



Image: Kieran Cudlip

# Beyond Social Partnership? Devolved Levers to Support Trade Unions in Wales

An examination of the options available to the Welsh Government to support trade union density and collective bargaining coverage



## Acknowledgements

With thanks to the trade union movement in Wales for their generosity with their time, thoughts, and contacts for this project. Thanks also to my IWA colleagues past and present for their consistent support with this project and others.

## About the author

Harry Thompson is the IWA's Economic Policy Lead, with his work aiming to contribute to the IWA's mission of a successful, clean, green and fair economy for Wales. Prior to joining the IWA he worked in a variety of political and policy roles at local authority, Westminster and Senedd level.

## About the IWA

We are a think tank and charity, independent of government and political parties.

By bringing together experts from all backgrounds, we conceive ambitious and informed ideas which secure political commitments to improve our democracy, public services and economy.

We provide platforms for debate, opportunities for people to make their voices heard and agenda-setting research. We are funded by our members, income from our events and training sessions, and supported by trusts, foundations and other funding bodies. We are a proud signatory to the Zero Racism Wales pledge, a Living Wage employer and hold NCVO Trusted Charity Mark Level One.

Our vision is to create a Wales where everyone can thrive.

For more information about the IWA, our policy work, and how to join, as either an individual or organisational supporter, contact:

IWA – Institute of Welsh Affairs, Room 6.01,  
sbarc | spark, Maindy Road, Cardiff CF24 4HQ  
tel: 029 2048 4387  
email: [info@iwa.org.uk](mailto:info@iwa.org.uk)  
[www.iwa.wales](http://www.iwa.wales)

The IWA is a registered charity in England and Wales: 1078435 and a company limited by guarantee registered in England and Wales: 02151006



## Funding

We are grateful to the [Friends Provident Charitable Foundation](#) for providing core funding which has been instrumental in the production of this report.



## Contents

Executive Summary and Recommendations	01
<hr/>	
Introduction	03
<hr/>	
The Economy for Working People in Wales	05
<i>Living Standards in the UK</i>	05
<i>Living Standards in Wales</i>	08
<hr/>	
What Can Unions Do?	11
<i>Increasing the Labour Share of Income</i>	11
<i>Increasing Wage Equality</i>	14
<i>Impact on Economic Growth</i>	15
<i>Working Standards</i>	17
<i>Case Studies - Sweden</i>	19
<hr/>	
Challenges for Trade Unionism in Wales	21
<i>Declining Density and Collective Bargaining</i>	21
<i>Young Workers</i>	22
<i>Private Sector Workers</i>	23
<i>Restrictive Regulatory Environment</i>	24
<hr/>	
Supporting Trade Unions in Wales	27
<i>Current Measures</i>	27
<i>Recommendations</i>	30
<i>Union Renewal Fund</i>	30
<i>Fair Work Accreditations and Agreements</i>	34
<i>Union Density and Collective Bargaining Coverage as Outcomes</i>	35
<i>Empower Unions to Deliver: Devolution of Employment and Industrial Relations</i>	36
<i>Conclusion</i>	37

## Executive Summary & Recommendations

The IWA stands for a successful, green, and fair economy for Wales. As part of our work towards a fair economy for Wales, we have undertaken a short study into the trade union movement in Wales, and its potential to structurally rebalance Wales' economy in favour of low and middle earners. We want to ensure that any growth in overall prosperity is distributed across society and across the economy, rather than being disproportionately absorbed by those at the top.

Ultimately, we find that the UK is currently embarking on a 'low-road' model of industrial relations typified by low trade union membership, mutual antagonism between government and unions, increasing industrial strife, and a weakening of employment rights and living standards. We make recommendations that we believe will help the Welsh Government to more fully pursue a more constructive 'high-road' model of empowered trade unions within a strong social partnership model, widespread union membership and collective bargaining coverage in all areas of the economy, and a resultant increase in employment rights and living standards. Trade unions are a fundamental part of all advanced economies and are here to stay. They should therefore be dealt with in a constructive, positive manner by government.

This paper outlines that the 'cost of living crisis' is not just an event caused by high inflation, but rather a systematic degradation of relative living standards in the UK over a number of years. Inequality is a key cause of stagnating living standards in the UK. We also warn against the potential siren call of improving Welsh economic statistics by creating a new tier of more 'productive' high earners without the simultaneous creation of measures to ensure rising living standards are distributed across the economy.

We find that there is a high scope for empowered trade unions to help restructure Wales' economy in favour of those on low and middle incomes, additionally ensuring that any new attempts to build Wales' economy are systematically more evenly distributed. Empowered trade unions are likely to increase the share of national income that goes towards remunerating labour, and to ensure that the 'wage share' has a flatter distribution. They can also increase the quality of working life for many people at the bottom of income distribution, and contribute towards economic growth by increasing demand.

However, we also find a trade union movement in Wales that has avoided some aspects of a wider international crisis of decline, but which is nonetheless experiencing a long-term downturn. Young workers are not joining trade unions in adequate numbers to replace retiring older workers, the trade union movement is non-existent in many parts of the private sector in Wales, and it faces an extremely restrictive regulatory framework that it is not in the gift of the Welsh Government to reform. Those most likely to benefit from trade unions, such as those working in the gig economy, are amongst the least likely to be members. Whilst Wales is in a better position than much of the UK, its union membership levels are still some way from those at top of the international table. We have also undertaken a number of qualitative interviews with workers in Wales, and find that exploitation and unacceptable working conditions still exist in Wales.

Despite some patches of best practice from the Welsh Government with regards to the trade union movement, such as a strong social partnership approach and the Wales Union Learning Fund (WULF), there is still far more that can be done for unionisation in certain areas of Wales' economy.

Explicit financial support for trade unions in the form of a Union Renewal Fund targeted at young workers, private sector workers, and those most in need of union representation could go some way to rejuvenating the union movement where rejuvenation is most needed. Explicit Welsh Government targets for trade union membership levels and collective bargaining coverage, as well as action plans to achieve these, could help focus governmental minds on this topic and help to track progress. Additional 'teeth' given to measures to support trade unions, such as giving advantages to gold standard businesses who work fully and constructively with the trade union movement could also drive up a culture of trade unionism in Wales. The Welsh Government should also consider the case for the devolution of industrial and employment relations, at least in part, given its clear propensity to act in this area demonstrated by the Trade Union (Wales) Act 2017.

**Recommendation 1:**

The Welsh Government should urgently begin work on establishing a bids-based Union Renewal Fund, partly based on the UK Government's former Union Modernisation Fund and the Scottish Government's current Fair Work and Trade Union Modernisation Fund. This should explicitly focus on building policy expertise, running campaigns, and organising aimed at younger workers, private sector workers, and those most in need of union representation such as those in precarious employment.

**Recommendation 2:**

The Welsh Government should enact Fair Work Wales' recommendation for a Fair Work Accreditation, underpinning the achievement of this accreditation with advantageous access to funding or other benefits. Trade union access and collective bargaining must form a part of any Fair Work Accreditation.

**Recommendation 3:**

The Welsh Government should create a new National Milestone or other explicit target for collective bargaining coverage and union density, alongside a plan of action to achieve these targets. Private sector union density and collective bargaining coverage should be tracked and targeted separately.

**Recommendation 4:**

There appears to be a strong case for the potential devolution of powers to regulate trade unions. The Welsh Government should consider further work on its position regarding the devolution of industrial and employment relations, including the potential for the devolution of powers to regulate trade unions.



## Introduction

**‘I used to work at an Amazon depot... We were never told that we were monitored, until one day we had to take out all the yellow bags (used to store parcels in & given to deliver drivers) as the cameras were mistaking them for our yellow hi-vis jackets and sending out warnings thinking that people were standing around & not being productive. I knew we were tracked through the handheld devices, but not through the security cameras. That just felt like an invasion of my privacy.’**

Amazon warehouse worker in the UK quoted in *‘Life in the Amazon Panopticon Report’*<sup>1</sup>

**‘Yes [I do stress about money]. If I work five days a week I know things are going to be tight... I don’t get sick leave... If you’re sick, that’s it, bad luck.’**

Amazon Delivery Driver in Wales on the need to work six days a week to make ends meet (IWA Interview)

Trade unions are an important part of economic structures across the world, and have a special place in Wales’ social, economic, and political history. Wales’ economy has traditionally been associated with the heavily-unionised mining industry, with political heavyweights such as Aneurin Bevan emerging from that tradition.

Today, Wales’ economy has transformed. Mining is no longer a major industry in Wales, and trade union membership has declined significantly. However, the Welsh Government continues to consider trade unions as a core part of its economic policy. It has a stated commitment to fair work<sup>2</sup> and has introduced the Social Partnership and Public Procurement Bill to the Senedd, which formalises a tripartite system of relations between unions, government, and employers in the public sector. It has also passed the Trade Union (Wales) Act 2017 to support unions against

1 [Life in the Amazon Panopticon: An international survey of Amazon workers](#) - Uni Global Union

2 [Statement by the Minister for Housing and Local Government: The Fair Work Commission's Report](#) - Senedd Plenary Transcript 07/05/2019

restrictions brought in by the UK Government. The Welsh Government also brought together a Fair Work Commission to look at how to spread fair working practices across Wales<sup>3</sup>.

Wales has a settlement of devolved powers that ostensibly gives control over economic development to the Welsh Government. However, it increasingly has less power and funding to execute this responsibility. Most industrial and employment relations have always been a reserved matter at Westminster, alongside other economic measures such as currency and trade deals. As a result of the UK's exit from the European Union, the UK Government has pulled more economic powers towards Westminster. The IWA has previously published work on the Welsh Government's lack of fiscal firepower, and this has been exacerbated by the repatriation of European regional development funding to Westminster, which had previously provided a sticking plaster to this problem. In addition, the Internal Market Act now gives the UK Government more licence to spend and intervene in Wales' economy, even in theoretically devolved areas. We are in the early stages of the use of these powers but we can already see them being used in ways that directly contradict the Welsh Government's own priorities, reflecting the differing political stripes at Wales and Westminster. There is therefore a pressing need for the Welsh Government to make the most of the levers it does have to make Wales' economy fairer.

This paper seeks to take a closer look at the potential for trade unions to contribute to Wales' economy – in terms of their impact on living standards, equality, and working conditions. It concludes that the trade union movement has a major role to play, and that its contribution could be expanded even further. However, Wales has several 'dark spots' where the union movement does not easily reach, and trade unionism as a whole has declined significantly in the long-term. We make a series of recommendations to combat this decline, which will allow Wales to take a 'high-road' industrial relations approach, empowering trade unions and reaping the multiple benefits this approach would create.



## The Economy for Working People in Wales

‘No [I don’t earn enough to afford a comfortable standard of living]. Not at all. I’m very fortunate to live with my in-laws right now. Between me and my partner on two part-time wages, which equates to a full time colleague, we would not be able to afford to rent... Yes [we often stress about money]... My employer has something in their contract which says if you work there they have to approve a different job you take... people have applied for other part time jobs to try and make the hours up, to try and make the bills, but it’s been denied because they want full-time availability at my employer’

Worker in south Wales (IWA interview)

## Living Standards in the UK

Living standards in the United Kingdom have come under increasing scrutiny in recent years, not least in 2022-23 because of the real income shock caused by an inflation rate of over 9%.<sup>4</sup> However, declining living standards in the UK are not merely a result of recent levels of high inflation caused by external shocks such as the war in Ukraine.

The Resolution Foundation’s Living Standards Audit 2022 highlighted the UK’s relative living standards decline. It notes that the median UK non-pensioner income grew by 12% between 2004-05 and 2019-20, compared to the previous average since 1961 of 40% growth every 15 years. This is atypical of other European countries, particularly ones that the UK would traditionally see as its peers. Across Europe, only Greece and Cyprus saw less spending power growth from 2007 to 2018. Typical incomes rose by 27% in Germany and 34% in France but fell by 2% in the UK during this period. Typical incomes in the UK are now 6% lower than in Ireland, 10% lower than in France, and 19% lower than in Germany.<sup>5</sup>

The Living Standards Audit also finds that the UK is marked by high inequality. The UK’s Gini coefficient for disposable income is 0.37, similar to the USA’s 0.39 but higher than all other G7 countries, and higher than every country in Europe other than Bulgaria. In rich OECD nations except the US, the bottom 80% of the population receives a higher share of income than they do

4 [Inflation and price indices](#) - Office for National Statistics

5 [The Living Standards Audit 2022](#) (p5) - Resolution Foundation

in the UK, and the share of disposable income that goes to the top 10% in the UK is notably higher than in other OECD nations except for the USA.<sup>6</sup> Although typical incomes in the UK are 10% lower than in France, the situation for many households is made worse by inequality. Previous research has found that incomes at the top in the UK are 17% higher than in France, and incomes at the bottom are 20% lower than in France.<sup>7</sup>

Although raising living standards is likely to require improvements in the UK's productivity and income levels, this alone will not be enough. As the Resolution Foundation states, in the absence of any active policy changes, earnings growth would increase inequality because earnings make up a smaller share of poorer households' incomes than that of richer households.<sup>8</sup> Social security systems and the equalisation of wages are therefore also an important factor at play.

Living standards for many are also held back by a long-term decline in the 'labour share' of national income, the section of all income earned that goes to labour compensation (such as wages and salaries) rather than capital share (such as rents and profits). The Bank of England calculates that the 'labour share' of national income was almost 70%<sup>9</sup> in the mid 1970s, whereas today it is around 60%.<sup>10</sup>

Income growth in the UK has also been unevenly distributed in recent years. The final report of the recent IPPR Commission on Economic Justice noted that between 1979 and 2012, just 10% of income growth went to the bottom 50% of the income distribution, and the bottom third gained almost nothing. Meanwhile, the richest 10% took almost 40 per cent of total income growth.<sup>11</sup> Research by the High Pay Centre and TUC found that median FTSE 100 CEO pay increased from £2.46m in 2020 to £3.41m in 2021.<sup>12</sup>

Rising incomes have traditionally been linked to productivity gains. With the UK facing a well-documented productivity challenge, many policy-makers are focused on increasing the UK's productivity as a means to raise living standards and stem the relative decline in living standards compared with similar countries.

However, there is complexity to this point. Whilst *mean* hourly compensation has grown at the same rate as labour productivity between 1981 and 2019, joint research by the London School of Economics and the Massachusetts Institute of Technology found that there has been a divergence between *median* employee hourly wage growth and productivity growth of about 25%. They report that around 60% of this 'overall decoupling' is due to increasing inequality.<sup>13</sup> In essence, highly paid employees have seen a far greater share of overall income growth than their lower-

6 [The Living Standards Audit 2022](#) (p6-7) - Resolution Foundation

7 [After shocks: Financial resilience before and during the Covid-19 crisis](#) (p25) - Resolution Foundation

8 [The Living Standards Audit 2022](#) (p8) - Resolution Foundation

9 [Prosperity and Justice: A Plan for the New Economy](#) (p14) - IPPR

10 [Labour costs and labour income, UK 2022](#) - Office for National Statistics

11 [Prosperity and Justice: A Plan for the New Economy](#) (p13) - IPPR

12 [CEO pay survey 2022: CEO pay surges 39%](#) - High Pay Centre

13 [Have Productivity and Pay Decoupled in the UK?](#) (p31) - London School of Economics and Massachusetts Institute of Technology

paid peers, driving up average wage growth but masking a decoupling of productivity and income for many lower and middle income earners in the UK.

This is corroborated by the IPPR research, which confirms that a higher share of wages has gone to those at the top and a declining share to those on middle and lower incomes. Even as the labour share of income has partially recovered from its nadir of 52% in 1992, this research found that those who are not top earners have not benefited from a fair share of this partial recovery<sup>14</sup>, and the labour share of income in the UK is still far from its peak of nearly 70%.

Increasing inequality within wage distribution means a smaller slice of the pie for lower and middle income earners. This has been coupled with a long-term decline in the labour share of income – essentially, a smaller slice of a smaller pie for many workers. These factors ensure that inequality and distribution of income are key considerations for policy-makers looking to increase living standards. Increases in average wage growth are not sufficient: an equalisation of wages is also necessary.

## Living Standards in Wales

If the UK is a 'poor society with some very rich people'<sup>15</sup>, Wales is poorer still. Living standards in Wales are amongst the worst in the UK, and have been for decades. Resolution Foundation research into living standards in Wales found that the household incomes gap between Wales and the UK as a whole has only fallen from 10% in the mid-1990s to 7% in 2018-19, placing Wales' incomes as the second worst of any UK devolved nation or region of England. Perhaps unsurprisingly given the UK's status amongst comparable countries, Wales also ranks poorly internationally, being one of the poorest areas of Western Europe, comparable to the south of Italy. However, employment gaps in Wales compared to the UK average have halved over the last 30 years<sup>16</sup>.

The Bevan Foundation's 'Snapshot of Poverty in Winter 2022' corroborates these statistics. Opinion polling conducted on Welsh adults found that nearly half of all households in Wales (47%) struggle to afford anything beyond day-to-day items<sup>17</sup>.

The Resolution Foundation research identified the composition of Wales' employment as a core reason for Wales' lower output and wages. Wales has consistently had the lowest or second lowest output per head of any UK nation or region. It notes that fewer people in Wales are employed in the highest paying and most productive sectors, such as ICT, finance and property, and professional and scientific activities<sup>18</sup>. In line with this, only 0.6% of taxpayers in Wales are estimated to pay the additional rate of income tax (currently for those with an annual income over £150,000 and due to fall to £125,140 from April 2023), compared to 2% in England<sup>19</sup>.

Wales' economy has below average incomes, at least in part due to a 'missing top' of income taxpayers in comparison to the UK average. There is an understandable temptation to assess this situation and conclude that policy needs to focus on building these high-paying and productive sectors, and there is some logic to this. It would provide some additional taxation income to fund public services. It would also give additional well-paid career paths to some young people in Wales, combatting the often-discussed 'brain drain'<sup>20</sup>. Economic growth spurred by productivity growth could also bring benefits to a wider share of the population.

However, it is worth carefully considering whether Wales should aspire to a goal of reaching mean UK income levels by creating a new set of higher earners. This could mirror within Wales the UK-wide trend of average income growth masking flatlining or declining incomes for low and middle earners via disproportionate growth amongst higher earners.

15 [Britain and the US are poor societies with some very rich people](#) - Financial Times

16 [The past, present and future of Welsh living standards](#) - Resolution Foundation

17 [A Snapshot of Poverty in Winter 2022](#) - Bevan Foundation

18 [The past, present and future of Welsh living standards](#) - Resolution Foundation

19 IWA Analysis of [Number of Income Tax payers by country](#) - UK Government

20 [No Country for Young Folks: Looking for the Full Picture of the Welsh 'Brain Drain'](#) - Institute of Welsh Affairs

Given the experience of the UK as a whole, it is questionable whether the creation or enlargement of a small group of higher earners would increase real living standards for the vast majority of workers who are low and middle earners. Despite having over twice as many additional rate taxpayers in England, some areas such as the north east of England have similar economic profiles as Wales, such as a bottom-of-the-league-table GDP per capita. Both England and the UK as a whole are geographically unequal, with London having a GDP per capita of £55,974, significantly higher than areas such as Wales (£23,882), the north east of England (£23,109), and Northern Ireland (£25,575).<sup>21</sup> This geographic inequality is in addition to the income inequality the UK experiences, as outlined earlier in this report.

A more sensible policy priority – or at least an additional priority – for the Welsh Government would be to ensure that increases in productivity, growth, and prosperity are spread across the entire population. This would be preferable to chasing a smaller level of more ‘productive’ industries that will on the face of it deliver higher average pay scales but will simply replicate the UK-wide situation, where most working people do not feel the benefit. This chimes with the final report of the Commission on Economic Justice in 2018, which recommended that economic justice be ‘hard-wired’ into the economy through government policy. It stated that redistribution is no longer sufficient to ameliorate deep inequalities, and whilst necessary is also a measure of failure: ‘The more it is needed, the more unfair the economy must be in the first place’<sup>22</sup>.

The Welsh Government has previously indicated its agreement with this line of thinking. The Economic Action Plan published in 2017 cited inclusive growth as a key desired outcome, defining this as a fairer distribution of the benefits of economic growth both at an individual level and between different parts of Wales. The Economic Action Plan also stated that the Welsh Government regarded growth and fairness as mutually reinforcing, not mutually exclusive. It outlined the Welsh Government’s belief that there is an economic as well as moral imperative to the pursuit of inclusive growth, with evidence that inequalities reduce prospects for growth.<sup>23</sup>

In summary: the United Kingdom is a country with high average levels of prosperity, dragged upwards by a small minority of high earners. However, relative living standards for low and middle income earners have been falling in the United Kingdom compared to the other wealthy Western European nations that the UK would traditionally see as its peers. Incomes and living standards for most in the UK are far behind the most prosperous nations in the world such as the United States and Norway.

Wales has long been one of the poorest nations of the UK, and has similar levels of living standards to the poorest of English regions. Wales has far fewer high earners than the UK average, and fewer people employed in the most ‘productive’ industries. However, whilst attempts to salvage Wales’ economic statistics by chasing the creation of these more productive industries may allow Wales to match UK averages, they also run the risk of replicating the

21 [Regional economic activity by gross domestic product, UK](#) - Office for National Statistics

22 [Prosperity and Justice, A Plan for the New Economy: The final report of the IPPR’s Commission on Economic Justice](#) (p29) - IPPR

23 [Prosperity for All: Economic Action Plan](#) (p1) - Welsh Government

mistakes of the UK economy as a whole. A wealthy London has done little to truly enrich many of the people of the north east of England, and a larger number of high earners in England working in more 'productive' sectors has done little to enrich those in the bottom income decile.

Wales should therefore not seek to turn itself into a miniature version of the unequal United Kingdom, but instead seek to build an economy that has economic justice hard-wired into its structures. This means economic benefit that is spread geographically, and a flatter income distribution, with a larger share going to those on lower and middle incomes.

## What Can Unions Do?

Trade unions are membership organisations that seek to represent workers with a single voice. One of the underlying philosophies behind trade unions is that by negotiating as a collective, workers can negotiate a better settlement from employers than they would otherwise be able to as individuals. This is known as collective bargaining. The Trades Union Congress states that union members in the UK benefit from better pay and more respect at work, and that unions can tackle issues such as workplace bullying and discrimination<sup>24</sup>.

This report and others have outlined that the ‘cost of living crisis’ and decline in living standards in the UK and Wales are not just a temporary shock caused by high inflation in 2022-23. Instead, they are the culmination of over a decade of wage stagnation for low and middle earners. This is particularly pronounced in contrast to the countries that the UK would traditionally consider its economic peers, where this phenomenon has been more limited.

Contributing factors to this structural problem for the economies of Wales and the UK include a long-term decline in the labour share of income, inequality within wages, and a lack of productivity and economic growth. This section examines the role of trade unions in addressing these issues.

## Increasing the Labour Share of Income

The impact of trade unions on the labour share of income is a matter of long-standing economic debate. A 2011 review of the relevant literature identified a broad split between more orthodox economists who are typified by a faith in market mechanisms to deliver positive outcomes for the population when unencumbered by intervention, and other schools of thought such as post-Keynesian economists. Orthodox economists would traditionally view trade unions as an agent of disruption in markets. This viewpoint argues that whilst trade unions are successful in increasing the wages of unionised members, the resultant extra costs are shouldered by job losses or reduced vacancies for non-union workers. However, multiple other schools of thought including post-Keynesian economists have argued that it is possible for wage gains to come at the expense of profits<sup>25</sup>.

There is an increasing body of evidence that trade unions do increase the labour share of income (with a resulting reduction in the capital share of income), indicating that trade unions are in fact effective in increasing wages at the expense of profits. The same review of the literature found that earlier studies conducted around the mid-20th century suffered from limited data, and tended to find trade unions had a minimal impact on the labour share of income. These studies were mainly of a descriptive nature, based only on time series data. The paper went on to test the impact of trade

24 [Why join a union?](#) - Trades Union Congress

25 [Do Unions Affect Labor's Share of Income: Evidence Using Panel Data](#) (p785) - The American Journal of Economics and Sociology



unions on the labour share of income in the United States using more sophisticated panel data, and found that around 29% of the decline in the labour share of income could be attributed to the decline in unionisation<sup>26</sup>.

Some studies focused on the United States have questioned the contribution of the decline in trade union density and collective bargaining coverage towards the decline in labour share. A 2019 study by the McKinsey Global Institute found that the rising power of companies when contrasted with workers via the disempowerment of trade unions, new technology, and globalisation had played a role in the decline of the labour share and stagnant wages. However, it ultimately determined that bigger contributors to lower labour share since 2000 existed, such as extensive boom-and-bust periods. It also found that stagnant median wages were driven more by weak productivity growth than a declining labour share<sup>27</sup>.

However, this study is limited by its focus on the labour share of US national income post-2000, despite trade union membership decline in the USA beginning in earnest in the 1980s. The focus on productivity growth, whilst valid, also fails to propose measures to address systemic inequality as well as more generalised living standards increases. Productivity growth can assist in delivering living standards increases across the board. However, recent experience teaches us that these increases in living standards can be unevenly distributed, with small or even no increases amongst low earners, and large increases amongst top earners possible.

A joint 2015 study by the University of Greenwich and the New Economics Foundation (NEF) outlined the stark decline in unionisation in the UK over recent decades. They found that the UK has experienced one of the sharpest declines in union membership rates in Europe, from a high of 49.9% in 1981 to a record low of 25.4% in 2013. They found that this decrease significantly exceeded the rate of decline in Germany (18.3%) and France (14.4%). The study also highlighted a fall of collective bargaining coverage from 80% of workers in 1979 to 31.2% in 2011<sup>28</sup>.

With the wage share of national income reducing from a peak of 76% in 1975 to 67% in 2014, the study calculated that this decline in 'union authority' was responsible for a reduction in the wage share of national income of up to 9.3%<sup>29</sup>, with the wage share increasing to as much as 76.6% if the decline in union density was reversed.

A 2018 discussion paper produced by the IPPR found 'substantial evidence' that trade unions can increase wages by strengthening the bargaining power of labour. This paper identified a correlation in most advanced economies between a decline in union density and a reduction in labour share of national income, concluding that a decline in union density and collective bargaining coverage in the UK had led to a growing power imbalance in the economy and a resultant decline in the labour

26 [Do Unions Affect Labor's Share of Income: Evidence Using Panel Data \(p784\)](#) - The American Journal of Economics and Sociology

27 [A new look at the declining labor share of income in the United States](#) - McKinsey Global Institute

28 [Policy Brief, Working for the economy: The economic case for trade unions \(p4\)](#) University of Greenwich and New Economics Foundation

29 [Working for the economy: The economic case for trade unions \(p42\)](#)- University of Greenwich and New Economics Foundation

share of GDP. It recommended reversing this decline to 'help workers to win a fair share of the wealth they help generate'. Trade unions have a key role to play in this. The IPPR Economic Justice Commission also estimated that around 40% of the increase in the average income share of the top 10% in advanced economies is related to declining union membership<sup>30</sup>.

A 2019 evidence review by the Wales Centre for Public Policy (WCPP) found a range of evidence for trade union impact on pay, finding that although there was some variation, high trade union density within an industry sector is likely to lead to increased wages, due to the role unions play in wage formation and re-balancing disputes in favour of workers<sup>31</sup>.

Further work undertaken in this area includes a 2017 TUC-commissioned study undertaken by University College London (UCL) and the National Institute of Economic and Social Research (NIESR). This research was in three parts, consisting of a review of existing literature on union effects, a new analysis of the Workplace Employment Relations Survey (WERS), and a detailed investigation of the links between unionisation and work/life balance.

The review of the existing literature found that the 'union premium' of increased pay for union versus non-union members stood at 5%, but with significant variations in different contexts. For example, the wage premium was found to be twice as high in the public sector as in the private sector, perhaps because of the increased union strength in the sector. The review of the literature also found that the private sector wage premium rises with the level of union membership density at the employee's workplace<sup>32</sup>. The review ultimately concluded that unions deliver observable benefits to the average union member, in terms of higher wages, more extensive fringe benefits, higher levels of workplace training and the more effective resolution of individual workplace disputes. It found that negative effects on employers had largely dissipated in recent years.

The UCL/NIESR quantitative analysis undertaken on 2004 and 2011 WERS data found that employees in a unionised setting receive a wage premium compared to comparable non-union employees. They also found that this premium is larger where union density is higher and where there is an on-site union representative<sup>33</sup>.

Other studies have corroborated this, with a 2007 analysis of multiple studies concluding that unions' bargaining strength is enhanced by higher union density, which in turn leads to a higher union wage premium<sup>34</sup>.

30 [Prosperity and Justice: A Plan for the New Economy](#) (p113) - IPPR

31 [The Value of Trade Unions in Wales](#) (p22) - Wales Centre for Public Policy

32 [The Added Value of Trade Unions, a review for the TUC of existing research](#) - University College London and the National Institute of Economic and Social Research

33 [The added value of trade unions: New analyses for the TUC of the Workplace Employment Relations Surveys 2004 and 2011](#) - University College London and the National Institute of Economic and Social Research

34 [The Effect of Trade Unions on Wages](#) - Reflets et perspectives de la vie économique

In summary, there is an emerging consensus that empowered trade unions increase the labour share of income. There is not yet a consensus in the literature, and in some contexts this assertion can be challenged. However, there is a mounting body of evidence in numerous studies and reviews of the literature to suggest that trade unions do increase the labour share of income, in effect increasing wages at the expense of profits. This is particularly true within sectors where there is high union density and where collective bargaining coverage is widespread.

This ability of trade unions to shift national income towards reward for work and away from reward for profits and rents makes empowering trade unions in a sensible manner a useful policy option. This is particularly applicable to any government that is seeking to create a structurally more equal economy, with ‘predistribution’ of resources rather than a sole focus on redistribution via progressive taxation.

## Increasing Wage Equality

The living standards section of this report identified both a smaller pie (a long-term shrinking of the labour share of national income), and a smaller slice of it for some workers (increased wage inequality, with more going to top earners) as concerns for the UK and Welsh economies. Whilst increasing the labour share of income can increase the size of the pie, this may not translate into improved living standards for low or middle income earners.

This is an issue identified by the IPPR in their trade union discussion paper. A more deregulated and atomised labour market that eschews collective bargaining may allow some workers with skills in high demand to secure higher pay, but many will face a loss of bargaining power in an individualised bargaining setting in comparison to a setting wherein collective bargaining is the norm. The paper argues that trade unions play a vital role in aggregating the power of mid and low skilled workers to help them to secure a fair share of the wealth that they help to generate<sup>35</sup>.

The ability of trade unions to bring about wage compression – a flatter income dispersion with relatively higher wages for those at the bottom of the income distribution and lower wages for those at the top – has been studied internationally. Analysis by the National Institute of Economic and Social Research found that the union wage premium is much larger for low-waged workers. This analysis pointed to studies which found that the decline in unionisation accounted for about a quarter of the increase in wage dispersion (essentially a decompression) in the US between 1979 and 2009, and for about a third of the rise in wage inequality in Germany in the 1990s<sup>36</sup>.

35 [Power to the People: How stronger unions can deliver economic justice \(p7\)](#) - Institute for Public Policy Research

36 [Union wage effects: What are the economic implications of union wage bargaining for workers, firms, and society?](#) - NIESR and IZA World of Labor

Although there appear to have been no studies specifically focused on Wales, the WCPP's report on the value of trade unions in Wales reviewed a number of studies that address the impact of collective bargaining on pay inequality. It determined that the majority find that collective bargaining reduces pay inequality by compressing the wage distribution. However, it also found that the efficacy of this impact was dependent upon the unions' bargaining power and the share of the working population covered by collective agreements, and that it varied between groups and workers with differing characteristics<sup>37</sup>. The report also notes that collective bargaining is more likely to raise the relative pay of women due to their tendency to be at the bottom of the income distribution. This gives collective bargaining an important role in addressing the gender pay gap. This is particularly important in Wales, with charity Chwarae Teg recently revealing that women in Wales are still decades away from pay equality, and that the past five years have seen only 'extremely disappointing' marginal progress<sup>38</sup>.

In summary, there appears to be a strong body of evidence that trade unions contribute to a compression of wages and a flatter income distribution, which can contribute to higher living standards for lower and middle income earners. This can also have an important additional equalities dimension, with groups that traditionally experience inequitable outcomes from markets seeing this impact reduced by the presence of empowered trade unions.

## Impact on Economic Growth

There is a growing body of evidence that trade unions may be able to have a positive impact on economic growth and productivity. Many people hold an association between empowered trade unions and industrial action, with a resultant disruptive impact on economic growth. However, studies have pointed towards the ability for trade unions to increase demand in the economy, both by increasing the wage share as a whole and redirecting wages towards lower and middle income earners with a higher propensity to consume.

University of Greenwich and New Economics Foundation research outlines the case for this. It addresses a key traditional case against empowered trade unions, which it describes as a predominant narrative of keeping labour costs down in the interests of competitiveness. Instead, it asserts that the UK – and other major economies – are 'wage-led'. It contends that economic models which primarily view wages as a cost to business underestimate the extent to which wages play a dual role, not merely being an economic cost detracting from company profits, but the cause of demand in the economy through spending.

The study calculates that growth in the UK is wage-led rather than profit-led, with higher wages ultimately contributing more towards increased growth than they do to reducing growth via lowered competitiveness for UK businesses. The study estimates that in the UK the fall in

37 [The value of trade unions in Wales: Evidence review \(p23\)](#) - Wales Centre for Public Policy

38 [State of the Nation 2023: Women to wait decades for equality](#) - Chwarae Teg

union density in the last three decades has reduced GDP by up to 1.6%. The study ultimately recommends that legal restrictions on the ability of trade unions, particularly where they reduce their bargaining capacity, are contrary to good economic policymaking where countries are in wage-led growth regimes.

These findings are perhaps less contestable today than they would have been a number of years ago. A consistent relative retrenchment of living standards in the UK and Wales and under-investment in drivers of growth such as infrastructure and education have gone hand-in-hand with a period of stagnating economic growth<sup>39</sup>.

Other international studies have highlighted the potential beneficial impact of trade unions on growth. Ireland's Nevin Economic Research Institute (NERI) found that coordinated wage bargaining by trade unions could prevent companies from competing based on lower costs (for example, by competing to lower wages) and instead could encourage productivity enhancing measures. This could in theory push economies towards a high wage and high productivity equilibrium, as opposed to a 'race to the bottom' of lower wages (and, as we have seen from the University of Greenwich / NEF research, lower demand). In practice, the NERI research points to Nordic countries as providing concrete examples of countries with high levels of collective bargaining alongside high levels of employment and productivity. The research states that this 'high-road model' shows that collective bargaining can be consistent with high levels of productivity and strong economic performance<sup>40</sup>. This contrasts with the 'low-road' model of lower union membership and power, mutual antagonism between unions and government, increasing industrial strife, and a consistent weakening of employment rights that we are currently seeing in the UK.

It is also important to note that economic growth is not the ultimate indicator of policy success. There are questions around the desirability of growth given its potential impact on the environment, although that debate sits outside the scope of this paper. Growth is desirable not in itself but for the outcomes it is associated with, such as increased living standards for citizens. Growth that is inequitably distributed to such an extent that it only delivers beneficial outcomes for a small portion of the population who are least in need of assistance is not desirable. Even growth that delivers widespread but uneven living standards increases in favour of those at the higher end of income distribution should be questioned through the prism of alternative strategies that could deliver more for the majority of the population. The opportunity cost of inequality and its impacts on living standards for the majority, particularly low and middle income earners, should be a key consideration.

39 [UK expected to be only major economy to shrink in 2023 - IMF, BBC](#)

40 [Trade unions, collective bargaining and economic performance - NERI](#)

## Working Standards

**‘We have a system where you can ‘red tag’ an item in the store which means it’s not safe to use... if you red tag it, management will generally take the tag off and send it back to be returned. Meaning it’s not repaired, it’s not taken out of use, it’s just left’**

Young worker in Wales (IWA interview)

This paper has so far focused on living standards and pay. A material measure of living standards – such as that outlined by the Resolution Foundation and ascertained from wages, taxes, benefits, and costs such as housing – is a vital tool for understanding how our economy is delivering for people in a more effective way than blunt traditional measures such as GDP growth.

However, living standards for workers can also be understood in a more holistic sense, including in the working standards and conditions experienced by people in their day-to-day lives. Two employees may receive a similar remuneration, but an employee in a professional role may benefit from a respectful employer, flexible- and home-working, and reasonable hours. Other employees may receive a similar total wage but feel disrespected or bullied at work, work a 60+ hour week to make ends meet, and be employed on a contract that gives them little security or guaranteed hours. It is therefore important to thoroughly examine trade union impact on working conditions and standards in order to gain a fuller picture of their potential benefits for people in Wales.

The relationship between self-reported well-being of workers and trade union membership is complex. Previous studies have shown that there may in fact be a negative relationship between trade union membership and reported job satisfaction. A systematic empirical analysis conducted in 1979 suggested this was the case, with potential explanations being the heightened politicisation of union members, and the fact that dissatisfaction was particularly pronounced amongst higher-paid union members. The study suggested that the latter phenomenon could potentially be explained by the fact that unions cause a flatter wage profile, redistributing potential wage gains for those at the top towards those at the bottom of income distribution<sup>41</sup>.

However, this study has seemingly been overturned by a more comprehensive and recent study in 2021, which examined data from nearly two million respondents across Europe and the United States. This research finds that there is a positive and statistically significant partial correlation between union membership and job satisfaction, with union members less likely to be stressed, worried, depressed, sad, or lonely. In the United Kingdom, the study found a positive relation between union membership and job satisfaction<sup>42</sup>.

41

[Job Satisfaction, Wages, and Unions](#) - The Journal of Human Resources

42

[Trade unions and the well-being of workers](#) - British Journal of Industrial Relations

In some senses, this is surprising. In a number of our conversations with young union members and those in precarious work, the IWA found that a driver for union membership can be a grievance or potential grievance with their employer. For example, employees in organisations without a culture of union membership will often join when they have an issue at work they feel requires or is likely to require the protection or representation role offered by a trade union. If this were the case on a wider scale, trade union membership could initially be correlated with a lower job satisfaction.

However, in other ways this is unsurprising. UCL/NIESR research into trade unions and work/life balance found that unionisation is positively associated with the number of work/life balance practices within the workplace, and with more progressive employer views regarding work/life balance. The study also found that union strength is associated with a lower likelihood of employees working long hours, that union recognition plays an important role in the degree to which employee's express job-related anxiety, and that union strength is associated with lower anxiety among women in the private sector, independent of their care responsibilities. Caring responsibilities were also more strongly linked to higher job-related anxiety in the non-union sector than the union sector. In the union sector that association disappears in the case of women. The report concluded that its findings suggest an important role for unions in assisting employees balance work and non-work commitments<sup>43</sup>.

Again, these results are perhaps unsurprising given the expressed role of trade unions. As the Welsh Government-commissioned Fair Work Commission outlined in its final report, Fair Work Wales, trade unions and collective bargaining are a form of industrial citizenship which provide workers with due process and a representative voice in the workplace. They provide a democratic element to the workplace where employees are able to express their interests and indirectly participate in shaping their working standards<sup>44</sup>.

It is important to note that poor working conditions and practices do exist in Wales. In 2023, the IWA conducted a small number of interviews with young and precarious workers in Wales aimed at eliciting case study information about working life for these groups. One retail worker told us that health and safety procedures at their supermarket were routinely ignored, with dangerous broken equipment sent for repairs frequently being sent back without the repairs undertaken, and with first aid boxes left empty. A driver for Amazon told us that he needed to work six days a week to be comfortable, and that the lack of sick pay meant this couldn't happen if he fell ill. We were also told of a number of contracts that provided only part-time hours, but that required workers to be available for full-time hours, with any additional jobs requiring employer sign-off that was then systematically rejected. Wales has high rates of poverty, and we have heard many stories of those at the 'bottom' being exploited by unscrupulous employers.

43 [Work/life balance and trade unions: Evidence from the Workplace Employment Relations Survey 2011](#) - University College London and National Institute of Economic and Social Research

44 [Fair Work Wales](#) - Report of the Fair Work Commission



## Case Study - Sweden

This paper has outlined some of the research into the general impacts of trade unions with regards to living standards, the share of national income going to labour remuneration, pay equality, economic growth, and working standards.

Despite clear benefits for workers and citizens more generally from empowered trade unions, the debate around this topic in the UK – and by extension Wales – is one of mutual antagonism between the UK Government and the union movement. In order to challenge this thinking, we look at the example of Sweden (in the context of the wider Nordic countries) as a relevant contemporary example of a model of more empowered trade unions and their associated impact on living standards.

### Sweden – A Model Example?

Alongside other Nordic nations, Sweden is often cited as one of a handful of nations that has historically exemplified best practice economic and industrial relations policy. There are good reasons for this: it scores highly on the Human Development Index and is ranked 7th of 66 countries. It is prosperous, with an adjusted net national income per capita of \$44,552 to the UK's \$36,248<sup>45</sup>. It is also ranked 7th out of 146 countries in the World Happiness Index<sup>46</sup>, with close neighbours Finland, Denmark, and Iceland making up the top three. It has a Gini coefficient of 0.276, putting it alongside some of the world's most equal nations<sup>47</sup>.

Sweden also has the third highest trade union density rate in the world<sup>48</sup>, with neighbours Iceland, Denmark, Finland and Norway making up five of the top six nations for trade union membership. The Swedish density rate is in decline, but collective bargaining coverage remains extremely high, with 88% of employees covered by collective bargaining rights<sup>49</sup>.

As highlighted by NERI, Nordic countries provide a concrete example of high levels of collective bargaining alongside high levels of employment and productivity. This 'high-road' model of high levels of collective bargaining and its contribution to high levels of productivity and strong economic performance is worthy of further analysis.

Unlike the UK, where collective bargaining predominantly takes place at company or employer level, collective bargaining in Sweden predominantly takes place at a sector or industry level. In practice, this leaves many UK and Wales-based employees in the private sector uncovered by any collective bargaining processes or agreements, in contrast to widespread coverage in Sweden.

One of the stand-out features of the Swedish industrial relations system is a strong bipartite negotiation tradition between powerful trade unions and powerful employer organisations,

45 [Adjusted net national income per capita](#) - World Bank

46 [World Happiness Report 2022 Rankings](#) - World Happiness Report

47 [Income inequality](#) - OECD

48 [Which country has the highest trade union density rate?](#) - International Labour Organisation

49 [Sweden Institutional Characteristics of Trade Unions, Wage Setting, State Intervention and Social Pacts](#) - OECD

organised across sectoral lines. Dialogue between government, employers and trade unions is institutionalised and well-developed, and is considered key to the formation of relevant policy-making.

The WCPP's report into the value of trade unions in Wales noted that trade unions in Nordic countries play a role in distributing welfare benefits and have a role in formulating industrial strategy, with their essential function enshrined in legislation<sup>50</sup>.

It is worth noting that Sweden does not have a statutory minimum wage, and there is no mandatory extension of sectoral collective bargaining agreements to non-unionised employers, as exists in other countries. Instead, it is empowered trade unions with high collective bargaining coverage that contribute to Sweden's higher living standards. In recent decades Sweden has moved towards a more decentralised and individualised bargaining system, but as the International Labour Organisation notes, its strong and powerful trade union organisations and high union density contrasts with other countries that have more decentralised and individualised bargaining systems, such as the USA and UK<sup>51</sup>.

Sectoral bargaining is a model that other nations are seeking to emulate, and with good reason. Models such as the UK's which are based primarily on firm-level bargaining have far lower rates of collective bargaining coverage, with the IPPR stating that no (independent) country using this model has a coverage of above 35%. The IPPR's view is that collective bargaining coverage has only remained high and stable in countries where multi-employer agreements are negotiated<sup>52</sup>.

It is for this reason that New Zealand recently passed the Fair Pay Agreements Act, which provides a framework for collective bargaining for fair pay agreements across entire industries or occupations<sup>53</sup>. New Zealand Government communications stated that this could not only spread the benefits of collective bargaining coverage, but that it would also encourage companies to compete on the terms of quality, innovation and productivity rather than on lower costs of labour<sup>54</sup>.

It is also worth noting that despite empowered trade unions with far higher density and collective bargaining coverage than the UK, Sweden loses fewer days to industrial action than the UK does<sup>55</sup>.

Sweden and other Nordic countries are clearly culturally distinct, with a stronger history of trade unionism than other countries. However, they offer lessons in the ability of trade union empowerment, particularly high membership and collective bargaining coverage, to deliver higher living standards. These lessons have been learned in places as remote to them as New Zealand, and this 'high-road model' should be emulated in Wales as far as possible.

50 [The value of trade unions in Wales: Evidence review \(p7\)](#) - Wales Centre for Public Policy

51 [Industrial Relations and the Crisis: The Swedish Experience \(p1-4\)](#) - International Labour Office

52 [Power to the people: How stronger unions can deliver economic justice \(p26\)](#) - IPPR

53 [Fair Pay Agreements Bill](#) - New Zealand Parliament

54 [Unions, business groups divided over Fair Pay Agreements Bill \(4.44\)](#) - Newshub

55 [Strike Map of Europe](#) - European Trade Union Institute

## Challenges for Trade Unionism in Wales

Wales has faced a decline in trade unionism, following a broader pattern experienced by the other countries of the United Kingdom and further afield. Wales' union movement also faces wider challenges, including an increasingly hostile regulatory environment. This section outlines some of the challenges that trade unions in Wales are facing. It then suggests potential solutions and ways to mitigate them.

### Declining Density and Collective Bargaining

In 2021, the latest UK Government Trade Union Membership Statistical Bulletin noted that trade union density in Wales had risen to 35.6%, the only UK nation to increase union membership that year and Wales' highest level of union membership since 2014. This contrasts favourably with England, whose union membership fell to 20.8%<sup>56</sup>.

This could be due to the nature of union membership in the UK, with a more unionised public sector, and Wales' higher proportion of public sector employees. However, the impact of this phenomenon should not be overstated. In Wales 9.8% of the population are employed in the public sector, compared to a UK average of 8.5%<sup>57</sup>.

There is significant evidence in the literature that geographic variations in union density are not simply due to differences in the types of jobs and working conditions that exist across different areas. Research from both the UK and USA has found that high union membership rates have a legacy effect, with historically high union rates 'spilling over' to the present day, including those in relatively un-organised sectors<sup>58,59</sup>. From the perspective of public policy-makers attempting to hard-wire across the economy the redistributive and growth benefits of higher trade union density and collective bargaining coverage, Wales has a natural advantage in this area which can and should be exploited. Large parts of its population are based in ex-coalfield areas which culturally have an observable predisposition to trade union membership.

However, the positives of recent density increases and academic studies showing Wales' natural advantages are contained within an overall decline in trade unionism in Wales. Trade union density in Wales has marginally declined over the devolved era, falling from 39.5% in 2000<sup>60</sup> to 35.6% in 2021, albeit with a smaller decline than the United Kingdom as a whole.

56 [Trade Union Membership, UK 1995-2021: Statistical Bulletin 25 May 2022](#) - UK Government

57 [Labour Market Overview](#) - Welsh Government

58 [Geographical Variations in Trade Union Membership 2000-2021 \(p2\)](#) - Wales Institute of Social and Economic Research and Data

59 [The persistence of union membership within the coalfields of Britain](#) - IZA Institute of Labor Economics

60 [Geographical Variations in Trade Union Membership 2000-2021 \(p5\)](#) - Wales Institute of Social and Economic Research and Data

Collective bargaining coverage has also fallen alongside trade union density. In 1979 71% of UK workers were covered by collective agreements<sup>61</sup>, compared to 39.6% in 2022. The situation is again better in Wales than the UK as a whole, with 52.3% of employee pay set by collective bargaining. However, this is far lower than the UK total in past decades, and there is again a dramatic public-private sector split. The majority of public sector workers in Wales are covered by collective bargaining agreements, whilst the vast majority of private sector workers are not<sup>62</sup>.

It is however important to measure Wales against international best practice, rather than simply against a UK that measures up poorly to other countries. Wales (at 35.6%) has far lower trade union density than top performers such as Norway (50.4%), Finland (58.8%), Sweden (65.2%), Denmark (67%), Cuba (81.4%), and Iceland (91.4%)<sup>63</sup>.

Whilst it is laudable that Wales has avoided some elements of the UK trade union decline, it is some way from reaching the upper echelons of international trade union density. If the trends of the most recent recorded year were continued, Wales would have union density twice as high as in England within two years. It should now seek to take measures to join the other best-in-class nations rather than contrast itself with other UK nations.

## Young Workers

One area of concern for trade unions in many countries, including in Wales, is trade union density amongst younger workers. A 2016 report into young people's tendency to sign up to trade unions found that all age cohorts tend to see their propensity to join a union rise with age, but that the base starting point had been falling for each generation. It found that whilst those born in the late 1960s had a density rate of almost 30% when they reached their mid-to-late twenties, when those born in the late 1980s reached the same age only 20% were trade union members. This 2016 report predicted that by 2030 only around 20% of the UK working age population would be trade union members. The latest figures from 2021 which show a 0.6% fall to 23.1% put the UK on a trajectory to hit the 20% mark before 2030, in 2027<sup>64</sup>. In essence, a core problem within the demographics of trade union membership in many countries is that young workers are not joining trade unions in equal or greater numbers to the older workers they are replacing in the workforce, leading to a 'baking in' of trade union density decline.

This is also true of Wales. Whereas 45.5% of employees in Wales aged 50 and over are members of trade unions, this falls to 37.4% of employees aged 35 to 49, and 32.7% of employees aged 25 to 34<sup>65</sup>. Wales' trade union membership has been declining for a number of decades, and is likely to continue to decline given lower union membership rates amongst young workers.

61 [Time to rebuild collective bargaining in Europe](#) - Trades Union Congress

62 [The Value of Trade Unions in Wales, Evidence Review \(p11\)](#) - Wales Centre for Public Policy

63 [Which country has the highest trade union density rate?](#) - International Labour Organisation

64 [What is the future of trade unionism in Britain?](#) (p11) - Radix Think Tank

65 [Trade union membership statistics 2021: tables](#) - UK Government

## Private Sector Workers

One of the predominant trade union membership trends across the UK, including in Wales, is a public-private sector split. In Wales, 62.4% of public sector employees are members of a trade union compared to only 19.9% of private sector workers<sup>66</sup>, with virtually all pay, terms and conditions for the public sector determined through collective bargaining. Wales TUC has stated that ‘there is no question that our biggest challenges are in the Welsh private sector’<sup>67</sup>. In their analysis of this challenge, Wales TUC policy officers hypothesised that trade unionism is something that many private sector workers are simply not exposed to, with no clear idea about why they should be a member of a union. This viewpoint was strongly corroborated by our interviews with young workers and those in precarious employment. There was near-unanimity amongst these workers that a lack of knowledge amongst their peers was hampering trade unions, with most people in their situation not knowing what trade unions do or seeing the relevance of them.

The issues surrounding the unionisation of both younger workers and private sector workers can combine into a particularly potent challenge. While 90% of under 30s on low and medium incomes work in the private sector, in the UK, only 9.3% of them are members of trade unions<sup>68</sup>. This was a key finding of the IPPR report looking into the potential of trade unions to deliver economic justice. Those workers who could most benefit from union membership and collective action – such as the young and low-paid – are amongst the least likely to be members<sup>69</sup>.

The TUC undertook research on ‘Britain’s young core workers’, a cohort of 3.5 million workers across the UK aged 21-30, working full- or part-time, not in full time education, and earning low to average wages. Despite having only 4.5% of all UK employees, Wales is home to 5.5% of this group.

This group of precarious workers were found to be overwhelmingly (86.7%) working in the private sector, with nearly half of them working in retail, hospitality, and care<sup>70</sup>.

One young person working in retail at a large supermarket in Cardiff told the IWA they had only joined a union when a GMB staff member attended the store: ‘When the GMB union rep came round, they were going through all the first kits, it really made me think they’re there for you, it was that silly thing of always needing a plaster that made me think I need someone on my side because I don’t know how many times I mentioned it to management that they needed to be stocked but it wasn’t done’.

When questioned about their opinions on trade unions, the retail worker said: ‘It’s certain groups I think that join trade unions ... people who have better paying office roles, because there’s always a push for you to be taken care of and protected, because you’re a valued colleague kind of thing’.

66 [Trade union membership statistics 2021: tables](#) - UK Government

67 [A Trade Union Revival?](#) - Wales TUC in IWA Agenda

68 [Irrelevance = death, for trade unions](#) - Antonia Bance, TUC head of campaigns & comms blog

69 [Power to the People: How stronger unions can deliver economic justice](#) (p2) - Institute for Public Policy Research

70 [Living for the Weekend? Understanding Britain’s young core workers](#) - Trades Union Congress

Whereas union density in the public sector in Wales is reasonably high, in the private sector it is extremely low. Tangible action to increase union density and spread collective bargaining across the private sector in Wales – particularly amongst younger workers – will be necessary if Wales is to match the highest international performers in these areas in order to rewire its economy towards economic justice and take the ‘high-road’ approach seen in more successful economies.

## Restrictive Regulatory Environment

The UK has increasingly restricted the ability of trade unions to undertake their core work. A succession of anti-trade union legislation and subsequent increased barriers to trade union operation are likely a key cause of the stark decline of collective bargaining coverage in the UK.

Various Conservative Governments from 1979-1997 passed a range of restrictive legislation including the Employment Act 1980, Employment Act 1982, Trade Union Act 1984, Employment Act 1988, Employment Act 1990, and Trade Union Reform and Employment Rights Act 1993. A non-exhaustive list of the restrictions placed on trade union activity during this period included<sup>71</sup>:

- Restricting picketing areas
- Removing legal immunities given to trade unions since 1906, allowing employers to sue unions
- Outlawing political strikes by limiting legal strike action to only disputes between an employer and their workers
- Prohibiting union labour only and union recognition clauses in commercial contracts
- Introduction of mandatory pre-strike ballots
- Reforms to internal trade union democracy
- Mandatory use of postal ballots for industrial action
- A requirement for separate pre-strike ballots at each place of work or bargaining unit
- A variety of rights to take legal action against a trade union, including the creation of a Commissioner for the Rights of Trade Union Members to assist trade union members both financially and legally with certain court proceedings against their Union
- Banning of the closed shop (ie where an employer requires membership of a certain union)
- Increasing the penalties for offences relating to the conduct of unions’ financial affairs

- Allowing employers to take action which discriminates against trade union membership (eg to offer higher pay to those who accept personal contracts and give up collective bargaining rights)
- Requiring unions to give employers at least seven days' notice of their intention to ballot on industrial action
- Giving individuals a 'citizen's right' to bring proceedings to halt unlawful industrial action which deprives them of goods and services
- Creating a Commissioner for Protection Against Unlawful Industrial Action to exercise this right.

The Labour Government of 1997-2010 pledged to retain the 'key elements' of this trade union legislation in its 1997 manifesto, and its White Paper on fairness at work claimed that 'Britain will have the most lightly regulated labour market of any leading economy in the world'. However, several pro-union measures were then introduced, with a non-exhaustive list below:

- Statutory procedures for trade union recognition in firms with more than 20 employees
- Protecting against dismissal for people taking part in lawful industrial action
- Banning discrimination on grounds of trade union membership
- Banning the blacklisting of trade unionists
- Abolition of the Commissioners for the Rights of Trade Union Members and Protection against Unlawful Industrial Action
- Giving Union Learning Representatives a statutory footing and the right to paid time off work to undertake their duties
- Removal of some restrictions on trade union elections and ballots, such as giving the UK Government power to change the balloting method by order – allowing electronic voting without further legislation (but this has not been enacted)
- Creation of a Trade Union Modernisation Fund<sup>72</sup>.

More recently, the Trade Union Act 2016 introduced further restrictions on trade union activity, creating a new requirement for 50% of eligible union members to vote in a ballot for strike action. For workers in some sectors – health, school education, fire, transport, nuclear decommissioning and border security – it introduced a legal requirement for 40% support of those entitled to vote in a workplace for a strike to be legal<sup>73</sup>. The Act also allowed the UK



Government to green-light the use of agency workers to cover public sector workers during industrial action, and required public bodies to publish the amount of time spent by union representatives on union activities.

This Act, combined with previous measures, has created a high bar for strike action in the UK. For example, a 2018 PCS ballot that received a 85.6% yes vote and a 14.4% no vote on a 41.6% turnout was unable to lead to strike action<sup>74</sup>.

It is worth noting that the Welsh Government and Senedd passed their own Trade Union (Wales) Act 2017, disapplying aspects of the 2016 Act that applied to devolved public services, including the overall support threshold of 40% on strike ballots, and provisions on trade union facility time. The Bill also protects the position where agency workers are prevented from covering the work of public sector employees during industrial action, in the event the UK Government acts to remove that protection<sup>75</sup>. However, given the passages of the 2017 Wales Act and a move towards a Reserved Powers model wherein employment and industrial relations are explicitly a UK Government responsibility, it is possible that the Welsh Government could not pass a similar piece of legislation today. The UK Government has previously entertained the idea of unilaterally repealing the Trade Union (Wales) Act 2017<sup>76</sup>.

Overall, this restrictive environment is a challenge for trade unions attempting to demonstrate their efficacy and relevance to potential members, particularly within the private sector where collective bargaining may not be in place and low density levels mean formal union recognition or strike action are unlikely to take place.

It is also a challenge for the Welsh Government, which is largely powerless to empower trade unions in a regulatory and legislative sense.

74 [Pay Ballot Result - PCS](#)

75 [Wales passes Trade Union Bill to reverse damaging and divisive UK Act - Welsh Government](#)

76 [Mark Drakeford to resist UK plans to repeal Welsh trade union law - BBC Wales News](#)

## Supporting Trade Unions in Wales

### Current Measures

There are currently a number of measures to support trade unions in Wales, most notably the Wales Union Learning Fund (WULF), the ‘Unions and the World of Work Pilot’ Project, the on-going work regarding the recommendations of the Fair Work Wales final report of the Fair Work Commission, and the Social Partnership and Public Procurement Bill.

The Wales Union Learning Fund is one of the longest-standing projects of the devolved era. Since 1999 the Welsh Government has provided a bids-based funding pot for trade unions to deliver work-based learning programmes<sup>77</sup>. The current round of funding invites applications from trade unions for three year projects running from 2022-25. Each union can apply for one project, with funding of up to £62,500 a year. However, this increases to £125,000 a year for unions with over 15,000 members in Wales, and £187,500 a year for unions with over 50,000 members in Wales. The projects must fit with the Welsh Government’s Employability Plan, within four key themes:

- Providing an individualised approach to employability support
- Underlining the responsibility of employers to up skill, support their staff and fair work
- Responding to current and projected skills gaps
- Preparing for a radical shift in the world of work<sup>78</sup>.

The ‘WULF Learner Survey’ showed 52% of respondents reported the programme had led to a pay increase. The WULF also makes a contribution to equalities, with 70% of learners being women and 22% of those surveyed reporting as having physical, sensory, learning or mental health impairments. The latest WULF round is worth £13m over three years, and successful project bids include an USDAW project to upskill shop workers with digital skills, and a Broadcasting, Entertainment, Communications and Theatre Union project to support creative industries with post-Covid recovery<sup>79</sup>.

The Welsh Government has also recently worked with Wales TUC to develop a pilot project to support delivery of the ‘Careers and Work-Related Experience’ element of the Curriculum for Wales, entitled ‘Unions and the World of Work’. This pilot will provide materials on the Hwb platform for 35 secondary schools to inform pupils about employment rights, the role

77 [What is the Wales Union Learning Fund, WULF? - Wales TUC](#)

78 [Wales Union Learning Fund Prospectus 2022-2025: Employability and Skills: Working with Unions \(p3-8\) - Welsh Government](#)

79 [£13 million for trade unions to deliver learning support and upskill workers - Welsh Government](#)

of trade unions and the impact of collective voice in addressing issues in the workplace. The Welsh Government is aiming to scale this pilot up into a long-term project across primary and secondary schools and further education institutions<sup>80</sup>.

In July 2018, then-First Minister Carwyn Jones established the Fair Work Commission to provide a range of evidence-based recommendations to support fair work in Wales. This comprehensive piece of work ultimately made 48 recommendations<sup>81</sup>, with the Welsh Government accepting the six 'priority' recommendations and subsequently accepting 'in principle' the remaining 41 recommendations. In 2019, the Welsh Government stated that they would establish a new Social Partnership and Fair Work Directorate, which has now been established, and that the Directorate would develop a strategy and implementation plan for the Commission's recommendations, which would be shared with the Senedd 'in due course'. The Welsh Government pledged to report on progress before the end of 2019<sup>82</sup>.

The Deputy Minister for Social Partnership has given annual updates within the Senedd on the progress of these recommendations. These updates report on work undertaken including:

- The establishment of a Social Care Fair Work Forum (and associated task and finish groups around pay and progression, collective bargaining, and ensuring a safe, health and inclusive working environment)
- A Health and Safety Forum
- A 'know your rights and responsibilities' campaign alongside Wales TUC, FSB, CBI, and other social partners
- Development of a set of indicators to measure and track each characteristic of fair work identified by the Fair Work Commission, including the proportion of the workforce earning at least the living wage<sup>83</sup>
- The introduction to the Senedd of the Social Partnership and Public Procurement Bill (outlined below)
- A commitment to use the Welsh public sector to act as a role model for improving access to trade unions and encouraging an extension of collective bargaining
- A Retail Fair Work Forum based on the learnings of the Social Care Fair Work Forum
- A record increase in the number of living-wage accredited employers

80 [Written Statement: 'Unions and the World of Work Pilot' Project](#) - Welsh Government

81 [FAIR WORK WALES Report of the Fair Work Commission \(p2-10\)](#) - Fair Work Commission

82 [Written Statement: Welsh Government Response to Fair Work Wales](#) - Welsh Government

83 [Senedd Plenary Transcript 09.02.21](#) - Senedd

- A new employability and skills plan with fair work as a major component
- A public pronouncement that ‘we need strong unions to balance the interests of employers and workers’<sup>84</sup>.

The Social Partnership and Public Procurement Bill contains measures to:

- Establish a Social Partnership Council (formed of the Welsh Government, trade unions, and employer associations)
- Create a statutory duty on certain public bodies to seek consensus or compromise with their recognised trade unions or staff representatives when setting their well-being objectives and delivering on those objectives
- A statutory duty on Welsh Ministers to consult social partners, employers and worker representatives through the Social Partnership Council when delivering on their well-being objectives
- A statutory duty on certain public bodies to consider socially responsible public procurement when carrying out procurement, to set objectives in relation to well-being goals, and to publish a procurement strategy
- Establish contract management duties on certain public bodies to carry out contract management duties to ensure that socially responsible outcomes are pursued through supply chains
- Create reporting duties to be imposed for public bodies and Welsh Ministers in relation to the Social Partnership Duty and Procurement duty.

It is beyond the scope or capacity of this report to analyse the 48 recommendations of the Fair Work Wales Commission and the Social Partnership and Public Procurement Bill in full. However, research already outlined in this report has suggested that empowered trade unions, a sectoral approach, a strong social partnership approach with defined functions for trade unions, and a culture of consultation with social partners all chime with best international practice. It is clear that the Welsh Government has learned from this international best practice and is translating much of this into the scope of its devolved powers.

However, there are limits to this. Fair Work Forums and associated task and finish groups are likely to prove beneficial but they are not a like-for-like substitute for sectoral Fair Work Agreements like those introduced recently in New Zealand. Measures within the Social Partnership and Public Procurement Bill such as placing a high-level Social Partnership Council

on a legislative basis chime with the powerful social partners seen in places like Sweden, but do more for a relatively well-unionised public sector than for a private sector that no longer has much of a culture of trade unionism.

As Wales TUC have said, it is the private sector that presents the greatest challenge. Not only are trade unions non-existent in large parts of it, it is also far more diffuse outside of Wales. Large company headquarters or managers who set the culture and frameworks on topics such as trade unions are often based outside of Wales, and therefore harder for the Welsh Government to reach. And even small businesses inside of Wales may see trade union membership as an unnecessary burden and risk, with employees of businesses with under 21 employees having no rights at all to have their union recognised without the consent of their employer under UK law. In both of these scenarios, and many more, the Welsh Government is severely limited by its lack of legislative competency in this area.

The temptation may be to ignore the scale of the challenge in attempting to unionise the private sector in Wales. However, if Wales is to raise both trade union density and collective bargaining coverage to levels seen at the top of the international league tables, the Welsh Government will need to grapple with this issue. Disproportionate focus on the lower-hanging fruit of the public sector is to some extent understandable, but there is far more untouched fruit to be had on the higher branches of private sector unionisation. There are also as-yet-unpulled levers available to the Welsh Government.

## Recommendations

### Union Renewal Fund

Our interviews with trade union officials in Wales found that there is an understandable tendency amongst the trade union movement in Wales to place resources where their members are for purposes of representation and organising. With a far stronger union density within the public sector, public sector-focused unions such as UNISON are inevitably larger and better-resourced than other unions. Even within general unions such as Unite that cover both sectors, a larger membership amongst, say, ambulance drivers will necessitate more staff members required to resource that membership base.

This can leave some sectors that have low union density and where workers have a lower propensity to join unions with fewer organising resources targeted at them. This is despite the fact that, from a public policy perspective, they may well be the most in need of having additional organisational resources. As identified earlier in this report, it is often those most in need of union representation such as young workers and those in precarious employment that are least likely to become members. There is a clear need to address these 'dark spots' in union density and collective bargaining coverage.

One way of the Welsh Government addressing this issue within its devolved powers is through funding. The Welsh Government is free to provide funding to trade unions, as evidenced by the Wales Union Learning Fund, and the lesser-known and now-defunct Wales Development Fund for Unions (WDFU). The Scottish Government also has a Fair Work and Trade Union Modernisation Fund<sup>85</sup> which is aimed at embedding their Fair Work Framework within workplaces in Scotland, and has provided funding towards Unite Hospitality and Bakers, Food and Allied Workers Union (BFAWU) to organise for fair work and collective bargaining in the hospitality and fast food sectors<sup>86</sup>.

The WDFU is worthy of further study here, as it represents a concrete attempt to use devolved funding powers to support trade unions. The WDFU originated in the 2007 Welsh Labour manifesto commitment to create a Union Modernisation Fund<sup>87</sup>, which was aimed at working alongside the Union Modernisation Fund that was created by the UK Government in 2005, and which provided £7m of funding over three rounds before being shut down after the change of government following the 2010 General Election<sup>88</sup>. The 2007 One Wales Coalition Agreement between Plaid Cymru and Welsh Labour further committed to the Union Modernisation Fund, which was then named the Wales Development Fund for Unions.

There is very little information publicly available about the WDFU, but the following purpose was revealed in private grey documents held in the archives of an organisational member of the trade union movement:

- Develop and/or improve policy making processes and functions by building the capacity of trade unions to respond to devolution in Wales
- Improve two-way communication between unions and their members in Wales enabling unions to better represent their members
- Support trade unions to increase their capacity to operate bilingually in Wales
- Support unions in Wales to learn from examples of best practice
- Complement, rather than replace, projects funded under the UK-wide Union Modernisation Fund.

A letter sent by then-Minister for Economy and Transport Ieuan Wyn Jones also reveals that the total budget for the WDFU in the 2010-11 financial year was £63,000, marking it out as a far smaller project than the WULF (which now has a spend of over £4.5m a year).

Some of the aims of the WDFU appear relevant in 2023. Whereas trade union staff participants in IWA research interviews felt that the Welsh Government was far more accessible and constructive than the UK Government, their capacity to engage fully with policy at a devolved

85 [Fair Work: action plan](#) - Scottish Government

86 [Fair Work Framework](#) - Scottish TUC

87 [Welsh Labour Manifesto 2007](#) - Deryn Consulting

88 [Written Answers Friday 16 March 2012](#) - Lords Hansard

Welsh level was far more limited. This paper has also demonstrated that asking trade unions to assist with delivery or to input on economic and industrial policy, as in the case of Nordic welfare systems or Swedish social partnership models, can be an excellent way of embedding the benefits of empowered trade unions. With an increasing involvement for trade unions as a result of Fair Work Wales and the Social Partnership and Public Procurement Bill, capacity in this respect will likely become even more constrained. During an IWA interview, an academic in this field raised concerns as to increased capacity requests on the trade union movement.

However, as identified by this report, the primary need for fiscal support for the trade union movement is to address the ‘dark spots’ within the union movement, supporting the growth of union density within the private sector and amongst young and precarious workers. Although the experience of the WDFU may cause some decision-makers to pause, trade union organising was not an explicit feature of the WDFU. With low annual budgets and a very low run-time, it is also highly unlikely that the WDFU could have impacted on overall rates of union density and collective bargaining coverage no matter its effectiveness. Seeking to raise union density and collective bargaining in Wales’ private sector to higher levels is likely to be a long-term goal that requires considerably larger amounts of funding.

Demand from unions for this project may also need to be supported. There is an existing body of work regarding the efficacy of different modes of trade union organising amongst groups such as those in precarious employment<sup>89</sup>, but much of this expertise is held outside Wales. The development of a Union Renewal Fund is therefore likely to be an ongoing process of knowledge and capacity building within Wales’ trade union movement. However, it is our view that providing trade unions with the finance to hire organisers, run campaigns, and build the policy expertise necessary to support unionisation both within Wales’ private sector, and amongst its young and precarious workforce, is a worthwhile and necessary measure.

The International Labor Organisation sets out that positive examples of union revitalisation typically involve:

- Organising and servicing new members, such as young workers or workers in the informal or gig economy
- Speaking and acting as one, namely the ability to act collectively across sectors, at national, regional and global levels
- Ensuring sound internal governance, through a transparent set of rules that governs the mandate, management, elections and activities of trade unions
- Strengthening effective and inclusive social dialogue on the issues of today and tomorrow.

Our interviews with trade union employees and young or precarious trade union members found universal support for the proposal for a Union Density Fund among those who expressed an opinion. It was considered, particularly amongst young and precarious workers, that the ‘personal touch’ of organisations and union representatives was particularly important.

‘Yes, oh yes. I think having people who can go into a store where you have a lot of part timers, a lot of uni students, people who wouldn’t think of it and giving them that opportunity to ask a million and one questions, or to hand out a bunch of pamphlets that we actually get given, I think you’d see an uptick particularly in younger people signing up to unions because a lot of people who aren’t in trade or who aren’t in the government don’t really get raised around union mentality’.

Retail worker in Cardiff on the proposal for a Union Renewal Fund (IWA interview)

The Fair Work Wales report recommended a Fair Work Wales Fund. Whilst this is important and the Welsh Government may wish to deal with these two proposed funds together, the need for specific funding to build policy, organisational and campaigns capacity amongst trade unions in Wales to target young, private sector, and precarious workers should not be subsumed or replaced. On an international stage, empowered trade unions within a social partnership context work best when union density and collective bargaining coverage is high, and the Welsh Government needs to proactively raise both of these measures, particularly in the private sector.

**Recommendation 1:**

The Welsh Government should urgently begin work on establishing a bids-based Union Renewal Fund, partly based on the UK Government’s former Union Modernisation Fund and the Scottish Government’s current Fair Work and Trade Union Modernisation Fund. This should explicitly focus on building policy expertise, running campaigns, and organising aimed at younger workers, private sector workers, and those most in need of union representation such as those in precarious employment.



## Fair Work Accreditations and Agreements

One of the challenges faced by trade unions within Wales is the restrictive regulatory environment it faces, and the inability of the Welsh Government to reform this. Countries that operate on a sectoral bargaining basis tend to have a higher union density. A clear solution to this would be to monitor and potentially follow the recent New Zealand reforms in their Fair Pay Agreements Act, which has introduced sectoral collective bargaining. However, the Welsh Government does not currently have the powers to introduce this system in Wales. The UK Labour Party has said that it will roll-out Fair Pay Agreements<sup>90</sup>. However, the timeframe for this is unclear, as it would obviously depend on the result of the next UK general election.

The Welsh Government has sought to bring in this best-practice sectoral approach with a Social Care Fair Work Forum and a Retail Fair Work Forum. Whereas these may lead to some policy wins, they do not equate to sectoral collective bargaining. Employers who do not wish to meet certain standards will not be required to do so. An analysis of the Greater Manchester ‘Good Employment Charter’, another attempt to spread fair work on a voluntary basis at a devolved level, found that while voluntary charters are a potentially useful demand side intervention, in the absence of significant workplace or grassroots engagement, and without coordinated mechanisms of monitoring and enforcement, their effects on low wage labour markets will be limited<sup>91</sup>. The Fair Work Wales report also noted that voluntary Codes have limited take up and modest effect<sup>92</sup>.

The Fair Work Commission recommended that a public-facing Fair Work Wales standard be developed, promoted actively by the Welsh Government, and reinforced through a form of accreditation. A combination of sectoral agreements through a Fair Work Forum, accreditations to denote a ‘gold standard’ employer who abides by those agreements, and the use of incentives provided by the Welsh Government could give ‘teeth’ to the agreements. For example, giving these accredited organisations priority access to Welsh Government grants and loans could provide more incentive than a voluntary agreement. The Scottish Government has set out that organisations applying for public sector grants will need to pay at least the Real Living Wage and provide channels for staff to have a say in the workplace from July 2023<sup>93</sup>. Without regulation to force the issue, private sector employers will predominantly respond to a business case for greater union density and collective bargaining. Tangible government-provided reward for employers who meet specific standards could help strengthen this business case and raise unionisation in Wales’ private sector.

### Recommendation 2:

The Welsh Government should enact Fair Work Wales’ recommendation for a Fair Work Accreditation, underpinning the achievement of this accreditation with advantageous access to funding or other benefits. Trade union access and collective bargaining must form a part of any Fair Work Accreditation.

90 [A New Deal for Working People](#) - UK Labour

91 [Co-produced or co-opted? Reflections on the ‘movement’ to promote good employment in Greater Manchester](#) - Employee Relations Journal

92 [Fair Work Wales \(p45\)](#) - Fair Work Commission

93 [Grants link to boost Fair Work](#) - Scottish Government

### Union Density and Collective Bargaining Coverage as Outcomes

One quick and easy win for the Welsh Government with regards to raising union density and collective bargaining coverage would be to set explicit targets for these rates. There has been some progress on this. One of Wales' National Indicators is the proportion of employees whose pay is set by collective bargaining<sup>94</sup>. However, this is for the purposes of tracking. There is no National Milestone, which is the more target-based aspect of the National Indicators and National Milestones system. The Welsh Government should create a new National Milestone or other explicit target for union density and collective bargaining coverage to drive progress in this area.

#### **Recommendation 3:**

The Welsh Government should create a new National Milestone or other explicit target for collective bargaining coverage and union density, alongside a plan of action to achieve these targets. Private sector union density and collective bargaining coverage should be tracked and targeted separately.

### **Empower Unions to Deliver: Devolution of Employment and Industrial Relations**

One of the biggest challenges facing the Welsh Government in attempting to bring about a more 'high-road' model of industrial relations, with high union density and collective bargaining coverage, is the restrictive regulatory environment faced by the trade union movement within the UK.

The Welsh Government has demonstrated a clear ambition to act in this area and has legislated to reform industrial relations in Wales with the Trade Union (Wales) Act 2017, although we note that the extent to which it could do that under the current Reserved Powers model is unclear.

If people in Wales consistently vote for parties that wish to see a different model of industrial and employment relations, and the Welsh Government has clearly demonstrated that it would likely act in this area, the devolution of industrial and employment relations is a topic that should be explored. This would not necessarily have to be taken as a whole package. For example, it might be possible for legislation and regulation regarding trade unions to be devolved in the first instance.

There has been widespread debate over, and advocacy for, the devolution of issues such as justice, welfare administration, and media regulation. It is our contention that there is an equally important debate to be had on the potential devolution of some industrial and employment relations and this should be considered fully.

#### **Recommendation 4:**

There is a strong case to be made for the potential devolution of powers to regulate trade unions. The Welsh Government should consider further work on its position regarding the devolution of industrial and employment relations, including the potential for the devolution of powers to regulate trade unions.

## Conclusion

The trade union movement in Wales has seen some successes relative to the picture in the wider UK, but is still facing a long-term decline. Wales is far from the top of the international league tables for union density and collective bargaining coverage.

There are three main problems: young workers are not replacing older workers in adequate numbers, there is an overwhelming absence of the trade union movement within Wales' private sector, and those who most need union representation such as those in precarious employment are the least likely to have it.

In a relatively short period of time, the Welsh Government has commissioned the Fair Work Wales report, established a Social Partnership and Fair Work Directorate and created a new post of the Deputy Minister for Social Partnership. Through these mechanisms it has started implementing multiple examples of international best-practice, borrowing elements from top-performing countries and applying them to the devolved context. However, more work still needs to be done.

The measures implemented so far are unlikely to fully address the tripartite challenge of union density and collective bargaining coverage amongst young workers, private sector workers, and precarious workers.

Addressing these issues could bring Wales far closer to the top of the international league table in terms of union density and collective bargaining coverage, bringing it in line with the 'high-road' approach undertaken in top-performing economies, such as the Nordic nations.

Empowering trade unions under a strong social partnership framework can increase the amount of national income dedicated to wages, equalise wages, improve working conditions, and increase economic growth. However, empowered trade unions means high union density and collective bargaining coverage in *all* areas of the economy, not only the public sector. These benefits will not be won if the Welsh Government does not succeed in raising union density and collective bargaining coverage in the private sector, bringing Wales in line with the top performers internationally.

This report provides four proposals, in addition to the comprehensive proposals in the Fair Work Wales report, that would begin the necessary task of raising Wales' union density and collective bargaining coverage. This would be a long-term task, but the benefits of hard-wiring empowered trade unions and equality into the Welsh economy mean that it is a task the Welsh Government should begin to grapple with immediately.

