A Time for Action?

Are further strikes in today's economic environment becoming more inevitable? Dr David Floyd University of Lincoln, investigates.

There have been a number of trade union disputes of late as we exit the pandemic. This article sets out to evaluate the effects of such strikes and consider how likely it is that the situation is going to be of concern moving forward. The author draws theories of labour and productivity, and considers some recent global trends and data.

In the UK there have been a number of recent strikes that have included transport such as railways and airports. It must also be noted that during the pandemic the government stepped in to support rail companies, though many airline and airport staff had to take pay cuts in order to protect jobs. The extent of the level of support that took place during the furlough period should also be remembered[1].

More recently, strikes have taken place at the Post Office and within the law profession including barristers. There have also been further strikes by refuse collection workers and at universities in the UK, as well as at container ports. Teaching Unions are calling for above inflation rises and balloting for strike action and there have been strikes already in Scotland. UNISON and RCN are also asking for above inflation rises for healthcare workers and action is due to start in December with an initial call for work to rule only.

In 2018, strike rates in the UK were at the lowest since 1893 according to the Guardian[2] but have been on the increase over the last four years. Between 2008 and 2018, France had four times the number of strike days per 1000 workers in 2018 compared with the UK. Spain and Canada also had twice the number of strikes in the same period, while Germany and USA had less than the UK in the same period, according to The Institute of Economic and Social Research[3]. So recent trends in the UK are concerning as in the 1970s, the UK was seen as one of the most strike bound nations in the world.

Curbs on trade union power in the 1980s including legislation to prevent compulsory trade union membership in firms, as well as making it necessary to have secret ballots prior to strike action, have created more of a barrier. Workers' rights were extended through EU membership including minimum wages, rights for part-time and disabled workers, as well as rights for older workers to reduce age discrimination. A large fall in trade union membership has nonetheless weakened the labour movement. There are also rules on secondary picketing and unions need to give notice of strike action in many cases. Despite these issues, there has been an uptick in strike action recently, though it has also been a long time since inflation hit over 10%.

Strike action has also taken place in Europe, particularly in the transport sector and recently in Germany a resolution has been reached for Lufthansa where wage hikes of up to 19% have been agreed[4].

Furthermore, the yellow vest campaign in France has been taking place now for a number of years and the UK has had its highest number of strikes in 2022 for more than a decade.

Justification for Strike Action

There are many reasons put forward for strike action including rising cost of living, high levels of inflation, and higher food and energy costs. The war in Ukraine and further COVID restrictions in China have also led to supply chain problems and increasing prices are also due to labour shortages. A post-pandemic boom has put pressure on demand, leading also to higher prices. Furthermore, an increase in house prices has led to higher living costs and this was partly fuelled by the government's stamp duty holiday and support for first time buyers through savings schemes, as well as the lack of supply in the market. There has also been a trend to look for more space due to home working. Overseas buyers and second home buyers have added even more pressure to the market. Higher interest rates have now been adopted which provide further increasing costs for those with mortgages and this is also starting to hamper growth[5].

Workers may feel a need to press for higher wages to cope with these higher costs and in some cases may feel they deserve further pay rewards for their efforts to continue working through the pandemic. Flexible working conditions have also been adopted by many and these changing conditions can both have negative and positive consequences for workers. Coulson-Thomas points out the lack of opportunities to collaborate in online activities, though productivity can be increased with less conversation and reduced costs from paying for working premises[6]. Hybrid working is here to stay for some time as different countries may not see a complete end to the pandemic for many years.

New working practices and further automation has caused some people to fear that their jobs may be under threat if they don't make a stand. The digitisation process has also moved at a much faster pace because of the pandemic and therefore the need to upgrade skills has become essential for many.

Additionally, some workers may also find they have more power to negotiate for higher wages in times when there is a limited supply of workers. Statistics record that during the pandemic in October to December 21, around half a million people between the age of 50 and 70 left the workforce[7]. There has also been a number of people wanting a break from essential worker professions, including healthcare and teaching. In addition, it has become harder to recruit workers from the European Union due to the Brexit process.

Essential workers where advanced qualifications are required may find there is more sympathy from the public where strikes

are concerned, and they may have more bargaining power if they are part of a large trade union. And those with specialist skills or who are willing to take risks with their health may find themselves in demand. It is therefore important to consider the demand and supply factors for workers, as well as the levels of productivity in the workforce[8].

The Changing International Environment.

It is clear then, that in today's economy with its many uncertainties and high levels of inflation, that workers are more willing to consider strike action despite the government's policies from the 1980s making it more difficult to do so. There has also been a large fall in trade union membership in many other countries and firms can also bring in workers from overseas as governments adjust their policies to try and attract workers in skill shortage areas. Obviously, more investment in training locally provides a potential solution to skill shortage. Capital and labour substitution may occur through investment in information technology and automation where possible and where productivity gains can potentially take place. Rosen showed how humans need to constantly invest in new skills so as to always be ahead of the game and at lower risk of being replaced by automation[9]. Furthermore, the protection of workers through EU labour laws, which also helped to minimise grievances and improve working conditions, has probably helped to reduce strike action in a number of countries.

The Impact of Strike Action

Strikes have many consequences. Direct costs can be measured by focusing on the number of days at work being lost. It is also necessary to take into account, the time it takes to get the business back up to full capacity after the strike period has taken place, and the time to wind down business activities. Consequently, quality issues may arise due to the pressures of stop and start production. Indirect costs are harder to quantify though can include a loss in reputation for a specific sector or even a country. This could then lead to falls in foreign investment and a shift towards other activities if strikes become very prolonged. There may also be multiplier effects of strikes if businesses with similar concerns decide to expand such action. It then becomes difficult to win back trust, and there is also evidence of public support for strikes diminishing over time.

As we approach the difficult period of high inflation and slowing growth where may things be heading?

Higher wages tend to add to the inflation problem so may be restricted for this reason unless the higher wages can be matched by higher levels of productivity. The UK has long had a poor record of productivity and investing in research compared with its German, American, Chinese and Japanese counterparts, and this needs radical improvement. Increased taxation may be required to support higher wages if offered to public sector workers. However, this can become too high and then acts a disincentive for innovation, increased work and productivity effort, plus higher wage costs inevitably reduce our competitiveness. It has also been shown that trade union disputes are not only about pay but also working conditions, as well as the fear of workers that they will be replaced by automation. Compromise in all these areas needs to be considered as soon as possible to avoid the potential longer-term consequences suggested earlier.

Finally, there are also forces at play in the global economy both positive and negative, which will affect the cost of living

There are many reasons put forward for strike action including rising cost of living, high levels of inflation, and higher food and energy costs.

for workers. On a positive note, petrol prices have fallen though gas prices have risen to a figure of 2500 pounds or the average bill level price, known as the energy CAP from October 2022 and this lasts for six months. Previously, it was hoped this level would last for two years but the government had to backtrack due to higher levels of debt interest that started to take place after the previous mini budget. The recent Autumn statement in November 2022, has increased this to £3000 for the year after though uncertainty still remains for business. Also in the Autumn statement benefits and pensions are due to rise by just over 10%. Workers in general are only seeing 5-6% rises and may feel more willing to go on strike as this is well below current inflation levels of 11% in November 2022. There are also the freezing of tax allowances that may drag people in to paying higher levels of taxation known as 'fiscal drag,' as well as increases in corporation tax, and income tax at 45% now starts at £125,000, reduced from £150,000. Allowances for capital gains have been reduced from next year, as well as reduced allowances for dividend payments. Real incomes are set to fall over the next few years. These factors have produced increasingly negative sentiment from workers.

On a positive note lockdowns in China and supply shortages should ease over time as demand and supply becomes more balanced, though domestic governments may have little control of some factors in the international environment. Firms may also consider a greater variety of supply locations to help further reduce the inflation problem. However, more government spending and higher interest rates may also put more pressure on inflation. A general slowdown of the economy would be bad for the jobs market though may reduce some pressure on inflation.

Getting the right balance is a tough task for policymakers and having to take into account the recent strikes makes it all the more difficult to find the best solution. There is a crucial role that improved technology can play to help increase productivity, lower inflation and create new, alternative energy solutions. These methods may take time and investment but are a vital, part of the solution.

Workers may feel a need to press for higher wages to cope with ... higher costs and in some cases may feel they deserve further pay rewards for their efforts to continue working through the pandemic.

References

1. *Floyd D 2021 Covid Lessons learned from Asia, Management Services, vol 65 no 2.*
2. *The Guardian May 2018, UK Strike rates hit their lowest since 1893.*
3. *The Institute of Economic and Social Research 2018 5. 4.*
4. *Euronews, 10th August 2022, Lufthansa raises wages by as much as 19%.*
5. *Floyd D 2022 Global Economic Turbulence, Management Services vol 66 Autumn 2022.*
6. *Coulson -Thomas C 2020 Covid 19 Virtual operations and the implications for productivity, Management Services, vol 64 no 4.*
7. *The Office of National Statistics August 2022.*
8. *Sloman J 2018 Economics, Pearson.*
9. *Rosen S 1976 A theory of life earnings, Journal of Political Economy vol 84 no 4.*

About the Author

Dr David Floyd is Senior Lecturer in International Business at the University of Lincoln and Chief External Examiner at Glasgow Caledonian University. He has recently contributed to the United Nations World Investment Report.