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The *Acas Policy Discussion Papers* series is designed to stimulate discussion and debate about key employment relations issues.

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We welcome your comments and opinions. These should be sent to the author c/o strategy@acas.org.uk

The recession: what the future holds for employment relations

The UK is now in the grip of a global “Great Recession” according to the head of the International Monetary Fund (IMF). The IMF expects global growth to slow to below zero this year, “the worst performance in most of our lifetimes”. This statement signals a hint that the current downturn will be more severe than the recessions of the 1980s and 1990s, as will be its implications for society, the labour market and employment relations.

There are already early indications of the far-reaching effects that the recession is beginning to have on employment, some of which are bringing about fundamental changes to the employment relations landscape. This paper aims to provide an overview of these changes but will be followed by a series of papers analysing the implications of the recession on key employment relations areas. The impact of the recession on the world of work is multi-faceted and extensive, and the implications will continue to be felt long after the “green shoots of recovery” become a firm reality. This paper serves merely as an introduction to the shifts that are taking place, some of which are not even fully-evident

as yet or are only just beginning to work their way through the employment relations arena.

A recession like no other?

Britain was officially declared in recession in January this year: recession is typically defined when gross domestic product (GDP) contracts for two consecutive quarters. Between October and December 2008, the UK economy shrank by 1.5%. For many commentators, there was already little doubt during the latter months of 2008 that Britain was on the brink of what Prime Minister Gordon Brown has since referred to as “the first global financial crisis of this new global age.” Hindsight always paints a clearer picture and it is easy to look back at some of the economic events of 2008 and see what was coming: in February Northern Rock was nationalised, by May house prices were falling at their fastest rate since 1991 and in October the financial world collapsed, pre-empting an unprecedented bailing out of the banks at a cost of billions to the British economy.

These are just some of the economic headlines. Behind these media highlights, it is clear that the

scale and speed of this recession set it apart from any in living memory: as the Prime Minister commented in the same speech, “this is no ordinary downturn”. Again, it is possible to glance at some of the key statistics and appreciate that the nature of this downturn is unlike any other, although some commentators have made comparisons with the depression of the 1930s. Aside from the economy shrinking for the first time in 60 years, other economic developments, many of which are unprecedented, include:

- the decision of the Bank of England’s Monetary Policy Committee (MPC), in April 2009, to maintain interest rates to 0.5%, the lowest ever rate in the country’s history since the central bank was founded in 1694;
- the return of deflation to the UK economy after nearly half a century as the Retail Prices Index (RPI) drops to -1.2% in April 2009; and
- the introduction of a radical policy by the Government termed ‘quantitative easing’ – known to the lay person as printing money, this move is designed to create £75 billion to buy government bonds and corporate debt to boost the circulation of money in the banking system.

Impact on the UK labour market

The most obvious and immediate impact of the recession on the labour market is the rise in unemployment. As expected, figures released by the Office for National Statistics (ONS)¹ confirm that the number of people out of work has tipped well over the two million mark – in the three months to March 2009, the unemployment level was 2.22 million, up 244,000 on the previous quarter. At 7.1% this is the highest unemployment rate in over 10 years but it is widely predicted that many thousands more will lose their jobs in the coming months as unemployment remains on course to rise above three million.

There are conflicting interpretations about the scale and significance of the rising unemployment rate.

The Government maintains that unemployment is so far rising more slowly than in the last recession in the early 1990s due to the welfare reform measures that have been put in place to help people back into work. This view appears to be borne out by ONS figures showing that the economic inactivity rate (that is, people not actively seeking work such as retired people and those on incapacity benefit) for people of working age actually dropped 0.3 percentage points to 20.6% in the three months to January 2009. This equates to 7.80 million economically inactive people – a figure that does not include the unemployment figure.

The TUC, meanwhile, has analysed European employment figures and concludes that, while UK unemployment remains lower than the European average of 7.7%, it is now increasing twice as fast as the average across Europe (EU-15)². The TUC is calling for a better balanced UK labour market – with improved safeguards for workers such as higher statutory redundancy pay and improved consultation with unions during redundancies and insolvencies. However, a Private Members’ Bill proposing an increase in statutory redundancy pay was criticised by business groups on the grounds that it could impact on small businesses and cause further job cuts. In the 2009 Budget, Alistair Darling announced that the maximum statutory redundancy pay would be increased from £350 per week to £380. Another measure announced in the Budget was a total £1.7 billion funding for jobcentres to combat unemployment.

A pattern of redundancies

There has been a steady flow of news items reporting widespread redundancy programmes across the British economy. According to the ONS release for March¹, the redundancies level for the three months to January 2009 was 266,000 people, up 86,000 on the previous three months and up 154,000 on the year. The redundancy rate was 10.5% per 1,000 employees, up 3.4 percentage points from the three months to October 2008 and up six points compared to a year earlier.

This is the highest redundancies figure since comparable records began in 1995, a fact that is amply

reflected in calls to the Acas Helpline. Over a third (35.3%) of calls – 16,278 – handled by Acas advisers in February 2009 related to redundancies, lay offs and business transfers (compared to 19.4% in May 2008). As one helpline adviser commented: “It’s hard to take redundancy out of the equation. That seems to be all we are getting and it tends to blanket everything else.” There has also been a sharp increase in the proportion of Acas advisory meetings and calls relating to redundancies over the last quarter to January 2009, now accounting for up to a third of advisory contact that organisations have with our advisers in some parts of the country.

An uneven picture

(i) Sector by sector

It is not the case that the recession has affected every sector of the economy and region of the country in the same way in relation to employment and redundancy levels. Some areas have been harder hit than others. The public sector, for example, is referred to by the Chartered Institute of Personnel and Development (CIPD)³ as “a recession free zone”. ONS figures appear to back up this claim, at least in an immediate and direct sense in terms of employment: the number of people employed in the public sector was 5.78 million in December 2008, up 15,000 on the quarter and up 30,000 on the year. In contrast, the number of people employed in the private sector was 23.60 million, down 13,000 on the quarter and 105,000 on the year.

But the recession will have an impact on the public sector, although the full effects may not be apparent immediately. Local councils will suffer reduced income, from business rates for example, and the spending on public services will very likely be reduced in future years as the Government tries to claw back some of the huge sums that have been spent so far on recession-related bail out measures. Indeed, the 2009 Budget announced ambitious efficiency plans from 2011 when the next three-year spending review period begins, including £2.3 billion of savings in health.

There are also redundancies in the public sector. The Acas Midlands and Eastern region, for example, has reported that a number of local councils have announced redundancies and the intention to make job cuts in 2009/10. This is supported by reports of 40,000 local authority job cuts in a survey of 106 town halls carried out by The Times in February 2009⁴. So far, 75% of councils have reported that they were revising their budgets because of the recession.

As the recession intensifies and its effects on society increase, there will also be new and increased demands for public services which will have an impact on those working in the sector. For example, the many people who find themselves made redundant during this recession start to need more, rather than less, help from the state. With less available funds available from Central Government to provide these services, there will be pressure to innovate and meet increased expectations and demand for services while at the same time reducing costs.

Within the private sector itself there is also an uneven impact. In terms of the number of jobs in the economy, ONS figures show that most sectors showed decreases in jobs over the quarter to January 2009, with the largest quarterly falls occurring in finance and business services, which fell by 102,000. This fall accounts for just over half of the total fall in workforce jobs over this period.

Manufacturing has been particularly badly hit. According to the ONS, the number of manufacturing jobs in the three months to January 2009 was 2.78 million, down 120,000 over the year and representing the largest fall in jobs in this sector since comparable records began in 1978. Over the same period, employee jobs in mining, energy and water supply industries increased by 1,000 to reach 179,000.

According to the EEF, “the pace of the downturn in manufacturing has accelerated in the first quarter of the year and shows no sign of easing”⁵. The quarterly survey undertaken by the employers’ body shows

that the slowdown is having a “significant impact on employment intentions” with an expected further 140,000 job losses in 2009. This is backed up by the CBI’s quarterly SME Trends survey⁶: it shows that “small and medium-sized manufacturers are shedding staff at the fastest rate since the early 1990s” in the face of rapidly declining demand for UK-made goods. Of the 492 firms surveyed, 38% had reduced their headcount.

Another survey by the CBI⁷ paints an equally depressing picture for the services sector, with jobs being lost at the

fastest rate in over 10 years as the recession deepens. The survey covered business and professional services and consumer services such as hotels, bars and travel firms.

(ii) Region by region

An uneven picture also emerges in terms of how the recession is affecting employment on a regional basis. Table 1 shows the regional unemployment figures released by the ONS from March 2008 through to March 2009.

Table 1: Regional quarterly summary of labour market headline indicators, change from figures released March 2008 to March 2009					
	Unemployment rate (%)				
Region	March 2008	July 2008	November 2008	March 2009	Overall increase in unemployment
North East	5.8	7.3	8.0	8.6	2.8%
North West	5.8	6.1	6.8	7.7	1.9%
Yorkshire & the Humber	5.0	5.5	6.8	7.1	2.1%
East Midlands	5.5	5.6	5.9	6.4	0.9%
West Midlands	5.6	6.2	6.5	7.9	2.3%
East	4.4	4.4	4.8	5.5	1.1%
London	6.9	6.5	7.4	7.5	0.6%
South East	4.5	3.9	4.6	4.8	0.3%
South West	3.6	3.9	4.2	5.1	1.5%
England	5.2	5.3	6.0	6.6	1.4%
Wales	4.9	5.3	6.7	7.6	2.7%
Scotland	5.0	4.0	4.7	5.1	0.1%
Great Britain	5.2	5.2	5.9	6.5	1.3%

Source: ONS: Regional and international summary, table 18(1) Regional labour market summary

From the percentage changes shown for each region it is possible to appreciate how unemployment has risen across the country over the year in question. Overall, unemployment has risen from 5.2% in the March 2008 release by ONS to 6.5% in March 2009. Regionally, the biggest increase in the unemployment rate has been in the North East, where unemployment has climbed 2.8 percentage points from 5.8% in March 2008 to 8.6% in March 2009, followed by a 2.7 percentage point increase in Wales. The lowest increases over the year have been in Scotland, the South East and London where unemployment has risen by 0.1, 0.3 and 0.6 percentage points respectively. This is interesting as the figures show that unemployment is not hitting hardest in London and South East where it has been assumed have been the biggest job losses, in the financial services sector.

The Work Foundation has undertaken an analysis of people claiming Job Seekers' Allowance comparing February 2008 with February 2009. The study shows that the local authority areas that have experienced the biggest jumps in the numbers claiming benefits are the 'core cities' of the North, the West Midlands and Scotland, and areas linked with traditional manufacturing and heavy industries that have suffered disproportionately in previous recessions⁸. Using the measure of the sharpest increases in claimant rates, the geography of unemployment looks slightly different, says The Work Foundation, with the greatest increases concentrated in areas in the Midlands, North and North East of England and Wales.

The TUC, meanwhile, has undertaken a detailed analysis of January 2009 official statistics⁹ and concludes that job seekers are outnumbering vacancies advertised in jobcentres by twenty to one in some parts of the country. By working out the number of jobseeker allowance (JSA) claimants per jobcentre vacancy in every local authority and region across the UK, it concludes that there are 10 JSA claimants for every jobcentre vacancy on average across the UK but 25 local authorities register at least 20 JSA claimants per vacancy. The worst hit area is the Isle of Wight with a 'claimant to vacancy' ratio of 60 to one as the area suffers a decline in manufacturing and tourism,

its two main industries. Other badly hit areas, according to the TUC analysis, are parts of South Wales and Inner London.

The Acas Midlands and Eastern Region, for example, reports that over the final quarter of 2008 the West Midlands has been one of the worst performing English regions in terms of business activity, new orders and outstanding business. The Eastern area has a predominantly SME population with over 95% of businesses employing under 250 workers, which has limited the impact of the number of large-scale redundancies. However, significant redundancies at Grampian Country Foods in Haverhill has had a major impact on the local labour market.

(iii) Employment status **Reduced hours working**

The 2.2 million jobless count is serious enough but does not take account of the growing number of workers who are now working part-time or reduced hours as a result of falling business demand. The move in some sectors to promote short-term working is reflected anecdotally in the subject of some calls to the Acas helpline; some helpline advisers report a sharp rise in queries relating to short-term working. This trend is also reflected in the March ONS statistics that showed the number of part-timers increasing as the people in full-time employment fell. In the three months to January 2009, the number of people in part-time employment was 7.55 million, up 50,000 from the three months to October 2008. The proportion of part-time workers now accounts for a quarter of the workforce. A survey by the EEF found that a quarter of manufacturing firms have reduced working hours since the start of the recession, and many more are considering this course of action¹⁰.

In this context, part-time work is viewed as a short-term measure rather than a long-term solution. But such an approach can be a cheaper, creative and more flexible alternative to firms laying off workers permanently. It also means that the organisation does not immediately lose valuable skills that will only have to be re-recruited after the recession. Box 1 provides a brief insight into how one

small manufacturing company has responded to falling order books by introducing short-term working and other measures.

The trend of moving people onto part-time hours during the recession is not restricted to manufacturing; there are examples of this approach across a range of industries. KPMG, one of the 'big four' accountancy firms, for example, has introduced a new flexible working scheme that includes a four-day working week or a sabbatical of between one and three months on 30% pay in a bid to avoid redundancies and to also save costs¹¹. Car manufacturers have also been proactive in offering short-term working; Toyota, Aston Martin, Honda and Jaguar Land Rover have all proposed such schemes.

While part-time hours may be a far preferable alternative to redundancy for most people, part-time work does not come without its own impact on the working lives of those affected. Some people may welcome the opportunity to improve their work/life balance, if only temporarily, but others already struggling financially may find themselves a lot worse off as a result of the unexpected drop in income. Some could also fear that a reduced working week is the prelude to losing their job completely.

Some organisations, such as trade union Unite, have been lobbying the government to reintroduce the short-term working compensation scheme that the Labour Government adopted during the recession of the late 1970s, that effectively topped up the salaries of workers on reduced hours. A version of this approach has already happened in Wales, where the Welsh Assembly Government has introduced a £48 million ProAct scheme that provides funding for employers who are facing difficulties during the recession¹². ProAct aims to help businesses prepare for economic recovery by up-skilling staff on short-term working and retraining skilled workers who may otherwise be made redundant. Individuals can receive up to £2,000 of funding per head for training and a wage subsidy of £2,000 each. ProAct is still at the pilot stage and is currently focusing on the car industry.

Box 1

Case study: A small manufacturing company supplying the construction industry and coping with the effects of the recession

In the words of the works manager:

"Times are very stiff for ourselves, about 80% of our business is construction industry based and as a consequence we have a current order book that is only 35% of what it was a year ago for this month. We had to let six indirect staff go at the end of last year, which was 50% of that group, and the direct staff have been weakened by natural wastage so we are now at 26 staff (down from 42). Our works council had a shock at having to be involved in a redundancy programme, but with a little help they have done great.

We have agreed to reduce to a four-day week, we have agreed to close for Easter week, we have agreed to losing another week for three days pay, we have banked nearly two weeks' time off in return for later in the year hour for hour overtime. We have set up three multi-departmental Kaizen teams (one full day a week) to work on standard ops and risk assessment reviews, productivity improvements and conversion of slow moving stock into moving stock. As a consequence, we now have a stronger focused and 'determined to survive' attitude from all areas. Basically we know that all of us have to pull our weight and tighten the belt and if this does not work well it just is not meant to be. That said and with that sense of purpose, morale is very, very good considering. All the work we have personally invested in our joint consultative committee is really paying off to date."

Temporary and agency workers

Another type of employment status is also having a significant impact on many people during the recession. Agency and temporary workers are particularly

vulnerable as they do not have the same employment rights, including unfair dismissal protection, as employees on permanent employment contracts with their employers. This vulnerability and the implications it can have for employment relations were highlighted recently at BMW's mini Cowley plant in Oxford. The company announced 850 job cuts, predominantly agency workers. Some of these agency workers had worked for several years at the plant and were not entitled to any redundancy notice or payment. As a result there were angry scenes following the announcement at the Cowley plant.

The announcement reignited debate over the rights of agency workers and calls from the trade unions for greater protection for the one million agency workers in this country. This is the subject of the much debated Agency Workers Directive (AWD) that will, when transposed into UK law, apply the principle of equal treatment after 12 weeks' employment in relation to basic working and employment conditions for those undertaking temporary agency work. It is not yet clear how far the definition of 'pay' will extend within the regulations and, for example, whether the regulations will include redundancy pay.

Managing the impact of the recession

The most immediate and obvious effect of the recession on workplaces is evident in the headline statistics such as those available from the ONS. But these labour market trends are, in turn, having a far reaching impact on workplaces and causing underlying changes to the world of work. The Government held an Employment Summit on 12 January to announce new measures aimed at giving more people intensive help to those who are out of work¹³. In his speech the Prime Minister highlighted £500 million to be spent on providing recruitment subsidies for employers, financial help for new business start-ups and enhanced training opportunities for those out of work.

These measures are welcomed, but there are much wider, more fundamental changes afoot in employment, and employment relations, that we need to consider.

The UK is still in the relatively early throes of recession and yet it is already clear that a complex picture is emerging in a number of employment areas. Not all of these changes are homogenous and the overall picture is one characterised by unpredictability and unevenness. But, nonetheless, elemental shifts are occurring that need to be considered and understood. Some of these are highlighted below and will be the subject of further Acas policy papers that will explore these important aspects of employment relations in more depth.

Consultation on redundancy

Through its national Helpline and through advisers in its regional offices, Acas has been dealing with a rising tide of enquiries from employers who want basic information about rights about redundancy. Increasingly we are receiving requests to train managers to deal with collective redundancy handling and consultation with employee reps. We have noticed that employers are keen to have face-to-face support in addition to web-based information.

It is not surprising that organisations need support and guidance on redundancy handling situations. Many employers and trade unions will be dealing with redundancy for the first time, or at the very least grappling with new statutory requirements that were introduced in 1999. Some of the 1999 changes include the provision that, where there is a recognised trade union, that union now has an automatic right to be informed and consulted over collective redundancies and may no longer be bypassed by the employer in favour of other employee representatives. Explicit rules have also been introduced for the election of appropriate employee representatives in non-union cases.

Anecdotally, Acas' experience of the types of redundancy-related situations it is coming across is mixed. In some parts of the country, such as London, Acas advisers are beginning to receive quite complicated and technical queries relating to consultation in redundancy situations. In other places around the country the emphasis is on looking at ways

of avoiding redundancies and our Helpline has seen a growing number of calls on short-term working, for example. In the Employment Relations Forum Acas runs in the Midlands, however, we are picking up a mood from employers that initial steps to avoid redundancies have largely been exhausted.

Pay and negotiating

The current economic situation and impact of zero inflation, and now deflation, are having a marked impact on negotiations for the annual pay round and employees' pay levels. Research by pay specialists Industrial Relations Services (IRS) in March 2009 noted that the IRS pay databank had for the first time since 1994 recorded details of a pay cut for one bargaining group¹⁴. The study also observed that there was a continuing dramatic increase in the number of employee groups whose pay has been frozen this year. Almost three in 10 pay awards recorded were a pay freeze and almost six in 10 deals were lower than a year ago. The median basic pay award fell 0.4 percentage points to 2.6%.

There are a number of examples across different industries of pay levels being cut or frozen. The EEF's survey in March 2009, for example, shows that manufacturing pay settlements fell to the historically low level of 1.7% for the three months to the end of January 2009¹⁵. This is the lowest level recorded since EEF's survey began in 1987. The number of companies reporting that they had frozen employees' pay rose to nearly 45% of all reported settlements, again the highest figure that has been reported since 1987.

The move to freeze pay by some organisations is an attempt to stave off redundancies and retain skilled workers. The car industry is one example: staff at Jaguar Land Rover voted to accept a shorter working week and a one-year pay freeze to avoid compulsory job cuts¹⁶ and Toyota has also announced a pay freeze across its UK operations. Other large companies announcing pay freezes include BT, Royal Mail and cabin crew at British Airways.

This type of approach to avoiding potential job cuts by the acceptance of reduced pay or a pay freeze on the part of employees raises the role of concession bargaining. The concept refers to a situation whereby management seeks to obtain what is effectively a deterioration in employees' terms and conditions, such as wage freezes or actual cuts in wages, by offering some reciprocal advantages for employees – in this case potentially saving jobs. The role of the trade unions in negotiating some of the pay freezes or cuts agreed so far during the recession is central. For example, Unite and GMB unions supported the Jaguar Land Rover proposals and a Unite spokesperson summed up the unions' position: "The choice for our members was clear – further mass redundancies or what is undoubtedly some short-term pain to secure the future for our members and their families." In a slightly different approach to negotiating, reported in the Guardian, the Dutch postal group TNT has allegedly threatened to sack 10,000 workers in the Netherlands if they do not accept a 5% pay cut¹⁷.

For its part, anecdotally Acas has detected a change in trade unions' stance in negotiations in some instances across the country. In Wales and the South West, for instance, there have been signs that unions are taking a less confrontational position in negotiations, in recognition that times are bad and the need to protect the long-term viability of an organisation outweighs any short-term gain. Some of our regional offices have also noticed the impact on long-term pay deals. Not only are these now more risky for employers to contemplate, but Acas has also seen some instances of previously negotiated two- or three-year pay deals crumbling as employers are unable to honour the later stages or provide acceptable increases. For example, Acas advisers dealt with one dispute in the North East where a three-year RPI-based pay offer caused negotiating problems because of expected negative inflation later this year and the employer's inability to provide much positive improvement during the course of the deal.

Public sector pay is another issue that has been moved even further into the spotlight as a result of the

recession, with some bodies such as the CIPD calling for a pay freeze across public services. In April 2009, the public sector unions formally rejected a 0.5% pay offer for local government staff – the employers' body, the Local Government Association, had made clear that if the offer was not accepted by 1 June, there would be a pay freeze. The annual 2009 Treasury pay remit guidance for civil service staff, meanwhile, recommends average basic pay awards of no more than 1.5%.

Dispute resolution

The recession and the pressures it places on individual workplaces means that there is much greater potential for conflict in employment relations, both at a collective and individual level. Historically, the level of employment tribunal cases rises during difficult economic times as those who have lost their jobs have little to lose by submitting an employment tribunal claim. For their part, many employers are grappling with new employment legislation on redundancy for the first time and may fall foul of the statutory requirements.

Provisional statistics by the Tribunals Service for April 2008 to February 2009 reflect the change in the economic climate¹⁸. For example, unfair dismissal claims rose from 40,941 in the period April 2007-February 2008 to 47,115 in the period April 2008-February 2009. Redundancy pay claims rose from 7,313 to 9,220 during the same period while there was also an increase in 'redundancy – failure to inform and consult' tribunal claims, from 4,480 to 7,382. It is these three redundancy-related jurisdictions that saw the biggest year-on-year increases.

These additional tribunal applications will also be reflected in the rising demand for Acas' individual conciliation services. Following the Dispute Resolution Review (DRR), Acas has recently launched new workplace problem-solving processes that allow more flexibility to resolve conflict at an early stage including a new Acas early conciliation service, provided for free and available through the Acas helpline. In addition, in line with the rise in employment tribunal applications, the number of individual conciliation cases received by Acas

has risen sharply – over a 50% increase in March 2009 compared to March 2008.

Acas also expects to see the level of collective disputes increase over the coming months as recession-related issues such as pay negotiations become more complex. At the end of November 2008, the volume of collective cases handled by Acas conciliators was 13% above profile. Cases where we 'ran alongside' a dispute as opposed to actively conciliating were up 58% on the previous year. Although the volume of collective conciliation cases has been fairly even over the past two years, the proportion of those attributable to redundancy increased markedly over the year to March 2009. In the first quarter of 2009, the proportion of collective conciliation cases concerning redundancy was 20%. This compares to just 8% in the same period in 2008. Although collective conciliation cases may rise during the recession due to more disputes, this does not mean there will necessarily be an increase in strike action: the number of days lost to strike action actually halved during the last recession.

Unofficial action

In late January 2009 600 employees walked out of the Lindsey Oil Refinery, North Lincolnshire, in protest at the recruitment/working practices of a sub-contractor. No official ballot was held. Acas facilitated discussions with the employer and the unions that brought the workers back to work after a week-long unofficial strike. A major source of tension underlying the dispute was the Posted Workers Directive which can apply when an employer established in one Member State temporarily posts its workers to another Member State in order to fulfil a contract. The Directive generally requires the host state to ensure that the workers posted to it are guaranteed the standards laid down by law and regulation in the host state in specified areas. While there are clear statutory rights in some areas, such as minimum rates of pay and paid annual holidays, there is room for greater clarity on other areas such as rights to negotiated pay and contractual benefits.

Unofficial action has taken place in other locations within the power and construction industries following the Lindsey events, raising the spectre of wildcat strikes during the recession – a potentially challenging and difficult aspect of employment relations to manage. Anecdotal evidence collected by Acas also suggests that there may be an increasing possibility of non-union workers taking action. In a recession many workers have heightened fears about losing their jobs and may not be prepared to wait for official negotiations to take place. The every day use of modern communications tools like mobile ‘phones has greatly increased the ability of workers to quickly organise themselves.

Notwithstanding the wider employment issues raised by the specific events at the Lindsey Refinery, the dispute also highlighted the role of Acas in cases of unofficial action, and what conciliation activities it may undertake in such circumstances. Acas’ overall duty is to improve industrial relations and it has a specific statutory role in dispute resolution which makes no reference to whether the action is official or not. Traditionally, Acas has taken a pragmatic view of this duty, and has dealt with cases where appropriate – if Acas does not try to help, there is no other body with the comparable experience or tradition of resolving collective disputes which could provide this assistance.

However, where action is unofficial or unlawful and has been repudiated by the union, there are wider considerations. There have been instances in the past where ‘rogue’ officials have been leading action in defiance of their trade union and for Acas to get involved and possibly facilitate a ‘victory’ for such officials who are acting outside the law could be seen as Acas helping to undermine the union and condoning unlawful action. If intervention in unofficial action became commonplace and resolved disputes, there is also a risk of undermining the secret balloting process. Acas will continue to consider instances of unofficial action on the specific circumstances of that dispute and plan its neutral intervention appropriately.

Recruitment and skills

In parallel with the rising number of redundancies, workforce reductions are also reflected in the fall in vacancies across the economy and in recruitment freezes. The March ONS figures showed that the number of vacancies was 482,000 in the quarter to January 2009, down 74,000 from the previous quarter – a 15% reduction. But compared to a year ago, there are 203,000 fewer vacancies across the economy. The quarterly Manpower Employment Outlook Survey¹⁹, meanwhile, showed that seven of the nine industry sectors surveyed report a decline in hiring confidence in the past three months. A survey by employee engagement consultancy TalentDrain of 336 employers on their shifting HR priorities following recession found that well over half (56%) of organisations reported giving less priority to recruiting²⁰. This figure rises to 71% in the case of organisations that have experienced budget cuts in their HR department. This is supported by the latest quarterly CIPD/KPMG labour market outlook (LMO) survey of 892 employers that found a negative balance of minus nine percentage points between the proportion of employers planning to cut jobs (36%) and the proportion planning to hire additional staff (27%). This is the first negative balance recorded in the five years since the LMO survey began²¹.

Notwithstanding these figures, and contrary to popular perception, there are still large numbers of new jobs coming up all the time – on average 10,000 every day in JobCentre Plus (JCP) alone and many more through other recruitment channels. Combined with the active Jobseeker’s Allowance regime run by JCP, this makes it possible for at least some individuals to leave unemployment quickly, even in a downturn.

As part of the measures announced at the Government’s Employment Summit, from April, at six months, an unemployed person can access a “menu of tailored options” including recruitment subsidies to help employers with the cost of taking on new staff. The CIPD commented that these ‘golden hello’ payments can be highly effective as long as they are “carefully designed to limit deadweight, substitution and displacement effects and thus give a genuine boost to employment.”²²

The graduate recruitment market and opportunities for young people entering the workforce have been particularly badly hit by the recession. This is against a backdrop of youth unemployment having been on an upward trajectory since 2003 and a significant increase in the number of young people aged 16-24. The ONS shows that unemployment for 18- to 24-year olds was 621,000 in the three months to January 2009, up 23,000 from the previous quarter. On graduates, a recent bi-annual survey by the Association of Graduate Recruiters found that vacancies have fallen for the first time since 2003 and the dot.com crash, with a projected decrease of 5.4% in 2009.

The concern is that the recession will adversely impact on the UK skills agenda and the vision of the 2006 Leitch Review “to become a world leader in skills by 2020”. Building the long-term skills capability of Britain’s workforce as part of the key to recovery was a strong theme running through the Prime Minister’s Employment Summit speech¹³: “...the best form of real help now is investing in a stronger future, giving people the skills for the future by investing through the downturn to prepare for the upturn. Investing now to build a better future tomorrow.” This pledge was backed up by the announcement of the Government’s plan to create 35,000 additional apprenticeships.

In recognition of the potential threat that the recession poses to the country’s skills base, the UK Commission for Employment and Skills (UKCES) has launched a campaign urging employers to invest in training to help survive the recession. In an open letter published in the national press, the UK’s skills ministers launched the new “Now is the Time” National Training Award developed by UK Skills. The letter urged employers not to cut training to save costs but to invest in training to build workforce talent and gain competitive advantage for when recovery comes. The “Now is the Time” category of the 2009 National Training Awards encourages employers who have invested in skills during the recession to share their experiences and get public recognition for their commitment to training and re-skilling.

Migrant workers

The question of the role that migrant workers play in the UK during the recession highlights a range of important issues. There have been a number of stories trailed in the press highlighting fears that the recession and UK workers’ fears over jobs will fuel resentment towards migrant workers. In a poll by the Financial Times/Harris, 78% of British adults said that immigrants should leave the country if they do not have a job²³. Commenting on the findings, Immigration Minister Phil Woolas said that “the poll figures are not a surprise, they are a concern”, and said that the survey reinforced the need to reassure voters that tighter controls on migrants were being introduced. As part of new legislative proposals and a tightening of the points-based system for non-EU migrants, any job vacancy must be advertised in local jobcentres or “as agreed in a sector specific code of practice” for two weeks (or for one week if the salary is £40,000-plus) before recruiting non-EU workers. This change has caused concern in some business circles on the grounds that it will impede speedy recruitment to skilled vacancies where the target candidate pool could not be sourced through job centres.

A report by the consultancy and think tank Centre for Cities on the jobs market in Hull and Bristol found that “contrary to popular opinion”, neither city has reported an exodus of migrant workers, as yet²⁴. It concludes that in Bristol there is likely to be more direct competition for employment for jobs between A8 migrants (ie people from the eight Eastern European countries that joined the EU in May 2004) and the local workforce and that, in a recession “it is possible that some of the job opportunities taken up by migrants could see interest from long-term city residents.” The report concludes that migrants have “plugged skills shortages and helped businesses remain competitive and grow...it’s crucial that we do more to integrate those that want to stay – to help drive Britain from recession to recovery.”

The events at the Lindsey Refinery took place in the context of complex sub-contracting arrangements and also threw up the issue of migrant workers as it involved the sub-contracting to an Italian firm that employed

Italian and Portuguese workers from abroad. The National Agreement for the Engineering Construction Industry (NAECI), which set out the terms and conditions for the sub-contractor's workers on site, had been amended in 2007 to allow for more wide-ranging recruitment practices at times of skills shortages. As the Acas inquiry report notes, economic circumstances have now changed and we have moved to a time of labour surpluses.

But there is also the plight of migrant workers themselves. The term 'migrant worker' covers a wide variety of occupation, skills and social status, ranging from low-paid hospitality workers to highly paid IT consultants. There is no doubt that a section of the UK migrant worker population encompasses some of the most vulnerable workers in this country. As such, some migrant workers are particularly vulnerable to the effects of the recession. The TUC's November 2008 recession report²⁵ highlights this dimension, and looks at how vulnerable employment – which is not restricted to migrant workers – can change during recession and what can be done to improve conditions for these workers. It says that many migrant workers face immigration restrictions that make their employment more vulnerable, for example making them liable to lose work permits or welfare benefits should they leave an exploitative employer. Migrants who are working irregularly may face some of the greatest risks as they have no legal protection. The TUC says that migrant workers in vulnerable employment will face additional risks of mistreatment, and says it has already received anecdotal evidence that in areas with a high risk of unemployment migrant workers are beginning to experience heightened levels of racist abuse at work.

Equality and diversity implications

There has already been discussion in the press about the potentially unequal impact of the recession in terms of different sections of the labour market. In response to this, the Government has launched a consultation on how best to support the different needs of under-represented groups in a wide range of different areas, such as the job market, education and health services²⁶.

The consultation will take account of the additional challenges posed by the economic downturn. The government says that “past evidence shows that Black, Asian and minority ethnic groups, as well as disadvantaged white people, are hit harder than others during recession because of the type of job they have or because they live in deprived areas.”

Initial concerns that women were suffering to a greater degree from the recession in terms of jobs cuts and increased unemployment have not been borne out by the March ONS figures. Of the 21.83 million in full-time employment in the three months to January 2009, 13.94 million were men, down 38,000 over the quarter while 7.89 million were women, down 10,000 over the quarter. The number of unemployed men was 1.22 million in the same period, up 113,000 on the previous quarter while the corresponding figure was 811,000 for unemployed women, an increase of 52,000. At the same time, it is clear that more women will suffer in the labour market during this recession compared to previous ones because there are proportionately many more women in the labour market compared to the 1990s.

However, these bald figures do not tell the whole story and the equality and diversity implications are potentially complex and the policy responses to the effects of the recession on particular marginalised groups will need to be carefully analysed before appropriate action is taken to mitigate these impacts. For example, if female lone parents lose their jobs they may need tailored support to help them back into work, as could be the case for other under-represented groups. Another area that employers could benefit from considering in the current economic climate in particular is offering flexible working to employees. In today's modern labour market non-standard working arrangements – such as term time working, part-time hours and compressed hours – can act as a powerful attraction and retention tool, and in a recession they offer organisations more flexible resourcing options.

There are also the implications for organisations' own diversity programmes. Those employers who already

have in place well established diversity agendas are more likely to appreciate the long-term view and how equality and diversity considerations can help realise business goals. If an organisation has not implemented a diversity programme, it could be far less inclined to focus resources on this area of work now, particularly if there is very little recruitment activity taking place. Anecdotally, the positive signs in this recession are that diversity is not being discarded by employers. Unlike the last recession, where diversity was a newer part of the employment landscape, there have been many legislative, cultural and societal changes impacting on workplaces over the past 15 years-plus, and diversity is now considered an integral part of the business in many cases.

Stress, health and wellbeing

There is a risk that the recession could have a damaging impact on individuals in the workplace. Both managers and employees could be exposed to increased pressure and potential stress from a number of recession-related sources. It is very difficult to separate the personal and work-related causes of stress and even if an employee is not at direct risk of losing their job, a family member could be, thereby increasing the financial worries that individual may have. Fears about job security is one of the more obvious potential stressors at the current time and in March 2009 the Government launched a package of measures – such as therapy services, debt advice and family counselling – to help unemployed people who are suffering from depression or anxiety to return to work in the economic downturn²⁷.

Even if a group of workers is not going through an actual redundancy programme, or one is not even likely, organisations and their staff can feel the effects of the recession in a range of potentially harmful ways. Research recently published by research institute Roffey Park indicates that the main concern of managers and employees is feeling pressurised at work, with 59% saying that work pressure had risen as a result of the economic climate²⁸. A joint survey by the CIPD and KPMG highlights a general climate of budget cuts, an escalation of workloads and greater stress

on individuals²⁹. The resulting impact on sickness absence levels can be double-edged: on the one hand employees who are genuinely ill could feel pressure to not take time off sick, but if stress levels do increase this could lead to a higher level of sickness absence.

Work-related stress is not a medical condition and is described by the HSE as “the adverse reaction people have to excessive pressures or other types of demand placed on them at work”. However, there is a risk that a heightened level of stress can have a negative effect on an individual’s physical or mental health. If an individual already suffers from a common mental health problem, such as depression or anxiety, there is a possibility that stress could trigger that illness.

It is evident that employers and their managers could be dealing with a complex range of demands in terms of managing health and wellbeing in the recession. And yet employers themselves are under increasing pressure to make cost savings and it is unlikely that many organisations, especially SMEs, will be in a position to launch stress management programmes or invest in a new occupational health (OH) service. Where this kind of employee support is already available, it would be wise for OH and HR to work closely together to evaluate the kind of services and help that could best support employees through these difficult times. Often, these measures are just as much about good management – for example, good communication and effectively managing workloads – as they are about promoting the services of an employee assistance programme.

Challenging times

The effects of the recession on employment relations are still emerging but it is already a picture that is full of contradictions, complexities and challenges for those operating in the field. Moreover, the landscape is characterised by unevenness; for example, how the recession is affecting one part of the country is different to how it is impacting on another. The immediate effects, such as rising unemployment, are far-reaching enough in themselves but underneath these more obvious changes – and as a result of them – are deep-seated



shifts – such as developments in unofficial action, diversity, recruitment and health and wellbeing – that have fundamental implications for the world of work. Analysing and understanding these is the first step to tackling them.

In many workplaces up and down the country the key people involved in managing employment relations on a day-to-day basis – such as managers, HR professionals and trade union representatives – are under increased pressure and dealing with often unprecedented challenges. These demands on HR and employee representatives are often being placed in a climate of reduced headcount and where the individuals themselves may have lost colleagues to redundancy. And yet never has it been more important to try and sustain the morale of the workforce as it deals with change on a far reaching scale and the potential for increased workplace conflict.

It is no doubt a daunting task to build employee engagement levels when an organisation may be facing a redundancy exercise or, even if this is not the case, may be affected less directly by the recession. Nonetheless, certain employment relations approaches can make a difference even in times of intense pressure, no matter how difficult the wider economic and business environment is. It is for this reason that, in February, Acas and the CIPD launched joint guidance on managing the workforce in a recession³⁰. The guidance emphasises the importance of organisations managing for the long-term and the fundamental importance of managing people properly in order to maintain employee engagement, wellbeing and productivity. A key theme running through the guidance is the need to communicate with people continuously, even where there is little to report. The benefits of an inclusive approach to employment relations are evident in the mini case study in box 1. Times could not be tougher for this small manufacturing company but by involving, consulting and communicating consistently with employees, the whole workforce is committed to try and save the business from going to the wall and make it viable for the future.

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