in world trade over recent years. The UK has seen particularly impressive export growth in the service sector.

Over the past decade, employment in the UK has increased by nearly 3 millions to almost 29.5 millions, whilst over the same period unemployment has declined by around 400,000. The employment rate has risen by 2 percentage points over the past decade to close to 75% among people of working age and just over 60% among the entire adult population. The UK's labour market has performed well relative to other advanced economies. In part this has reflected the general improvement in macroeconomic

stability in the UK, but empirical analysis carried out by the OECD suggests the impact of policy reforms over the past 25 years has also been significant. Compared to the average of the EU27, UK participation rates are higher amongst men and women of working age; amongst older workers aged 55 to 64; and in the incidence of part-time working. UK women's participation rates at all ages are lower than UK male equivalents but significantly higher than the European average. More than a quarter of UK employees work part time and women make up 80% of this number.

While the evidence shows the UK has made good progress in raising employment and participation rates through high levels of state and business spending. Its labour force skills measured in terms of formal qualifications lag behind other developed economies. The UK has a relatively large proportion of the workforce with low skills.

The UK has had a long-standing and well-documented productivity gap with the US, France and Germany. The UK has made some progress over the past decade in raising the rate of productivity growth and narrowing the gap with comparator countries. Output per hour productivity growth in the current economic cycle averaged 2.4% per year, compared with 1.9% over the previous two cycles

The real story of the UK with respect to restructuring is the dramatic shift from heavy industry to high value added niche manufacturing; the growth in financial and other business services; and deregulation of public services. During the periods of economic difficulty punctuated by three "oil shocks" during the period from the late 1960's to the early 1990's the UK economy underwent significant restructuring in the core industries associated with mining, iron and steel and motor manufacturing. By the end of the 1990's the ILO's "Key Indicators in Labour Markets (KILM) showed that there were more employees in Chinese and Indian restaurants in the UK than there were in the combined coal, iron and steel and mining industries.

The UK also led the way in Europe in the wholesale "post 1979" privatisation of nationalised industries and services and in public administration reform. Although the early reforms were driven out of public and private sector financial crises, the pace and extent of reform has continued as the state of the economy has improved with the objectives of taking advantage of new technology, shaping services to meet changing user demands and delivering value for money.

In discussing this section of the report the UK social partners were asked to consider the following questions;

1. High levels of immigration into the UK are combined with relatively poor scores in indexes measuring social exclusion. What actions can be taken to improve inclusion of minorities?
2. In the face of an economy based increasingly on higher skills and higher value added occupations the UK is less successful than it might be in lifelong learning. How can lifelong learning practices be improved?
3. The UK has succeeded over recent years in improving labour productivity. What lessons can be learned from this experience that can be exported to other European countries?

4. What are the future restructuring challenges that will face the UK economy?
5. What can the UK teach other European governments and social partners that are embarking on public sector reform programmes?

Macro-economic indicators

Population

The UK population is just over 60 millions making it one of the EU's largest countries. According to the UK Government Actuary's Department (GAD), the UK population is expected to grow from 60.6 million in 2006, to 71 million in 2031 and 85 million in 2081. That is equivalent to a predicted annual growth rate of 0.6% during the period 2006–2031, which is faster than the 0.5% per year growth already experienced from 2001 to 2006.

Net immigration, rather than natural change (births minus deaths), has been the main driver of UK population growth since the early 1990s and around two thirds of predicted future growth will be attributable to net immigration. The rise in net immigration has increased the share of foreign-born persons in the UK population significantly. Foreign-born persons currently account for about 10% of the population and around 12% of the working-age population aged 16–64. Most recently the UK labour force has been added to by significant numbers of migrant workers from the new member states, and particular Poland and the Baltic countries. The current proportion of foreign-born persons in the population in the UK remains significantly smaller than in Australia (24%), Switzerland (23%), and Canada (19%); around the same as in the United States (13%), Ireland (11%) and the Netherlands (11%); and higher than in France (8%) and Denmark (7%).

Immigration is recognised by government and business as having the potential to impact positively on economic growth and productivity in the UK and the ability of the country to cope with the costs of an increasing dependency rate (the proportion of those of working age to the total population). Estimates from HM Treasury suggest that between 2001 and mid-2006, migration added 0.5% to the working age population and supported economic growth to the value of around £6bn. Evidence collected by business organisations, including the Institute of Directors and the British Chambers of Commerce, highlight the benefits arising from skills, flexibility and work ethic that migrant workers bring².

Whilst immigration has a clear positive impact, increased immigration has put new demands on the delivery of public services, with additional resources being required to deal with increases in demand and the challenges posed by an increasingly multi-cultural and multi-lingual population (particularly in schools).

GDP and inflation

The United Kingdom has the fifth largest economy in the world in terms of market exchange rates and the sixth largest by purchasing power parity (PPP). It has the second largest economy in Europe after Germany. The United Kingdom is one of the

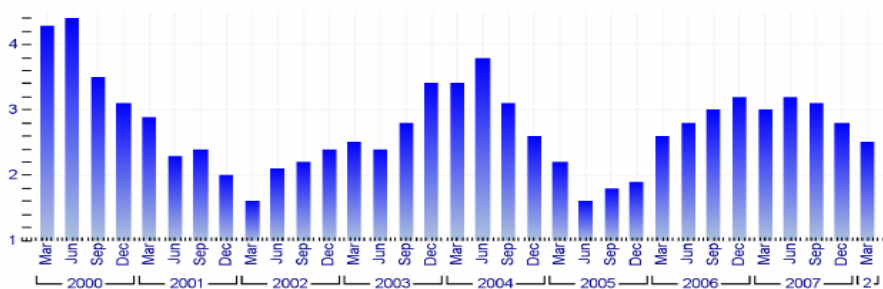
² Department for Business, Enterprise and Regulatory Reform (BERR): *Globalisation and the changing UK economy: February 2008*

world's most globalised countries, ranking fourth in one recent survey. London is one of the three major financial centres of the world, along with New York City and Tokyo.

The British economy has in recent years seen the longest period of sustained economic growth for more than 150 years, having grown in every quarter since 1992. It is one of the strongest EU economies in terms of inflation, interest rates and unemployment, all of which remain relatively low. Consequently, the United Kingdom, according to the International Monetary Fund, now has the seventh highest level of GDP per capita in the European Union in terms of purchasing power parity, after Luxembourg, Ireland, the Netherlands, Denmark, Austria and Finland. However, in common with the economies of other English-speaking countries, it has higher levels of income inequality than many European countries.

The country's GDP growth over the period since 2000 has been above the EU and Euro zone average (see below).

UK quarterly growth in GDP – 2000 to 2008

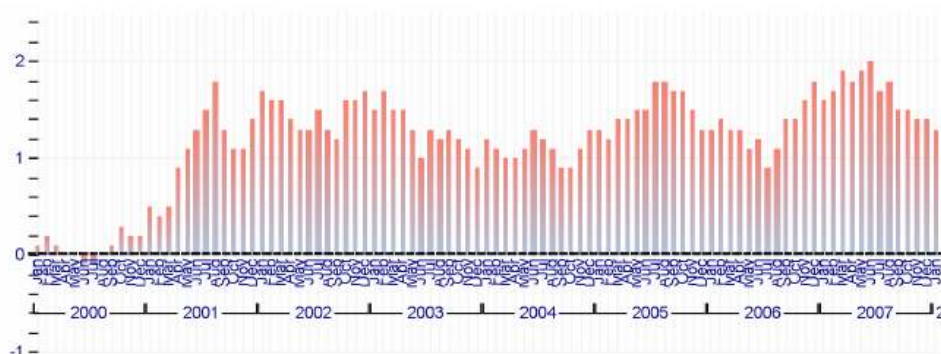


Source : Trading Economics Global Market research (April 2008)

The UK economy got off to a poor start in 2008, with growth stumbling to a three year low as the financial services sector suffered from the ongoing impact of strains in credit markets. In its preliminary estimate for the first quarter, the Office for National Statistics revealed that the economy grew by just 0.4% from the fourth quarter. This is well below the 0.6% rise in the previous three months and is the slowest growth since the first quarter of 2005. It also takes growth below its long-term average -- estimated at between 0.6% and 0.7% -- for the first time in three years. On a year-on-year basis, the statistics office said UK GDP was up 2.5%, the slowest annual rate since the fourth quarter of 2005. This is down on the 2.8% recorded in the fourth quarter and below expectations for a 2.6%.

Historically, high rates of inflation have been the cause of many of the UK's past economic difficulties. In recent history successive governments of both major parties have placed a high emphasis on inflation control. The Bank of England was made independent of government in the management of monetary policy and inflation has been kept, for the most part, within policy limits (see below).

UK inflation – quarterly data 2000 to 2008



Source : Trading Economics Global Market research (April 2008)

The UK economy

Manufacturing, construction, mining and quarrying and utilities account for 24% of UK output; public and private service for more than 75%; and agriculture forestry and fisheries less than 1%. Over the ten years from 1996 to 2006, the contribution of manufacturing reduced by one third and agriculture and fisheries by a half (see below). These changes were more than made up for by growth in services.

UK Economy, Gross value added by activity 1996 to 2006

	Output (Gross Value Added) share (%)		Change in share of output 1996 to 2006
	2006	1996	
Real estate, renting and business services	24.8	19.1	5.7
Manufacturing	13.2	21.1	-7.9
Wholesale and retail trade	12.1	11.6	0.6
FISIM*	5.0	3.3	1.7
Health and social work	7.3	6.4	0.9
Transport, storage and communications	7.2	7.8	-0.6
Construction	5.7	5.1	0.6
Education	5.6	5.4	0.2
Other social and personal services	5.4	4.3	1.1
Public administration and defence	5.1	5.8	-0.7
Hotels and restaurants	3.1	2.7	0.4
Mining and quarrying	2.4	2.9	-0.4
Electricity, gas and water	2.7	2.3	0.4
Agriculture, forestry and fishing	0.9	1.8	-0.8

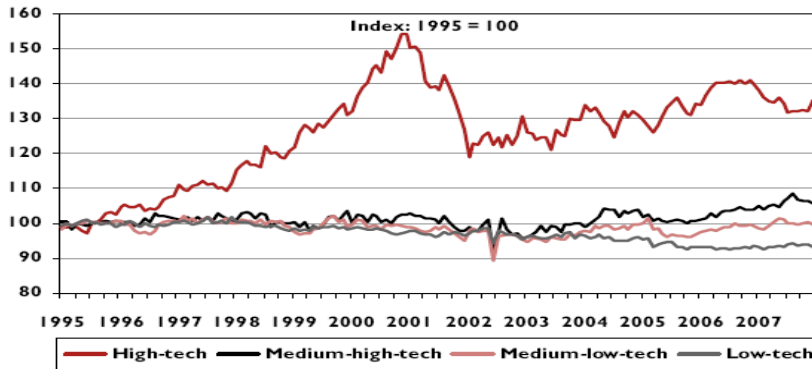
*FISIM = Financial intermediation services

Source: ONS Blue Book; 2007

Growth in real estate, renting and business services has been central to growth in services. Business services alone have doubled their share of GDP from 7% to 14% and include a diverse range of activities, from the creative and “high tech”, such as advertising, legal services and computing, to “lower tech” industrial cleaning and call centres. In the past two decades business services have accounted for almost 1.7 million new jobs. The share of output and employment accounted for by the wholesale and retail trade, financial intermediation, health and social work, education, other social and personal services, and hotels and restaurants has also increased.

The structure of UK manufacturing industry went through a revolution in the period 1995 to 2001 with the growth of high tech industry. The “dotcom bust” over the period 2001 to 2002 hit this segment of the manufacturing sector hard but growth has continued since. At the same time, lower tech industries have reduced in importance (see below).

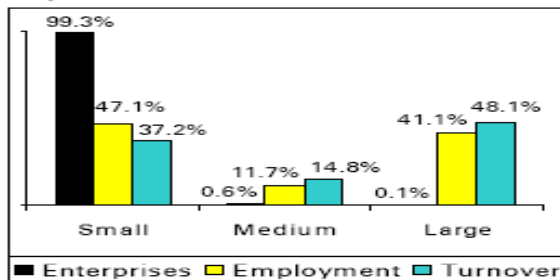
Manufacturing output in the UK



Source: ONS and Treasury calculations based on OECD classification of manufacturing industries according to technology intensity

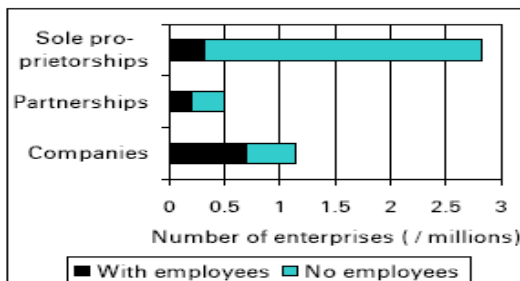
There were an estimated 4.5 million business enterprises in the UK at the start of 2006, an increase of 125,000 (2.9 per cent) on the start of 2005. Almost all of these enterprises (99.3%) were small (0 to 49 employees). Only 27,000 (0.6%) were medium-sized (50 to 249 employees) and 6,000 (0.1%) were large (250 or more employees)³.

Share of enterprises, employment and turnover by size of business
UK private sector, start of 2006



The illustration below shows the dominant position of micro enterprises with no employees⁴.

Number of businesses with employees, by legal status, UK private sector, start of 2006



³ enterprise.statistics@berr.gsi.gov.uk

⁴ enterprise.statistics@berr.gsi.gov.uk

Competitiveness

Today's UK economy is one of the most competitive in the world, although according to the World Economic Forum the UK fell to ninth in the world rankings between 2006/7 and 2007/8.

Global competitiveness index rankings and 2006-2007 (selected comparisons)

Country	GCI 2007-2008	GCI 2006-2007	Changes in rank 2006/07 – 2007/08
United States	1	1	-
Denmark	3	3	-
The Netherlands	4	9	+5
Germany	5	7	+2
Finland	6	6	-
Japan	8	5	-3
United Kingdom	9	2	-7
France	18	15	-3
Spain	29	29	0
Italy	46	47	+1
Greece	65	61	-4

Source: World Economic Forum: Global Competitiveness Report 2007-2008

According to the World Bank, the UK performs well against broader indexes of “doing business”. Of the 178 countries ranked in the World Bank index, the UK ranks sixth;

Ease of ...	Doing business 2008 rank	Doing business 2007 rank	Change in rank
Doing business	6	6	0
Starting a business	6	7	+1
Dealing with licences	54	54	0
Employing workers	21	19	-2
Registering property	19	19	0
Getting credit	1	1	0
Protecting investors	9	9	0
Paying taxes	12	12	0
Trading across borders	27	25	-2
Enforcing contracts	24	24	0
Closing a business	10	9	-1

Source : World Bank “Doing business” 2008

Given the UK's reputation for flexibility in employment regulation it is surprising to note that the UK does not rank higher than 21st in world terms. This result is almost exclusively associated with measures of the cost (rather than ease) of dismissing workers.

Broader measures of economic performance and well-being include the UNDP Human Development index and the World Economic Forum assessment of performance against the Lisbon indicators.

Every year since 1990 the UNDP Human Development Report has calculated a human development index (HDI) that looks beyond economic figures to a broader definition of well-being and quality of life. The HDI provides a composite measure of three dimensions of human development: living a long and healthy life (measured by life expectancy); being educated (measured by adult literacy and enrolment at primary, secondary and tertiary education); and having a decent standard of living (measured by purchasing power parity, PPP, income).

The HDI for the UK in 2005 (latest available data) was 0.946, which gives the country a rank of 16th out of 177 countries. Compared to 2000 this reflects a slight deterioration of two places from its position of then rank of 13th. Amongst the EU member states the UK achieved around the same level as Belgium, with a lower HDI value than the Netherlands and France, but better than Italy or Germany.

The UK ranking in the UN Human Development Index 2005

HDI value	Life expectancy at birth (years)	Combined primary, secondary & tertiary gross enrolment ratio (%)	GDP per capita (PPP US\$)
1. Iceland	1. Japan	1. Australia	1. Luxembourg
14. Denmark	18. Malta	18. Kazakhstan	9. Austria
15. Austria	19. Cyprus	19. Unites States	10. Canada
16. United Kingdom	20. United Kingdom	20. United Kingdom	11. United Kingdom
17. Belgium	21. Finland	21. Estonia	12. Netherlands
18. Luxembourg	22. Greece	22. Austria	13. The UK

Source: UNDP 2008

The HDI measures average achievements in a country, but it does not incorporate the degree of gender imbalance in these achievements. The gender-related development index (GDI), introduced in Human Development Report 1995, measures achievements in the same dimensions using the same indicators as the HDI but captures inequalities in achievement between women and men. It is simply the HDI adjusted downward for gender inequality. The greater the gender disparity in basic human development, the lower is a country's GDI relative to its HDI. United Kingdom's GDI value, 0.944 should be compared to its HDI value of 0.946. Its GDI value is 99.8% of its HDI value. Out of the 156 countries with both HDI and GDI values, 18 countries have a better ratio than United Kingdom's.

On the Lisbon indicators, in 2006 the UK achieved 6th position out of the EU25 countries performing slightly better than the cluster of East Asian countries and similarly to the United States. UK strengths are in the areas of financial services, liberalisation and information society. The UK is weakest on social inclusion and sustainable development.

Progress on the Lisbon Indicators 2006

Ranking and Scores of EU Countries

Country	Final Index		Sub-indices							
	Rank	Score	Information Society	Innovation and R&D	Liberalisation	Network Industries	Financial Services	Enterprise	Social Inclusion	Sustainable Development
Denmark	1	5,76	4	4	5	2	5	1	1	3
United Kingdom	6	5,5	3	6	3	7	1	5	9	8
Estonia	12	4,93	5	11	12	17	12	6	12	16
Greece	23	4,19	25	18	21	14	16	20	22	23
Italy	24	4,17	16	19	23	20	23	24	24	19
Poland	25	3,76	24	22	25	25	25	25	25	22
EU25 Average	--	4,84	--	--	--	--	--	--	--	--
United States	--	5,45	--	--	--	--	--	--	--	--
East Asia*	--	5,28	--	--	--	--	--	--	--	--

Source: World Economic Forum 2007

Employment

Over the past decade, employment in the UK has increased by nearly 3 million to almost 29.5 million, whilst over the same period unemployment declined by around 400,000. The employment rate has risen by 2% over the past decade to almost 75% among people of working age. The employment rate of women is also high more than 70%. The UK government believes that long-term structural reforms aimed at increasing labour market flexibility have contributed to this improved economic performance. The Department of Business, Enterprise and Regulatory Reform's recently developed Indicator of Labour Market Adaptability shows it to have increased through the 1990s and stabilised at a high level thereafter. (BERR 2007). Compared to the average of the EU27, UK participation rates are higher amongst men and women of working age; amongst older workers aged 55 to 64; and in the incidence of part-time working. UK women's participation rates at all ages are less than male rates for equivalent workers but nonetheless significantly higher than the European average. Women make up 80% of the UK's part time workforce (see below).

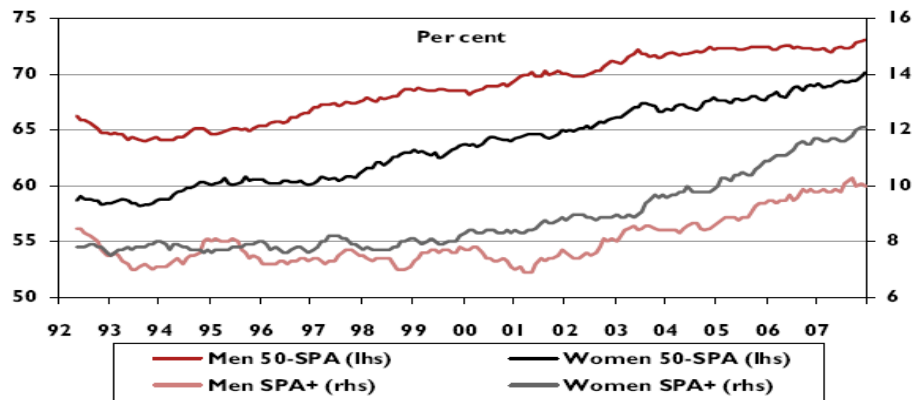
Participation rates of UK and EU27 men and women and the incidence of part time working

	Participation 15 - 64			Participation 55 - 64			Part time working		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
EU27	64.6	72.6	56.6	41.7	50.8	33.0	19.6	7.4	35.3
UK	71.5	77.3	65.8	57.4	66.0	49.1	25.5	10.6	42.6

Source : Eurostat 2007

In recent years the government has introduced programmes to increase labour market participation amongst older people, including laws on age discrimination, and there has been a significant increase in the employment rate of those aged 50 and over. Since 1992, the employment rate for men and women aged between 50 and State Pension Age (SPA) has risen by more than 6% and 10% respectively. Since 2001 employment rates above State Pension Age have risen by 3% for men and almost 4% for women (see below).

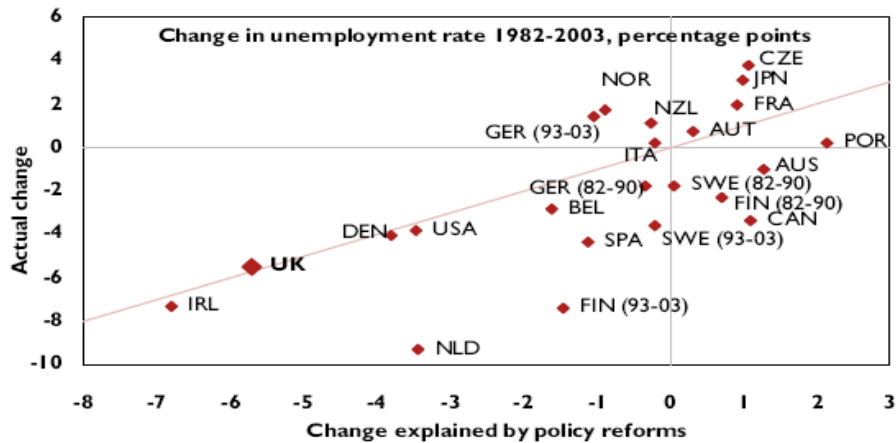
Rising employment rates for older workers



Source: Office for National Statistics

The UK's labour market has performed well relative to other advanced economies. In part this has reflected the general improvement in macroeconomic stability in the UK, but empirical analysis carried out by the OECD suggests the impact of policy reforms over the past 25 years has also been significant (see illustration below). The study estimated that policy reforms accounted for a reduction of around 6% in the UK's unemployment rate. The study also found that product market regulation in the UK was more conducive to low unemployment than in any other OECD country.

Change in unemployment related to policy reforms

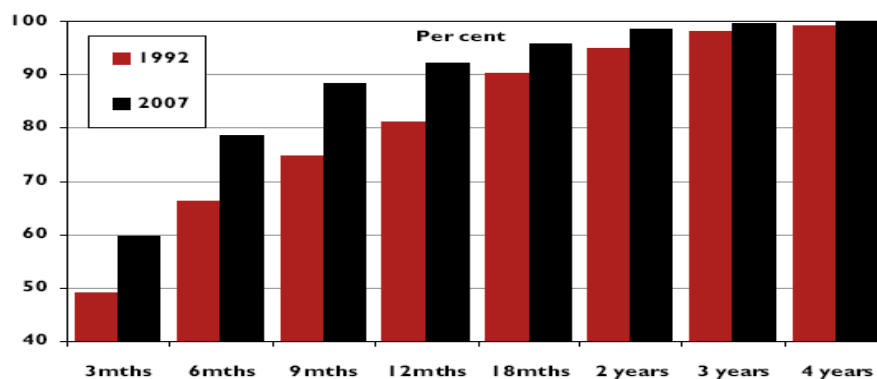


Source: OECD Employment Outlook, 2006

The UK's flexible labour market is characterised by high flows between jobs, and between benefits and work. In recent years, there have typically been more than 600,000 job vacancies in the economy, and each quarter around 1.5 million people, over 5% of the UK's workforce, start a new job. Typically, a little over half of those people will move into work from either inactivity or unemployment, with the remainder moving from one job to another. Most of those leaving a job do so voluntarily or due to the end of fixed-term contracts. Only a small proportion of people, around 10% of leavers, leave their job because of redundancy, and an even smaller proportion due to compulsory redundancy.

The UK's state provided employment agency service, "Jobcentre Plus" provides a range of support for those who are unemployed, aimed at enabling a swift return to work, preventing long-term detachment from the labour market, and improving the efficiency of the labour market. In an attempt to bring about a psychological change, unemployment benefits have been re-titled "job seekers allowances". So called "New Deal" programmes introduced by the state have produced reductions in long-term unemployment and economic inactivity which have been key contributors to growth of the labour supply over the past decade. New Deal programmes have been targeted at specific groups in the labour market e.g. "New Deal for Young People" and "New Deal 50+", and have played an important role in promoting growth and extending employment opportunity to a greater proportion of the population.

Rate at which claimants move off job seekers' allowance



Source: DWP and Treasury

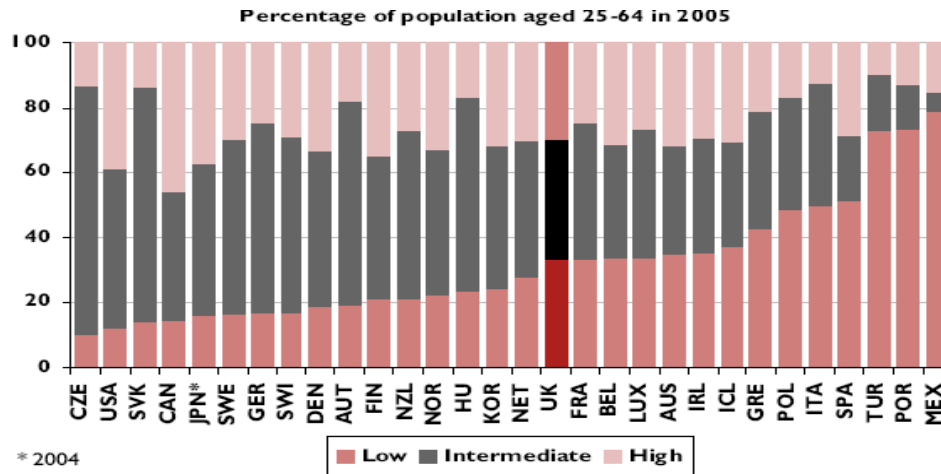
Education

The 2007 OECD report "Education at a Glance" provides evidence to contrast key findings for the United Kingdom with global trends among OECD countries, under the headings: quantity and quality challenges, equity challenges, and resource and efficiency challenges. The indicators show that, overall, educational performance in the United Kingdom remains strong, with significant progress in early childhood participation as well as an above-average graduate output in higher education, particularly in science, that accrues high labour-market returns. The UK has also increased its investment in education consistently and strategically, with more money directed to attracting better qualified teachers rather than solely into lowering class sizes. However, the data also show that progress has levelled off in recent years such that other countries now outperform the UK on a number of indicators.

Starting from a comparatively low base by OECD standards, the UK has shown consistent rises in its investment in education, not just in absolute terms, where increases were observed in most countries over recent years, but also relative to national income: Spending on educational institutions in the UK increased from 4.3% of GDP in 1990 to 5.5% in 1995 and 6.1% in 2003, although in the latest figures it has fallen to 5.9%, slightly above the OECD average of 5.8%.

Looking at the current workforce, the Leitch Review of Skills⁵ found that, although the UK skills profile has improved over the past decade, the UK does not have a world-class skills base.

Skill levels in OECD countries in 2005



Source: OECD Education at a glance 2007

UK employers invest heavily in training spending an estimated £38.9bn per year⁶. This data can be explained in the context of the above comment as only one third of employer spending results in the acquisition of a formal and recognised qualification. Increasingly employers are finding ways to formally accredit their training investment.

The UK has an “hourglass” workforce in terms of skills – with high numbers of workers with both high and low skill levels and little in the middle. The high levels of workforce participation and relatively large proportion of the workforce with low skills has contributed to the UK’s lower productivity levels, as well as having wider impacts on social welfare and inequality. Globalisation and technological change are increasing the pressures on the low-skilled, and growth in higher-skilled activities and competition from emerging markets are set to continue. In this respect, the OECD has noted that; *“Despite offshoring, employment has grown steadily and unemployment is low. But the labour market position of many low-skilled needs to be further improved”*.⁷

An innovative learning initiative that sits alongside and reinforces government programmes is the “Union Learning Representative” programme described below:

⁵ Leitch Review of Skills: Prosperity for all in the global economy – world class skills, December 2006.

⁶ <http://research.lsc.gov.uk/LSC+Research/published/ness/ness2007.htm>

⁷ OECD Economic Survey of the United Kingdom 2007

Union Learning Representatives⁸

Even when good programmes of further training and skills development exist, it appears that people who are not used to academic study are reluctant to commit themselves to any kind of training or process certifying their experience in the field.

The Union Learning Representatives (ULR) initiative developed by trade union organisations in the UK is addressing this issue in a unique way. The ULR approach is based on the trade unions' access to large numbers of low-skilled workers who have little experience of the education system.

Organised on a regional and branch basis, the ULR system relies on financial support from the government and enables the unions to appoint «representatives in charge of training» in the workplace itself. Their role is to analyse training needs, promote and supply the information the workforce requires, organise training courses and engage in dialogue with employers to implement these activities.

Unions have funds through which they can train ULRs to do their job. ULRs perform their tasks during normal working hours so that employees can contact them while they are at work. ULRs are therefore a link between workforce, employer and training agency. The close relationship between union representatives and workers, just like that between union representatives and training agencies, enables them to advise the least-qualified members of the workforce on the course(s) best suited to them.

The organisation supporting the ULR system was set up in 1998 with a grant from the government of £2.5m. Today UnionLearn has a budget of £15.5m and employs 145 people. The organisation has 20,000 trained and accredited union learning representatives.

A recent study conducted by the University of Nottingham surveyed all the ULRs and found that 85% provide information and advice and 59% arrange training courses. Around 10% of ULRs spend more than 10 hours working time per week undertaking ULR related duties but 40% spend less than one hour of company time per week and 30% use exclusively their own time. Each ULR covers on average 200 workers. More than 50% of learning representatives are women. In around one third of cases the ULRs receive active management support for their activities.

Labour costs and productivity

Productivity growth is an important indicator of economic performance. It is the key determinant of long-run growth, and together with employment growth leads to higher prosperity. The UK has had a long-standing and well-documented productivity gap with the US, France and Germany. The UK had one of the highest GDP per hour worked levels in the world at the turn of the 20th century. By 1950 it was ranked 5th (behind both the US and Australia) and by 1973, the UK had slipped to 11th, falling behind most western European countries.

⁸ For more information on this initiative see "From Voluntarism to post-voluntarism ... the emerging role of unions in the vocational education and training system" Bert Clough June 2007

The UK has made some progress over the past decade in raising the rate of productivity growth and narrowing the gap with comparator countries. Output per hour productivity growth in the current economic cycle averaged 2.4% per year, compared with 1.9% over the previous two cycles.

The historic productivity gap with comparator countries has also been reduced. On comparisons of output per hour worked, since 1997 the UK has narrowed the gap with France (from 24 index points to 17) and Germany (from 27 index points to 17), and is the only G7 country to keep pace with the US's impressive productivity performance.

Output per hour worked and per worker relative to the UK (UK France and Germany)



Source: Office for National Statistics

While a number of factors are likely to have contributed to this, including the UK's policy of openness to trade and investment, the economy's resilience and the maintenance of macroeconomic stability, improved performance has coincided with significant reform structured around the Government's productivity framework.

Foreign Direct Investment and engagement with multinationals has played an important part in raising UK productivity in recent years. FDI can impact positively on productivity in the host firm and economy by transferring technology, skills, managerial know-how, and innovation, by providing access to international markets, and by stimulating domestic investment and competition and enabling capital formation that would not otherwise have been possible. The existence of multinationals can positively affect productivity as they have a greater propensity to invest in R&D activity, which drives innovation through the development of superior technologies and products. Furthermore, the presence of foreign multinational firms can facilitate technological transfers and spill-overs of best practice to domestic firms, whilst also promoting competition.

Recent OECD estimates show that the productivity growth of manufacturing multinationals in the UK was more than 6% greater than that of their domestic counterparts between 1995 and 2001, consistent with the notion of higher R&D investment. Furthermore, the contribution of foreign firms to manufacturing productivity growth was large compared to other economies.

Export performance

The UK has a tradition of being an open economy and a strong proponent of free trade. As the table below indicates, the UK has benefited in terms of higher exports from the rapid growth in world trade over recent years. The UK has seen impressive growth in many service sector exports. Financial services and other business services in particular

have become significant contributors to overall UK export volumes in recent years. While other countries have also benefited from the technological changes that have allowed increased trade in services, UK performance has been particularly strong. According to the IMF, the UK was responsible for 8.7% of service exports in 2004, compared with Germany's 6.6% share and France's 5.1% share. The UK is the global market leader in financial services exports (24.4% of world exports) and computer services (13.7% of world exports).

UK export performance 1996 – 2006 by product and service

Service	Product	Percentage share of total exports 2006 (%)	Change in share of total exports 1996-2006 (%)
Computer and information services		1.8	1.3
Communications services		1.2	0.7
Construction services		0.2	0.1
Financial services		7.7	4.0
	Non-oil fuels	0.6	0.3
Personal, cultural and recreational services		0.5	0.3
Other business services		9.4	3.2
	Oil	6.3	1.4
	Basic materials	1.3	0.1
Royalties and licence fees		2.0	0.1
Government services		0.6	0.0
Transportation services		4.5	-0.3
	Finished manufactured goods	37.2	-4.7
	Semi-manufactured goods	17.6	-2.5
Travel services		5.0	-1.1
Insurances services		1.0	-0.2
	Food, beverages, tobacco	3.0	-2.0
	Unspecified goods	0.4	-0.5
Total services		33.7	8.0
	Total goods	66.3	-8.0

Source: Office for National Statistics Pink Book

Despite an overall fall in performance, export volumes have increased significantly in recent years in certain goods sectors. Detailed examination shows that the UK has a strong trade record in a number of smaller, more specialised manufacturing sectors. These tend to be sectors providing low volume, high-technology, specialised or innovative products which may be tailored to a specific consumer need. Examples include cultural items (art and printed materials), pharmaceuticals, aircraft components, certain chemicals (particularly pharmaceutical) and instruments.

Europe remains the most important market for UK exporters, accounting for 56% cent of total trade and 63% of British goods exports in 2006. The average value of goods exported per firm is higher for EU exports (£4.9m) than for non-EU exports (£1.0m). The great majority of UK exporters however also trade with non-EU markets. Of the approximately 70,000 UK firms who exported goods in 2007, 65,100 exported outside the EU.

Exporters and Multinational companies tend to have above average productivity, and as they expand, average UK productivity rises. Exporting also acts as a stimulus to

competition, which encourages innovation and drives up productivity. Analysis of the Community Innovation Survey (CIS4) indicates that exporters tend to be more active in R&D than other firms: approximately 26% of UK establishments export but when only manufacturing firms which are R&D active are considered, this rises to 72%. Other positive effects on UK productivity from exporting arise from increased access to new ideas and technologies and exposure to superior organisational skills which may be direct through exposure to overseas markets or inward investors or indirect via knowledge spill-overs.

The changing shape of the UK economy

Over recent years the UK economy has shifted in output and employment terms from manufacturing to services. Part of the shift in value added is due to the fact that, increasingly, firms do not consider themselves to be in 'services' or 'manufacturing' but providing solutions for customers that involve a combination of products and services. Manufacturing firms often provide both a physical product and an accompanying or complementary service. Similarly, service industries and functions are becoming more industrialised due to technological developments (e.g., ICT). The Department for Business, Enterprise and Regulatory Reform (BERR) analysis shows that between 1998 and 2006 firms switching classification from manufacturers to service providers accounted for 120,000 jobs more than those firms switching the other way. This figure, accounts for around 10% of the fall in manufacturing employment during the period. Added to this, the outsourcing of service activities like cleaning, restaurants and IT services shifts jobs and output that were once categorised as "manufacturing" into "services". Small and micro enterprises have played a key role in the restructuring of the UK economy. Young and innovative SME exporters have contributed to the flexibility which has allowed the economy to respond to economic shocks and changes to the UK's comparative advantage.⁹

Changes in domestic demand also have an important part to play in explaining the ongoing changes in the structure of the UK economy. Key features of the twentieth century were rising real incomes and increasing leisure time. Spending on consumer durables, travel and communications have grown significantly in the recent past, with spending on recreation and culture increasing by 683% between 1971 and 2004 – including a five fold increase in foreign holidays taken by UK residents.

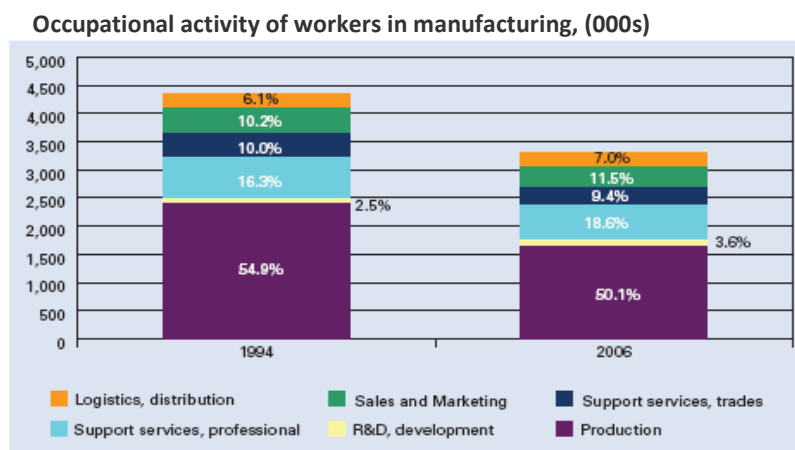
Both the UK and the global economy are likely to see rising demand for environmental goods and services (EGS) in the coming years due to both increased demand for environmental standards arising from growing real incomes and a growing international consensus regarding the economic case for action to reduce carbon emissions in response to climate change. BERR and the Department for Environment, Food and Rural Affairs (DEFRA) estimate that the UK EGS market will grow by 42% between 2005 and 2010, rising in value from £25bn to £34bn over the period. By 2015, the EGS market is expected to be worth £46bn. The sector is expected to increase from 2.0% of Gross Value Added in 2005 to 3.8% by 2015. The sub-sectors driving this growth are expected to be energy management (£2bn in 1995, rising to £7bn by 2015), renewable energy (£1bn, rising to £8bn) and waste management (£8bn in 1995, rising to £17bn by 2015).

⁹ BERR report p. 50 on Globalisation and the Changing Economy under Enterprise
<http://www.berr.gov.uk/files/file44332.pdf>

Increasingly global value chains allow intermediate products to be sourced from abroad, leading to increased exports and imports of both intermediate inputs and final outputs – offshoring. While this process has traditionally impacted manufacturing, over recent years there has been concern at a developing trend for service jobs like support services and call centres to move offshore. However, whilst the pace of service offshoring has increased since 2000, evidence suggests that the number of jobs being moved as a result of restructuring or offshoring has been limited. Even in the occupations regarded as most vulnerable to offshoring – IT and contact centres – employment growth in the UK over the period 2001 to 2004 was three times the general level of UK employment growth. There are reasons for expecting service offshoring to increase in the future. Whilst manufacturing offshoring is relatively mature, service offshoring is still a recent development.

The UK has also been a beneficiary of offshoring by overseas companies. In 2006, the UK was the second-largest recipient of FDI inflows globally and is a substantial exporter of the services – business, financial, computing, information and communications – that are most frequently offshored.

Whether as a result of increased trade or improvements in technology, UK companies have had to adapt and respond to remain competitive and take advantage of the opportunities created by globalisation- larger export markets, cheaper inputs, and improved access to technology. Within manufacturing, there have been tremendous efforts to shift towards high-technology, high-skilled areas where low-wage economies are less able to compete. While the overall fall in manufacturing employment has been well documented, within the sector, there has been a shift towards higher-skilled occupations. As the chart below shows the majority of job losses have occurred amongst production occupations, with higher-skilled occupations, including R&D and development, professional support and logistics and distribution, consequently now representing a much larger proportion of employment (R&D and development employment actually increased in absolute terms between 1994 and 2006).



Similarly (see below) qualifications data also point to considerable up-skilling, with an increasing share of those working in the manufacturing sector now holding NVQ3¹⁰

¹⁰ National Vocational Qualification level 3

qualifications and the number of employees with degrees almost doubling between 1994 and 2006.

	Proportion with NQV level 3 qualifications and above (%)		Proportion with degree or equivalent qualifications (%)	
	1994	2006	1994	2006
Production: support services, trades; logistics and distribution	42.0	48	4.8	8.7
R+D, development; support services, professional, Sales and marketing	55.1	64.1	19.8	31.7
All employed in manufacturing	45.5	53.4	8.9	16.4

Source: BERR: Globalisation and the changing UK economy, February 2008

The picture of manufacturing increasingly focusing on more specialised, higher value added areas, serving a more fragmented, global supply chain, is illustrated by developments in the UK electronics and automotive industries. The short illustration below shows how the industries have adapted to remain competitive in the new global supply chain through, for example, focusing on areas such as product development, design and systems integration, drawing on the UK's world-class academic research base.

THE UK'S ELECTRONICS AND AUTOMOTIVE INDUSTRIES

The restructuring of the UK's electronics and automotive industries in recent years helps illustrate how UK industry is continuing to respond to the challenges and opportunities of globalisation.

The UK electronics manufacturing industry, despite experiencing a decline in output since the peak of the global ICT boom in 2000, remains the fifth-largest in the world, accounting for 7 per cent of manufacturing Gross Value Added (GVA) in 2006, and 6 per cent of manufacturing employment. Similarly, the UK's automotive sector continues to employ around 180,000 people and accounted for 6 per cent of manufacturing GVA in 2006. Both sectors have transformed themselves in recent years in order to command a place in a global value chain which has been increasingly influenced by both the entry of low-wage competition and technological change which has changed the nature of the production process and facilitated the fragmentation of the supply chain.

The global electronics sector, in particular, has been transformed by the increased separation of activities into modules which, in turn, has been made possible by rapid progress in standardisation, and in the development of interfaces for both production stages and components, based upon common protocols. The outsourcing to low-wage economies of electronic hardware, particularly components, is especially attractive given the high value-to-bulk ratios for these goods.

The ability to standardise has given rise to the growth of specialist electronic manufacturing services (EMS) firms who increasingly manufacture on behalf of so-called original equipment manufacturers (OEMs) such as IBM, Hewlett Packard and Ericsson. Such contracting out allows OEMs to focus on high value added activities such as design and marketing, while the EMS firms, who often supply to numerous competing OEMs, can exploit huge global economies of scale which have facilitated continuing productivity improvements and falling global prices for semiconductors and circuit boards. In response to these forces, the UK electronics industry has increasingly focused on the product development, design, systems integration and process control stages of the supply chain, supported by a world-class academic research base. The UK accounts for over 40 per cent of Europe's independent electronic design by turnover, with many small, innovation-intense companies, some of which have global reputations in their niches. Alongside this, the UK has continued to prosper in low volume, high skill, bespoke

areas, for example the scientific and precision engineering sector, where specialised technologies and highly bespoke products, often customised to small local markets, mean that pressures towards vertical integration and restructuring have not been so prevalent. Finally, supply chain disintegration has led to an increased role for global logistics operations, including localisation (which ensures the product is customised and packaged to meet local requirements), inventory control and distribution, with the UK playing a particularly active role.

The auto industry is the historical leader in terms of the development of a highly detailed division of labour, process efficiency, outsourcing, and supply chain restructuring.

As in the electronics sector, modularisation has played a key role in reducing complexity and facilitating supply chain restructuring in auto manufacturing. Global supply chains have evolved whereby vehicle manufacturers (OEMs) tend to focus on product development and design, assembly and marketing while buying in raw materials, a high proportion of components, subassemblies and systems, specialist electronic technologies, and design and engineering services. Vehicle manufacturers tend to be supplied by a three tier supply chain:

Tier 1 firms supply whole systems directly to OEMs. They design and manufacture complex systems and modules such as powertrain, interiors and bodywork and can integrate a wide range of products and services including R&D and product development. Tier 2 firms, on the other hand, supply minor sub-assembly components or support services to tier 1 suppliers or OEMs. Tier 3 firms supply raw materials, generic components and services usually to higher tier firms. Some tier 3 firms, such as materials suppliers, can be large multi-nationals, while others, including component suppliers, tend to be smaller local operations.

Within this framework, first tier suppliers no longer just supply components and sub-systems, but have increasingly become partners in the innovation and production processes of vehicle manufacturers, carrying out about half of all auto R&D activity in leading auto manufacturing countries. OEMs recognise that they do not necessarily have all the knowledge and expertise needed to construct modern cars on their own.

But developments in the auto supply chain have not had as radical implications in terms of vertical integration as for the electronics industry. This is in part because labour costs are not a predominant component of cost in this highly capital-intensive industry. Even where low cost economies do enjoy absolute cost advantages, relatively high transport costs as a proportion of production costs may mean these advantages do not translate into increased trade between regions. Moreover, the functionality of electronic products is largely delivered via electronic technology, whereas a car has to integrate diverse components and fundamentally different technologies. Innovation in vehicle design is increasingly dependent on electronics and software control systems, which have to be integrated with mechanical components.

Within the UK, more than 40 companies manufacture vehicles, ranging from volume car and van makers, to specialist niche players manufacturing high value and luxury vehicles. In addition, there are over 2,600 companies involved to some extent in the supply chain. While overall employment in the UK automotive industry has fallen in recent years, in line with many OECD economies, there are many positive stories regarding the UK auto sector's response to globalisation. For example, Ford now sources 25 per cent of its global engine requirement from the UK, with its Dagenham site now its global diesel engine centre of excellence. Elsewhere, Nissan Sunderland's plant has become Europe's most productive car plant, while Toyota (Burnaston) and Honda (Swindon) are also in Europe's top 10 most productive car factories. The UK's volume truck builder, Leyland Trucks, operates one of Europe's largest and most advanced plants at Leyland.

Source: BERR: Globalisation and the changing UK economy, February 2008

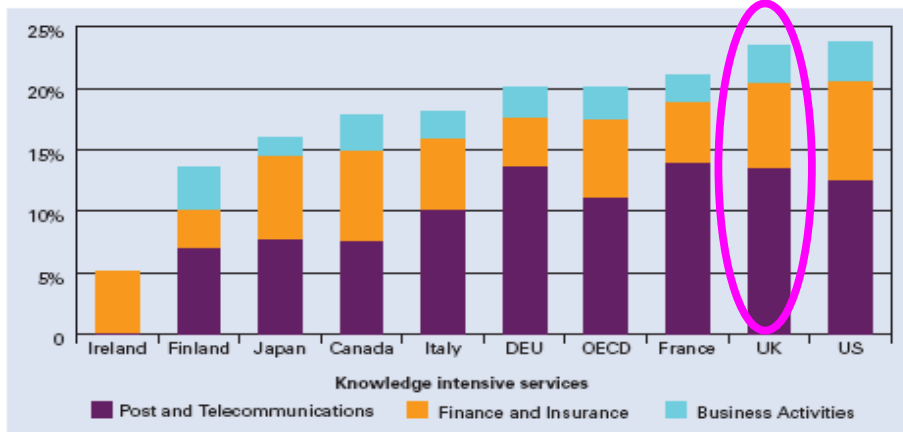
The growth in the production and export of knowledge-intensive services is related to the ongoing transformation in manufacturing, discussed above. The Work Foundation¹¹ argues that manufacturing is itself responsible for the UK's success in exporting

¹¹ Brinkley, I (2007) *Trading in Ideas and Knowledge*, The Work Foundation

knowledge services, with the manufacturing sector generating additional technical business services, royalties and licenses and trade-related jobs.

The expansion of the UK's service sector has risen not solely through domestic demand, but through a focus on tradable, knowledge-intensive services in which low-wage economies with less skilled labour are unable to compete. The chart below shows that the UK has a greater proportion of value added arising from knowledge-intensive services (or high-growth services as the OECD describes them) than any other major OECD economy except the US.

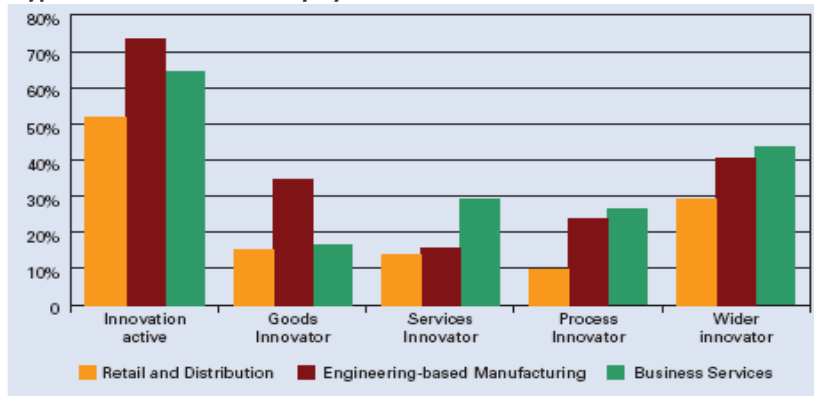
The sectoral composition of output (% of total value added, 2003)



Source: OECD Economic Survey of the UK

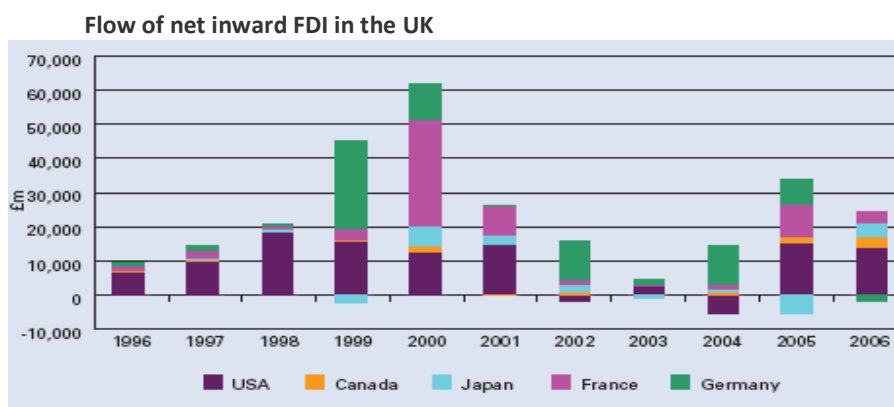
Knowledge-intensive services go hand-in-hand with increased innovation in services. The latest data from the Community Innovation Survey suggests that business service firms have a high proportion of innovation active firms – over 60% (see below), only slightly lower than in engineering-based manufacturing. Business services are particularly strong service and process innovators and also score highly as ‘wider innovators’, which includes firms who have made major changes in management practices, business structure, and organisation or marketing strategy.

Types of innovation activity by business services firms



Source: Community Innovation Survey (2005)

The UK continues to be an attractive destination for inward investment. The following chart shows that while flows into the UK fell following the end of the dot-com boom at the start of the century, they have since recovered. The US remains by far the single most important source of inward investment, although its share has fallen over the past 10 years. The EU25's share over this period has risen, to over 50% in 2006, highlighting its importance as a source of FDI. In 2006, the UK was the second only to the US in terms of FDI inflows.



Source: Office for National Statistics

In terms of multinational business activity, in manufacturing, 35% of turnover is attributable to foreign owned firms – the second-highest share amongst the G7 economies. The proportion of workers employed by foreign multinationals is approximately 20% in manufacturing. Within services, the figure is under 10%, although there is a substantial variation within sub sectors. Multinational business activity is particularly high in the wholesale and retail trade, with approximately 30% of employees working for foreign companies.

The impact of private equity companies

The private equity industry has become an extremely important player in the UK economy and private equity companies have been at the heart of a number of major restructuring exercises. Since 1984, the amount invested by the UK private equity industry into UK businesses totals over £70 billion in around 25,000 companies. The UK private equity industry continues to be the largest and most developed in Europe, and second only to the USA in world terms, accounting for 57% of total European private equity investment in 2006¹².

Whilst UK private equity companies employ around 3 million workers and have turned in impressive financial results, trade unions have been extremely critical of the industry. It is claimed¹³ that by their very nature, private equity firms cannot have a long-term perspective that recognises the rights and interests of workers. It is suggested that they see the workplace as a “bundle of assets” to be manipulated and squeezed for as much

¹² For a summary of private equity data see <http://www.bvca.co.uk/doc.php?id+873>

¹³ International Union of Foodworkers : A Worker's Guide to Private Equity Buyouts 2007

cash as possible in the shortest time before they “dispose” of their investment. Trade unions also claim that the private equity industry benefit from unfair taxation supports as compared to other industry and services sectors. In direct contrast it is the view of the CBI that private equity offers a valuable alternative model of company ownership which closely aligns the interests of business owners and business managers and allows long term strategic decision to be taken which deliver a track record of both job and wealth creation¹⁴.

Restructuring and the public sector in the UK

The first European country to pursue a policy of aggressive restructuring of the public sector was the United Kingdom. A conditionality for International Monetary Fund support during the country’s economic crisis of the early 1970’s was the control of public spending. At an early stage privatisation was applied to virtually all previously nationalised industries including coal, iron and steel, oil and motor manufacture. Following this, public utilities including telecommunications, water, gas, electricity and railways were privatised. The only remaining utility in public ownership is the UK postal service “The Royal Mail”. The experience of the privatisation of previously nationalised industries and services in the UK has been a mixed one, with the privatisation of the railways generally perceived as having been poorly managed and ultimately leading to a re-nationalisation of track operation and maintenance. Although the definition public service or public sector is nowadays largely reserved for services such as health, education and local and central government services, this has not meant that the debate around what should be the universal service obligation of marketised utilities has been undermined entirely. This is demonstrated by recent discussions regarding the responsibilities of public utilities in relation to “fuel poverty” and the widespread anger over the closure of post office branches.

Public sector restructuring has also included public administration where the government has aimed to improve productivity and customer service. The process has focused on the application of a wide range of targets and indicators on public administration services. Change in public administration has been what is often described by public sector employers as “transformational” restructuring, that is encouraging the same employees “to do more and better with less”.

As an example, the Local Government Act, 1999 requires each local authority to “secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.” In guidance from central government accompanying the new legislation, local authorities are encouraged to plan for a diversity of service provision arrangements, rather than to assume that in-house provision should always be the preferred option. The basic approach was summed up by what became known as the 4 Cs: challenge, compare, consult and compete. The guidance encouraged authorities to “challenge why, how and by whom a service is being provided. Secure comparison with the performance of others across a range of relevant indicators, taking into account the views both of service users, partners and the wider business community in the setting of performance targets. Use fair and open competition wherever practicable as a means of securing efficient and effective services.”

¹⁴ CBI press release 15 May 2007 “Private Equity should be nurtured not demonised”

The Best Value principles are underpinned by various instruments of central control: performance indicators; external inspection and evaluation; and central government financial targets. For each service, national Best Value Performance Indicators (BVPIs) are defined. These set a wide range of detailed, practical performance benchmarks like:

- ◇ The percentage of pupils above a particular test standard in mathematics;
- ◇ The number of over-65s assisted to live at home per 1,000 population;
- ◇ The proportion of rent collected from social housing tenants;
- ◇ Passenger journeys on buses per year.

In addition to such service-related BVPIs, there are corporate benchmarks, like the proportion of black and ethnic minority employees in the local authority's workforce and the sickness absence rate. Each year, the figures for each local authority are published. The general objective is for those authorities below the upper quartile for a particular BVPI to move as quickly as possible to that level; and for those already at or above that level to improve their position anyhow, so as to reinforce the achievement of continuous improvement.

Based partly on the BVPI results and partly on inspection visits, the independent Audit Commission annually publishes its overall CPA (Comprehensive Performance Assessment) rating of each council, as being in one of the five categories of: *excellent*, *good*, *fair*, *weak* and *poor*. These ratings are based on assessments of corporate governance, use of resources (i.e. value for money) and service delivery.

Alongside this detailed external monitoring of performance the Government expects local authorities to produce continuous efficiency savings through productivity improvements. When the present Government came to power in 1997, the initial assumption was that there would be annual efficiency savings of 2% a year and this was built into the calculations for the amount and distribution of central government grant. More recently, the emphasis has been on releasing 2.5% of spending a year either for redistribution to front-line services or to keep overall spending within the limits that the Government judges to be politically acceptable. The framework for this is the *Gershon report*. This applies to all parts of public administration in the UK. Managers are encouraged to look for savings both through productivity improvements specific to their own situation and through the application of horizontal disciplines, such as better use of time (in particular through less sickness absence); smarter procurement; reduced transaction costs and sharing corporate services.

A report prepared last autumn by the *Local Government Association* (LGA) summarises overall performance in the sector. It is clear that the sector's overall performance as rated by the Audit Commission is steadily improving: In 2005 55.4% of local authorities were *excellent* or *good*, as opposed to 50.7% on less stringent criteria in 2002. In 2005 13.9% of councils were rated as *weak* or *poor* as opposed to 23.4% in 2002. In relation to *efficiency savings*, last year the local government sector achieved its cumulative target of savings of £3 billion a year earlier than planned. A review of BVPIs between 2000/1 and 2004/5 showed strong evidence of overall improvement in 44% of the performance indicators and evidence of improvement *every year* in relation to 29% of the indicators.

The “Best Value” approach is also being applied to central government services, which have seen significant staff reductions, either through “real” cuts or the establishment of arms length agencies managed independently and at a more decentralised level.

In the health services, the process of transformation has been impacted by changes in legislation (such as the European Working Time Directive) but also by the desire to create a more effective and efficient decentralised health service capable of meeting government targets, for example through the creation of internal markets and changes in health care delivery structures.

One of the most interesting features of reform in the public services has been the remodelling of job profiles to meet new requirements. The introduction of classroom assistants in the education and the development of the role of nurse practitioner in the NHS are examples of ways in which service planning and delivery has been adapted to make the best possible use of public resources.

Section two - The role of the UK social partners in restructuring

Summary

Around a quarter (28%) of UK employees are trade union members. Trade union density is much higher in the UK public sector (59%) than the private sector (17%). There is one central trade union confederation in the UK, the TUC, which is member of ETUC.

The peak employers’ organisation in the UK is the Confederation of British Industry. The CBI represents its members on a wide range of business related issues and industrial relations is just one of the matters upon which the organisation works to influence the UK Government. The CBI also represents “the voice of UK business” in international organisations like the EU, the OECD, the World Trade Organisation and the International Labour Organisation. CBI is a member of BUSINESSEUROPE. Public service employers in the UK (health, education, local and central administration and to some degree transport) are represented by CEEP UK.

The traditionally voluntary approach to industrial relations in Britain has meant that until recently there has been no significant attempt on the part of government to provide a legal framework in which private sector collective bargaining may operate and through which different levels of bargaining may interact with each other. Following a long period where the UK governments did little or nothing to support trade union organisation, after its election in May 1997, the new Labour government made a number of important changes to industrial relations including the establishment of the Low Pay Commission and the re-establishment of minimum wages at the national level and the introduction of a statutory union recognition procedure for all firms employing more than 20 workers.

Today collective bargaining in the UK is predominantly undertaken at the enterprise level and bargaining coverage is estimated to be in the range 31-40%. Both the nature and coverage of collective bargaining differs from the more typical EU15 model of national or sectoral bargaining with its consequent higher bargaining coverage. In the private sector, pay fixing is primarily undertaken by the employer, sometimes in consultation with

employee representative bodies. Collective bargaining in the public sector is significantly higher than in the private sector. Bargaining levels in the public sector, education, utilities and healthcare are twice the level that exist in many areas of the private sector.

The UK has a comprehensive framework of laws governing the provision of information to, and the consultation of, employee representatives in the event of restructuring. The laws are based primarily on EU Directives passed between the mid 1970s and 2002 dealing with collective redundancies, transfers of undertakings and information and consultation. The legal flexibility in which consultation takes place is significantly higher than in much of the rest of Europe and a series of structural “options” exist.

In 2006¹⁵ half of UK firms (51%) with 50 – 199 employees; two thirds (65%) of those with 200-499 employees, 61% of employers with 500 – 4,999 employees and 85% of companies with more than 5,000 staff had established information and consultation forums under the 2002 laws enacted in the UK in 2004. Research commissioned by BERR, Advisory Conciliation and Arbitration Service (ACAS) and the Chartered Institute for Personnel and Development (CIPD) and conducted by the Industrial Relations Research Unit (IRRU) at Warwick University¹⁶, shows that employers appear to be “engaging seriously” with new information and consultation arrangements. However, reported instances of I+C bodies influencing management decisions or their implementation are sparse, and employee awareness of the existence and role of I&C bodies is low, which might suggest that many of the I+C arrangements now in place are “management –driven” initiatives designed to control the impact of the I+C Regulations.

The social partners were asked to consider the following questions;

1. In the UK system of social dialogue it appears to the outsider that the peak organisations are more lobbyists than “bargainers” in the European tradition. How does the social partnership work?
2. How effective have the recent changes in the legislative framework covering social dialogue (minimum wages, trade union recognition and information and consultation laws) changed the nature of relationships between trade unions and employers at the company and national level?
3. Perhaps surprisingly, given the enterprise focus of restructuring discussions, the UK falls in the higher quartile of flexicurity countries and employees seem to be less concerned about losing their jobs than they are in many countries. How does this system work?
4. How effective is the new “soft social dialogue” at national level and what is its future?

¹⁵ 2006 Employment Trends Survey : CBI

¹⁶ *Implementing information and consultation: early experience under the ICE Regulations* by Mark Hall, Sue Hutchison [University of West of England], Jane Parker, John Purcell and Mike Terry

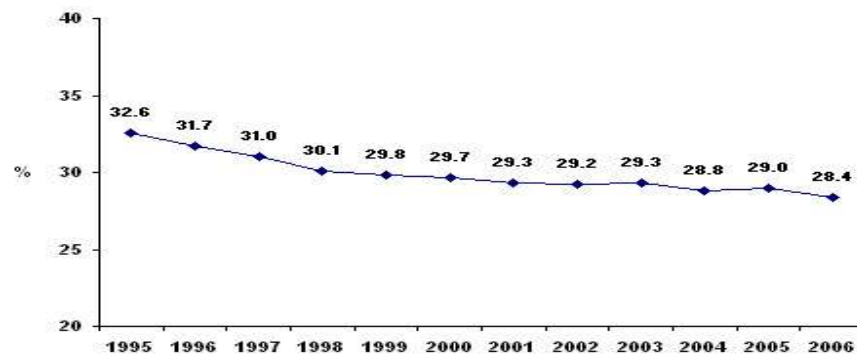
The UK Social Partners

Trade Unions

There are 7.6m union members in the UK, according to figures provided by the unions themselves, almost all in employment. Figures from the annual Labour Force Survey, which excludes non-working members, show a total of 7.2m in 2006, of which 6.9m are employees. This is equivalent to 28.4% of all employees. The Labour Force Survey shows that trade union density is 58.8% in the public sector and 16.6% in the private sector (2006 figures). The public/private division explains why a higher proportion of women are union members than men (29.3% as opposed to 27.0%) as a higher proportion of women work in the public sector.

UK Trade unions lost membership heavily during the 1980s and the first half of the 1990s, largely because of changes in legislation, the structure of industry and the UK workforce. Over the period 1979 to 1999, trade union density halved from around 60% to 30%. Since 1999 the loss of members has stopped and since 2001 the proportion of employees who are union members has remained stable at around the 30% level.

Trade union density in the UK



Source: *Trade Union Membership 2006*, London: DTI, 2007, p.12.

There is only one central trade union confederation in the UK, the TUC, which is member of ETUC. The vast majority of the UK's trade union members (6,463,000) belong to the 61 unions affiliated to the TUC. Unions operating in both Britain and Northern Ireland are often also affiliated to the Irish Trade Union Confederation, ICTU (through the Northern Ireland Committee of the ICTU).

The main roles which the TUC performs on behalf of its affiliates can be categorised as follows¹⁷:

- ◇ Bringing the UK unions together to draw up common policies;
- ◇ Lobbying the Government to implement policies that will benefit people at work;
- ◇ Campaigning on economic and social issues;
- ◇ Representing working people on public bodies;

¹⁷ www.tuc.org.uk

- ◇ Representing UK workers in international bodies, in the European Union and at the UN employment body - the International Labour Organisation;
- ◇ Undertaking research on employment -related issues;
- ◇ Providing an extensive training and education programme for trade union representatives;
- ◇ Helping unions develop new services for their members;
- ◇ Helping unions avoid clashes with each other;
- ◇ Building links with other trade union bodies worldwide.

Around 60% of all UK trade union members are in the three largest unions, which have grown over recent years through a series of mergers.

- ◇ The largest union in the UK is Unite, formed in May 2007 through the merger of the previously second and third largest unions Amicus and the Transport and General Workers Union. It has 1,977,000 members (calculated on the basis of the membership of the two unions in January 2006) and they work in almost every sector of the economy, including motor manufacturing, printing, finance, road transport, and the health service. Unite is stronger in the private than the public sector, but nonetheless has around 200,000 members in public services. Unite is currently in negotiation with the US union, USW (United Steelworkers) with a view to the establishment of the first ever transatlantic union;
- ◇ UNISON, the second largest union with 1,317,000 members, primarily has members in the public services, although as a result of privatisation and subcontracting, has substantial membership in private companies;
- ◇ The third largest union is the GMB, with 575,000 members. Like Unite it is a general union with members in a number of industries, although they are more likely to be manual workers. The GMB was initially part of the merger discussion which led to the creation of Unite, pulling out of discussions in 2006 and deciding to remain independent.

Other TUC affiliated unions are smaller and are more linked to specific industries and occupations. They are:

- ◇ USDAW representing shop and distributive workers (341,000 members), which primarily organises shop workers but has members in other areas;
- ◇ PCS representing public and civil servants (312,000 members), which organises civil servants;
- ◇ Two teaching unions, the National Union of Teachers (NUT) (255,000 members) and the National Association of Schoolmasters and Women Teachers (NASUWT) (248,000 members); and
- ◇ The Communication Workers Union (CWU) (244,000 members), covers postal and telecommunications workers in non-management grades.

Individual TUC affiliated unions are independent in terms of their decision-making, although the TUC is currently the main channel for discussions with government and international representation.

There are only two significant unions, in terms of membership, which are not affiliated to the TUC – or any other body – and these are the Royal College of Nurses (RCN), which organises nurses and has 391,000 members, and the British Medical Association (BMA), which organises doctors and has 137,000.

Around half the membership of the TUC belongs to unions which are affiliated to the Labour Party, although the TUC itself is not a member. Affiliated unions are the largest source of Labour Party funds, accounting for more than 60% of its income. As a result of rule changes, however, unions now have less formal influence on Party policy than they had in the past.

Employers' Organisations

The peak employers' organisation in the UK is the Confederation of British Industry. The CBI represents its members on a wide range of business related issues and industrial relations is just one of the matters upon which the organisation seeks to influence the Government and international organisations like the EU, the OECD, the World Trade Organisation and the International Labour Organisation. CBI is a member of BUSINESSEUROPE. The organisation describes itself as "the voice of UK business" on tax competitiveness, skills, climate change, infrastructure, regulation and public service transformation.

The CBI speaks on behalf of 240,000 businesses that together employ around one third of the private sector workforce. At the extremes of size 80 of the leading companies quoted on the London stock exchange, the FTSE100, are members, as are 200,000 small and medium sized companies and 150 sectoral employers' associations. The CBI is recognised by government as its main interlocutor with business.

The UK Certification Officer reports that there are some 90 employers' associations on the official list and his office is aware of some 84 further unlisted associations. As with trade unions, there is considerable concentration of membership in a small number of associations. The 28 employers' federations with more than £2 million of annual income (of which 5 are unlisted) represent 92% of the income of all listed employers' associations and 87% of the income of all employers' associations, listed and unlisted.

Traditionally, sectoral employers' associations performed an important collective bargaining role, but the decline of multi-employer bargaining in the UK in the 1980's has meant that this role has almost disappeared. Employers' associations perform a range of functions for their members (i.e. individual companies), many of which are outside the arena of industrial relations entirely. Within the area of collective bargaining, most associations will offer advice to members, both on legal and non-legal aspects of industrial relations. The most active organisations (measured by size of income) are in the engineering industry, construction, printing, newspapers and transport.

Public service employers (health, local and central administration, education and to some extent transport) are represented by CEEP UK, the UK national section of CEEP.

Collective Bargaining

Background

The traditionally voluntary approach to industrial relations in Britain has meant that until recently there has been no significant attempt on the part of government to provide a legal framework in which private sector collective bargaining may operate and through which different levels of bargaining may interact with each other. The level at which collective bargaining operates has changed over time and with significant consequences for industrial relations. The move from sectoral bargaining in the 1980s to enterprise level bargaining today has arisen as a result of the changing practices of the bargainers against a background of legal and structural change, not from changes in a specific “bargaining related” legal framework.

Following a long period where the UK governments did little or nothing to support trade union organisation, in fact the opposite, after its election in May 1997, the new Labour government made a number of important changes to industrial relations;

- ◇ The establishment of the Low Pay Commission and the re-establishment of minimum wages at the national level;
- ◇ Statutory union recognition procedure for all firms employing more than 20 workers;
- ◇ Relaxation in what had been extremely restrictive strike balloting procedures;
- ◇ Introduction of striker protection against dismissal.

These laws offered significant new support to collective bargaining: Firstly, by the provision of statutory trade union recognition machinery. Secondly, legislation supporting the right to strike can be interpreted as an institutional support mechanism for collective bargaining. The trade union recognition provisions of the Employment Relations Act 1999 have been officially summarised in the following terms¹⁸:

“The Act establishes a new statutory procedure, which took effect on 6 June 2000, for the recognition of independent trade unions in organisations employing 21 or more workers, if that is the wish of a majority of the workforce. The procedure seeks to encourage voluntary agreements where possible. If employers and unions cannot agree, the Central Arbitration Committee (CAC) will decide the appropriate bargaining unit and whether the union should be recognised, and – if necessary – will impose a legally binding procedure for bargaining about pay, hours and holidays. The Act also provides for changes in the bargaining unit and for the de-recognition of unions and protects workers against detriment or dismissal for exercising their rights under the Schedule”

Today collective bargaining in the UK is predominantly undertaken at the enterprise level and bargaining coverage is estimated to be in the range 31-40%. Both the nature and

¹⁸ Department for Trade and Industry 1999 “summary of legal provisions of the Employment Relations Act”

coverage of collective bargaining differs from the more typical EU15 model of national or sectoral bargaining and a consequently higher bargaining coverage (see below). The incidence of collective bargaining today in the UK is similar to that in some of the EU's new Member States.

Importance of collective bargaining levels in 9 EU member states and indicative share of workforce covered by collective agreements, 2003

	National	Sector	Company	Coverage
Belgium	***	**	*	91-100%
Denmark	*	***	**	81-90%
Finland	***	**	*	81-90%
Germany	-	***	*	61-70%
Hungary	***	*	*	31-40%
Netherlands	*	***	*	81-90%
Poland	-	*	***	41-50%
Spain	**	**	**	81-90%
United Kingdom	-	-	***	31-40%

Note: *** very dominant, ** moderate dominant, * not dominant, - absent
Source: Keune, 2006,

Collective bargaining in the public sector is significantly higher than in the private sector. The table below illustrates bargaining levels in the public sector, education, utilities and healthcare being twice the level in many areas of the private sector. In the majority of UK private sector companies employers set wages either independently or in consultation with alternative forms of employee representation. Private sector bargaining is also higher in manufacturing, privatised utilities and finance (banking and insurance). The illustration below offers a European sectoral comparison of collective bargaining coverage.

Bargaining coverage (%), breakdown by country and industry, 2004 – 2006

	Belgium	Denmark	Finland	Germany	Hungary	Netherlands	Poland	Spain	UK
Agriculture	68	87	na	56	50	88	60	70	23
Manufacturing	82	91	91	64	78	80	18	73	28
Utilities	90	96	100	73	90	88	59	78	56
Construction	69	92	90	46	45	92	0	57	11
Wholesale/retail	65	72	84	49	39	79	4	62	14
Hotels, rest., catering	72	68	87	55	41	93	0	62	13
Transport, commun	82	93	88	70	91	80	27	76	40
Finance	88	86	96	78	74	71	6	89	28
Other comm.services	65	61	82	30	57	46	8	64	15
Public sector	69	98	96	86	59	97	9	85	83
Education	82	92	95	69	76	90	23	75	59
Health care	90	93	97	63	75	95	21	79	42
Other	77	86	77	50	55	70	19	63	26

Minimum Wage Laws

The Low Pay Commission (LPC) is an independent statutory non departmental public body set up under the National Minimum Wage Act 1998 to advise the UK Government about the National Minimum Wage. The permanent status of the Commission was confirmed by Government in 2001. There are nine members of the Commission drawn from a range of employee, employer and academic backgrounds. Although the Commissioners are drawn from the UK social partners and academia, their terms of reference define that they serve in an individual capacity and not as representatives of the organisations for which they work.

The UK has now had a minimum wage for nine years. In March 2008 the government accepted the Low Pay Commission recommendation to increase the adult minimum wage rate from £5.52 to £5.73 an hour with effect from 1 October 2008. At the same time the Youth Development Rate will rise from £4.60 to £4.77 an hour and the minimum wage for 16–17 year olds will increase from £3.40 to £3.53 an hour.

The role of the social partners in restructuring

Restructuring and the law

The UK has a comprehensive framework of laws governing the provision of information to, and the consultation of, employee representatives in the event of restructuring. The laws are substantially based on EU Directives passed between the mid 1970s and 2002 dealing with collective redundancies, transfers of undertakings and information and consultation.

Collective redundancies

The *Trade Union and Labour Relations (Consolidation) Act 1992* requires employers in certain circumstances to consult employees about collective (i.e. mass) redundancies, either through elected representatives or recognised trade unions. These obligations are in addition to the basic obligations on an employer who is effecting redundancies to act reasonably in all circumstances and to follow a fair procedure. The detailed regulations covering information and consultation during collective redundancy processes are set out in the *Collective Redundancies and Transfer of Undertakings (Protection of Employment) (Amendment) Regulations 1999*.

The duty to consult on a collective basis with appropriate representatives applies where an employer is proposing to make 20 or more employees at one establishment redundant within a period of 90 days or less. Consultation must begin in good time (i.e. sufficiently early to allow meaningful consultation to take place) and in any event not later than the following minimum periods before the first dismissal takes effect:

- ◇ 30 days where between 20 and 99 redundancies are proposed at one establishment; or
- ◇ 90 days where 100 or more redundancies are proposed at one establishment.

The obligation is to consult with appropriate representatives of affected employees. Appropriate representatives are defined as:

- ◇ *trade union representatives* – if the employer recognises any independent trade union in respect of employees who are affected by the redundancy proposals, consultation must be with the trade union representatives;
- ◇ wherever there are employees affected who are not covered by trade union recognition, the employer must consult either:
 - a *standing committee of employee representatives* who have been appointed or elected by employees affected by the redundancy proposals and who, having regard to the purposes and the method by which they were appointed or elected, can be regarded as authorised by those employees to be consulted on their behalf; or
 - an *ad-hoc committee of employee representatives* elected by the affected employees to be consulted over the redundancy proposals.

The employer must provide the following information on the:

- ◇ reasons for the proposals;
- ◇ number and description of employees whom it is proposed to make redundant;
- ◇ total number of employees of any such description employed by the employer at the establishment in question;
- ◇ proposed method of selecting the employees who may be dismissed;
- ◇ proposed method of carrying out the dismissals with due regard to any agreed procedure, including any period over which the dismissals are to take effect; and
- ◇ proposed method of calculating any non-statutory redundancy payments.

The employer must consult with the representatives with a view to reaching agreement about ways of:

- ◇ avoiding the dismissals;
- ◇ reducing the number of employees to be dismissed; and
- ◇ mitigating the consequences of the dismissals.

Transfer of undertakings

The *Transfer of Undertakings (Protection of Employment) Regulations* or TUPE (and its parent European legislation, the *Acquired Rights Directive*) require, amongst other things, the employer to consult representatives of employees wherever there is a transfer of an undertaking or business (or part) from one employer to another.

The information and consultation requirements under TUPE are similar to those described in more detail above relating to collective redundancies. Under TUPE, both the old and the new employer have duties to inform and potentially to consult with elected representatives in relation to employees who may be affected by the transfer or by measures taken in relation to it. If the employer recognises a trade union, it

must consult with that union. If no union is recognised, employee representatives must be elected.

The employer must inform representatives of the:

- ◇ proposed transfer, including approximately when it is to take place and the reasons for it;
- ◇ legal, economic and social implications of the transfer for the affected employees ('economic' includes loss of future pension rights);
- ◇ measures the former employer envisages it will take in relation to the affected employees or the fact that no measures will be taken; and
- ◇ measures that the new employer envisages it will take in relation to the transferring employees or the fact that no measures will be taken.

The former employer and the new employer have a duty to consult the representatives if either anticipates that it will take measures in relation to employees. Consultation must involve considering any representations made and replying to any such representations, stating reasons in the event that any such representations are rejected. The TUPE regulations do not set out a definite timescale. The duty to inform must be undertaken 'in good time' to allow for any necessary consultation between the parties and the representatives to take place before the date of transfer.

Information and Consultation

The UK passed new "framework laws" known as the *Information and Consultation of Employees Regulations 2004* requiring employers to consult with employees on an ongoing basis to keep them informed of potential changes to employment and of developments affecting the employer's activities and economic situation. These laws brought the UK broadly into line with arrangements elsewhere in Europe on the establishment and running of Work Councils.

To set up an information and consultation arrangement, a written request must be made by at least 10% of the employees in the undertaking subject to a minimum of 15 and a maximum of 2,500 employees. Arrangements are to be negotiated at the level of the undertaking with a guaranteed minimum provision to be applied in the absence of agreement. The Regulations are comparatively non-prescriptive in relation to the substantive content of a negotiated agreement. The negotiating parties can determine this, provided the agreement complies with certain minimum specified criteria. If the company and employee representatives fail to reach agreement, the "standard" information and consultation arrangement must be established.

In 2006¹⁹ half of UK firms (51%) with 50 – 199 employees; two thirds (65%) of those with 200-499 employees, 61% of employers with 500 – 4,999 employees and 85% of companies with more than 5,000 staff had established information and consultation forums.. Research commissioned by BERR, ACAS and the CIPD, and conducted by the IRRU at Warwick University²⁰, shows that employers appear to be "engaging seriously" with new information and consultation arrangements. The report presents initial findings from case study research concerning the employee information and consultation (I&C)

¹⁹ 2006 Employment Trends Survey : CBI

²⁰ *Implementing information and consultation: early experience under the ICE Regulations* by Mark Hall, Sue Hutchison [University of West of England], Jane Parker, John Purcell and Mike Terry

arrangements of a range of different organisations in the changed legal context established by the UK's Information and Consultation of Employees Regulations 2004. The research finds considerable variation in the nature and operation of the case study organisations' I+C bodies. The evidence suggests that senior managers are engaging seriously with the I+C bodies, and that some significant issues have been discussed.

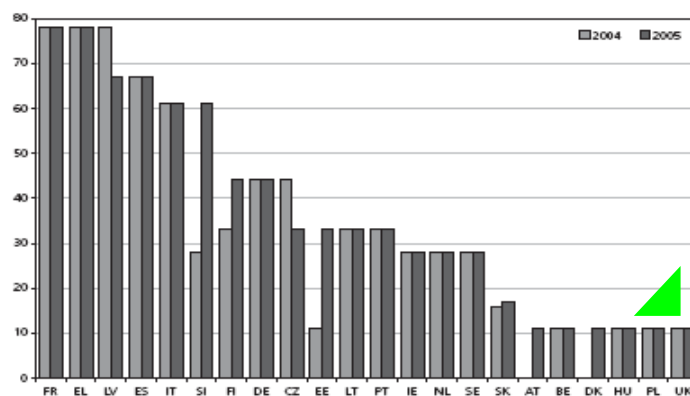
However, reported instances of I+C bodies influencing management decisions or their implementation are sparse, and employee awareness of the existence and role of I&C bodies is low, which might suggest that many of the I+C arrangements now in place are "management –driven" initiatives designed to control the impact of the I+C Regulations²¹.

In the UK, unlike other EU Member States (in the "old" 15) there is no obligation on an employer to produce a "social plan" when a corporate restructuring project involves job losses. Although many larger companies do establish arrangements to facilitate job transitions through the offering of training and job search advice, in many cases information and consultation – and negotiations – in the UK tend to be about the level of compensation to be given to those employees losing their jobs. The enterprise by enterprise conduct of engagement with the social partners, and the variety of bodies consulted, mean that the quality of consultation and the assistance offered to employees facing restructuring varies. There are "world best in class" restructuring examples available, some described in the CBI PROBE (promoting Business Excellence) service, alongside "legal minimum based" approaches to be found in companies of the same size and in the same sector.

Some commentators suggest that as redundancies are handled very differently in the UK than elsewhere in the EU, it makes it easier and cheaper to dismiss UK workers than their European counterparts. Others believe that current procedures work well, and that any attempt to introduce more demanding information and consultation procedures would be inimical to the employment generating potential of the UK's labour market.

It is clear that the UK's current labour regulations make both the hiring and dismissal of workers easier than in any other country in the European Union (see below).

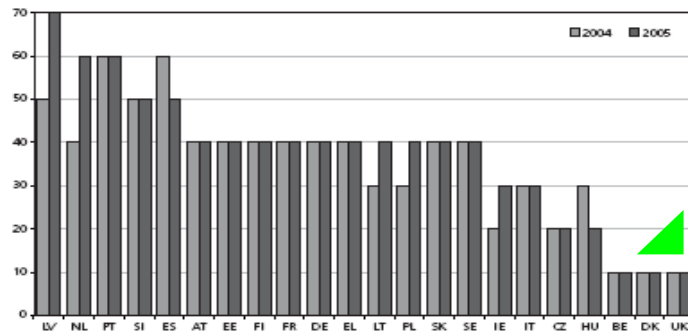
Figure 1 Difficulty of hiring index, by country, 2004 and 2005



Source OECD employment outlook 2004

²¹ www.berr.gov.uk/employment/research-evaluation

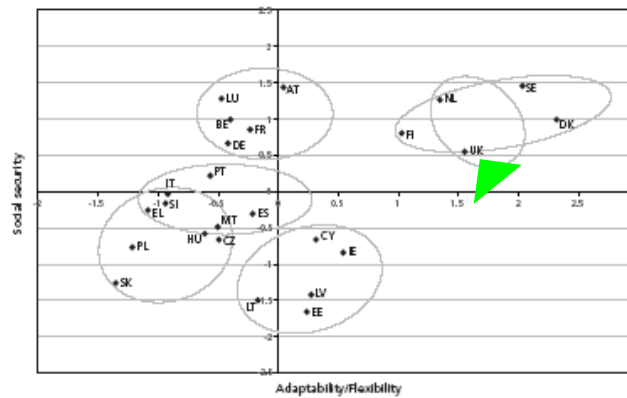
Figure 2 Difficulty of firing index, by country, 2004 and 2005



Source OECD employment outlook 2004

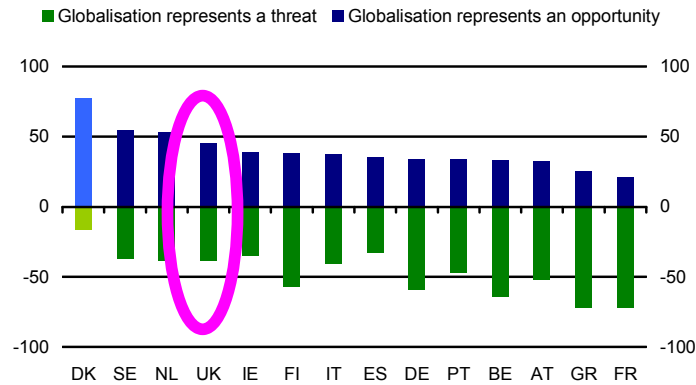
The view that the combination of state provided social protection with employment security provides an effective model for the restructuring of the UK labour market seems to be born out by the following illustrations showing UK performance on flexicurity to be close to that of Denmark, Finland and Sweden.

Figure 10 Adaptability/flexibility versus social security in EU Member States



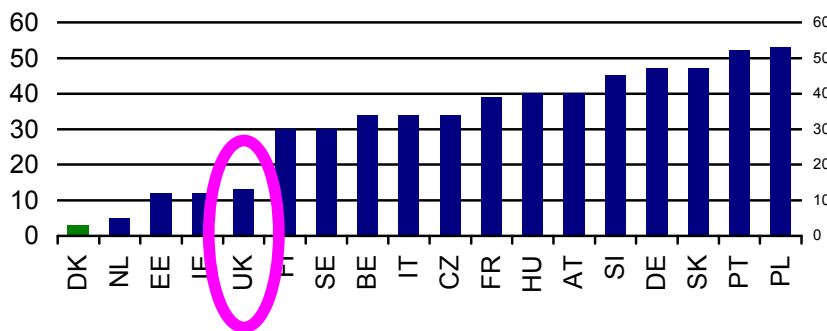
Source: Authors' calculations.

This evidence is supported by the fact that more UK workers, in line with those in the high flexicurity segment above, believe that globalisation is more of an opportunity than a threat (see below).



This data is also supported by the low levels of concern expressed by UK employees to losing their jobs.

People considering unemployment as one of the three main concerns, (%)



Whilst there is no formal social dialogue at the national level, the UK Government has sought to involve the TUC and CBI in the development of framework laws and practices. The national level social partners were engaged in active discussion on the implementation of trade union recognition laws, laws on information and consultation and the selection of Low Pay Commissioners. The social partners themselves have engaged government in the application of European level agreements like the one on “Telework”. On a bilateral basis, CBI and TUC have produced important work on skills building including the “Brushing up Basics” initiative and on the business benefits of investing in the English language skills of migrant workers²².

It would appear that a new “soft social dialogue” is emerging in the UK.

²² <http://www.cbi.org.uk/pdf/englishatwork.pdf>

Section three - Case Studies

The Hospital at Night

Ms Wendy Reid, the National Clinic Lead Hospital at Night (HoN) and Consultant Gynaecologist & Postgraduate Dean of the London Deanery, presented a report based upon five years operation of the “Hospital at Night” project in the UK National health Service. Her presentation is appended and is titled “Safer care – Safer training – learning five years on”.

The National Health Service in the UK is an enormous undertaking with 394 NHS Trusts; 167,000 beds; 600,000 nurses, midwives, health visitors and health professionals and almost 40,000 doctors in training.

The HoN project arose out of the need for the implementation of the Working Time Directive for Junior Hospital Doctors by 2009. It was understood that a reduction in working hours would mean the introduction of shift work and a reduction in the “daytime” hours at work used for training. It was further considered that traditional structures for doctor training did not fit the needs of today’s multi-professional workforce. It was recognised from experience that the introduction of night working had to take into account a number of important factors including social and professional isolation; increased errors; higher accident rates; a deterioration in nightshift workers health; and the need to address continuity of patient care through handovers between professionals rather than through individual doctors.

The basic HoN concept is relatively simple. It called for the establishment of one or more professional teams with a team leader and comprising the range of skills and competencies that would meet the immediate and urgent needs of patients. A number of tasks would shift from doctors to nursing staff and the HoN team would be led by a senior member of nursing staff (the HoN Coordinator). The HoN team would have access to specialists in emergency situations. The concept makes most effective use of both daytime and night-time medical resources and protects certain daytime hours for staff training. Daytime hours were extended and out of hours operating reduced. Night time work focused on primary care against a “treat and transfer” night working methodology.

Whilst the concept is simple, it required significant changes to be made and the buy-in of multiple interest groups to be achieved. At the national level the Joint Consultants and Junior Doctors’ Committees of the British Medical Association (BMA) were engaged together with the nurses union, the Royal College of Nurses (RCN). At the local level, representatives of the BMA and RCN were involved together with Junior Doctors, Nursing staff and allied professional workers. The scheme was piloted in volunteer hospitals and gradually revised and rolled out on a voluntary basis.

The benefits of HoN were predicted to arise from having the right person, with the right skills with the patient at the right time. It was expected to deliver faster treatment, better outcomes and more satisfied patients. Specifically to reduce mortality and length of hospital stay; promote senior nursing staff retention and provide better training. The actual result were staggering. The incidence of cardiac arrest on surgical wards with HoN reduced by 56% and readmission and death rates reduced dramatically.

Having implemented HoN in almost one third of hospitals since the launch of the project in 2005, the HoN team stress three essential pre-requisites for success. The first is commitment from the top of the organisation to the changes and the devotion of professional clinical and project

management to support implementation. Second, the need to collect accurate data on current practices before undertaking changes, and monitoring the effects of change closely. Finally, the engagement of all of the key stakeholders – including staff and their representatives.

In summary, what started as the development of a response to changes in working time laws resulted in a system that has proven to be safer for patients; safer for healthcare staff and to enhance training opportunities.

For those interested in a fuller description of the project and the various materials used in implementation the website is www.thehospitalatnight.nhs.uk.

Cadbury plc

Mr Jimmy Whelan of the Irish section of UNITE presented the Cadbury plc case study. Mr Whelan is the employee side coordinator of the Cadbury European Works Council and was scheduled to be joined by the HR executive responsible for the Summerdale plant but who was unfortunately detained in a meeting.

Cadbury plc is a confectionery and beverage company with its headquarters in London, England. The firm was formerly known as Cadbury Schweppes plc before demerging in May 2008, separating its global confectionery business from its North American beverage unit, which has been renamed Dr Pepper Snapple Group Inc. Cadbury is a company with a long reputation as a “high quality” employer dating back to 1824 when John Cadbury began vending tea, coffee, and (later) chocolate at Bull Street in Birmingham in the UK and sometimes in India. After John Cadbury's retirement, his sons, Richard and George, opened a major factory in the purpose-built suburb of Bourneville, five miles south of the Birmingham. The factory and the surrounding accommodation for workers were recognised as being of the highest quality for that era.

Cadbury plc²³ has a market capitalisation of £8.8bn (11.5.2008); revenues of £7.9m (2007); net income of £407m (2007) and 59,000 employees in 12 countries, including the UK, Ireland, Spain, France and Poland in the European Union.

In October 2007, a meeting of the European Works Council (EWC) was called to discuss the closure of the Summerdale chocolate plant and the transfer of production to Skarbimierz in Poland. Mr Whelan reported that when the meeting was called, the UK representatives on the EWC were suspicious of their Polish colleagues. In the event the Polish representatives were as worried by the plans as the UK representatives. This was because the transfer was being made to a new build, greenfield site in Poland and they were concerned that the next step in the process would be the relocation of work from their plant in Warsaw to the new factory. They were worried that the new plant would be “non union” and that foreign workers would be employed. Representatives from the French gum plant were also concerned for their future.

Concurrent with the EWC meeting, the 90 day consultation period for collective redundancies was launched in the UK and a further meeting was scheduled for a full meeting of the EWC as the closure was being undertaken at the same time as the demerger of the drinks business from confectionery and a forecast cut of 20% of the company's factories and 10% of the workforce.

²³ www.cadbury.com

The two meetings, at the European and local levels, were held simultaneously as it was felt important to involve local employees and representatives at the earliest possible stage. In the view of the UK representatives local consultations worked well within the limited terms of their engagement. At the European level the employee representatives were concerned that the definition of consultation in their agreement did not provide for effective consultation prior to decisions being taken and for discussions of proposals in a process where agreement might be reached.

The terms of redundancy in the UK plant largely centred on financial compensation. Whilst it was recognised that retraining and assistance with job search would have reflected best practice, the age profile of the workforce meant that they were much more interested in financial terms. In this sense the process can be said to have been handled to the satisfaction of local staff and representatives.

