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UNIONS AND PRODUCTIVITY GROWTH IN BRITAIN, 1974-86: EVIDENCE FROM UK COMPANY ACCOUNTS DATA

by

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ABSTRACT

This paper investigates the effect of unions on productivity growth by using a British panel of firms over 1974-86. The analysis is carried out in the context of a model where firms and workers bargain over effort.

The results suggest that higher unionisation was associated with faster TFP growth during 1980-84, but there was no such relationship in the other years. So, unlike the US evidence, unions do not appear to reduce productivity growth in Britain. These results also do not suggest a significant explanatory role for union legislation, because the 'pro-union' measures of the 70s do not seem to have had much effect. Finally, firms which experience increases in debt-equity ratios also attain higher TFP growth.

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