Centre for Labour Economics,
London School of Economics

Discussion Paper No 356 August 1989

THE EFFECT OF UNIONS ON PRODUCTIVITY GROWTH, INVESTMENT AND EMPLOYMENT: A REPORT ON SOME RECENT WORK

by

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ABSTRACT

Using two British microeconomic data sets, this paper reports that:-

1 Union firms experienced faster productivity growth during 1980-84, but there was no difference in performance in 1975-79 or 1985-86. So, unions do not necessarily reduce productivity growth. It is also unlikely that the above pattern can be explained by changes in union legislation.

2 Unionism appears to have no significant effect on investment, once one allows for the effects of differential productivity growth.

3 Wages in union and non-union firms are equally responsive to changes in the capital-labour ratio.

4 Contrary to what is often alleged, unionism per se does not reduce employment growth. Instead, the negative correlation observed in 1980-84 probably arises from a significant reform of working practices in unionised firms during 1980-84.

TABLE 1

Characteristics of Sample

VARIABLE	"HIGH" Unionisation Firms	"LOW" Unionisation Firms
Median Employment	1858	709
Median ln (Real Sales)	6.2	4.96
ln (Output/Employment)	-1.44	-1.51
ln (Investment)	6.95	5.49
ln (Capital Stock/ Employment)	1.67	1.37
ln(Investment/Capital Stock)	-2.73	-2.64

Notes:- (i) "High" unionisation = firms with union coverage > 50%.

(ii) All figures refer to 1980.

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