

June 15 2009

Issued by Mattison Public Relations on behalf of Incomes Data Services

## **Industrial relations – what’s different about this recession?**

- **Recession characterised by negotiation and avoiding redundancies**
- **Trade unions and employers more often in collaboration than conflict**

A dramatic reduction in the level of conflict between companies and employees is one of the most striking differences between this recession and previous ones, says the latest Incomes Data Services (IDS) special report entitled ‘Focus on Recession’, which is based on a six-month study of company industrial relations in the UK. Greater levels of consultation and collaboration between companies and employees have taken over from the confrontational attitudes of the past, says the report.

IDS point out that a striking feature of the recession of the early 90’s was that companies engaged in ‘de-layering’ – a process of stripping away layers of management and support services - to create ‘lean’ businesses. This involved an aggressive approach to redundancy which was characterised by confrontation between companies and employees and a refusal to negotiate.

In contrast the majority of companies entered the current recession as ‘lean’ businesses, which meant that fewer organisations had the capacity to make mass redundancies while still maintaining a sustainable business model for the longer term. This has led to more companies needing to retain staff whilst still having to find ways of reducing operating costs.

This has contributed to the significant improvement in relations between businesses and trade unions. According to IDS, employers now tend to see staff as skilled assets that are expensive to replace, while employees and their representatives understand that companies need to be profitable to survive.

This level of mutual respect and understanding is illustrated by the innovative arrangements that have been agreed to protect jobs. Typical examples of such agreements include temporary short or flexible working time arrangements where staff are paid at a basic rate through prolonged ‘lay-off’ periods as well as arrangements to cut shifts or even take pay cuts in order to retain jobs.

Alastair Hatchett, Head of Pay & HR Services, of IDS said: “On the whole we have seen employers and unions coming together around the negotiating table to avoid compulsory redundancies, to retain skills and talk about the way to get through a temporary collapse in demand. There are exceptions, but mostly the industrial relations theme of this recession is one of negotiation rather than confrontation.”

### **What is being done?**

Many companies are avoiding redundancies with simple cost saving measures such as pay freezes or reducing working hours. A recent survey by IDS shows that pay freezes currently account for

1 in 3 pay deals. The majority of companies (67%) are still offering modest pay rises of around 2% where they can.

IDS has also spotted a trend towards freezing pay for employees on high salaries while boosting the pay at the lower level. A FTSE-100 media company, for example, has frozen salaries above £30,000 while offering lower-paid support staff a rise of 3.5% this year. Some companies have also taken the opportunity to increase the wages of their entry-level staff while freezing all other pay at 2008 levels.

In the finance sector many companies have said that they will continue to pay the bonuses of their clerical and branch staff whilst they have cut down on bonuses for their senior staff.

Alastair Hatchett comments: "There is a view among HR managers and trade unions that any radical changes to employment levels and pay must be transparent and proportionate and that any changes that are obviously opportunistic will be clearly seen as such and run against the grain of trying to keep staff on board and engaged, for the duration of the crisis."

### **Is this recession worse? Dispelling more urban myths**

IDS' research reveals that many of the 'urban myths' about this recession are misleading. Unemployment is still far from hitting the levels seen in 1993 when almost 3 million were claiming unemployment benefits (an unemployment rate of 9.9%). At March 2009 the number of claimants reached almost 1.5 million (4.5% unemployment), which is still lower than the figure of 1.6 million at which the 90's recession began.

Similarly there has been an idea that the economy is devastated and that there are no jobs to be found. In fact the employment rate in the three months to February 2009 was 73.8% down only 0.6% from the three months to January 2007. While unemployment has risen, there are still jobs available especially in lower paying sectors where staff turnover is traditionally high and many retailers have claimed that they are even creating new jobs. By the middle of the early 90's recession the employment rate had fallen as low as 70%.

Another urban myth is that all pay in the private sector has been frozen. This is not the case. There are sectors with pay increases of 3 to 4 per cent this year including finance, the utilities, and parts of food and drink manufacture.

**ENDS**

**Incomes Data Services** is the leading UK information and research service on employment issues, providing a range of publications for employers, trade unions, government departments and other agencies. In any report it would be helpful if you would include our telephone number 020 7429 6800 and website address ([www.incomesdata.co.uk](http://www.incomesdata.co.uk))

**Sweet & Maxwell** ([www.sweetandmaxwell.co.uk](http://www.sweetandmaxwell.co.uk)) is a leading provider of information and solutions to the legal and professional markets in the UK and Ireland. With over 200 years of history and heritage in legal publishing, Sweet & Maxwell offers detailed and specialist knowledge, understanding, interpretation and commentary across a wide range of subjects in a variety of formats to meet customers' needs - books, journals, periodicals, looseleaves, CD-ROMs and online services.

**Thomson Reuters** is the world's leading source of intelligent information for businesses and professionals. We combine industry expertise with innovative technology to deliver critical information to leading decision makers in the financial, legal, tax and accounting, scientific, healthcare and media markets, powered by the world's most trusted news organization. With headquarters in New York and major operations in London and Eagan, Minnesota, Thomson Reuters employs more than 50,000 people in 93 countries. Thomson Reuters shares are listed on the New York Stock Exchange (NYSE: TRI); Toronto Stock Exchange (TSX: TRI); London Stock Exchange (LSE: TRIL); and Nasdaq (NASDAQ: TRIN). For more information, go to [www.thomsonreuters.com](http://www.thomsonreuters.com).

**Press Enquiries:**

Alastair Hatchett  
Head of Pay & HR Services  
Incomes Data Services  
Tel: 020 7422 4902

Nick Mattison or Simon Matthews  
Mattison Public Relations  
Tel: 020 7645 3636