

# **Workplace Practice and Employment Relations in South West England**

**A report for the Steering Committee of the South  
West Employment Relations Forum**

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## **Contents**

<b>List of tables</b>	<b>4</b>
<b>List of inserts</b>	<b>6</b>
<b>1. Introduction: report aims, scope and structure</b>	<b>7</b>
<b>2. Productivity and Economic Performance</b>	<b>8</b>
Concepts and measures	
UK economic performance and productivity	
The regional dimension	
<b>3. South West England:</b>	<b>16</b>
<b>employment, output and productivity</b>	
Defining the region	
Population and migration	
Labour market participation and employment	
Working age population	
Labour market participation rates	
Employees and the self-employed	
Part-time employment	
Temporary work	
Output and productivity	
<b>4. Analysing inter-regional productivity gaps:</b>	<b>31</b>
<b>the state of the art</b>	
Convergence targets	
Industry structure	
The Treasury's five productivity drivers	
Competition	
Capital investment	
Innovation	
Enterprise	
Human capital	
<b>5. Employment relations and economic performance</b>	<b>46</b>
Theoretical perspectives on union impacts	
Theories of high performance practices, partnership & mutual gains	

**6. The Workplace Employment Relations Survey (WERS) Series 51**

Composition of the regional WERS04 workplace sample

**7. Workplace practice & employment relations: SWE & GB 54**

Incidence of 'model' practices

Training

Employee appraisal

Incentive pay

Flexible work arrangements

Task involvement

Information sharing

Indirect employee participation

Employee representation and involvement

Manager attitudes to trade unions

Employees' demand for representation

Employees' involvement by management?

Employees' experiences of work

Job satisfaction

Work strain

Employee relations climate & employees' trust in management

**References**

**Appendices**

## List of Tables

Table 3.1	Age structure of the resident population, UK government office regions, 2005	20
Table 3.2	Economic activity, employment and unemployment rates, UK GORs, January to March 2007	21
Table 3.3	Economic activity rates by age group, UK and SWE 2006	21
Table 3.4	Economic activity rates by gender, UK and SWE 2003-6	22
Table 3.5	Self-employment as a proportion of male and of female employment, UK GORs and SWE sub-regions 2006	23
Table 3.6	Part-time employment as a proportion of total employment, by gender, SWE sub-regions September 2006	24
Table 3.7	Employment, unemployment and economic inactivity rates, SWE sub-regions 2006	26
Table 3.8	SWE Relative Productivity Indices, 1999-2005	28
Table 3.9	Proportions of the employed working short and long weekly hours, UK and SWE, by gender, 2006	29
Table 3.10	Average usual weekly hours of work of full time employees, all occupations, UK Government Office Regions Spring 2005	29
Table 3.11	GVA (£) per head and per head index (England =100) at current basic prices 2003	30
Table 4.1	Contribution of Output (GVA) and Employment (FTE) by industry, 2002	32
Table 4.2	Productivity index by industry (GVA per FTE) 2002	34
Table 4.3	Gross average weekly earnings, UK and SWE sub-regions, April 2006	35
Table 4.4	Percentage of employers with a 'training infrastructure' in place SWE and England 2005	43
Table 4.5	Job vacancies in SWE and England, 2003 and 2005	43
Table 4.6	Trends in vacancies, hard to fill vacancies and skill shortage vacancies, SWE and England compared, 2003-05	44
Table 4.7	Geographic dispersion of 2003 graduates, six months after graduation	45
Table 6.1.	Industry distribution of WERS04 surveyed workplaces and employees	53
Table 6.2	Sector distribution of WERS04 surveyed workplaces and employees	53
Table 6.3	Off the job training paid for by the employer, employee survey	56
Table 6.4	Provision of flexible working for any employees	60
Table 6.5	Frequency of working more than 48 hours per week.	61
Table 6.6	Employees' perceptions of job influence.	62
Table 6.7	Union membership density at the workplace	64
Table 6.8	Management attitudes to trade unions	66
Table 6.9	Employees' evaluation of who best represents them in dealings with management	68

Table 6.10	Employees' evaluation of whether managers are good at involving them.	69
Table 6.11	Employees' rating of their job satisfaction.	72
Table 6.12	Employees' evaluation of work intensity and strain.	74
Table 6.13	Manager and employee evaluations of the state of employment relations.	75
Table 6.14	Employees' views of whether managers are sincere and deal honestly with employees.	76

## **List of Inserts**

2.1.	Work effort, productivity and efficiency in labour use	9
2.2.	Three theoretical perspectives on regional productivity growth	14
5.1.	The high-performance paradigm	48
5.2.	Principles of partnership at work	50
6.1.	The Acas Model Workplace	52

## **1. Introduction: report aims, scope and structure**

This report was commissioned by Acas South West in order to provide an information resource for the Steering Committee of the South West Employment Relations Forum (SWERF) in its determination of priority goals and activities. Compiled by researchers at the University of the West of England's Centre for Employment Studies Research (CESR), the report collates information about the labour market and employment in South West England (SWE) and reviews available survey findings on people management practices in workplaces in the region. It sets the interest in workplace practice and employment relations in the context of current academic and public policy debates on UK productivity performance and the factors contributing to differential performance as between the UK's constituent Government Office Regions (GORs).

At regional level there has been analysis of the ways in which SWE's economy compares with that of other GORs on the range of measures that central government has identified as critical 'productivity drivers'. Yet there has been relatively limited attention to the ways in which employment relations – the relations between firms, employees and employees' representative organizations – influence productivity and economic performance.

This report is very much a first attempt to fill the gap. It presents the agenda of issues rather than contributing detailed original investigation of workplace practice and employment relations in the industries and firms that make up the SWE economy. It draws mainly on:

- secondary analysis of the regional economy's performance including that completed by the South West Observatory (SWO) and the South West of England Regional Development Agency (SWRDA),
- Office for National Statistics (ONS) employment data
- SWO Labour Intelligence Module (SLIM) analysis of the 2004 Workplace Employment Relations Survey (WERS) regional data that was commissioned by Acas South West.

The report has six sections in addition to this brief introduction. These attend, in turn, to:

- Theoretical perspectives on the factors contributing to the UK's productivity gaps with major competitor countries and the scope for regions within the UK to 'catch up' with the best performing
- The composition of industry and employment in SWE and recent trends in employment, output and productivity growth
- Current approaches to the analysis of intra-regional productivity gaps
- Current definitions of 'best practice' approaches in the management of 'labour resources'
- The design of 2004 Workplace Employment Relations Survey
- Key findings from SLIM's analysis of the WERS04 data for South West England.

## **2. Productivity and Economic Performance**

### **Concepts and measures**

There are various indicators of economic performance. These include the rate of increase of gross domestic product (GDP), which is the standard measure of economic growth. GDP per capita is used as an indicator of the relative affluence of countries and regions within them. The average figure, however, tells us little about how evenly affluence is enjoyed across the population.

Productivity is the amount of output achieved from the inputs used. It is not a straightforward concept, however, and its measurement presents intellectual challenges as well as those of the quality of the available statistical data (see e.g. ESRC 2004; Camus 2007). Output is achieved by combining 'factor inputs' (land, labour, materials and equipment). Yet the most commonly cited measures of productivity are ones of labour productivity; GDP output per worker or per hour worked. Economists are interested in the value of economic activity in price terms and this is the approach taken in estimations of GDP. Yet some labour outputs are difficult to measure in either price or volume terms



(e.g. customer service) and others are difficult for statisticians to price because they are not traded in the conventional sense (e.g. public healthcare services).

Productivity growth contributes to economic growth but changes in the employment rate (the proportion of the working age population in paid employment) are also relevant. Thus as HM Treasury in the UK (2001:3 cited in University of the West of England and University of Bath 2005: 2.3) notes:

*... output depends on two things: how many people are working and how much they produce, that is how productive they are.*

Productivity growth is often discussed as an indicator of economic efficiency (the efficiency of use of available resources), and yet the idea can be misleading. Economists discuss labour productivity as a function of the amount of capital employed (the capital:labour ratio) and the state of technological progress. The latter, in essence, is innovation that enables more output to be achieved from a given quantity or combination

**Insert 2.1. *Work effort, productivity and efficiency in labour use***

*“Performance” is constituted by the extent to which an individual performs contractual tasks (and is synonymous with the individual’s “productivity”). ... An individual’s performance is “efficient” if it could not be improved without raising either skill or work intensity or both. By the same token performance is “inefficient” if it could be raised without working harder or using greater skill – for example, through a different ordering of work tasks. However, a rise in performance that is brought about by increasing work intensity does not in itself signify an increase in efficiency; rather, it is simply a matter of raising an input to increase the output. Misunderstanding of this fundamental, if simple, point is the source of one of the most frequent generic mistakes in economic commentary, whereby productivity gains are erroneously taken to be efficiency gains.*

**Francis Green (2006). *Demanding Work. The Paradox of Job Quality in the Affluent Economy*. Princeton and Oxford, Princeton University Press, pp 47-8**

of factor inputs and in orthodox, neoclassical economic theory is assumed to occur exogenously to the firm, industry or, indeed, to any economic process. The point emphasized by sociologists and labour economists, however, is that the ‘human resource’ is uniquely flexible. Workers can be exacted to work harder and new technology or

innovation in management methods can contribute. Where productivity growth reflects principally intensified worker effort it is the product of additional input as opposed to increased efficiency (see insert 2:1).

Productivity growth in principle is important for enterprise and industry competitiveness. The broad idea is that high wages can be offset by high productivity to achieve low overall unit wage costs that enable the firm to remain competitive in the product market. Yet competitiveness is a complex concept in its own right (Gardiner et al. 2004). Neoclassical economic theory bases its propositions on a model of an economy dominated by perfect competition and in which the enterprise is essentially passive. Input and output prices are given (determined by the interplay of supply and demand in external markets) as are the range of technical possibilities (an externally determined production function delineates the outputs attainable from particular combinations of factor inputs at the prevailing state of technology). The firm's decision-making is confined to the selection of the least-cost combination of factor inputs that maximizes profit (total revenue in relation to total costs). Business and management theories imbue the firm with a more active role in interpreting and responding to its commercial environment and in creating profitable openings, through organisational innovation (e.g. Chandler 1977), niche marketing, product and service innovation and so on. In addition there are theoretical perspectives that analyse enterprise structure and decision-making in the context of a broader range of 'institutionalised' economic and social relations. Neoclassical economic theory views collective organisation as necessarily at odds with the allocative efficiency achieved via the 'invisible hand' of market coordination. In contrast are perspectives that see the collectivisation of employee interests as a pressure that potentially can stimulate employers to adopt new work methods or management practices that in turn strengthen the firm's competitive position in product markets (see e.g. Freeman and Medoff 1984; Nolan 1996).

## **UK economic performance and productivity**

The UK enjoyed sustained economic growth in the ten years to 2007, in the context of 'robust trading partner growth' (OECD 2007). On the measure of GDP per capita it

moved from bottom place to third highest in the G7 league (although exchange rate movements knocked it back, behind France, from the end of 2007). In the decade to 2007 there was on average real earnings growth. Some pay gaps were narrowed (as between men and women at the bottom end of the earnings league) and some became more accentuated; the gap between high and low wage earners.

There was more or less consistent employment growth that continued the trend evident from 1993. In October 2007 there were 29.29 million people in employment, the highest number since comparable records began in 1971. The employment rate of 74.5 per cent was high by European Union standards. There was a continuing recomposition of employment, away from production industries and towards services that, from 2000 until 2006/7, included the effects of government expenditure in health and education public services. The unemployment rate fell more or less continuously after 1993 until 2004/5, when it edged up although to a level that was low in comparison with the EU average. ILO unemployment fell back slightly in 2007, to 5.3 per cent in October (ONS 2008).

Employment growth was sustained during a period of net inward migration which increased annually from the mid 1990s. Up until 2007 the UK made its labour market relatively open to workers from the eight Central and East European countries that joined the EU in May 2004 (the A8 countries). A common interpretation is that inward labour migration from the A8 helped to suppress wage pressure and keep inflation within the government's target – by increasing competition in the jobs market and, in particular, the 'low skills' end (e.g. CIPD 2007).

From the early 1990s UK productivity grew at a rate that was high by UK historical standards, relatively respectable by international standards (IRS Employment Review 2003), but insufficiently high to close long-standing gaps with the productivity performance of other leading national economies. The rate of productivity growth fell back from the turn of the millennium (OECD 2007). Estimates of the scale of the productivity gaps that persist vary according to the labour productivity measures used. The GDP output per worker measure shows that while UK productivity trailed the G7 average in 2006, it ranked only below that attained in France and in the USA. On the GDP per hour worked measure, the UK continued to lag behind Germany as well as

France and the USA (ONS 20 November 2007). The Centre for Economic Performance at the LSE reports (2006) that output per hour in the UK in 2005 was 13 per cent, 18 per cent and 20 per cent below that in Germany, France and the USA respectively.

There is some consensus among academics that the recent expansion of the UK economy owes more to the addition of inputs (employment and capital) than to any step change in the efficiency of their combination – what economists describe as ‘total factor productivity’ (see e.g. CEP 2006). Nonetheless, there are some sharply contrasting evaluations of the sources of the productivity growth that was attained in the 1990s, and also of the reasons for the persistent productivity differentials. David Metcalf at the LSE (2004) emphasised the virtuous effect of reforms of industrial relations (the legal restraint of trade union activity) and labour market de-regulation pursued by Conservative governments in 1979-97. Francis Green at Kent University (2006) highlights the effect of ‘effort-biased’ technological change, facilitated by a subdued labour movement, although his analysis suggests these dynamics were not unique to the UK.

The Labour government in the UK from 1997 made improvement of UK productivity performance a central policy aim. For example, the 1999 Pre-Budget Report set the target that UK productivity would rise over the next decade faster than in major competitor countries. Labour government policies nevertheless show continuity as well as change with those of preceding Conservative administrations. The Treasury urges that productivity improvement demands principally macro-economic stability (to encourage investment) and micro-level initiative, to ensure effective operation of markets. However, new statutory employee and worker rights have been enacted – including the national minimum wage – on the understanding that interests in social justice and economic efficiency are simultaneously advanced. The central idea is that minimum labour standards – bearing on employers as statutory obligations – help to frustrate market failures; for example, a spiral of inter-firm competition on the basis of low pay or long hours. A further development, although one that in some respects elaborates on pre-existing government commitments, has been the insertion of a new tier of regional ‘local government’ in England.

## **The Regional Dimension**

Policy makers at a range of levels (the OECD, EU, UK) have placed increased emphasis on the importance of 'regional competitiveness' in the past decade (Gardiner et al. 2004). In broad terms the prescription has been that all 'territorial units' (countries, sub-regions, cities) need to adjust to new conditions of competition in an epoch of 'globalised' economic activity. At the level of the EU, the twin concerns have been to narrow the 'competitiveness gap' with the United States and to achieve economic and social cohesion within an enlarged EU experiencing the impact of economic and monetary union.

In the UK there has been innovation in respect to the infrastructure for regional policy intervention. Thus, South West England (SWE) is one of nine English Government Office Regions (GORs) that date from 1994 although, before 1999, principally continued the functions of the pre-existing eight Standard Statistical Regions (SSRs); that is, formed accounting units for the presentation of regional economic and population statistics. There was some devolution of central government powers in 1997/8; the creation of a Scottish Parliament and a Welsh Assembly alongside the Northern Ireland Assembly. And from 1999 central government instituted regional development agencies (RDAs) in the English GORs. These are business-led, non-elected bodies, but are required to be inclusive in their membership of representatives of relevant interest groups. Their principal remit, as defined in successive HM Treasury Public Service Agreements, has been 'to make sustainable improvements in the economic performance of all English regions ... and over the long term reduce the persistent gap in growth rates between regions ...' (TSO 2005, cited in SWRDA 2007:9). An immediate impact has been pressure on the Office for National Statistics (ONS) to produce more economic performance data that are regionally focused.

In the public policy debate in the UK, as at EU level, there is reference to regional competitiveness, regional productivity and regional performance. Some academic analysts have objected that competitiveness is an inappropriate term; regions (and countries) do not compete in ways analogous to firms that meet as rivals in the product market. An obvious retort is that regions (or interest group or representative bodies within

### **Insert 2.2. Three theoretical perspectives on regional productivity growth**

*'In the standard Neoclassical model, the growth of productivity (output per worker) depends on the growth of capital per worker and the (exogenous) rate of technical progress (or total factor productivity). Hence, regional differences in productivity growth are explained by regional differences in the rate of (exogenous) technical progress and by regional differences in the growth of the capital-labour ratio. But given that the model also assumes constant returns to scale, diminishing returns to labour and capital, and complete factor mobility – including the unimpeded diffusion of technological advance – regional productivity disparities are predicted to narrow over time, as initially low-productivity regions up with initially high productivity ones.*

*... In endogenous growth models, on the other hand, where technical change is argued to be itself determined by the growth process, the implications for the evolution of regional variations in productivity over time depend on the assumptions made about the process of technical progress. For example, in the Romer version ... the rate of growth of technological knowledge is assumed to be a function of the growth in the numbers of workers employed in knowledge-producing activities ...*

*... there is now ample empirical work that suggests that the spatial diffusion of technology is far from instantaneous as assumed in the Neoclassical model. It is well known that certain regions appear to be innovation leaders. They are the sources of basic inventions and take the lead in applying these innovations in the form of new products and services, or more efficient ways of producing existing products. It seems that technology spillovers tend to be localized, and an important source of geographically concentrated externalities and increasing returns. Regional convergence in productivity may thus be a slow process. The more so if the leading innovative regions also attract knowledge and highly skilled knowledge workers from other regions. ...*

*Not unrelated to endogenous growth theory, the 'new economic geography' models that have become popular in recent years ... attribute regional differences in growth to localized increasing returns arising from the spatial agglomeration of specialized economic activity and the external economies and endogenous effects such localized specialization generates ... The existence of localized externalities, and hence the limited geographical range of knowledge spillovers, may be due to locally embedded socio-cultural, political and institutional structures and practices that can all contribute to the localization of these external economies'.*

**Gardiner, B., Martin, R. and Tyler, P. (2004) 'Competitiveness, Productivity and Economic Growth across the European Regions', *Regional Studies* 38(9) 1049-50**

them) are encouraged to compete, for example, for public expenditure on major capital projects or for inward private sector investment. Gardiner et al. (2004 and cited in

University of the West of England and University of Bath 2005) develop a different point; that regions and localities may possess assets that advantage firms operating within them. Neoclassical economic theory assumes that market competition, the diffusion of technology and diminishing returns will even out inter-regional productivity differences over time. Gardiner et al. contrast the assumptions with two among the alternative theoretical perspectives (see insert 2.2). ‘Endogenous growth theory’ and the ‘new economic geography model’ are each more a collection of ‘theories’ than a single school. There is substantial difference between them and yet each suggests ways in which regions and localities may agglomerate asset advantage so that difference is perpetuated, or at least, other regions find ‘catch up’ a lengthy process. Gardiner et al.’s own statistical analysis shows that inter-regional and, more especially intra-regional, gaps across the EU for the most part have been remarkably persistent, in spite of ‘integration’ policy initiatives including EMU. However, while these researchers are sensitive to the range of types of ‘asset advantage’ that regions may enjoy (or lack) – technological, social, infrastructural or institutional (p. 1047) – their empirical study does not probe very far. It simply suggests that while some ‘outliers’ (Ireland, Finland) have achieved catch-up, a relatively contiguous ‘core’ of regions within the EU15 states has sustained a productivity and GDP per capita lead.

Some contributions to the new economic geography emphasise that space is the place in which identities – work, community, cultural – are forged. The central message is that the work and employment relationships and the character of representative institutions established in one era of industrial and economic development influence the way in which ‘the place’ and its labour force are ‘re-integrated’ in a new era, as well as being re-shaped by that change (e.g. Rainnie 2007).

Writing about South East England in the 1980s, Allen et al. (1998: 3) argue that the region’s relative economic success and the particular pattern of economic development that supported it were then held up as a model that other regions, with different industrial relations histories, were encouraged to emulate (the model of market deregulation). London and South East England continue to lead the English GOR productivity league by a substantial margin. London, however, has the accumulated advantage of being ‘the seat’ of central government and its status as the world’s finance

capital was reinforced with financial de-regulation (on a global scale) from the 1980s. Hence a key issue is whether the components of its economic growth can be reproduced elsewhere. A further issue is whether emulation is desirable. Greater London performs relatively poorly on economic performance measures such as unemployment, income equality and access to affordable housing for those in relatively low paid occupations. Rising property prices together with an eagerness to lend on the part of financial institutions inflated consumer purchasing power (and levels of household debt) in the decade from the mid-1990s. Obviously there is now concern that the ‘credit crunch’ that has followed the exposure of sub-prime mortgage over-lending in the USA will have a heavy impact on employment in the financial services sector, concentrated in the UK in London.

### **3. South West England: Employment, Output and Productivity**

#### **Defining the region**

The English GORs were preceded by Standard Statistical Regions that had their own pre-history, apparently, in the ‘grid plan’ devised by central government in the Second World War for coordinating civil defence ([newsfilter.co.uk encyclopedia](http://newsfilter.co.uk/encyclopedia)). SSRs demarcated the country for statistical accounting purposes essentially on compass point lines. There has been criticism that the GORs continue this approach, even though they have acquired administrative functions and responsibilities in respect to regional economic development. In other words, the issue has been the extent to which they demarcate regions that have specific economic, social or political histories, or are more arbitrarily defined territorial units.

In area, SWE is the largest of the English GORs. It stretches from Cornwall and the Isles of Scilly in the south west to include Gloucestershire in the north of the region and Wiltshire in the east, and covers approximately 23,837 square kilometers (South



West Observatory 2007a: 6). It is internally diverse in a range of respects. There are arguments that as a regional government unit SWE is too large and insufficiently incoherent; that Gloucestershire, for example, has more in common with the Midlands in terms of its industry structure, and that Cornwall should be a region in its own right. There are also arguments that it is too small, or rather that in some respects (some parts of) SWE have much in common with South East England.

## **Population and Migration**

The region has the third lowest population total and the lowest population density among the English GORs. This is even while its population total is estimated to have increased by half a million, to 5.1 million, in the decade to mid-2005. The population increase is estimated to have been achieved principally through net inward migration; more people re-located to SWE – from other parts of the UK and from abroad – than left the region (South West Observatory – hereafter SWO - 2007a:8). For a range of reasons, however, migration is the most difficult component of population change to measure and ‘model’ with any precision and this is especially the case in respect to international migration (ONS 2007: viii).

Thus while the ONS produces Total International Migration (TIM) estimates of inflows and outflows, to and from the UK, of long-term migrants (those who change the country of their usual residence for a period of at least a year), the adequacy of the estimates has been questioned. The TIM estimates show a trend of higher immigration into the UK from the mid-1990s and of increasing levels of emigration. Immigration exceeded emigration in each year from 1996 and the estimated gain of 185,000 people in 2005, although lower than the 2004 total, was higher than in all other years since current methods of estimating TIM began in 1991 (ONS 2007: xi). Net in-migration in 2005 was estimated to include 89,000 citizens from the EU and those from the A8 Accession States were 70 per cent (64,000) of this total.

It is the magnitude of the increase in net immigration, as opposed to the overall trend, that has been questioned. And alongside this an issue raised – although from

different interest group perspectives – is the extent to which inward migration to the UK has become less geographically concentrated. The TIM estimates suggest that ‘when averaged over the last 5 years, 41 per cent of people migrating to England migrated to London, while 30 per cent of people moving abroad left England from London’ (ONS 2007: xix). For South West England the data show increased inflow and outflow and a net gain of immigrants from abroad in most years since 1996, although that the scale of the net gain fluctuated (apparently quite widely!): it was 10,000 in 2005 (the fourth largest net gain among the English GORs) following a net loss of 1,000 in 2004. Salt and Millar (2006) use a range of statistical sources to estimate the numbers and geographical dispersion of *foreign workers* in the UK. They note that the pattern of concentration in London and the South East has persisted over very many years although admit it was possibly changing in the mid-2000s, given the ‘propensity of new workers from the A8 countries to distribute themselves more widely’ (339) – presumably in response to available job openings.

The Worker Registration Scheme (WRS) from May 2004 allowed A8 citizens to take up work with an employer in the UK on payment of a registration fee with the Home Office. WRS data provide a measure of the number of A8 citizens coming to work in the UK, although are not comprehensive; the self employed are not required to register and A8 citizens may enter the UK labour market via other official routes (e.g. the Seasonal Agricultural Workers Scheme). The WRS records applicants and numbers registered but affords limited insight into individuals’ actual length of stay in the UK (which may be a matter of weeks or a few months). And since 2007 the criteria for entry (and level of registration fees) have been raised.

The UK cumulative total of WRS applicants in the period May 2004 to June 2007 was 683,000 (HO 2007:5). Sixty-six per cent of approved applicants were Polish. Eighty-two per cent were young, aged between 18 and 34 years. Ninety-seven per cent were registered as working full-time in the UK; around half were in temporary employment; above three-quarters earned only between £4.50 and £5.99 an hour in their UK employment (Ibid. 10-16). The top five industry sectors in which WRS registered workers were employed were administration, business and management (37 per cent); hospitality and catering (19 per cent); agriculture (11 per cent); manufacturing (7 per

cent) and food processing (5 per cent). The majority in the first category worked through recruitment agencies and could be employed in a variety of occupations (HO 2007: 12).

A8 nationals may now constitute the largest group of foreign labour migrants to the South West (Bryant et al. 2006:19). For reasons discussed, however, it is hard to make precise estimates. The South West's overall share of the 2004-7 total of WRS registered workers appears to be relatively modest. The Home Office data show the geographical distribution by employers of WRS registered workers. Employers in Anglia had the largest share (15 per cent), followed by the Midlands (13 per cent) and London (12 per cent). Employers in SWE had 9 per cent of the total. However, their 17 per cent share of all WRS registered workers working in agriculture was significantly above the UK average for this industry sector.

## **Labour market participation and employment**

### **Working age population**

Women were 51 per cent of the resident population in SWE in 2005, a slightly higher proportion than for England as a whole (ONS cited in SWO 2007a: 16). The region had a more elderly population in comparison with the English average, with a higher proportion in all age groups over 50 years, and contained 5 of the 10 most 'retired' districts in England (Ibid.). However, while many people do retire to SWE, it is estimated that they were only 16 per cent of the 'within UK' migrants to the region in the 12 months to 2005 (NHSCR cited in SWO 2007a).

The age structure of the region's resident population means it has a smaller working age population than the UK average. Indeed, the data for 2005 show the proportion of residents of working age (if defined to include those between 16 and 60/65 years) was lower in SWE (59.9 per cent) than in any other UK region or country (Table 3.1).

**Table 3.1. Age structure of the resident population, UK Government Office Regions, 2005**

	<b>Total Population</b>	<b>Children (0-15 yrs)</b>	<b>Working Age 16 – pensionable age</b>	<b>Pensionable Age and Above</b>
	<b>(000s)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>
UK	60,210	19.3	62.0	18.7
England	50,432	19.3	62.1	18.6
North East	2,558	18.6	62.0	19.5
North West	6,846	19.5	61.6	18.8
Yorkshire & Humber	5,064	19.4	61.7	18.9
East Midlands	4,306	19.1	61.8	19.1
West Midlands	5,365	19.9	61.1	19.0
East	5,542	19.4	61.0	19.6
London	7,518	19.3	67.0	13.7
South East	8,164	19.3	61.4	19.3
South West	5,068	18.3	59.9	21.8
Wales	2,959	19.1	60.3	20.6
Scotland	5,095	18.3	62.6	19.6
Northern Ireland	1,724	22.1	61.7	16.2

**Source:** ONS Mid-year Population Estimates; General Register Office for Scotland; Northern Ireland Statistics and Research Agency  
Pensionable age defined as 60 years and above for women, 65 years and above for men

### **Labour Market Participation Rates**

Table 3.2 provides a snap-shot of the labour force in SWE in the first quarter (January to March) of 2007 and that of other English GORs and UK countries (hereafter the 12 UK GORs). A relatively high proportion of the working age population (16 years and above) was *economically active* – conventionally defined to include those in paid employment and the ILO unemployed. On this measure SWE out-performed all other UK GORs except South East and East England. The South West Observatory’s longitudinal analysis (2007a:) suggests SWE had held this third place since 2000/1.

*Unemployment* crept up in the UK in the mid-2000s, even while employment growth continued in absolute terms. The increase in SWE was relatively modest and at the beginning of 2007 the region retained its pole position as the UK GOR with the lowest overall unemployment rate (3.9 per cent compared to the UK average of 5.5 per cent).

**Table 3.2. Economic activity, employment and unemployment rates, UK GORS, First Quarter (January to March) 2007**

	<b>Total aged 16 years &amp; over</b>	<b>Economically Active – rate</b>	<b>Employment – rate</b>	<b>Unemployment – rate</b>
	<b>(000s)</b>	<b>%</b>	<b>%</b>	<b>%</b>
North East	2,076	76.2	70.9	6.8
North West	5,466	77.0	72.5	5.7
Yorks & Humber	4,059	77.6	72.7	6.2
East Midlands	3,463	80.5	76.0	5.5
West Midlands	4,293	77.8	72.7	6.4
East	4,443	81.4	77.4	4.7
London	6,124	75.6	69.9	7.3
South East	6,520	82.0	78.2	4.6
South West	4,107	81.3	78.0	3.9
<b>England</b>	<b>40,551</b>	<b>78.9</b>	<b>74.3</b>	<b>5.7</b>
Wales	2,383	76.0	71.7	5.5
Scotland	4,135	80.7	76.6	4.9
<b>Great Britain</b>	<b>47,069</b>	<b>78.9</b>	<b>74.4</b>	<b>5.6</b>
N.Ireland	1,341	73.6	70.5	4.2
<b>UK</b>	<b>48,409</b>	<b>78.8</b>	<b>74.3</b>	<b>5.5</b>

**Source:** ONS, LFS

Note: The denominator for the economically active and employment rates is the working age population (16 years & over) and for unemployment is the total economically active. **CHECK**

SWRDA records (2007: 17) that full-time equivalent (FTE) *employment* grew at a faster rate in SWE than in Great Britain in the period 1998-2005 (1.6 per cent compared to 1.1 per cent per annum) and attributes this to the region's relatively faster population growth. Among the 12 UK GORs at the beginning of 2007, SWE had the second highest overall employment rate (78.0 per cent); on this measure it was out-performed only by South East England (78.2 per cent).

**Table 3.3. Economic Activity Rates, by Age Group, UK and South West England, 2006**

	<b>UK</b>	<b>South West England</b>
16-19 years	55.3	61.7
20-24 years	76.4	77.1
25-34 years	83.7	87.0
35-49 years	85.1	87.8
50-60/5 years	70.0	75.3
Above retirement age	10.8	11.4

**Source:** ONS, Annual Population Survey

Of course aggregates and averages can be misleading. Economic activity, employment and unemployment rates vary by age, gender and ethnicity, among other ‘variables’. Table 3.3. shows economic activity rates by age group for SWE and the UK. The region conforms with the ‘national’ pattern (labour market participation is lower among young adults than those of prime age) but has relatively high economic activity rates across the age range in comparison with the UK average. Table 3.4. shows that the male economic activity rate exceeds the female, in SWE as in the UK as a whole, although that the region has relatively high rates of economic activity among men and among women; indeed, SWE has the highest female economic activity rate of all the English GORs (see also Appendix 1). Male and female rates of employment in SWE each exceeded the respective UK average in 2007 and have done so for some period of time.

**Table 3.4. Economic Activity Rates, by Gender, UK and SWE, 2003-6 (Per centages)**

	Males		Females	
	UK	SWE	UK	SWE
2003	84.2	85.6	72.9	77.7
2004	83.6	85.5	73.1	76.4
2005	83.4	85.4	73.3	77.3
2006	83.7	85.4	74.0	77.3

**Source:** ONS Labour Force Survey, 2<sup>nd</sup> Quarter each year

### **Employees and the self employed**

The majority of the employed are employees, in SWE as in the UK as a whole. In the UK the incidence of *self-employment* increased in the 1980s, fell back in the late 1990s but showed some increase from the early 2000s. It was 12.6 per cent of the employment total in 2006 but a slightly higher proportion – 13.6 per cent – in SWE which had the fourth highest rate of self-employment among the 12 UK GORs (Table 3.5). Self-employment is more common among men than among women. Nonetheless, SWE had a relatively high rate of female self-employment in 2006, 9.0 per cent compared to the UK average of 7.3 per cent, and was second only to London on this measure.

**Table 3.5.. Self-employment as a proportion of male and of female employment, UK GORs and SWE sub-regions, 2006.**

	Self-employed men	Self-employed women	All self-employed
<b>UK</b>	<b>17.0</b>	<b>7.3</b>	<b>12.6</b>
Wales	16.9	6.6	12.2
Scotland	14.1	5.6	10.1
Northern Ireland	23.1	6.6	15.6
North East England	12.6	4.2	8.7
North West	15.9	6.0	11.3
Yorkshire & Humber	15.3	5.8	11.0
East Midlands	15.8	7.4	11.9
West Midlands	15.7	6.4	11.6
East	19.5	7.7	14.2
London	19.8	10.2	15.6
South East	17.7	7.9	13.2
South West	17.5	9.0	13.6
City of Bristol	12.5	6.0	9.5
North & North East Somerset & South Gloucestershire	16.0	7.6	12.1
Plymouth	12.0	4.4	8.4
Bournemouth & Poole	15.4	7.4	11.8
Swindon	14.5	7.3	11.3
Torbay	22.6	10.9	17.0
Cornwall & Isles of Scilly	23.0	10.7	17.4
Devon	22.9	12.3	18.0
Dorset	18.8	8.8	14.3
Gloucestershire	15.3	9.0	12.4
Somerset	17.9	10.4	14.3
Wiltshire	16.3	9.4	13.1

**Source:** Annual Population Survey 2006

Self-employment is not an homogeneous employment form. It includes high-earning entrepreneurial professionals but they are not representative of the mass. Weir's (2003) analysis of the UK data estimated that the self-employed on average earned £121 a week more than employees. But the average was skewed by the minority who did make a better living through self-employment. The first four-fifths of the self-employed in the income distribution earned less than the first four-fifths of employees.

## Part-time employment

In the UK in the period 1992 to 2006, full time employment increased by 10 per cent.

*Part-time employment* increased by 23 per cent and its share of the employment total rose by two percentage points, to 25 per cent (Walling 2007). Part-time employment is not an homogeneous employment-form, but some of its characteristics are reasonably uniform across regions and countries. It is far more common among women than men, although the incidence of male part-time employment increased in the 1990s, to around 10 per cent of the male employment total in the UK in 2006. SWE has the highest rate of part-time employment among the English GORs. SWRDA (2007 August: 10) reports that part-time

**Table 3.6. Part-time employment as a proportion of total employment, by gender, SWE sub-regions, September 2006**

	All part-time as % all in employment	Men working part-time as % all men in employment	Women working part-time as % all women in employment
UK	23.8	9.3	41.1
South West	27.0	10.8	46.0
City of Bristol	22.9	11.5	36.6
North & North East Somerset & South Gloucestershire	27.2	9.6	47.8
Plymouth	29.8	13.7	48.3
Bournemouth & Poole	24.1	8.6	43.6
Swindon	21.6	6.6	39.8
Torbay	31.2	14.2	49.7
Cornwall & Isles of Scilly	29.3	14.0	47.2
Devon	29.9	12.0	51.1
Dorset	26.2	9.4	46.9
Gloucestershire	24.4	9.6	42.0
Somerset	29.0	10.7	49.1
Wiltshire	27.2	10.5	46.4

**Source:** Annual Population Survey, September 2006  
Employment totals relate to the working age population

employment dipped a little in 2005-7. Nevertheless, the Annual Population Survey estimates for 2006 (Table 3.6.) show part-time employment was 27 per cent in the region, compared to 23.8 per cent in the UK, that 46 per cent of women in employment in SWE



were part-time compared to the UK average of 41.1 per cent and that part-time employment among men was above the UK average (10.8 compared to 9.3 per cent).

### **Temporary work**

There are few readily available data on *temporary employment* in the region. Labour Force Survey (LFS) estimates (cited in ONS 2007a, Table 3) suggest 5.8 per cent of employees and 4.9 per cent of all in employment had temporary employment in September 2006, which is more or less equivalent to the UK average. However, it is likely that the LFS under-records the incidence of temporary contracts. Moreover, while it provides ‘stock’ totals, the significance of temporary employment is probably best measured through ‘flows’ into and from it over a given period (Peck and Theodore 1998). The LFS estimates for the UK suggest that the numbers of temporary employees fell from a peak of 1.74 million in 1997 to 1.39 million in the equivalent quarter in 2005 and then crept up to 1.45 million in the first and second quarters of 2007. Temporary agency ‘employees’ share of the total increased more or less continuously over the period, to 19.3 per cent in 2007. Attention has been given to increased incidence of agency employment among professionals, in particular those working in public services, but ‘blue collar’ manuals and administrative/clerical occupations continue to form the major share of the temporary agency workforce. Some analysts connect the recent growth in temporary employment (all forms aggregated) to increased labour migration to the UK (Seager 2007 cited in Philpott 2007). Certainly, as noted earlier, 51 per cent of workers from A8 EU member states who are registered as working in the UK under the WRS are registered as having temporary employment and it is estimated that a majority of those registered as working in ‘administration, business and management’ are most likely to gain employment through temporary work agencies. Yet a more detailed analysis is required for SWE of the extent and composition of the temporary workforce.

SWE is a large area that, broadly speaking, is more urbanised and ‘industrialised’ in its northern and eastern component sub-regions than those further south and west. There is substantial intra-regional variation in economic activity, employment and unemployment rates (shown in Table 3.7). Annual Population Survey estimates for 2006

suggest the rate of self-employment was below the regional and UK average in urbanized local authority areas while across the six counties it ranged from 18 per cent in Devon to 12.4 per cent in Gloucestershire (Table 3.5. above). Part-time employment peaked at 31.2 per cent in Torbay, where 14.2 per cent of employed men and 49.7 of employed women were recorded as working part-time (Table 3.6. above). The rate was relatively high also in Plymouth where, as in Torbay, unemployment was significantly above the regional average.

**Table 3.7. Employment, Unemployment and Economic Inactivity Rates, SWE Unitary and Local Authorities, 2006**

	<b>Population 16-59/64 years</b>	<b>Employment Rate</b>	<b>Unemployment Rate</b>	<b>Economic Inactivity Rate</b>
	<b>000s</b>	<b>%</b>	<b>%</b>	<b>%</b>
South West	3,035	77.9	3.7	19.0
Barnes & North East Somerset	108	74.1	3.6	22.9
Bournemouth	101	74.5	4.2	22.6
Bristol	264	75.3	4.6	21.5
North Somerset	114	82.3	2.6	16.8
Plymouth	156	72.7	6.0	21.8
Poole	80	77.6	3.3	19.3
South Glocs.	153	83.7	3.2	13.3
Swindon	117	79.8	4.2	16.2
Torbay	75	74.5	5.3	20.8
Cornwall & Isles of Scilly	304	75.3	4.0	21.9
Devon	426	78.1		19.3
Dorset	221	78.2		19.6
Gloucestershire	347	80.2		16.9
Somerset	380	77.0		18.7
Wiltshire	268	81.4		15.8

**Source:** ONS, Annual Population Survey Jan-Dec 2006

Denominator for employment and inactivity rates is the working age population, and the economically active population for employment rates.

Gaps as in source!

## Output and productivity

EU estimates of *GDP per inhabitant* for the new EU27 in 2004 showed a huge range; from 24 per cent of the EU27 average in North East Romania to 303 per cent in inner London. The estimates were reported by SWRDA (2007 May:5) which noted that SWE's relative indices had moved higher 'as a result of both EU expansion and the UK's recent comparatively good economic performance'. Regional GDP per inhabitant was 116.1 per cent of the EU27 average but ranged from 79.2 per cent in Cornwall and the Isles of Scilly to 143.4 per cent in Gloucestershire, Wiltshire and North Somerset NUTS2 (?) area.

Gross Value Added (GVA) is the standard 'output' measure for the regions. It is sometimes described as a measure of regional income (e.g. Drew, no date). Thus while its calculation is described as the estimated value of final goods and services produced in an economy plus subsidies less taxes (SWO 2007a: 31; see also Camus 2007), Boddy et al. (2005: 3.21) explain that:

*At the aggregate level, GVA is estimated by the ONS as output value less purchases. The two components of GVA are thus earnings (61% of GVA in SW in 2001 as opposed to 69% for the UK) and profit.*

In other words, while substantial attention is given to the most appropriate denominator for productivity calculation (e.g. SWO 2007: 36-7) it is relevant to consider the effect the nominator has in any assessment of comparative regional performance. London's GVA per head of population exceeds that of other English GORs by a wide margin, and similarly the median wage is higher than other regions. The South West Observatory (2006) makes the point in its estimation that SWE's median wage ranking is much improved when London is excluded from the calculation.

SWRDA reports (2007: 16) that SWE's economy grew from £59 billion to £86 billion in terms of total output in the period 1998-2005 and that the region achieved an annual rate of growth that exceeded the GB average (5.7 per cent compared to 5.3 per cent). Its estimated GVA gave it a 9.3 per cent share of the English GVA output total, ranking it as the sixth largest economy among the English GORs (SWO 2007a: 31). It should be noted that these GVA totals are nominal, i.e. not adjusted for inflation.

**Table 3.8. SWE Relative Productivity Indices, 1999-2005**

	1999	2000	2001	2002	2003	2004	2005
Total nominal GVA (£bn)	60.9	63.7	67.5	71.6	76.4	81.3	84.6
Annual growth (%)	5.0	4.6	5.9	6.0	6.7	6.5	4.0
GVA per head (UK = 100)	93.1	93.2	93.7	93.9	94.2	94.3	94.4
GVA per filled job (UK = 100)	92.1	93.3	94.5	93.9	93.4	94.2	93.6
GVA per hour (UK = 100)	93.4	95.0	97.3	96.0	95.7	97.1	95.8

**Source:** SWRDA Economics Review Issue 9, Third Quarter: August 2007 page 22. Based on ONS data. UK GVA per head for 2005 = £17,677

A range of indices based on aggregate ONS data have been used to calculate regional productivity, to compare SWE's performance with the UK average and to rank it in relation to other UK and English GORs. Table 3.8 above, which is taken from SWRDA's August 2007 *Economics Review*, suggests that SWE achieved some, albeit modest, improvement towards the UK average on the measures of GVA output per head, per filled job and per hour in the period 1998-2005.

However, some qualification is required in the light of SWRDA's commentary – in the May 2007 *Economics Review* - on the region's ranking in the GOR productivity league, and the South West Observatory's analysis of the State of the South West in 2007. On the GVA per head measure, the region's ranking apparently altered little; in 2005 it remained fifth among the UK GORs and fourth among the English regions. The SWO (2007a: 36-7) explains that although GVA output and productivity both increased at a faster rate than the English average from the late 1990s, productivity grew more slowly than output and this reflected relatively strong population growth. It calculates that GVA output per head was 92 per cent of the English average in 2005, rising to 98 per cent if London is omitted from the calculation.

In terms of GVA output per job, SWRDA calculates that SWE moved from eighth to sixth position in the UK GOR league between 1998 and 2005. There was relatively strong employment growth in the period which is perhaps why the output per job growth depicted in Table 3.8 appears rather modest.

The GVA per hour productivity measure in principle favours SWE (contingent on the strength of output growth). A marginally higher proportion of men in full-time employment in SWE than in the UK as a whole usually worked relatively long hours (45

or more per week) according to Annual Population Survey data for 2006 (Table 3.9 and see also Appendix 2). On average, however, SWE employees worked the shortest average week of any English region in 2005 (Table 3.10), for which the most obvious explanation is the relatively high rate of part-time employment.

**Table 3.9. Proportions of the employed working short and long weekly hours, UK and SWE, by gender, 2006**

	UK		SWE	
	Men	Women	Men	Women
Less than 10 hrs	1.8	5.7	2.3	8.1
10-34 hours	10.8	41.7	11.5	44.7
35-44 hours	50.4	40.3	48.1	35.3
45 hours or more	37.1	12.3	38.0	11.9

**Source:** Annual Population Survey, September 2006

**Table 3.10. Average usual weekly hours of work of full time employees, all occupations, UK Government Office Regions, Spring 2005**

	Average weekly hours, all occupations
North East	42.1
North West	42.0
Yorkshire and the Humber	42.6
East Midlands	43.2
West Midlands	42.7
East	43.0
London	42.9
South East	43.3
South West	42.6
<b>England</b>	<b>42.8</b>
Wales	42.1
Scotland	42.4
Northern Ireland	41.1
<b>UK</b>	<b>42.7</b>

**Source:** ONS, LFS

Taking average hours into account deflates the regional productivity denominator, so that SWE's performance relative to the UK average improves – in theory. SWRDA reports that the region ranked only fifth on this measure among the UK GORs in 2005, although that the position had improved from seventh in 2008.

However, the GVA per FTE employee productivity measure also admits the statistical effect of part-time employment. SWRDA's May 2007 review (p. 18) suggests

that on this measure SWE productivity changed little in the period 1998-2005, and fluctuated around 92 per cent of the *GB* average. It attributes this to the fact that while GVA output and FTE employment growth both were higher in the region than the equivalent GB rates, they tended to cancel each other out.

The SWO (2007a: 36) concludes in its review of UK and SWE aggregate productivity that part-time work boosts economic activity (labour market participation) but suppresses productivity; the region is favoured relative to a UK productivity average that is deflated by a relatively larger hours input. However, this is the statistician's perspective and it is relevant to make two further comments. First, women's unpaid domestic labour contributes to the regeneration of the workforce and to labour productivity (by keeping the workforce fed, in clean accommodation and so on) but currently does not figure in the national accounts. Second, given the current approach to GVA calculation, it is most relevant to examine the industry and occupational distribution of part-time employment on the principle that these have a bearing on earnings.

**Table 3.11. GVA (£) per head and per head index (England =100) at current basic prices, 2003**

	<b>GVA per head (3)</b>	<b>GVA per head index</b>
England	17532	100
South West	16141	92
Swindon	26795	153
City of Bristol	23962	137
Gloucestershire	19386	111
North & North East Somerset, South Gloucestershire	19281	110
Bournemouth and Poole	16440	94
Wiltshire	15425	88
Plymouth	14327	82
Somerset	13775	79
Devon	13363	76
Dorset	12250	70
Cornwall & Isles of Scilly	11094	63
Torbay	10562	60

**Source:** ONS in SWO 2007(a): table 2.2 page 35

A final point in this summary of the productivity data is that averages obscure as much as they reveal. It is clear there is substantial intra-regional variation or, in bald terms, a north-south productivity gap (Table 3.11.). On the GVA per head measure in 2003,

productivity in the Gloucestershire, Wiltshire and Somerset NUTS2 area was 14 per cent above the English average while in Devon and in Cornwall and the Isles of Scilly it was 24 per cent and 37 per cent below the national average respectively (SWO 2007a: 35).

## **4. Analysing inter-regional productivity gaps: state of the art**

### **Convergence targets**

As noted in section one, productivity is not a straightforward concept and analysis of its ‘determinants’ is approached in rather different ways by academics working within different theoretical traditions. The related point is that different types of explanation for the UK’s productivity gap with major competitor countries have achieved influence at different times. The Treasury has drawn on currently influential ideas and research evidence to define five key ‘drivers’ of productivity: competition, capital investment, enterprise, innovation, and skills (or human capital).

The government has set the RDAs the target of narrowing inter- and intra-regional performance and productivity gaps, although business minister Stephen Timms in a recent speech appeared to acknowledge the enormity of the challenge laid down. London out-performs other English regions on a number of measures including GVA output per head, but its agglomerated advantage as a global financial centre makes it a hard target for regional catch-up. Mr Timms said: ‘We’ve been comparing our regions against a global financial city and finding them wanting ... We need to move on from a sterile north-south divide debate to one that respects the real achievements of all our regions’ (cited in *The Financial Times* 15 January 2008).

Prior to the policy shift, the South West of England RDA (SWRDA) commissioned economists at the universities of the West of England and Bath to investigate the scale of the South West’s productivity gap with the best performing GOR – i.e. London – and the contributory factors. Boddy et al. (University of the West of England and University of Bath 2005) estimated there was a headline gap of approximately 30 per cent in GVA per head between SWE and the London GOR. Their research used econometric analysis of ONS aggregate data and business level data – the

Annual Business Return data base, to which the researchers had special access – to test hypotheses and variables identified in the policy and economics literatures as relevant to understanding productivity gaps, and to assess SWE’s performance against the five ‘drivers’ identified by the Treasury as key. The South West Observatory (2007a: 46-56) provides a useful summary of the findings that we draw on in this section, that also reports ideas flowing from productivity research centres such as the CEP at the London School of Economics and relevant data for SWE.

## Industry Structure

Analysis of inter-regional productivity gaps has obviously to consider whether industry structure is an influence; that is, whether some regions have more investment, output and employment in high productivity sectors than others.

**Table 4.1. Contribution of Output (GVA) and Employment (FTE) by industry, 2002**

SW Industries (2002 base year)	GVA (£m)	GVA (%)	Number of FTEs	FTE (%)
ALL INDUSTRIES	70,481	100	2,146,341	100
Primary industries	1,609	2.3	81,507	3.8
Secondary industries	376	0.5	6,205	0.3
Energy and water	1,240	1.8	12,555	0.6
Construction	5,036	7.1	174,307	8.1
Manufacturing	10,879	15.4	306,171	14.3
Services	51,717	73.4	1,571,802	73.2

**Source:** Regional Accounts, South West Business and Economy Module, in South West Observatory (2007) Table 2.6 page 44

The industry composition of SWE’s output and FTE employment in 2002 is shown in Table 4.1. (taken from the South West Observatory’s review of the *State of the South West* economy for 2007). Services (public and private) accounted for three quarters of regional output and a similar proportion of regional employment. The extent of the region’s dependence on service industry was not out of kilter with the UK average; the general trend has been a restructuring of industry and employment away from production industries and towards services. Indeed, a focus on the industry composition of employment shows the London economy is the most de-industrialised of the UK GORs. In 2006, manufacturing’s employment share was 7 per cent compared to the UK average



of 12.9 per cent (see Appendix 3). On the other hand, banking and financial services were 25 per cent of the employment total compared to 15.7 per cent in the UK as a whole and 14.3 per cent in SWE.

SWRDA's analysis in its May 2007 *Economic Review* showed that private services contributed 70 per cent of regional output growth in the period 1998-2005. Private and public services and construction together accounted for most of the employment growth in the period. Manufacturing's contribution to regional output growth was modest and employment in this industry group continued to decline, albeit at a more gradual rate in comparison with the GB average.

Manufacturing is the one broad industry group that in SWE has consistently achieved GVA per FTE employment productivity levels that exceed the GB average for the sector (see Table 4.2. which provides details for 2002). However, it is a broad sector and – as in the broad service industry groups – there are industries that reach or exceed the GB average productivity for the industry and others that do not. Distribution and retail is the largest private service industry in the region in terms of employment share but 'under performs' in comparison with the industry's GB productivity average. Business services comprise relatively high value added industry that in SWE achieves productivity levels above the national sector average. The industry made a contribution to regional GVA output and employment growth in the period 1998-2005 that exceeded its size; at the end of the period it had a 26 per cent share of regional output and 15 per cent share of regional employment (SWRDA May 2007: 20). SWRDA's aspiration is that this industry and other high value added service sectors can be encouraged to invest and expand in SWE to compensate for the contraction of manufacturing employment. An interesting issue, however, is the extent to which the expansion of business services has been fuelled by outsourcing from manufacturing and other industries.

Boddy et al.'s (2005) econometric analysis suggested that industry structure was not a principal factor explaining the SWE-London productivity gap. The South West had a mix of high and low productivity industries and its overall productivity ranking would not improve substantially if its industry structure more closely resembled London's. However, the analysis also confirmed that industry composition was a significant part of the 'explanation' for intra-regional productivity differentials. Manufacturing and higher

value added service industries are more concentrated in the north of the region while tourism and related services (over-represented in the region's employment total in comparison with other GORs) are larger shares of output and employment in the south and west (Appendix 4).

**Table 4.2. Productivity Index by Industry (GVA per FTE) 2002**

SW Industries (2002 base year)	GVA/FTE		
	£	Index: SW = 100	SWE v GB, GB =100
All industries	32,838	100.0	90.3
Primary industries	19,741	60.1	56.2
Secondary industries	60,569	184.4	34.2
Energy & water	96,765	300.8	86.1
Construction	28,892	88.0	96.9
Manufacturing	35,532	108.2	103.9
Services	32,903	100.2	89.1

**Source:** Regional Accounts South West Business and Economy Module, in South West Observatory 2007a: 44

Boddy et al. did not consider occupational structure. Yet occupation is an (admittedly crude) indicator of earnings which, as they report, are a main component of GVA output calculation. According to Annual Population Survey data for 2006, higher graded occupations – managers, professional, associate professional and technical – were 42 per cent of the employment total in SWE and 52 per cent of the total in London (see Appendices 5 and 6). Skilled trades were 12 per cent of the SWE employment total compared to 8 per cent in London; in the South West, North and North East Somerset and South Gloucestershire had 30 per cent of the total in this occupational group. Personal service, customer and sales service, process and machine operatives and elementary occupations were 34 per cent of the South West employment total compared to 27 per cent in the London GOR.

There is insufficient space in this report to provide a detailed analysis of regional earnings' differentials. Some of the headlines are captured by Whittard (2006), however, in his report for the South West Observatory that draws on the Annual Survey of Hours and Earnings (ASHE) for 2005. The median gross weekly earnings for an employee working full time in SWE were £401 in April 2005, which was 92 per cent of the English

median and 98 per cent if London is omitted from the calculation. SWE median weekly earnings were below the UK average for male and female full time and part time employees. The gender pay gap between male and female full time employees was slightly wider in the region than the UK as a whole. Part-time employment forms an above average proportion of total employment in SWE. Three quarters of those in part-time work are employed in hotels and catering; distribution and retail; public administration, education and health. When compared with the UK median, part-timers in SWE fare worse than full-timers. In 2005 they attained 92.7 per cent of UK median hourly earnings for those in part time employment, whereas SWE employees in full time employment achieved 93 per cent of the UK median for full time employees. There was substantial intra-regional variation; broadly speaking, workers in the northern end of SWE were paid more than those in the south and west (Table 4.3 and see also appendices 7 and 8).

**Table 4.3 Earnings\*, April 2006 (Gross weekly full-time earnings)**

	Male	Female	TOTAL
<i>United Kingdom</i>	487.4	386.8	447.1
<i>South West</i>	471.2	358.8	423.5
Bath and North East Somerset	494.5	405.0	455.8
Bournemouth	444.7	325.5	395.8
Bristol	454.3	389.2	423.7
North Somerset	541.9	382.8	481.8
Plymouth	449.3	332.0	397.7
Poole	512.1	355.0	447.5
South Gloucestershire	524.6	370.1	483.4
Swindon	514.7	370.2	439.7
Torbay	402.7	343.6	387.3
Cornwall and the Isles of Scilly	395.5	329.6	364.1
Devon	425.2	329.8	393.0
Dorset	457.1	349.9	416.2
Gloucestershire	504.7	376.8	458.4
Somerset	461.7	360.1	421.2
Wiltshire	517.2	364.7	455.3

\*Gross average weekly earnings are residence-based. Data relate to full-time employees on adult rates whose pay for the survey period was not affected by absence.

**SOURCE: Annual Survey of Hours and Earnings, Office for National Statistics**

## **The UK Treasury's Five 'Productivity Drivers'**

### **Competition**

Market competition in neoclassical economic theory is the discipline that obliges firms to achieve economic efficiency, which is conceptualized in this perspective as the adoption of the least cost combination of 'factor inputs'. Economists in the 1990s (for example, Nickell 1996) added research evidence to suggest that increasing the intensity of product market competition stimulated innovation and productivity growth. Competition, in this view, obliges existing firms in an industry to shape up; weeds out under-performing enterprise; and enables new firms to enter, with new management techniques that incumbent producers are able to learn from and emulate (ESRC 2004).

The UK had been considered by many a relatively open economy in the twentieth century; in comparison, for example, with many European 'rivals' or indeed with Japan. Government policy from the 1980s onwards nevertheless prioritized market deregulation and privatization as the means of bolstering industry competitiveness. Trade liberalization has been coordinated at international level and embraced 'locally'. There are some economists who argue the UK is now the least regulated economy within the OECD (e.g. Card and Freeman 2004, cited in ESRC 2004), although others spy scope for further convergence with the USA 'model'. Obviously there are critics of the deregulation trend; one argument is that over-reliance on market coordination inhibits innovation, including 'best practice' in HRM – an issue to which we return later.

Regional policy makers in SWE, engaging with the national agenda, have articulated concern that industry is insufficiently exposed to international competition. Exports are estimated to contribute 13 per cent to regional output by value, compared to 23 per cent nationally (SWRDA August 2007: 12). SWRDA's analysis is that this has less to do with industrial structure than with a lower propensity to export at the level of the firm, in comparison with South East England. While the RDA accepts there is an association between productivity, innovation and exports, however, it has questioned whether there is sufficient understanding of the chain of causality. Is rising productivity a pre-condition for export success and, if so, is more adequate support for industry required to achieve the breakthrough?

## **Capital Investment**

In the 1960s and 1970s many analysts agreed that UK productivity growth was constrained by inadequate capital investment but gave different interpretations of the root causes. Some among the disputes continue to rumble. There is broad agreement that the UK currently has less physical capital per worker than the USA and that the gaps are even wider with France and Germany. Yet different explanations are offered and some are more in vogue than others. The ESRC's 2004 productivity seminar report lists the ideas that there has been inadequate macro-economic stability (a matter that Gordon Brown as Chancellor and now PM argued could be rectified); 'short-termism' on the part of (internationally orientated) financial institutions; inadequate labour or management skills – or as some analysts would argue an over-abundance of relatively cheap labour; and a failure on the part of government to invest sufficiently in economic and social infrastructure (housing, schools, hospitals, road and rail transport). Rice and Venables' (2004) research highlights the direct impact better transport would have on productivity in the regions, by reducing journey times and remoteness from key markets. Boddy et al. pick up, although modify, the analysis in their SWRDA commissioned research.

A related debate concerns the role of IT diffusion and use in America's productivity revival from the 1990s and Europe's ability to catch-up. There are arguments that 'high tech' clusters in the USA have benefited from appropriate skills availability or large markets in defence, that they have worked symbiotically with user organizations and that the latter have been adept at creating organizational structures or cultures conducive to effective IT use. Van Aark at the LSE, who is among the economists who criticize European industry for being too regulated and bureaucratic to achieve IT productivity gains comparable with America's, highlights more aggressive management as among the USA's assets (cited in Financial Times 2006). Green (2006) in the UK, as suggested earlier, has researched the substantial effort increase already attained in this country and abroad from innovative IT technologies.

As regards SWE, Boddy et al.'s analysis of business level ABR data suggested capital stock to labour ratios in the region were among the lowest in the English GORs.

The SWO's investigation of annual capital investment flows, however, found that in terms of capital investment to labour rates SWE outperformed the English average in all years from 1999 (2007a: 49). Yet whether the achievement was widespread or centred on particular industry sectors (aerospace, engineering?) is not clear. The SWO discusses Foreign Direct Investment (FDI) as an alternative measure of capital investment, and a form that benefits the economy directly - because MNCs are generally more productive than indigenous firms – and indirectly, through productivity and managerial spillovers geographically and sectorally. And yet management decision-making may be remote, the anxiety to improve investment and productivity through FDI can place regions in competition (in something of a beauty contest), and MNCs centralized scrutiny of establishment performance can be an added source of job insecurity for workers and local management. What is known is that FDI in SWE has increased from historically low levels in 2000/1/2 and has contributed new jobs, although the annual totals have fluctuated (SWO:51) and some longer-established MNCs in manufacturing (although including British or multinational owned) in this period have engaged in capacity 'rationalisation'.

## **Innovation**

Innovation, as the SWO explains (2007a: 50-1) refers to the 'successful exploitation of new ideas' including the ability to introduce new products and processes that contribute to higher rates of productivity, or to the development of new market opportunities. The two main measures are R&D expenditure and patent applications and in principle these can be thought of as related. Thus the ESRC's 2004 productivity seminar reports that UK R&D expenditure (on a range of measures including as a proportion of GDP) is significantly lower than America's and suggests the problem has been the ability to convert scientific research into practical application, which deters R&D investment (and in the process, the rate of patent applications).

Within England, the South West region showed a relatively strong rate of growth in R&D expenditure in the period 1999-2003, according to the SWO (2007a: 51-2). As a proportion of GVA, its expenditure on R&D was higher than the English average in 2003. However, the Eurostat data cited by the SWO show there were fewer patent applications per 1 million workers in SWE in 2003 than in England as a whole (75

compared to the average of 121). The region also lagged the UK average rate of patent applications in 24 'high tech' sectors taken together, although out-performed the UK average in the 'aviation' high tech sub-group.

The exploitation of new ideas or the capacity of new technology can include organizational innovation. Yet the extent to which new technology and 'global market' pressures are resulting in flatter (delayed) organizational structures or favouring small business over large has been questioned (Wood and Nolan 2003). Certainly there has been growth in outsourcing although many of the companies taking in the work are large, multinational corporations (for example in finance and business services). Moreover, the benefits of inward FDI are often described to include technology transfer. In relation to this, there are debates on whether it advantages all companies to invest in R&D when innovation can be 'bought in' or emulated once the technology has been 'proved' (see Boddy et al. 2005).

## **Enterprise**

The concept of 'enterprise' can be imbued with a range of meanings. In orthodox, neoclassical economic theory, it is the risks taken by business when organizing 'factors of production' – and the reward for these risks. Dictionary definitions include 'bold resourcefulness' and, more simply, a business company or enterprise. Similarly there are different interpretations of what it means to be entrepreneurial. For example, business and management theorists in the 1960s and 1970s challenged the orthodoxy of neoclassical economic theory that assessed *managerial* success in terms of profit optimizing subject to the given constraints of externally determined market prices and technological possibilities. The new business historians urged that *entrepreneurs* engaged in innovation that altered prevailing constraints to productivity growth and economic efficiency, to create new opportunities for enterprise expansion and profitability.

Given the different interpretations, the measurement of 'enterprise' is a rather arbitrary affair. Currently much attention centres on the 'stock' (numbers) of businesses in operation in any particular time period and the flows into and from this total. The implicit assumption is that if there are 'large numbers' of firms there is sufficient

intensity of inter-firm competition to promote innovation – and to ‘weed out’ under-performing firms. The most readily available data series is that for VAT registrations and de-registrations and certainly this shows that, for the UK as a whole, a high proportion of new businesses fail (10 per cent within one year of registration, 35 per cent within three years) (TUC 2003). Whether the survivors are in practice the ‘the fittest’ is another matter.

SWE’s industry structure shows a relatively high proportion of micro-businesses and small and medium sized enterprises (SMEs). The VAT registration/deregistration data series, therefore, may under-record ‘the stock’ and volume of annual ‘flows’. For the record, however, the SWO (2007a: 52) estimates that in the period from 1999, the region had the lowest English regional rate of business registrations and de-registrations as a percentage of the business stock. There was relatively ‘low churn’ and, similarly, a relatively high survival rate among new business start ups (at least, those registered for VAT purposes).

Academic research interest in the SME sector (businesses with fewer than 250 employees) has grown in the past decade, for a number of reasons. One is the idea that new information technology in combination with an affluence that has allowed consumers to be more discerning in their purchases has placed small enterprise on a more equitable competitive footing with large firms or has even given small business the competitive edge. The American labour economists Piore and Sabel in the early 1980s suggested it was the absence of bureaucracy and sunk investment in mass manufacturing methods that allowed the small firm to be more responsive to consumer preference, and there is now a huge literature echoing the theme. A related idea is that new technology has altered the ‘transaction cost’ economics of in-sourcing and out-sourcing activity that is not ‘core’ to the business; the idea has been promulgated in the business and management literature on the efficiency and innovation gains of ‘organisational networks’. At the same time there have been arguments that small firms are the main source of new job creation in advanced industrial economies. However, the empirical evidence – at least for the last of these propositions - is not especially robust.

For example, data for the UK – gathered systematically only from the mid-1990s – show that small businesses are 99 per cent of all business in the private sector (defined



to include the not for profit sector sector) and that micro-businesses (with fewer than 10 employees) pre-dominate among these so that large firms (with 250 or more employees) are a meager 0.3 per cent of the total. However, the latter account for two-fifths of aggregate UK employment. A TUC research study found that:

*Comparing three year averages of 1994-1996 with 19991-2001 shows that over this period total employment in SMEs has changed little, increasing by less than 2 per cent. In contrast, almost all the increase in total private sector employment has been in large firms, with an increase of 17 per cent. (TUC 2003: 5).*

There are arguments that government regulation of business in respect to trading standards, health and safety or other legally prescribed minimum labour standards has, in administrative terms, borne disproportionately on small business, with its more skeletal management resources, or has frustrated exploitation of new business opportunities. At the same time there are arguments that the fortunes of small business are largely dependent on the macro-economic environment – the business cycle and government efforts to ‘even’ its effects – and the fortunes of major client enterprises. There are the arguments that legally prescribed minimum labour standards are assistive of enterprise efficiency and competitiveness, because they close down ‘quick fix’ routes to profitability and centre attention on the medium or long term.

## **Human Capital**

Government policy in the UK, as in other advanced economies, emphasizes the importance of education and training for industry competitiveness and workers’ current and future ‘employability’. The current prescription is that in an era of global market competition, high wage countries must reconstruct to become knowledge-driven in their economic activity. Various indicators are used to show we have entered the era of the ‘knowledge economy’ – the extent of use of information and communication technologies, levels of R&D investment, increased formal qualification among the workforce, the decline of manual employment as a proportion of the total. And yet these

reveal little about actual use of workers' knowledge and creativity potential (see Warhurst and Thompson 2006). Green's (2006) detailed study shows that since the mid-1980s jobs, on average, have become more complex and their skill requirements have increased. However, it has not been possible to automate all work processes and there has been growth in non-routine jobs in low paid service industries (see also Wood and Nolan 2003). And while skills requirements overall have increased, employees' discretion in the way they perform job roles and tasks has declined. This last trend continued after the late 1990s when, in Britain, the upward hike in the intensity of work effort that had been a feature of work restructuring tailed off.

Analyses of the UK's productivity gap with France and Germany often cite low workforce educational attainment as a contributory cause (see ESRC 2004). Fewer 17 and 18 year olds stay in full time education in the UK in comparison with many OECD countries. The moot point is whether reforms intended to raise the average level of educational attainment (via mass higher education) and vocational training are sufficient to alter the structure of employers' skills demand (Keep and Mayhew 1999). South West England has a relatively highly qualified working age population in comparison with the English average; in 2005 it had the third highest proportion of population with NVQ4 or above, the highest rate with NVQ3 and the lowest proportion with no qualification, among the 9 English GORs (SWO 2007a: 48). Formal qualification reveals little about actual use of employees' knowledge and skills and there is some evidence of over-qualification – in relation to the skills requirement of jobs – in some low-paid industry sectors (Whittard and McCaig, 2006 cited in SWO Ibid.).

The 2005 National Employers Skill Survey found that 65 per cent of SWE employers supplied training to their staff, the same proportion as the overall figure for England. The survey also found that the proportion of employers in the region who had a 'training infrastructure' in place was comparable to the English average (Table 4.4). The region achieves the average, but the BMG's analysis of the NESS05 data for the SWO (2006) found evidence of under-provision of training in some industry sectors in the South West. And it is possible that the region is typical of other English GORs in these respects.

**Table 4.4. Percentage of employers with a ‘training infrastructure’ in place, SWE and England 2005**

	<b>SWE</b>	<b>England</b>
Business plan in place	55	55
Training plan in place	44	45
Training budget in place	32	33
Employers where 50% or more of staff have a formal written job description	71	69
Employers where 50% or more of staff have an annual performance review	55	56
Employers which formally assess skills gaps	55	55

**Source:** BMG (2006) National Employer Skills Survey 2005 for the South West Region of England

Table 4.5 shows that the vacancy rate in SWE was higher than the English average in 2005. Vacancies were most numerous in the hospitality, retail, financial services and social care service sectors. Indeed, retail and hospitality, which are both over-represented in the regional employment total in comparison with the English average, accounted for 22 per cent of all vacancies in SWE. The highest vacancy rates (to the number of jobs) were in service industry sectors and the services with the highest rates of vacancies included hospitality, social care and financial services. The BMG survey analysts thought it reasonable to infer that ‘amongst the complex set of reasons inducing sectoral variation in vacancy rates, a particularly strong factor is, in fact, the quality of the jobs on offer associated with their rates of labour turnover’ (p.28).

**Table 4.5. Job vacancies in SWE and England, 2003 and 2005**

	<b>South West England</b>		<b>England</b>	
	2003	2005	2003	2005
Vacancies as % of jobs	3.6	2.9	3.1	2.7
Hard to fill vacancies as % vacancies	47	31	45	35
Skill shortage vacancies as % hard to fill vacancies	37	57	50	70

**Source:** BMG (2006) National Employer Skills Survey for the South West Region of England.

The proportion of vacancies that were reported hard to fill was lower than the English average in 2005 and the region had a considerably lower overall rate of skills shortage vacancies. The industries with the highest rates of hard to fill vacancies were manufacturing, construction, passenger transport and land-based activities and similarly, six of the eight sectors in which skills shortage vacancies were 70 per cent or more of all hard to fill vacancies were ‘blue collar’.

The number of hard to fill vacancies had fallen much more substantially in the region than in England as a whole since the previous NESS survey in 2003 (Table 4.6). Skills shortage vacancies had fallen only moderately, but this compared with an increase in England as a whole. The BMG analysts thought the most likely explanation was that ‘the general labour market dynamics of the South West Region have differed from those of England as a whole’ (p.45). In the region, the rate of growth of employment had slackened and there had been net migration into SWE for some years, adding workers (and skills) to the regional workforce. The occupational pattern of skill shortage vacancies, however, continued to diverge in some respects from the English average. SWE had a higher proportion of these vacancies in skilled trades and elementary occupations – occupational groups that are over-represented in the region in comparison with the English average. The decline in the incidence of skill shortage vacancies since 2003, moreover, had been felt mainly in respect of ‘low skill or routine jobs’ (p.49).

**Table 4.6. Trends in vacancies, hard to fill vacancies and skill shortage vacancies, South West England and England compared.**

	<b>South West England</b>	<b>England</b>
Vacancies in 2003	73,913	679,672
Vacancies in 2005	62,474	573,905
% change in vacancies	-16	-16
Hard to fill vacancies 2003	34,591	271,869
Hard to fill vacancies 2005	19,202	203,558
% change in hard to fill vacancies	-44	-25
Skill shortage vacancies 2003	12,801	135,254
Skill shortage vacancies 2005	11,044	143,124
% change in skill shortage vacancies	-14	+6

**Source:** BMG (2006) National Employer Skills Survey for the South West Region of England.

The ‘softening’ of the labour market appeared to account for the relatively low reported incidence of skills gaps (employee proficiency in relation to job requirements); 15 per cent of surveyed establishments in SWE reported these, which was more or less the equivalent of the English average in 2005. Nearly half of the reported skills gaps (46 per cent) in the region were among sales staff or those in ‘elementary’ occupations. What concerned the BMG analysts was that employers of ‘low skill’ occupations did not seem inclined to see the skills gaps they reported as a problem, constraining the business. It

seemed ‘their mode of business operation accepts the low skills and high labour turnover which accompany low wages’ (p.122).

The 2005 NESS showed SWE employers were as likely as the average for England to recruit graduates, although London out-performed all other regions on this measure. Appendix 9 suggests that a substantial proportion (44 per cent) of the SWE ‘residents’ who were in higher education in 2002-3 were studying for their degree at an institution outside the region. Of the other English GORs, only East, South East and East Midlands ‘lost’ a higher proportion. The Destination of Leavers of Higher Education (DLHE) survey shows (Table 4.7) the geographic dispersion of graduates who completed their studies in 2003 by the location in which they studied. SWE recorded a net loss of graduates in this year, but the scale of its loss (7.2 per cent) was much smaller than many English regions. On the other hand, the region retained only 52 per cent of graduates who had completed their degree in institutions in SWE. It ranked fifth on this measure among the English GORs.

**Table 4.7. Geographic dispersion of 2003 graduates, six months after graduation**

<b>Location of institution of study</b>	<b>% net gain/loss of graduates for the region</b>	<b>Retention of graduates educated in the region</b>
East	38.5	50.1
London	29.8	69.9
Northern Ireland	6.4	96.9
North West	-6.1	66.6
South West	-7.2	51.8
Scotland	-10.7	84.8
South East	-13.1	45.6
West Midlands	-18.0	52.0
Wales	-22.6	59.4
North East	-24.2	59.3
East Midlands	-25.0	41.0
Yorkshire and the Humber	-31.1	49.4

**Source:** Destination of Leavers of Higher Education Survey 2005.

The University of the West of England and University of Bath study (Boddy et al. 2005) gave substantial attention to ‘peripherality’ as a cause of SWE’s productivity gap with London; the effects of distance from major centres of employment, markets and business activity. Their econometric analysis found:

*... capital stock explains just under one third of the productivity gap as does distance from London and the four largest English conurbations. The remaining element is explained by ownership structure, proportion of full time workers and the qualification rate of the workforce (SWO 2007a: 47).*

However, the ‘brain drain’ of graduates to London from SWE and other ‘peripheral’ regions suggests it is the capital that exerts an influence over economic development in its periphery. Or to express the point in another way, SWE can compete effectively with London in the graduate labour market only by changing the ‘fundamentals’ of the regional economy relative to the capital (BMG, 2006: 117) – a tall order.

## **5. Employment relations and economic performance**

### **Theoretical perspectives on union impacts**

In the 1960s and 70s industrial relations featured prominently in public policy and media debate on UK economic performance. The dominant view was that a set of industrial relations ‘disorders’ – wage drift, incidence of industrial stoppages, ‘restrictive practices’ - had stymied industry productivity and competitiveness. However within this paradigm there were different interpretations of the causes of the ‘malaise’ and different prescriptions for transformation of industrial relations: the reform of collective bargaining structure or use of legislation to curtail trade union power. Conservative governments from 1979 pursued the latter ‘settlement’.

There has been substantial de-collectivisation of industrial relations in the UK in the past two decades. Among employees, trade union density was 28.4 per cent in the final quarter of 2006 and in the private sector – where the majority are employed – was only 16.6 per cent (Grainger and Crowther 2007). In the mid to late 1970s, around 85 per cent of the workforce had their pay and conditions determined by collective bargaining. Bargaining coverage has fallen to around 34 per cent in Britain, according to the 2004 Workplace Employment Relations Survey (WERS04). The incidence of industrial action has declined to historically low levels, although on the measure of working days lost per 1000 employees there has been substantial fluctuation in recent years (Appendix 11).

Strikes are only one form of industrial conflict, however, and concomitant with the decline in unionised industrial relations in the 1990s was the rise in individuals' applications to Employment Tribunals. The absence of observable conflict, moreover, cannot be assumed to reflect 'good' employment relations or a configuration that is good for enterprise performance.

Neoclassical economic theory views trade unions as a market imperfection whose presence inhibits efficiency in the allocation of resources. Metcalf (1989) elaborated on this analysis to argue that in the 'full employment' era after the Second World War, trade unions and collective bargaining impaired enterprise performance in the UK by enabling workers to capture a greater share of 'rents', which reduced enterprise resources for fresh investment. In Metcalf's view, the Thatcher industrial relations reforms paved the way for the productivity growth that was recorded in the 1990s. However, as reported, the UK failed to close the productivity gap with France and Germany – economies in which the labour market and work relations remained relatively more regulated by legislation and collective bargaining.

Nolan and Marginson (1990) presented the alternative view that unions could be a force for economic dynamism, by supplying the incentive for management to 'modernise' its methods (see also Charlwood, 2007). Similarly, the Harvard economists Freeman and Medoff (1984) argued that unions could be a force for greater efficiency: first, by providing an effective 'collective voice' in the workplace and second, by 'shocking' management into adoption of the most productive techniques.

## **Theories of high performance work practices, partnership & mutual gains**

The concept of 'employee voice' has aroused much academic and practitioner interest in the past decade, for a range of reasons. Thus as Dundon et al. (2004: 1149) explain the interest has been shown both by 'those seeking higher levels of organizational performance and ... those desiring better systems of employee representation'. However, different meanings can be attached to the concept and particular forms of employee voice can be sponsored in preference to others (see also Boxall and Purcell, 2008: 142-70).

Interrogating the 1998 WERS data to establish whether employees had (or not) 'lost their

voice' Millward et al. (2000: 83) identified three different arrangements: trade unions and collective bargaining, direct participation 'where no intermediaries between employees and management are involved', and indirect or representative participation mechanisms such as joint consultation.

#### **Insert 5.1. The high-performance paradigm**

... this paradigm can be defined in accordance with two types of practice: alternative work practices, and high-commitment employment practices. Alternative work practices that have been identified include: (1) alternative job design practices, including work teams (autonomous or non-autonomous), job enrichment, job rotation and related reforms; and (2) formal participatory practices, including quality circles or problem-solving groups, town hall meetings, team briefings and joint steering committees.

... High-commitment employment practices that have been identified include: (1) sophisticated selection and training, emphasizing values and human relations skills as well as knowledge skills; (2) behaviour-based appraisal and advancement criteria; (3) single status policies (4) contingent pay systems, especially pay-for-knowledge, group bonuses and profit sharing; (5) job security; (6) above market pay and benefits; (7) grievance systems; and others.

J.Goddard (2004) *A Critical Assessment of the High-Performance Paradigm*, *British Journal of Industrial Relations* 42(2), 351

Human Resource Management (HRM) theory from the mid-1980s advocated direct employee participation (individuals' involvement in problem-solving groups, quality circles and similar arrangements) and direct communication between management and workers as the means of capturing commitment to enterprise objectives and goals and employees' readiness to 'walk the extra mile'. The principles have been elaborated subsequently in theories of High Involvement Management, High Commitment Management and the High Performance Workplace. The practices discussed in the literature as constituting these 'organisational regimes' differ. For simplicity's sake, we cite Godard's (2004) summary (insert 5.1). The theory underpinning the prescriptions is summarised by Boxall and Purcell (2008: 122) as the AMO framework:

*... for the high involvement model to work, it must positively affect employee abilities, motivations and opportunities to contribute. Improvements in knowledge*



*enhance ability while empowerment and information enhance the opportunity to contribute. Rewards are a direct attempt to enhance motivation, which may also be improved through empowerment (enjoying more autonomous work), information (feeling better informed) and knowledge (enjoying a growth in skills).*

The argument is that efforts to encourage the ability, motivation and opportunity for employees to contribute to decision-making at work are supportive of mutual gains. Employees achieve more rewarding work and employers are able to tap workers' knowledge and discretionary effort, to the benefit of enterprise efficiency, improved market and financial performance.

In the late 1990s the concept of 'partnership at work' became a focus of academic debate, not least because it was embraced by a number of stakeholders in employment relations and was made the centerpiece of the in-coming Labour's government's strategy for industrial relations 'modernisation'. Partnership can be imbued with a range of meanings but most prominent accounts understand its core concepts to be mutuality and trust (see e.g. Guest and Peccei 2001). As Guest et al. (2008: 125) summarise:

*Mutuality implies some kind of joint activity in pursuit of agreed goals. These may be shared goals or in some cases an exchange process may operate whereby certain agreed goals primarily benefit management while others primarily benefit employees.*

Workplace partnership has been variously discussed as a set of principles (see insert 5.2.) and as a set of practices that achieve 'high trust' work relations and 'mutual gains' (gains for all parties to the employment relationship). As a set of practices, partnership has been summarised as the integration of indirect (or representative) and direct employee participation. In theory workers' representation in a company consultation structure aids the development of trust and a process of reciprocal exchange; for example, where the employer concedes greater job security, employees will respond with a commitment to be functionally flexible (to engage in multi-skilling, teamwork practices and so on).

### **Insert 5.2. Partnership Principles**

- *Commitment to the success of the enterprise.* Effective partnerships are built on a shared understanding of, and commitment to, the business goals of the organisation and its lasting success.
- *Recognising legitimate interests.* Effective and constructive partnerships embrace the notion that at any one time there might be quite legitimate differences of interest and priorities between the partners. The partnership agreement, if effective, will embody a degree of trust and respect that should aid the resolution of such differences, but ultimately each partner will respect the need to listen to and properly represent their respective constituencies.
- *Commitment to employment security.* Effective partnerships must address flexibility of employment but they should also embrace measures to ensure that flexibility is not earned at the expense of employees' security.
- *Focus on the quality of working life.* Effective partnerships should contribute to an improvement in employees' personal development, their terms and conditions of employment and employee participation in decisions about their work.
- *Transparency.* Meaningful partnerships must be based upon a real sharing of hard, unvarnished information, and an openness to discussing future plans at an early stage. Consultation with unions and employees must be genuine, with a commitment to listen to business cases for alternative plans.
- *Adding value.* The hallmark of an effective partnership is that it taps into sources of motivation, commitment and/or resources that were not accessed by previous arrangements.

**Danford et al.** (2006). *Partnership and the High Performance Workplace*. Palgrave Macmillan, p. 11, Adapted from TUC 1999 and 2001.

Of course there has been criticism of the theory and assumptions of the high-performance and workplace partnership literatures. Three issues recur. First, it is probably easier to hypothesize the performance contribution of 'best' HRM practice than to measure it; other factors intervene (levels of capital investment, of capacity utilization and so on). Second, there is a body of empirical evidence that suggests that the employee gains of high performance work practices are less substantial or, more to the point, more mixed than the theory predicts. Larger or even 'enriched' job roles can be mentally challenging and mentally and physically taxing. Third are the arguments that 'high trust' work relations may be difficult to achieve in countries such as the UK that rely on market regulation of economic activity, as opposed to more coordinated legal and institutional regulation (see e.g. Colvin 2006).

## **6. The Workplace Employment Relations Survey (WERS)**

WERS is a large-scale, nationally representative survey of establishments across the economy (manufacturing, private services and the public sector). It has been conducted five times since 1980 and most recently in 2004, and its reiteration has allowed cross-sectional and longitudinal mapping of the extent of ‘transformation’ in industrial relations in Britain. Acas has been a sponsor and contributor from the outset. There has been innovation in the survey instruments and questionnaire design. From 1998 an employee survey was included alongside the management survey and in 2004 there was interviewing of non-union worker representatives as well as union. The first three surveys covered establishments with 25 or more employees, but the size threshold was lowered to 10 in 1998 and to 5 employees in 2004 (see Blanchflower et al. 2007). A core of questions has been kept constant but new themes have been added.

The WERS series has been emulated in other national contexts and in Britain Acas has sponsored analysis of the data gathered in the regions. Indeed, Acas South West pioneered the approach by collaborating with researchers at the universities of the West of England and Plymouth in 1996/7 in the completion of a South West Workplace Industrial Relations Survey (SWWIRS). This was a postal questionnaire among a random sample of 3868 establishments with 25 or more employees that was stratified to take account of the particular industry composition of employment in SWE. 1179 completed questionnaires were returned, giving an overall response rate of 30 per cent. Where relevant, we refer to the findings in our analysis of the WERS04 regional survey sample. However, the extent to which we can cross-reference, to achieve some historical perspective, is restricted by the differences in the data sets and survey questions (SWWIRS was modelled on WIRS90).

In 2006/7 Acas South West commissioned the South West Observatory’s Skills and Learning Intelligence Module (SLIM) to complete an analysis of the WERS04 manager and employee survey findings for SWE and compare the regional findings with those for Britain as a whole. The aim was to establish how the region compared with the national picture on a number of indicators that are included in the Acas Model

Workplace. The Model is distinct from those of High Commitment and High Involvement Management, although there are some areas of overlap (see insert 6.1). We draw on SLIM's report in section 7 below, together with our further analysis of the regional WERS04 sample, to consider how workplace practice in SWE compares with the national picture and the 'best practices' prescribed in extant models of the 'modern' workplace. As the SLIM report points out, however, some care needs to be exercised in drawing comparisons between the regional and national survey findings. Nationally WERS04 involved face-to-face interviews with managers in 2,295 workplaces and over 22,000 employees within these workplaces returned self-completed questionnaires

#### **Insert 6.1. The Acas Model Workplace**

- Formal procedures for dealing with disciplinary matters, grievances and disputes that managers and employees know about and use fairly.
- Ambitions, goals and plans that employees know about and understand.
- Managers who genuinely listen to and consider their employees' views so everyone is actively involved in making important decisions.
- A pay and reward system that is clear, fair and consistent.
- A safe and healthy place to work.
- People to feel valued so they can talk confidently about their work and learn from both successes and mistakes.
- Everyone to be treated fairly and valued for their differences as part of everyday life.
- Work organized so that it encourages initiative, innovation and people to work together.
- A understanding that people have responsibilities outside work so they can openly discuss ways of working that suit personal needs and the needs of the business.
- A culture where everyone is encouraged to learn new skills so they can look forward to further employment either in the business or elsewhere.
- A good working relationship between management and employee representatives that in turn helps build trust throughout the business.

#### **Composition of the regional WERS04 workplace sample**

The industry and sector (public or private) composition of the workplaces surveyed in SWE are broadly comparable with the national survey sample (Tables 6.1 and 6.2). However, there is an issue of how adequately the regional survey sample captures the

features of SWE industry and employment. For example, workplaces in the hotels and restaurants industry group were only 6 per cent of the regional total, ‘surprisingly low given the region’s historic strength in the tourism industry’ (SLIM 2007: 6). Many of the workplaces in this industry group in the region (and in GB) are small and hence are not included in the survey. But there again, their aggregate contribution to total employment is possibly modest. Manufacturing’s share of the total surveyed employee population was larger than its share of the workplace total, in SWE and in the national survey, presumably because the workplace samples have been constituted to reflect the relatively more concentrated employment in this industry, in larger workplaces.

**Table 6.1. Industry distribution of WERS04 surveyed workplaces and employees (percentages)**

	Workplaces		Employees	
	SWE	GB	SWE	GB
Manufacturing	10	11	19	15
Electricity, gas and water	0	0	0	0
Construction	5	5	4	4
Wholesale and retail	25	25	18	17
Hotels and restaurants	6	9	3	6
Transport and communication	1	5	8	7
Financial Services	4	5	7	6
Other Business Services	21	15	11	13
Public Administration	3	2	3	5
Education	7	5	10	8
Health	11	12	15	14
Other Community Services	7	6	3	5
Totals (numbers)	175	2,295	1,969	22,451

**Source:** SLIM 2007 analysis of WERS04

**Table 6.2. Sector distribution of WERS04 surveyed workplaces and employees (percentages)**

	Workplaces		Employees	
	SWE	GB	SWE	GB
<b>Private Sector</b>	87	87	82	76
<b>Public Sector</b>	13	13	18	24
Totals (numbers)	175	2,295	1,969	22,451

**Source:** SLIM 2007 analysis of WERS04

Small workplaces, employing between 5 and 24 employees, were 79 per cent of the regional total of surveyed establishments and 76 per cent of that for GB. They accounted

for 27 per cent of the employees surveyed in the region and 24 per cent in whole British survey. Large workplaces with 200 or more employees were 2 per cent of the total surveyed in SWE and 3 per cent of the whole British survey sample but had 35 per cent and 36 per cent respectively of the employees surveyed.

The SWE workplace survey sample included a higher proportion of younger workplaces, in operation for less than 10 years; 34 per cent compared to 26 per cent in the whole GB survey sample. Younger workplaces are shown in other statistical analyses of WERS data to be among the least likely to have trade union recognition. The SWE survey sample had a higher proportion of single, independent establishments (41 per cent compared to 35 per cent for GB). The occupational distribution of the employees included in the survey in the region and in GB as a whole was fairly similar.

## **7. Workplace practice & employment relations: SWE & GB**

There is no single or standard definition of the constituent practices of the ‘high performance workplace’ and the concept of ‘workplace partnership’ can be imbued with a variety of meanings. As a consequence both can be analysed and measured in a range of ways. For example, Guest et al. (2008) note that in principle the incidence of partnership can be assessed by focusing on:

- formal union-management partnership agreements (espoused partnership)
- the attitudes of managers, employees and their representatives
- outcomes – considered either as employees’ experience of working life, measures of organizational performance, or existence of ‘high trust’ work relations
- workplace practices.

In this section of our report we start by focusing on the last of the possible measures. We draw on SLIM’s analysis of the WERS04 data for SWE and our additional interrogation of the findings, to explore the extent to which work practices in the region ‘square up’ with models of best practice and the extent to which SWE matches or excels the take-up of such practices in GB as a whole. We follow broadly the check-list of ‘partnership-type activity’ employed by Guest et al. in their analysis of the WERS04 manager and employee survey findings for Britain as a whole (a list that these researchers admit could

be read as ‘a combination of traditional workers’ participation and a more contemporary set of high-performance work practices’, which is how partnership at work is not infrequently understood). We focus on the following items:

- employers’ provision of off the job training
- incidence of employee appraisal
- incidence of forms of incentive pay
- employers’ provision of flexible work arrangements (work-life balance provision)
- direct employee participation at job/task level
- information-sharing
- incidence of forms of indirect employee participation

We admit, however, that with the resources on hand we have not been able to interrogate the WERS data as rigorously as Guest et al. and that we have not been able to engage in any sophisticated statistical analysis to understand the extent to which particular practices are ‘bundled’ (coincide) in particular types of workplace.

We go on to explore management attitudes towards employment relations and towards trade unions in particular and employees’ preferences for representation at work. In the third part of this section of the report we consider employees’ experiences of work – their levels of satisfaction or dissatisfaction with various aspects of their jobs and their recorded incidence of work strain. In the fourth part we examine the WESR04 regional data on manager and worker evaluations of the state of employment relations and levels of employees trust in management.

## **Incidence of High Performance and Partnership Practices**

### **Training: the A of AMO**

Most current ‘best practice’ models of workforce management highlight the importance of provision for employees to develop or acquire the knowledge and skills that enable them to contribute at work in ways that advance enterprise efficiency and advance their own personal development and future ‘employability’.

Our report has considered the BMG's analysis for the South West Observatory of the 2005 National Employer Skills Survey SWE regional data. This found employers' training provision in the region was not significantly out of kilter with the picture nationally but raised some concerns about the attitude and practices of employers in some low pay industry sectors.

SLIM's analysis of the WERS04 employee survey data shows that the proportions of workers in receipt of off-the-job training paid for by the employer were fairly similar in the region and whole British survey sample. In the region and nationally 54 per cent of employees reported they had received at least a days' training and 18 per cent reported they had received five or more days' training in the twelve months preceding the WERS survey in 2004 (Table 6.3). However, in the region and in GB, above a third of surveyed employees reported they had received no employer-sponsored off-the-job training in the past 12 months, and the proportion was nearer two-fifths in SWE (39 per cent compared to 37 per cent for GB as a whole). Our analysis is not sufficiently developed as yet to allow us to comment on the types of workplaces in SWE where under provision of training was concentrated.

**Table 6.3. Off the job training paid for by the employer, employee survey (percentages)**

<b>How much training in the last 12 months</b>	<b>South West</b>	<b>Great Britain</b>
None	39	37
Less than one day	8	9
1 to less than 2 days	14	15
2 to less than 5 days	22	21
5 to less than 10 days	10	10
10 days or more	8	8
Number of surveyed employees	1,957	22,281

**Source:** SLIM 2007 analysis of WERS04

WERS asked the manager respondents about the nature of any off-the-job training provided for 'core' employees (the largest non-managerial occupational group). In the region as in GB, 23 per cent of respondents reported there was *no* training for core employees. Workplaces in SWE were marginally less likely than the average in Britain to include training in team-work (28 per cent compared to 30 per cent); less likely to include



training in leadership skills (16 per cent compared to 22 per cent for GB); and substantially less likely to cover health and safety in their training for core employees (41 per cent compared to 52 per cent). On the other hand SWE workplaces were more likely than the average in Britain to include training in the operation of new equipment (42 per cent compared to 38 per cent) and marginally more likely to provide training in customer service (35 per cent compared to 33 per cent for GB), problem-solving methods (18 per cent compared to 16 per cent), and quality control procedures (29 per cent compared to 27 per cent for GB). SWE workplaces were also marginally more likely to have training in equal opportunities for their core employees (17 per cent compared to 15 per cent of all GB workplaces) even while they were less likely than the British average to have a formal equal opportunities policy (61 per cent of workplaces compared to 65 per cent in GB as a whole).

WERS asked manager respondents about the extent to which core employees were trained to be functionally flexible (to do jobs other than their own). South West England employers seemed to excel: only 27 per cent reported no core employees had this training compared to 40 per cent in GB, and 14 per cent reported training all core employees to be functionally flexible compared to 11 per cent in the whole GB sample. As SLIM's report for Acas suggests, however, a factor may be the relatively high representation of small workplaces in SWE; small workplaces may have a higher need to stretch labour resources across tasks and functions. In any event, there were some mixed findings in managers' accounts of the extent of use of functional flexibility. A higher proportion of SWE employers reported there were no employees who did jobs other than their own at least once a week (41 per cent compared to 39 per cent for GB). A higher proportion reported all core employees were functionally flexible at least once a week (13 per cent compared to 10 per cent for GB).

### **Employee Appraisal**

Guest and Peccei (2001) derived their 8 item check-list of partnership-type activities from a survey of Involvement and Participation Association (IPA) member firms. A number of practices were frequently cited as constituting a partnership approach and yet there was

not always the same degree of support among the managers and employee representatives surveyed. For example, managers were more enthusiastic than employee representatives about performance management.

Guest et al. retain the activity as an indicator of partnership practice in their analysis of the WERS04 (whole GB sample) data on the principle that it may measure the process of mutuality: 'Management trust in employees and their representatives may grow if workers accept performance management, which in turn will encourage management to respond by introducing or agreeing to extend practices of particular interest to employees' (Guest et al. 2008:127). The counter-logic (recognized by Guest et al.) is that use of performance management techniques may be a measure of the continuing imbalance of (management) advantage in partnership arrangements.

The WERS measure used as indication of employers' use of performance management techniques is regular performance appraisal for most non-managerial employees. Of course performance appraisal may be acceptable to staff – and possibly valued highly by them - when its purpose is understood to be identification of training needs.

SLIM's analysis of the WERS04 data found that a relatively high proportion of manager respondents in SWE reported there was regular appraisal for at least some employees; 69 per cent compared to the GB average of 65 per cent of workplaces. Sixty-two per cent of workplaces in SWE were reported in the manager survey to regularly appraise all their employees which again was above the British average (56 per cent) and was the second highest proportion of all the regions, only behind London. In most cases appraisals were reported to result in an evaluation of employees' training needs. However, in 8 per cent of SWE workplaces training was reported not to be covered in employee appraisal which was a higher proportion than for any other region.

### **Incentive Pay – the M of AMO**

The American literature on high performance work practices advocates forms of contingent pay as among the means of motivating employee contribution, and Guest et al. include use of incentive pay in their check-list of partnership practices. Yet trade unions

may be less enthusiastic about such practices, for fear that the resultant pay distribution may run counter to employee interests in fairness in reward. It is relevant to note that the Acas Model Workplace lays emphasis on a pay and reward system that is 'clear, fair and consistent'.

SLIM's analysis of the WERS04 management survey data found that rates of employee pay were linked to (contingent on) the outcome of appraisal in less than half of the SWE workplaces included in WERS04, although that performance related pay was relatively common in the region. Nearly a third of surveyed workplaces (31 per cent) were reported to have some form of payment by results compared to just above a quarter (26 per cent) in the whole GB sample. Thirty-six per cent of SWE surveyed workplaces had profit-related pay or bonus schemes, compared to 30 per cent in the whole British surveyed workplace population.

Of course some forms of employee reward are relatively more novel than others. Five per cent of SWE workplaces offered individual merit payments to at least some staff, which was below the 'national' average of 9 per cent. One in five workplaces operated an employee share ownership scheme which was a similar proportion to the GB average.

### **Flexible working arrangements**

The Labour government's work-life balance campaign since 2000 has urged that greater flexibility in working time can be developed to the benefit of employees and employers, and that innovations at workplace level can contribute to advances in social welfare, equality of opportunity and UK economic performance. A range of EU directives conferring rights to parental leave and rights for part-time and temporary contract workers not to be treated less favourably than full-time and 'permanent' workers have been transposed into UK legislation. In addition, the 2002 Employment Act provided parents of young children with the right to request flexible work arrangements and the current move is to extend the right to a larger population of working parents.

Two sets of debates have been developed in the academic literature. The first concerns the extent to which recent public policy, legislative and employers' initiatives

have shifted, or are likely to shift gendered patterns of participation in full time and part time employment, in long hours working, and in various of the other forms of ‘non standard’ working time. The second, related area concerns the impact of ‘modern’ management practices.

In the American academic literature there are studies that propose that ‘flexible and family-friendly’ employment practice is part of the ‘high road’ of ‘high commitment management’ (e.g. Berg et al. 2003). The argument is that where employers show respect for workers’ responsibilities, commitments and interests beyond the workplace they are likely to be rewarded by increased employee commitment and industriousness. The counter-argument (marshalled most eloquently by White et al. (2003) in the UK) is that the intensified work effort that high commitment management practices aim to achieve is no less a constraint to workers’ ability to enjoy family life than long working hours.

SLIM’s analysis of the WERS04 management survey data found that workplaces in SWE were more likely in comparison with the British average to offer employees a range of forms of flexible working, including the ability to reduce or increase hours and to work at or from home (Table 6.4.). However, the WERS04 employee survey data also suggest that the incidence of long hours working (in excess of 48 hours per week) was marginally higher in SWE than in GB workplaces as a whole (Table 6.5).

**Table 6.4. Provision of flexible working for any employees: percentages of workplaces**

	<b>South West</b>	<b>Great Britain</b>
Working at or from home in normal working hours	31	25
Ability to reduce working hours (e.g. by switching from full time to part time)	62	63
Ability to increase working hours (e.g. by switching from part time to full time)	55	51
Job sharing schemes	21	26
Flexitime (the employee has on set start or finish time)	39	35
Ability to change shift patterns	45	40
Working compressed hours (e.g. a 9 day fortnight or 4.5 day week)	16	11
Night working	13	11
None of these	14	17
Number of surveyed workplaces	175	2,292

**Source:** SLIM 2007 analysis of WERS04

**Table 6.5. Frequency of working more than 48 hours per week.: percentages of employees.**

<b>How often in the last 12 months</b>	<b>South West</b>	<b>Great Britain</b>
Every week	10	9
Two or three times a month	11	11
Once a month	7	8
Less often than once a month	17	17
Never	55	54
Number of surveyed employees	1,958	22,278

**Source:** SLIM 2007 analysis of WERS04

### **Direct employee participation: Task Participation**

In the past 25 years there has been intense debate on the direction of work restructuring. Is the trend towards job enlargement (so that workers are required to complete more tasks in a given period of time) or job enrichment which implies devolution of organizational decision-making and is otherwise known as workers' empowerment?

SLIM's analysis of the WERS04 regional data suggests workplaces in SWE are in the vanguard of training employees to be functionally flexible, but raises some issues about the extent to which employers have reorganized work operations to make regular use of workers' polyvalency. A further set of WERS survey questions asks employees about the influence they are able to exert in the performance of their jobs and finds that in SWE as in GB as a whole, most employees feel they have some or a lot of discretion in respect to four items: the tasks they perform, the pace at which they work, how they do their work, and the order in which they carry out tasks (Table 6.6). In SWE as in GB as a whole, however, slim majorities of employees felt they had no influence or only a little influence over job start and finish times. The proportion was slightly above the average in SWE (53 per cent compared to the whole-GB average of 51 per cent) which contrasts with the findings about employers' provision of flexible work arrangements (discussed above).

Among surveyed SWE employees, the proportions reporting influence in respect to the five aspects of their job discussed was consistently lower in very small workplaces (5-9 employees) and those with 200 or more employees.

**Table 6.6. Employees' perceptions of job influence (percentages)**

	<b>South West</b>	<b>Great Britain</b>
<b>Tasks performed</b>		
A lot	36	35
Some	39	39
A little	15	15
None	11	12
Number of employee survey respondents	1950	22173
<b>Pace of work</b>		
A lot	37	37
Some	35	36
A little	17	16
None	11	12
Number of employee survey respondents	1942	22028
<b>How you do your work</b>		
A lot	50	50
Some	34	35
A little	11	11
None	4	4
Number of employee survey respondents	1942	22028
<b>Order of tasks carried out</b>		
A lot	49	49
Some	33	34
A little	12	11
None	6	6
Number of employee survey respondents	1949	22032
<b>Start or finish time of working day</b>		
A lot	25	26
Some	22	24
A little	16	16
None	37	35
Number of employee survey respondents	1944	21998

## **Direct Communications and information sharing**

The WERS series shows the incidence of formal practices for direct communication between managers and employees increased across British workplaces in the 1980s and 1990s. SLIM's analysis of the 2004 management survey reports that 77 per cent of SWE's surveyed establishments used regular meetings between senior managers and the whole workforce – a little above the British average of 75 per cent. Eighty-eight per cent of managers in the region indicated use of meetings with the workforce or briefing groups, compared to 86 per cent in GB. However, fewer workplaces in the region in comparison with the British average held regular meetings between line managers and

staff (54 per cent and 60 per cent respectively), and fewer had conducted a formal survey of employees' views or opinions in the two years prior to the WERS survey (31 per cent compared to 36 per cent for GB). This was even though the incidence of use of employee attitude surveys had apparently increased substantially since the mid-1990s when the SWWIRS regional survey found 18 per cent of workplaces employed this practice.

### **Indirect Employee Participation: Trade Unions and Collective Bargaining**

The theory of workplace partnership is that an appropriate integration of indirect and direct employee participation can mutually benefit firms and workers. Where employees' gain increased 'voice', employers are rewarded by a more committed and productive workforce. Indirect employee participation includes trade union representation and collective bargaining and yet much of the partnership literature focuses on the benefits of the 'integrative' process of joint consultation.

The Labour Force Survey estimates that trade union density in South West England at the end of 2006 was 24.8 per cent, which is lower than the average for the UK as a whole. However, as elsewhere, union density in SWE showed substantial variation by sector (private or public), industry, occupation and workplace size.

Of the employees included in WERS04, 36 per cent in the region and 37 per cent in GB as a whole indicated they were union members. SLIM's analysis of the WERS data estimated that just under half (45 per cent) of SWE surveyed employees were in workplaces that had no union members – roughly comparable with the GB picture – and that just a quarter were in workplaces where union density was less than 50 per cent (Table 6.7). Only 7 per cent of the region's workplaces had a lay union representative on site. Since these tended to be larger workplaces, however, they accounted in aggregate for 39 per cent of SWE employees covered by the WERS04 survey. In the management survey, less than a quarter of workplaces were reported to recognize trade unions for the purposes of negotiating pay and conditions. Again these tended to be larger workplaces and together employed 44 per cent of the workers covered by the survey. We have not investigated the WERS findings on the scope of collective bargaining (the range of issues that were subject to 'joint regulation'). However, SLIM's analysis shows that in the

region, as in GB as a whole, only 18 per cent of workplaces involved trade unions in the negotiation of pay.

**Table 6.7. Union membership density at the workplace (percentages of workplaces)**

<b>Percentage of union members in the workforce:</b>	<b>South West</b>	<b>Great Britain</b>
No union members	45	44
1 per cent to less than 25 per cent	14	16
25 per cent to less than 50 per cent	13	12
50 per cent to less than 90 per cent	20	19
90 per cent to less than 100 per cent	4	3
100 per cent union members	1	2
Don't know	2	4
Number of workplaces	175	2,295

**Source:** SLIM 2007 analysis of WERS04

## **Joint Consultation**

The WERS series records a decline in the incidence of joint consultation, alongside the decline in the incidence of trade union recognition and collective bargaining, in Britain in the 1980s and 1990s. Among establishments with 25 or more employees, the proportion with a joint consultation committee (or like arrangement) at establishment level was 17 per cent in the 1998 WERS compared to 29 per cent in the 1990 WIRS and 34 per cent when the survey was conducted in 1984. It remained the case, however, that joint consultation was more common in larger workplaces than small and more common in establishments with recognized trade unions than those without union recognition.

The Acas-sponsored South West WIRS (SWWIRS) in 1996 found that 22 per cent of surveyed establishments had a joint consultative committee at the workplace. The proportion rose to 47 per cent among workplaces with recognized trade unions and to 91 per cent among the largest workplaces (with 1000 or more employees) (Tailby et al. 1997: 70). A University of the West of England survey of staff consultation processes in SWE in 2003 found only 17 per cent of the 106 surveyed workplaces had joint consultation committees.

The 2003 UWE survey was confined to 'mid-range' establishments, employing 50 to 500 employees. However, it was conducted on the eve of the UK's transposition of the EU Information and Consultation of Employees Directive and with the purpose of



gaining insight into management awareness of the impending legislative changes and plans for accommodating these. The UK ICE Regulations establish a right for employees to be informed and consulted about aspects of company decision-making, including those affecting work and employment. But the rights have to be ‘triggered’ in order to bring them into effect. In the absence of the employer’s voluntary revision of practices, employees are required to show that at least 10 per cent of the workforce wants an information and consultation procedure, which is a fairly tall order in workplaces where there is no collective organisation or extant union presence (Hall 2006). In the 2003 UWE survey, four fifths of workplace manager respondents indicated they had no plans to introduce a consultation committee, or no intention of introducing one unless employees requested it (Richardson and Danford 2003: vii).

The 2004 WERS found that for Britain as a whole only 14 per cent of workplaces with 10 or more employees had a joint consultation committee at the establishment level. Guest et al. (2008: 134) draw the conclusion that ‘management has not embraced partnership or taken steps at workplace level to anticipate the new legislation on information and consultation’. WERS04 showed that in South West England only 7 per cent of establishments with 10 or more employees had a joint consultation body at the establishment level.

## **Managers’ Attitudes to Trade Unions and Employees’ Representation Preferences**

### **Manager attitudes to trade unionism**

WERS04 included a range of questions designed to elicit management attitudes towards employment relations and towards trades unions and employee involvement in organizational decision-making in particular. The rationale for examining management attitudes is that these may shape workplace practices, but the interesting issue is the extent to which manager attitudes are a product of the context in which managers operate. For example, the SWWRIRS regional survey in 1996/7 found that it was managers with least experience of trade unions (that is, those in non-union workplaces) who were least

favourably disposed towards collective employee representation (Tailby et al. 1997: 46-7).

#### 6.8. Manager attitudes towards trade unions and employee involvement (percentages of workplaces)

	South West	Great Britain
<b>Managers' attitudes towards union membership</b>		
Active support	11	12
Passive, but in favour	7	9
Neutral	62	63
Passive, but not in favour	19	15
Active discouragement	0	2
Number of workplaces	175	2,279
<b>Unions help find ways to improve workplace performance</b>		
Strongly agree	2	2
Agree	25	20
Neither agree nor disagree	30	40
Disagree	25	26
Strongly disagree	19	13
Number of workplaces	175	2,276
<b>Would rather consult directly with employees than unions</b>		
Strongly agree	45	37
Agree	42	40
Neither agree nor disagree	9	16
Disagree	2	6
Strongly disagree	2	1
Number of workplaces	174	2,285
<b>Those at the top are best placed to make decisions about the workplace</b>		
Strongly agree	20	17
Agree	32	39
Neither agree nor disagree	23	17
Disagree	22	24
Strongly disagree	4	3
Number of workplaces	175	2,295
<b>We do not introduce changes here without first consulting employees</b>		
Strongly agree	21	22
Agree	43	49
Neither agree nor disagree	13	12
Disagree	17	14
Strongly disagree	6	2
Number of workplaces	175	2,294

Source: SLIM 2007 analysis of WERS04

The relevant WERS04 findings are summarised in Table 6.8. In South West England as in GB as a whole, two-thirds of managers professed their attitude was neutral in respect

to union membership among their employees. However, the proportion of managers who indicated that they supported union membership (actively or passively) was slightly below the GB average (18 per cent compared to 21 per cent) while the proportion who classified their stance as ‘passive but not in favour of union membership’ was slightly higher than the GB average (19 per cent compared to 15 per cent).

In comparison with the GB average, a higher proportion of SWE workplace managers agreed with the proposition that unions contribute positively to workplace performance (27 per cent compared to the overall GB average of 22 per cent) but a higher than GB average proportion disagreed, or disagreed strongly (44 per cent compared to 39 per cent for GB as a whole). It would be interesting to establish how these views are spread across workplaces in SWE, across industry sectors, large and small workplaces and so on.

In GB as a whole, over three quarters of manager respondents (77 per cent) indicated their preference was to consult employees directly, which roughly accords with current practices. This must be a disturbing finding for organisations that have championed workplace partnership as a set of structures that achieve mutual (employer and employee) gains by providing for workers indirect representation in enterprise decision-making. In South West England, 87 per cent of WERS04 manager respondents indicated their preference was to consult employees directly.

In the region, 52 per cent of manager respondents agreed or strongly agreed with the proposition that ‘those at the top are best placed to make decisions about the workplace’ which was below the GB average (56 per cent). However, the proportion who agreed or agreed strongly with the proposition that managers here ‘do not introduce changes without first consulting employees’ was substantially below the national average; 64 per cent compared to 71 per cent.

### **Employees’ representation preferences**

WERS04 asked employee survey respondents who they felt best represented them in dealings with management on a range of issues: getting increases in their pay, getting training, making a complaint, or if managers wanted to discipline them. The choices were

myself, a trade union, an employee representative (non union), another employee, or somebody else. The findings for SWE and GB are summarised in Table 6.9.

**Table 6.9. Employees' evaluation of who best represents them in dealings with management (percentages)**

	<b>South West</b>	<b>Great Britain</b>
<b>Getting training</b>		
Myself	74	73
Trade Union	6	6
Non Union Employee Representative	10	11
Another Employee	5	6
Someone else	4	4
Number of respondents	1934	21,905
<b>Making a complaint</b>		
Myself	61	59
Trade Union	22	23
Non Union Employee Representative	10	11
Another Employee	4	4
Someone else	4	4
Number of respondents	1933	21,923
<b>Getting an increase in pay</b>		
Myself	48	44
Trade Union	33	37
Non Union Employee Representative	10	12
Another Employee	4	3
Someone else	5	5
Number of respondents	1930	21,891
<b>If a manager wanted to discipline you</b>		
Myself	44	43
Trade Union	32	35
Non Union Employee Representative	12	12
Another Employee	6	6
Someone else	5	5
Number of respondents	1913	21,777

In SWE and in the whole GB employee survey, most employees opted for self-representation as the means of gaining training and making a complaint. However, there appeared to be a significant demand for traditional union services; in particular, representation in gaining a pay increase (the option selected by 33 per cent of SWE surveyed employees and 37 per cent in the whole survey) and in the event of facing disciplinary action (32 per cent and 35 per cent in SWE and GB respectively). There is some evidence, then, of a 'representation gap'; as reported earlier, only 18 per cent of workplaces in the region and in GB apparently involved unions (or staff association representatives) in the determination of pay.

## An employee involvement gap?

**Table 6.10. Employees' evaluation of whether managers are good at involving them (percentages)**

	South West	Great Britain
<b>How good are managers at seeking views of employees?</b>		
Very good	15	13
Good	33	35
Neither good nor poor	27	26
Poor	17	16
Very poor	8	9
Number of respondents	1,923	21,754
<b>How good are managers at responding to suggestions from employees?</b>		
Very good	14	11
Good	30	32
Neither good nor poor	32	30
Poor	16	18
Very poor	9	9
Number of respondents	1,888	21,323
<b>How good are managers at allowing employees to influence final decisions?</b>		
Very good	10	8
Good	23	24
Neither good nor poor	35	34
Poor	19	21
Very poor	13	13
Number of respondents	1,780	20,126

WERS asked employees to rate their managers' performance in seeking their views, responding to suggestions and allowing employees influence in final decisions. The findings are summarised in Table 6.10. In the region as in GB, almost half the surveyed employees – 48 per cent - thought managers good or very good at seeking employees' views. Smaller proportions rated managers positively in terms of responding to employees' suggestions (44 per cent in SWE and 43 per cent in GB) and only a third thought managers good or very good at providing influence in final decisions. SWE surveyed employees were marginally more positive about managers' performance. Yet 32 per cent in the region and 34 per cent of all surveyed employees thought managers poor or very poor at allowing employees influence in final decisions.

## **Quality of Working Life**

WERS asked employees about their experiences of working life including job satisfaction and levels of work strain.

### **Job Satisfaction**

Employees were asked to rate their satisfaction with a number of aspects of their jobs: sense of achievement, scope for using initiative, influence over their job, amount of pay, training, job security and amount of involvement in decision making at the workplace. The findings are reported in Table 6.11. On most measures the proportions of employees recording satisfaction were broadly equivalent in the region and whole GB employee survey population. Employees were most likely to report they were satisfied or very satisfied in respect to sense of achievement (72 per cent of SWE respondents and 71 per cent for GB); scope for using their initiative (71 per cent in SWE, 72 per cent for GB); and job security (67 per cent in the region, 65 per cent in GB). Surprisingly our regional analysis found it was the hotels and restaurants industry sector where employees were most likely to report satisfaction with job security. The lowest proportion reporting satisfaction on this aspect of jobs was in manufacturing where – in the region as nationally – there has been continued employment decline.

We discussed earlier (Table 6.6. above) that most surveyed employees – in the region and in GB as a whole – felt they had some or a lot of influence over a range of aspects of their jobs (other than start and finish times). And yet Table 6.11 shows the proportions who were satisfied or very satisfied with job influence was a more modest 58 per cent (in SWE and in GB).

Given that WERS04 found that 39 per cent of SWE employees had had no employer-sponsored off the job training in the twelve months prior to the survey, the proportion of employees indicating they were dissatisfied or very dissatisfied with training provision was surprisingly low (21 per cent) although not out of kilter with the British average (23 per cent).

#### 6.11. Employees' rating of their levels of job satisfaction (per centages)

	South West	Great Britain
<b>Sense of achievement</b>		
Very satisfied	19	19
Satisfied	53	52
Neither satisfied nor dissatisfied	18	19
Dissatisfied	7	7
Very dissatisfied	2	3
Number of respondents	1,950	22,223
<b>Scope for using own initiative</b>		
Very satisfied	21	21
Satisfied	50	51
Neither satisfied nor dissatisfied	18	18
Dissatisfied	8	8
Very dissatisfied	3	2
Number of respondents	1,946	22,145
<b>Influence over job</b>		
Very satisfied	12	13
Satisfied	46	45
Neither satisfied nor dissatisfied	28	28
Dissatisfied	10	11
Very dissatisfied	3	3
Number of respondents	1,935	22,020
<b>Training received</b>		
Very satisfied	11	11
Satisfied	42	40
Neither satisfied nor dissatisfied	26	27
Dissatisfied	15	16
Very dissatisfied	6	7
Number of respondents	1,937	22,000
<b>Amount of pay</b>		
Very satisfied	4	5
Satisfied	31	31
Neither satisfied nor dissatisfied	24	24
Dissatisfied	29	27
Very dissatisfied	12	13
Number of respondents	1,942	22,146
<b>Job security</b>		
Very satisfied	15	14
Satisfied	52	51
Neither satisfied nor dissatisfied	20	21
Dissatisfied	9	10
Very dissatisfied	4	4
Number of respondents	1,922	21,798
<b>Amount of involvement in decision-making at the workplace</b>		
Very satisfied	10	8
Satisfied	32	30
Neither satisfied nor dissatisfied	38	39
Dissatisfied	16	16
Very dissatisfied	6	6
Number of respondents	1,955	22,277

The job satisfaction ratings provide further evidence of an ‘involvement gap’ at work; only 42 per cent of SWE employee survey respondents reported they were satisfied or very satisfied with the amount of involvement in decision-making at the workplace, although this was a little higher than the British average (38 per cent).

In the region and in GB, more survey respondents were dissatisfied or very dissatisfied with their pay (41 per cent in SWE and 40 per cent in GB) than were satisfied or very satisfied (35 per cent in the region and 40 per cent for GB). Analysis of the regional findings suggested that, on the whole, it was employees in small workplaces who were most likely to report satisfaction with the aspects of their jobs considered. Among workplaces employing 10 to 24 employees, there were relatively high proportions of survey respondents who reported satisfaction with discretion (scope for using initiative and job influence) and pay. And among workplaces with 5 to 9 staff, there were relatively high proportions of surveyed employee who were satisfied with training and job security. The findings are not in their own right anomalous; other analyses of WERS and other British survey data find employee satisfaction with work and treatment by management on average is higher in the SME sector (Edwards 2007). An explanation is the informal negotiation of order in the small workplace, for example a trade off between lower pay and a less exacting work regime. However in our analysis of the WERS04 SWE regional data we found it was workers in very small workplaces who were most likely to agree with propositions designed to assess work intensity and strain

## **Work Strain**

WERS asked employees if they agreed or disagreed with the following statements:

- My job requires me to work very hard
- I never seem to have enough time to get my work done
- I worry a lot about my work outside working hours

The findings are given in Table 6.12 (reproduced from SLIM’s report for Acas). Overall, just under three-quarters of SWE employee respondents (73 per cent) agreed or strongly



agreed their jobs required them to work very hard and just under two-fifths (38 per cent) agreed or strongly agreed they never seemed to have enough time to get their work done. The proportions of respondents concurring with the first two statements were slightly higher in the whole British survey; 76 per cent and 40 per cent. In SWE and in GB, around a quarter of surveyed employees agreed they worried a lot about work outside working hours although 50 per cent – in the region and nationally - disagreed or disagreed strongly.

**Table 6.12. Employees' evaluation of work intensity and strain (percentages)**

	<b>South West</b>	<b>Great Britain</b>
<b>My job requires that I work very hard</b>		
Strongly agree	26	27
Agree	47	49
Neither agree nor disagree	22	19
Disagree	4	5
Disagree strongly	1	1
Number of respondents	1,942	22,091
<b>I never seem to have enough time to get my work done</b>		
Strongly agree	13	14
Agree	25	26
Neither agree nor disagree	34	30
Disagree	24	26
Disagree strongly	3	3
Number of respondents	1,925	21,873
<b>I worry about my work outside working hours</b>		
Strongly agree	5	7
Agree	20	20
Neither agree nor disagree	24	23
Disagree	31	34
Disagree strongly	19	16
Number of respondents	1,918	21,763

**Source:** SLIM analysis of WERS04

As suggested, our analysis found it was employees in very small workplaces (fewer than 10 staff) in SWE who were most likely to agree with the statements indicating work intensity and strain. And yet to add to the complexity of the picture, on a 6 item measure – how tense, calm, relaxed, worried, uneasy and content individuals felt about their job – it was employees in very small workplaces who were most likely to record ‘well being’ at work.

## State of Employee Relations and Employees' Trust in Management

WERS asked manager and employee respondents to evaluate the state of employee-management relations at their workplace. In SWE and in the survey as a whole, most respondents (managers and employees) rated management-employee relations as good or very good. Yet managers were substantially more likely than employees to return such verdicts and to rate the state of employment relations as very good (Table 6.13). For example, managers and employees in SWE were both marginally more likely than their counterparts elsewhere in Britain to be positive in their evaluation. Yet 55 of managers compared to only 24 per cent of employees rated the state of relations as very good and while no SWE managers rated employment relations as poor or very poor, 14 per cent of employees did.

**Table 6.13. Manager and employee evaluations of the state of employment relations (percentages)**

	South West	Great Britain
<b>Managers' views</b>		
Very good	55	49
Good	38	44
Neither good nor poor	7	6
Poor	0	1
Very poor	0	0
Number of respondents	175	2,278
<b>Employees' views</b>		
Very good	24	21
Good	39	40
Neither good nor poor	23	23
Poor	11	11
Very poor	3	4
Number of respondents	1,939	22,061

**Source:** SLIM analysis of WERS04

The incidence of industrial action had been minimal in surveyed workplaces in the preceding twelve months, according to manager respondents. And yet employee grievances had been raised in 41 per cent of SWE workplaces (and 38 per cent of all workplaces surveyed in GB) (although see also Appendix 10). The most frequent type of

grievance in SWE – judged again through the lens of manager survey respondents - concerned pay and conditions (21 per cent of the total compared to 14 per cent for total grievances in GB workplaces as a whole).

Partnership theory suggests that employees’ representative participation in a consultation forum at company or workplace level assists the development of high trust employee-manager relations that this in turn facilitates the diffusion of high performance work and labour-management practices. As reported earlier, minorities of workplaces – in SWE and in GB as a whole – had any form of indirect employee participation, although since those that did were concentrated in the large firms sector, the proportion of employees with access to indirect participation was somewhat higher. Nevertheless minorities of employees had access to channels for indirect participation in company decision-making and on first reflection this could be thought an explanation for the WERS04 findings on employees’ trust in management. The survey asked employees whether they agreed or otherwise that ‘managers are sincere in attempting to understand employees’ views’ and ‘deal with employees honestly’. As shown in Table 6.14, majorities of employees agreed with these propositions and SWE employees were marginally more likely than the GB average to concur. And yet around a quarter of survey respondents (in SWE and in GB) neither agreed nor disagreed and sizeable minorities (around a fifth in the region as in GB) disagreed or disagreed strongly.

**6.14. Employees’ views of managers’ sincerity, honesty and practice of treating employees fairly. (percentages)**

	South West	Great Britain
<b>Managers deal with employees honestly</b>		
Strongly agree	13	12
Agree	43	42
Neither agree nor disagree	26	26
Disagree	14	14
Strongly disagree	4	5
Number of employee respondents	1,907	21,652
<b>Managers are sincere in attempting to understand employees’ views</b>		
Strongly agree	12	11
Agree	43	42
Neither agree nor disagree	26	25
Disagree	15	16
Strongly disagree	9	6
Number of employee respondents	1,923	21,777

Guest et al.'s (2008) statistical analysis of the WERS04 whole survey data, however, found a weak association between the incidence of indirect employee participation and employees' trust in management (as measured by the survey items detailed above). Other practices in their check-list of partnership type activity – including direct employee participation – appeared to be more powerful predictors of the existence of trust relations.

There is a range of possible explanations; that unions attract workers who are disaffected with management, that high performance practices including task participation satisfy workers' expectations and aspirations for working life, or that collectivisation raises workers' consciousness and the demands they make of management (see Guest and Conway 2004). Freeman and Medoff (1984) conceptualized the presence of a collective employee voice in the workplace as a pressure for innovation in management methods and yet the range of management responses can be theorized to include efforts to side-step the challenge.

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**Appendix 1: Economic activity rates<sup>1</sup> by gender, UK GORs 2002-2005 (percentages)**

	Males				Females				All people			
	2002	2003	2004	2005	2002	2003	2004	2005	2002	2003	2004	2005
United Kingdom	83.9	84.1	83.6	83.4	73.0	73.0	73.2	73.4	78.6	78.7	78.6	78.5
North East	76.6	78.4	77.0	78.3	70.3	67.3	69.7	71.8	73.5	73.0	73.4	75.1
North West	80.4	82.3	81.0	80.6	71.9	72.1	72.6	72.7	76.3	77.4	77.0	76.8
Yorkshire and the Humber	82.8	83.9	82.7	83.2	71.3	72.5	73.1	72.6	77.2	78.4	78.1	78.1
East Midlands	85.1	85.1	84.8	84.4	74.6	73.5	75.7	74.6	80.0	79.5	80.4	79.7
West Midlands	84.6	84.2	83.5	84.0	72.4	72.4	73.0	72.3	78.8	78.5	78.5	78.4
East	87.9	87.4	87.5	87.4	75.7	76.0	76.9	75.8	82.0	81.9	82.4	81.8
London	83.7	82.6	83.0	81.7	68.8	67.8	68.0	67.4	76.5	75.4	75.7	74.8
South East	88.8	87.6	87.3	86.9	77.5	77.0	75.4	76.5	83.3	82.5	81.6	81.9
South West	86.1	85.9	85.8	85.9	77.9	77.2	76.8	78.1	82.1	81.7	81.5	82.1
Wales	78.8	79.5	80.8	77.2	67.3	73.1	71.8	71.9	73.2	76.4	76.4	74.6
Scotland	82.2	83.2	83.3	83.4	75.3	74.8	75.4	76.2	78.8	79.1	79.4	79.8
Northern Ireland	77.9	81.4	76.8	78.6	64.8	65.1	63.3	64.9	71.5	73.5	70.2	71.9

<sup>1</sup> At spring of each year, seasonally adjusted. Based on the population of working age in private households, student halls of residence and NHS accommodation.

Source: Labour Force Survey, Office for National Statistics

**Appendix 2: Average usual weekly hours<sup>1</sup> of work of full-time employees: by occupational group<sup>2</sup>, UK GORs spring 2005**

	Managers & Senior officials	Professional occupations	Associate professional & technical	Administrative & secretarial	Skilled trades occupations	Personal services occupations	Sales & customer service occupations	Process, plan and machine operatives	Elementary occupations	All occupations <sup>3</sup>
United Kingdom	45.5	44.5	41.6	38.6	43.6	38.9	39.5	44.9	42.1	42.7
North East	44.0	44.5	40.8	38.6	42.9	39.0	38.7	45.7	41.9	42.1
North West	45.0	43.7	41.0	38.3	43.1	39.5	39.1	43.9	41.4	42.0
Yorkshire and the Humber	45.0	44.6	41.4	38.5	43.6	37.3	38.6	45.5	42.7	42.6
East Midlands	46.3	45.4	41.1	39.0	44.3	39.2	39.5	44.8	42.0	43.2
West Midlands	45.2	45.2	41.5	38.6	43.2	39.2	38.9	44.6	42.7	42.7
East	45.2	44.6	41.8	38.9	44.7	38.7	39.8	46.1	42.4	43.0
London	46.2	44.4	42.3	38.9	43.2	38.2	40.9	43.9	42.3	42.9
South East	45.9	45.3	42.4	38.7	43.9	40.3	40.4	45.3	42.5	43.3
South West	45.3	45.2	41.5	38.7	43.3	40.1	39.6	44.1	41.5	42.6
England	45.5	44.7	41.7	38.7	43.6	39.1	39.6	44.8	42.2	42.8
Wales	45.7	44.1	40.3	38.6	42.7	38.6	38.5	44.2	42.1	42.1
Scotland	45.2	43.4	41.6	37.9	44.6	38.0	38.6	46.4	42.1	42.4
Northern Ireland	43.3	42.2	40.6	38.7	41.7	37.4	38.8	44.2	40.4	41.1

<sup>1</sup> Includes paid and unpaid overtime and excludes meal breaks. The analysis also excludes those who did not state the number of hours they worked.

<sup>2</sup> Uses the new Standard Occupational Classification (SOC) 2000 for major occupation group in main job. This replaces the SOC 90 classification. Further information on the new occupational classification can be obtained from the Labour Force Survey web page.

<sup>3</sup> Includes those who did not specify their occupation.

**Source: Labour Force Survey, Office for National Statistics**

**Appendix 3: Sectoral distribution of employment, UK GORs 2006**

	Agriculture and fishing	Energy and water	Manufacturing	Construction	Distribution, hotels and restaurants	Transport and communications	Banking, finance and insurance	Public administration, education and health	Other services	Total in Employment
United Kingdom	1.4	1.0	12.9	8.0	19.0	6.7	15.7	28.8	6.2	28,277,100
North East	0.6	1.6	14.5	8.6	18.3	6.8	11.9	31.3	5.9	1,109,000
North West	1.2	0.8	14.3	7.5	19.8	7.1	13.7	30.0	5.3	3,084,800
Yorkshire and The Humber	1.2	0.8	15.1	8.9	20.0	6.8	12.9	28.8	5.3	2,331,100
East Midlands	1.6	0.9	17.1	7.9	20.2	7.2	12.2	27.0	5.5	2,068,100
West Midlands	1.1	1.0	17.6	7.4	18.9	6.8	13.5	27.9	5.4	2,441,600
East	1.5	0.9	12.9	8.8	19.7	7.1	17.4	25.5	6.2	2,700,500
London	0.3	0.4	7.1	6.5	16.5	6.9	24.9	27.6	8.9	3,485,800
South East	1.4	0.8	11.6	7.6	18.5	7.1	18.6	27.6	6.6	4,115,000
South West	2.0	1.0	12.3	8.7	20.2	5.4	14.3	29.4	6.4	2,445,200
Wales	2.1	1.2	14.1	8.5	19.1	5.5	10.6	32.9	5.7	1,298,400
Scotland	1.8	2.4	10.6	8.2	18.6	6.7	14.0	31.4	5.9	2,447,600
Northern Ireland	4.1	0.8	12.9	9.8	20.1	4.5	9.8	33.6	4.0	750,000

SOURCE: Annual Population Survey 2006

**Appendix 4: Sectoral distribution of employment by South West region, 2006**

	Agriculture and fishing	Energy and water	Manufacturing	Construction	Distribution, hotels and restaurants	Transport and communications	Banking, finance and insurance	Public administration, education and health	Other services	Total in Employment
United Kingdom	1.4	1.0	12.9	8.0	19.0	6.7	15.7	28.8	6.2	28,277,100
South West	2.0	1.0	12.3	8.7	20.2	5.4	14.3	29.4	6.4	2,445,200
Bristol	0	0.4	9.1	7.4	19.0	6.3	20.7	31.0	5.8	194,400
Cornwall and Isles of Scilly	2.8	1.4	9.4	9.5	25.0	3.7	10.9	30.3	6.6	236,000
Devon	5.4	1.0	9.9	10.8	23.6	4.2	11.1	27.9	6.0	343,200
Dorset	3.2	1.0	12.4	10.5	19.0	3.9	13.4	29.5	6.6	192,000
Gloucestershire	0.9	1.5	16.6	7.8	17.2	4.2	16.2	30.0	5.4	288,200
North & North East Somerset; South Gloucestershire	0.7	1.2	10.8	7.8	19.4	6.5	17.0	30.1	6.4	315,600
Plymouth	0	0.6	13.9	6.5	19.7	7.8	9.5	34.0	7.6	111,000
Bournemouth & Poole	0.3	0.7	11.8	9.4	19.4	6.0	18.9	26.7	6.9	147,700
Somerset	2.1	0.6	16.8	8.6	20.2	5.0	10.3	30.7	5.8	237,300
Swindon	0.5	2.6	17.1	7.4	20.2	8.6	17.7	20.7	5.1	95,900
Torbay	1.4	0.7	8.7	10.3	26.9	3.2	7.5	33.2	7.8	58,000
Wiltshire	2.5	0.9	12.4	7.5	16.5	6.7	16.4	29.0	8.0	226,000

SOURCE: Annual Population Survey 2006

**Appendix 5: Occupational distribution of employment, UK GORs, 2006**

	Managers and senior officials	Professional occupations	Associate prof & tech occupations	Administrative and secretarial occupations	Skilled trades occupations	Personal service occupations	Sales and customer service occupations	Process, plant and machine operatives	Elementary occupations	Total in Employment
<b>United Kingdom</b>	14.9	13.0	14.2	12.1	11.1	8.0	7.7	7.3	11.4	28,277,100
<b>North East</b>	12.3	11.0	13.4	12.3	11.4	8.4	9.7	8.8	12.4	1,109,000
<b>North West</b>	13.8	12.3	13.8	12.6	10.7	8.6	8.5	8.1	11.3	3,084,800
<b>Yorkshire and The Humber</b>	13.2	11.4	12.8	11.4	11.9	8.4	8.2	9.3	13.2	2,331,100
<b>East Midlands</b>	15.3	11.7	12.5	10.6	11.6	7.6	7.5	9.3	13.7	2,068,100
<b>West Midlands</b>	13.9	12.2	12.4	12.0	12.0	7.5	7.7	9.4	12.5	2,441,600
<b>East</b>	15.3	13.3	14.5	11.7	11.5	7.7	7.6	7.2	11.0	2,700,500
<b>London</b>	17.6	16.4	17.9	13.0	8.0	7.1	6.4	4.1	8.9	3,485,800
<b>South East</b>	17.3	13.8	15.4	12.5	10.1	8.1	7.3	5.2	10.2	4,115,000
<b>South West</b>	15.6	12.5	13.8	12.0	12.0	8.3	7.3	6.8	11.6	2,445,200
<b>Wales</b>	12.6	11.2	13.5	11.8	12.7	8.8	8.1	8.8	12.3	1,298,400
<b>Scotland</b>	12.9	13.0	13.8	12.1	11.2	8.8	8.2	7.6	12.1	2,447,600
<b>Northern Ireland</b>	10.5	11.8	11.9	12.9	17.7	7.4	8.1	8.8	10.1	750,000

**SOURCE: Annual Population Survey September 2006**

**Appendix 6: Occupational distribution, by South West region, 2006**

	Managers and senior officials	Professional occupations	Associate prof & tech occupations	Administrative and secretarial occupations	Skilled trades occupations	Personal service occupations	Sales and customer service occupations	Process, plant and machine operatives	Elementary occupations	Total in Employment
Bristol	15.1	15.5	15.0	13.0	8.5	6.2	7.4	6.7	12.2	194,400
Cornwall and Isles of Scilly	15.7	10.1	12.4	11.6	14.4	7.6	7.9	6.6	13.3	236,000
Devon	16.2	11.6	13.3	10.0	14.1	8.4	7.2	6.0	13.2	343,200
Dorset	15.7	11.8	15.7	11.6	13.5	8.0	7.3	5.7	10.5	192,000
Gloucestershire	15.4	13.9	13.7	11.4	12.2	8.8	7.0	6.7	10.5	288,200
North & North East Somerset; South Gloucestershire	16.5	12.8	15.7	13.9	29.6	8.2	7.3	5.7	9.6	315,600
Plymouth	10.2	11.0	12.1	12.3	11.3	10.1	9.4	8.0	15.7	111,000
Bournemouth & Poole	15.1	12.5	15.3	10.6	11.8	8.9	8.2	6.7	10.9	147,700
Somerset	14.2	11.2	12.7	12.3	11.7	9.5	7.9	8.8	11.6	237,300
Swindon	14.6	11.6	14.2	13.4	11.8	7.2	7.0	8.4	11.8	95,900
Torbay	16.9	11.9	11.2	10.1	12.4	9.3	7.9	5.6	14.8	58,000
Wiltshire	16.4	12.1	13.0	11.2	11.9	9.9	6.2	7.5	11.9	226,000

SOURCE: Annual Population Survey September 2006

## Appendix 7: Gross weekly full-time earnings<sup>1</sup>, by UK region, April 2005

	Males					Females					All people median <sup>2</sup>
	Median <sup>2</sup>	10% earned less than	25% earned less than	25% earned more than	10% earned more than	Median <sup>2</sup>	10% earned less than	25% earned less than	25% earned more than	10% earned more than	
United Kingdom	471.5	255.6	335.5	666.6	939.8	371.8	217.0	271.7	533.4	707.6	431.2
North East	423.5	240.9	307.6	588.0	769.1	328.4	204.2	255.4	476.5	651.6	383.8
North West	450.0	246.8	320.0	631.1	855.4	351.6	213.1	264.2	502.1	670.8	410.0
Yorkshire and the Humber	438.7	246.2	320.6	598.6	814.0	335.5	201.2	247.8	487.5	646.3	400.0
East Midlands	455.3	254.0	330.1	625.1	860.3	343.4	208.1	256.5	488.7	664.4	412.5
West Midlands	444.1	255.4	325.8	613.3	829.0	345.5	210.4	262.7	492.0	652.2	405.3
East	500.0	268.3	357.7	717.7	1,024.0	375.7	220.6	272.3	543.5	730.0	457.2
London	574.8	299.5	404.6	826.4	1,284.0	482.9	268.3	349.8	651.5	892.8	527.0
South East	521.2	277.0	368.0	754.7	1,103.2	392.9	230.0	292.9	561.3	749.2	467.9
South West	453.0	250.0	326.6	636.9	881.5	343.7	215.1	262.5	486.5	654.3	407.3
Wales	433.2	240.0	314.1	594.1	804.9	337.0	212.2	257.9	501.4	659.8	393.4
Scotland	447.8	244.3	322.2	622.3	854.1	362.1	212.2	267.5	530.7	680.5	411.7
Northern Ireland	409.5	224.4	294.0	594.4	815.9	355.8	203.0	254.2	527.5	648.8	387.0

1. Gross average weekly earnings are residence-based. Data relate to full-time employees on adult rates whose pay for the survey period was not affected by absence. See Notes and Definitions in Regional Trends 39 relating to Table 5.12.

2. Median values are less affected by extremes of earnings at either ends of the scale, with half the workers earnings above the stated amount and half below.

**Source: Annual Survey of Hours and Earnings, Office for National Statistics; Department of Enterprise, Trade and Investment, Northern Ireland**

**Appendix 8: Gross weekly full-time Earnings<sup>1</sup>, by South West region, April 2005**

	Males					Females					All people
	Median	10% earned less than	25% earned less than	25% earned more than	10% earned more than	Median	10% earned less than	25% earned less than	25% earned more than	10% earned more than	median
United Kingdom	471.5	235.2	305.4	612.3	850.6	371.8	217.0	271.7	533.4	707.6	431.2
<b>South West</b>	453.0	250.0	326.6	636.9	881.5	343.7	215.1	262.5	486.5	654.3	407.3
Bath and North East Somerset UA	477.8	256.0	347.3	715.7	..	393.3	233.0	285.4	535.5	..	433.5
Bournemouth UA	435.5	259.9	326.0	580.0	..	321.4	212.7	250.2	439.1	..	371.0
Bristol, City of UA	459.4	263.5	334.4	615.2	..	345.0	218.8	268.3	499.1	..	415.3
North Somerset UA	562.9	291.5	371.9	764.5	..	368.0	229.8	298.1	572.5	..	469.7
Plymouth UA	429.8	246.7	313.8	560.7	..	305.1	199.1	237.4	440.0	..	370.7
Poole UA	489.3	215.4	333.2	643.8	..	379.3	227.3	287.1	499.8	..	431.3
South Gloucestershire UA	495.7	280.7	372.7	661.2	..	358.9	239.5	287.5	489.1	..	442.2
Swindon UA	492.3	283.5	353.9	682.0	..	325.9	209.2	265.1	428.1	..	409.3
Torbay UA	344.2	204.8	245.8	460.8	..	323.9	219.6	243.6	453.7	..	334.4
Cornwall and the Isles of Scilly	386.5	224.0	278.1	539.9	..	323.2	199.4	246.5	439.8	..	348.4
Devon County	423.2	230.1	292.0	575.5	779.1	312.9	201.7	245.6	460.0	..	373.7
Dorset County	436.1	250.2	325.7	652.8	..	356.3	212.5	266.7	505.2	..	412.2
Gloucestershire	488.7	263.7	344.4	676.1	984.7	362.4	224.0	273.2	504.8	..	437.5
Somerset	441.0	252.3	320.9	602.1	..	335.4	213.8	255.7	487.0	..	400.1
Wiltshire County	503.7	270.3	353.3	687.9	..	369.3	215.1	270.6	510.6	..	440.0

1. Data relate to full-time employees on adult rates whose pay for the survey period was not affected by absence.

Source: Annual Survey of Hours and Earnings, Office for National Statistics; Department of Enterprise, Trade and Investment, Northern Ireland



**Appendix 9: Higher education students living in the UK prior to starting higher education:1 by country and Government Office Region of current study and country and Government Office Region of previous residence, 2002/03**

Region of prior residence	Region of study												All Students (=100%) (thousands)
	North East	North West	Yorkshire & the Humber	East Midlands	West Midlands	East	London	South East	South West	Wales	Scotland	Northern Ireland	
United Kingdom	4.7	11.3	10.0	6.6	8.3	5.3	15.3	10.3	7.0	5.8	12.3	3.0	1,779.2
England <sup>3</sup>	5.7	13.5	12.3	8.1	10.1	6.6	18.8	12.6	8.4	2.4	1.4	-	1,414.6
North East	73.0	5.2	9.7	2.5	1.3	1.2	1.6	1.5	0.6	0.5	2.8	0.1	71.3
North West	3.1	68.9	10.6	3.1	4.1	1.5	2.2	2.0	1.1	1.8	1.7	0.1	189.8
Yorkshire and the Humber	6.1	8.0	68.6	5.2	2.7	1.5	2.3	2.0	1.0	1.0	1.6	0.1	130.3
East Midlands	2.6	6.1	17.6	48.5	8.5	3.5	4.2	3.9	2.3	1.6	1.1	-	106.8
West Midlands	1.2	6.6	5.6	7.8	61.4	1.8	3.4	3.7	3.8	3.9	0.9	-	145.5
East	1.9	3.5	6.5	9.2	4.9	41.1	15.9	9.9	4.0	1.8	1.3	0.1	131.3
London	0.9	2.3	2.5	2.7	2.7	5.1	70.2	9.0	2.4	1.0	1.1	-	253.8
South East	1.5	2.9	3.9	5.2	4.2	4.2	16.9	48.5	8.1	3.0	1.4	-	217.5
South West	1.0	2.9	3.0	3.3	4.6	2.3	6.2	12.3	56.3	6.8	1.1	-	130.1
Wales	0.6	5.7	2.4	2.0	3.3	1.0	2.5	3.0	5.0	73.8	0.6	-	93.5
Scotland	0.8	1.0	0.7	0.4	0.4	0.4	0.7	0.6	0.3	0.4	94.2	0.1	205.2
Northern Ireland	1.3	4.1	1.1	0.8	0.7	0.8	1.5	1.1	0.5	0.8	8.4	78.9	65.8

<sup>1</sup> Table refers to 'home domiciled' higher education students and excludes those living abroad prior to starting higher education. Open University students are also excluded.

<sup>2</sup> Percentages may not add exactly to 100 due to rounding.

<sup>3</sup> Includes students from the Channel Islands and Isle of Man and students whose region of domicile was unknown or unclassified.

Source: Department for Education and Skills; Higher Education Statistics Agency; National Assembly for Wales; Scottish Executive; Northern Ireland Department for Employment and Learning

**Appendix 10: Regional breakdown of claims received from the employment tribunals (ET1s\*) for conciliation by main jurisdiction from 1 April 2006 to 31 March 2007**

	Unfair dismissal	Wages Act	Breach of contract	Redundancy Pay	Sex discrimination	Race discrimination	Disability discrimination	Working time	Equal pay	National Minimum Wage	Flexible working	Age discrimination	Other	All Claimants
London	5,143	224	108	61	920	897	684	94	28	15	17	100	614	<b>8,905</b>
South East	3,520	944	603	272	2,255	250	383	1,113	45	11	7	50	512	<b>9,965</b>
East of England	2,501	491	463	135	511	182	362	53	226	33	4	53	312	<b>5,326</b>
East Midlands	3,125	1,075	444	304	277	138	262	245	82	280	3	21	608	<b>6,864</b>
West Midlands	3,053	1,305	521	420	496	222	295	289	1,298	5	7	18	452	<b>8,381</b>
North East	2,506	1,284	844	280	834	39	126	303	8,847	14	5	14	519	<b>15,615</b>
Yorkshire & Humber	2,817	1,372	447	280	870	169	342	275	3,630	24	4	30	736	<b>10,996</b>
North West	4,910	2,479	788	539	799	244	595	630	1,138	10	5	44	955	<b>13,136</b>
Scotland	3,348	1,178	431	298	603	88	183	466	9,286	20	3	14	645	<b>16,563</b>
South West	2,874	702	385	199	276	92	251	194	11	14	1	37	212	<b>5,248</b>
Wales	1,786	441	365	176	254	62	171	118	673	5	2	13	112	<b>4,178</b>
<b>All</b>	<b>35,583</b>	<b>11,495</b>	<b>5,399</b>	<b>2,964</b>	<b>8,095</b>	<b>2,383</b>	<b>3,654</b>	<b>3,780</b>	<b>25,264</b>	<b>431</b>	<b>58</b>	<b>394</b>	<b>5,677</b>	<b>105,177</b>

Non ET1s\* **57,476**

\* See footnotes on page 66.

\*\* New jurisdiction: Age Discrimination Regulations were introduced in October 2006.

1 Notes: Very few equal pay claims against NHS employers are included in these figures because they have not been passed to Acas for conciliation by the tribunals unless the parties request conciliation or there appears a reasonable prospect of success in conciliation.

Conciliation is not always conducted in the region in which the claim is made.

**SOURCE: ACAS Annual Report and Accounts 2006/07**

## Appendix 11 Working days lost per 1000 employees, 1998-2006

	1998	1999	2000	2001	2002	2003	2004	2005	2006
United Kingdom	11	10	20	20	51	19	34	6	28
North East	9	3	6	12	119	2	33	7	51
North West	9	4	20	32	76	10	19	7	53
Yorkshire and the Humber	1	11	4	24	44	8	37	4	23
East Midlands	1	1	5	8	50	6	20	3	18
West Midlands	7	1	20	33	41	8	23	11	15
East	11	2	6	11	26	4	11	4	8
London	12	15	7	24	60	51	18	11	10
South East	1	4	4	4	36	6	16	1	5
South West	1	2	1	8	32	7	13	1	8
Wales	2	4	6	17	74	9	28	2	51
Scotland	23	21	136	29	54	39	160	7	49
Northern Ireland	6	10	33	1	34	101	99	15	30

Regional rates are based on data for stoppages that exclude widespread disputes that cannot be allocated to a specific region. These are included in the United Kingdom strike rate only. See Notes and Definitions.

**Source: Office for National Statistics**