



Towards more disorganised decentralisation?

DOI:
[10.1111/irj.12166](https://doi.org/10.1111/irj.12166)

Document Version
Accepted author manuscript

[Link to publication record in Manchester Research Explorer](#)

Citation for published version (APA):
Grimshaw, D., Johnson, M., Marino, S., & Rubery, J. (2017). Towards more disorganised decentralisation? Collective bargaining in the public sector under pay restraint. *Industrial Relations Journal*, 48(1), 22-41.
<https://doi.org/10.1111/irj.12166>

Published in:
Industrial Relations Journal

Citing this paper
Please note that where the full-text provided on Manchester Research Explorer is the Author Accepted Manuscript or Proof version this may differ from the final Published version. If citing, it is advised that you check and use the publisher's definitive version.

General rights
Copyright and moral rights for the publications made accessible in the Research Explorer are retained by the authors and/or other copyright owners and it is a condition of accessing publications that users recognise and abide by the legal requirements associated with these rights.

Takedown policy
If you believe that this document breaches copyright please refer to the University of Manchester's Takedown Procedures [<http://man.ac.uk/04Y6Bo>] or contact uml.scholarlycommunications@manchester.ac.uk providing relevant details, so we can investigate your claim.



Towards more disorganised decentralization?

Collective bargaining in the public sector under pay restraint

Damian Grimshaw, Mat Johnson, Stefania Marino and Jill Rubery

Accepted for publication in the *Industrial Relations Journal*

Date of acceptance 14th December 2016.

Abstract

While sector level collective bargaining can provide the institutional leverage to sustain and improve employment standards, a proliferation of disorganised local settlements may reduce its effectiveness. This article examines this proposition for local government in the UK, highlights the risks of a 'destructive' disorganisation of employment relations and calls for a renewal of articulation mechanisms between sector and local levels of collective bargaining.

Authors' affiliation: Alliance Manchester Business School, University of Manchester.

Introduction

Austerity conditions in many countries have heightened the risk of a deterioration in pay and employment conditions in public sector employment and raised new challenges for established systems of wage-setting. The public sector has thus become a prime site for research concerned with changing employment relations including a focus on industrial action, contingent employment contracts, low pay, collective bargaining and subcontracting arrangements (Bach and Bordogna, 2013; Scheuer et. al., 2016; Cunningham and James, 2014). With heightened pressures for more decentralised bargaining in response to austerity conditions, a key question concerns the capacity of public sector employment relations to sustain an ‘organised’ as opposed to a ‘disorganised’ approach to employment relations since this is likely to have consequences for employment standards (Marginson, 2014; Traxler et al., 2001). Organised decentralisation relies on encompassing collective bargaining (e.g. at sector level) as a core governance mechanism for local bargaining and clearly articulated powers across tiers (Crouch, 1993). Disorganised decentralisation is characterised by marketised, and often ad-hoc negotiations involving a chaotic mix of local union and non-union agreements under a weak or absent sector agreement (Traxler et al., 2001). While organised decentralisation is in principle better adapted to sustaining and improving employment standards over the long term (Bosch, 2009), disorganised decentralisation risks undesirable outcomes for labour including a blurring of core and periphery employment statuses (Holst, 2013), weakened union participation (Holtgrewe and Doellgast, 2012) and unilateral employer wage-setting (Nergaard et al., 2009).

Yet we know from past detailed research that multi-tier bargaining in the UK public sector is unlikely to fit neatly with either an organised or disorganised model of decentralisation. Studies reveal a contested terrain of sector and local levels of bargaining, the nature of which is shaped by the competing interests of employers and unions framed by

pressures from the labour market, government reforms and the changing industrial relations climate (Bryson et al., 1993; Kessler and Dickens, 2008; Thornley, 1998). Although individual councils have long had the freedom to negotiate locally with recognised unions, where sector level negotiations are perceived to be weak or ineffective these local deals may become more common with or without union input, which implies greater disorganisation with possible adverse outcomes for employment standards (Terry, 1982). In this article we combine these insights with evidence from research on ‘articulation mechanisms’ identified in multi-tier bargaining systems (Marginson and Galetto, 2013; Nergaard et al., 2009) in order to interpret the developments observed in collective bargaining in the UK local government sector and the extent to which such developments reflect a shift towards increasingly disorganised decentralization in a context of pay restraint and austerity.

Our investigation centres on the case of the local government sector agreement in England, which is by far the largest agreement in the UK covering 1.4 million employees (of whom more than 70% are female; Labour Research Department, 2015) and therefore of considerable interest. Case-study data of local bargaining were gathered from six local authorities during the period 2010-13 when the government unilaterally imposed a pay freeze for all public sector workers. The data point to the resilience of core features of organised decentralisation (albeit in a weakened state), but at the same time there is also evidence of a fracturing of articulation mechanisms suggesting greater disorganisation. This hybrid system is in part driven by austerity-led, aggressive management actions to improve performance and reduce labour costs, but also unions’ willingness to tolerate some downward adjustments where they have extracted counter-concessions from management (for example local pay rises to offset job cuts). However, if national negotiators do not have the resources to assess the merits of these multiple local ‘deals’ there is a risk that the system overall becomes more disorganised and standards eroded and more unequal. In sum, the article argues that the

recent slide to more disorganised decentralisation is not an inevitable outcome of austerity conditions; rather it is shaped by deep-seated weaknesses in articulation mechanisms in the local government collective agreement and, to some extent, the balance of political control in local authorities. The article calls for a reinvigoration of two-tier articulation mechanisms both to consolidate positive local progress in uprating pay and to support the actions of trade unions (and the local government employer body) aimed at resisting opportunistic management practices that undermine employment standards.

The characteristics of two-tier bargaining in English local government

Identifying the issues

Unlike much of Europe, public sector pay setting in the UK is relatively fragmented: divided horizontally by employment sectors and vertically between sector and local levels of joint regulation (Bach, 2002; Bailey and Trinder, 1989). Furthermore, in contrast with sectors such as education, health and the armed forces where centralised Pay Review Bodies (PRBs) were established in the 1980s and 90s in part to allow unions to negotiate more directly with their paymaster (i.e. central government), local government is unique in that that ‘pay remains a matter for free collective bargaining between the national employers and trade unions through the National Joint Council’ (LGE 2010). Given the size and heterogeneity of the sector (350 local authorities, all independent employers, across England, Wales and Northern Ireland), the two-tier agreement has perhaps unsurprisingly been the site of significant industrial relations tensions over the years, with national and local politicians battling for primacy in terms of controlling workforce spending, while also attempting to both appease and face down trade unions (Terry, 1982; Walsh, 1981; White, 1996). For example, sector level-bargaining through the Whitley system was first established in 1919 under trade union pressure for standardised conditions and the desire of central government to curtail the

growing power of shop stewards. However non-manual workers were not covered by centralised bargaining until 1947 around the same time the first national employers' association was formed (Beaumont, 1992). Centralisation was difficult to achieve owing to the fact that individual local authorities as employers were reluctant to cede control over 'manpower' issues, and union branches had been successful at playing councils off against each other and leveraging upward pressure on wages (McIntosh, 1955). Local bargaining was embedded as an important mechanism to tackle low pay as a result of the productivity bonus scheme recommended in the late 1960s to bolster low national rates for local manual authority workers (Beaumont, 1992).

Both employers and unions have long expressed frustration at the failure of national pay setting to respond quickly enough to their changing interests and demands (Walsh, 1981), but at issue here is the extent to which centralised negotiations can successfully contain these competing dynamics, and conversely the ways in which local employers and unions can negotiate acceptable compromises locally in order to adapt to budgetary and workforce pressures which do not breach the procedures and 'spirit' of the two-tier framework. Drawing on a broader literature on two-tier collective agreements across Europe (e.g. Crouch, 1993; Marginson and Galetto, 2013; Stokke, 2008; Traxler et al., 2001), we now turn to a critical appraisal of those features that appear to align with characteristics of organised and/or disorganised forms of bargaining. From this research we surmise that organised bargaining is characterised by clearly specified rules and procedures which set the scope and substantive content of local negotiations, underpinned by the high coverage of employers who negotiate with a recognised trade union. This promotes coordinated and typically high standards, and allows for systematic trade union input into localised transparent wage setting processes. Disorganised bargaining on the other hand is characterised by an incoherent mix of national and local level bargaining, and limited formal communication between tiers giving rise to

tensions between actors operating at different levels. This reduces the scope for the coordinated uprating of pay and conditions and may expose local union branches to management unilateralism

The articulation of the two tier agreement

Formalised procedural rules are a key component of organised decentralisation, which is likely to be better at managing competing pressures for local flexibility and sector-wide standardisation (Crouch, 1993; Stokke, 2008). Basic pay and conditions are set by sector-level collective bargaining between trade union representatives and employers through the National Joint Council (NJC). Single table bargaining was adopted for the annual pay award, and through a process of ‘organised decentralisation’ employers retained the freedom to set entry rates and specific pay grades locally, with the stipulation that manual and non-manual occupations were harmonised onto a single pay spine. This re-articulation of national and local bargaining was a strong coordinating force for the standardisation of employment standards (Crouch and Traxler, 1995), which in this case was to urgently address the problem of equal pay between men and women.

Nevertheless, even though sector level bargaining helped achieve the shared goal of standardisation, tensions between the employers and unions were quick to surface as cost control became a dominant issue (Oliver et al. 2014). Disorganised local deals emerged where councils moved quickly to try and contain the potentially ‘ruinous’ costs of equal pay claims, but the unions were accused of pressuring women members into hastily accepting deals which fell far short of the full six years of back pay in order that largely male manual groups would not lose out (Perkins and White 2010).

The high coverage of a two-tier framework is an essential component which facilitates organised decentralisation, but in a voluntarist system of industrial relations which has no statutory underpinning there remains scope for local union and non-union agreements which fall outside of the sector agreement (Traxler et al. 2001). Despite the presence of well-established mechanisms for uprating rates of pay locally in line with labour market conditions ('grade drift'), in the late 1980s a group of 36 local authorities, mostly in the South East region, exited the sector agreement claiming the need for freedom to pay higher rates in tight labour markets (Beaumont, 1992). By 2012, 46 of 350 councils in England and Wales operated outside the sector framework.

Local bargaining processes driven by labour market conditions or the politics of local authorities (as opposed to notions of fairness or standardisation) not only imply a greater risk of unilateral management action (Bryson et al., 1993) but also higher stakes for unions in failing to reach an agreement (Visser, 2005). Unions operating locally outside the sector agreement are less likely to benefit from the 'institutional power resources' conferred by the wider sector agreement and instead rely on local bargaining power (Nergaard et al., 2009).

An important purpose of procedural rules in an organised system of two-tier bargaining is the clear allocation of activities for either local or sector bargaining (Marginson and Galetto, 2013). The Green Book procedural rules *demarcate* issues for sector bargaining only (the national pay award and core 'Part two conditions' such as sick pay) and *delegate* those for further negotiation at local level (entry rates, pay band and additional 'Part three conditions' such as unsocial hours premiums) with the aim of improving responsiveness to local labour market conditions and performance management (Kessler and Dickens, 2008). Since 2010, however, reports of local strategies to address low pay, such as living wages, appear to strain the principle of demarcation. That the national negotiators have not been able to address cost of living pressures through the annual pay award is a major source of

frustration within the unions (Johnson, 2016; Kenway et al., 2012). Moreover, it is not clear the extent to which local deals for the lowest paid are being offset by losses in pay premiums and jobs, thereby testing the delegated negotiating skills of local union representatives and creating a risk that the outcomes of such local deals are de facto ‘disorganised’. In this context, the concentration of union political capital in sectoral negotiations might leave members exposed to opportunistic strategies of individual employers (Glassner, 2010). In summary, the local government two-tier collective agreement appears to embody elements of both organised and disorganised systems of decentralisation, resulting in something of a hybrid model (table 1).

Table 1. The characteristics of organised, disorganised and ‘hybrid’ local bargaining

Organised form	Disorganised form	Hybrid form
<ul style="list-style-type: none"> • Unified/harmonised coverage of all occupations and employers • Regular activation of the sector agreement & constructive social dialogue • Clear procedural rules governing the two-tier relationship • Clear separation of activities for local and sector bargaining 	<ul style="list-style-type: none"> • No statutory underpinning to the sector agreement • Voluntary membership of employer body; partial employer coverage • Individual local agreements outside scope of sector agreement 	<ul style="list-style-type: none"> • Custom and practice arrangements on membership and coverage susceptible to erosion over time • Failure of sector agreement to maintain standards of pay and employment over the medium term means local negotiations increasingly important to offset weakness of national bargaining • Ambiguous rules on two-tier negotiations creates scope for adverse local trade-offs

In contrast to an ideal type of organised decentralisation, national negotiators do not enjoy the procedural leverage or the substantive powers to either advance the sector agreement or fully constrain local bargaining. Yet unlike wholly disorganised decentralisation, the survival of the formal institutions of social dialogue at sector level suggests that employers and unions retain a mutual interest in some degree of coordination of employment standards. It is the implications of these complex, changing and ‘hybrid’ characteristics of the local government collective agreement that provide the focus for this research. Our central proposition is that in a context of pay restraint and austerity the different features of organised and disorganised decentralisation are likely to generate varying consequences for employment standards. Our research design framed this question against three core topics of local bargaining –low pay, pay progression, and downsizing and pay premiums. While organised decentralisation is associated with long-term improvements of employment standards (Bosch, 2009) and disorganised decentralisation with undesirable outcomes for labour (Holst, 2013; Holtgrewe and Doellgast, 2012) the outcomes associated with a hybrid combination of features at a time of downward pressure on labour costs are characterised by inequality and a net erosion of standards. With this central research issue in mind we turn to the research design and data analysis.

Research design

The research proposition described above required a qualitative methodology to shed light on specific organisational processes and involved semi-structured interviews with key actors at national, regional and local levels. Altogether, 22 interviews were conducted, each lasting 45-90 minutes and all recorded and transcribed. Data collection involved two stages. A first stage during 2012 involved interviews with five national and regional UNISON officials responsible for local government and two senior representatives from the employer body, the

LGA. The aim was to collect information on local government responses to centrally-imposed austerity measures, to understand key actors' perspectives, and to identify issues for pay and employment conditions. While Unite and GMB are also signatories to the national collective agreement, we elected to focus on the viewpoints of one union, UNISON, so as to illuminate the contrasting challenges it faces at national, regional and local levels.

A second stage involved six case-study organisations in two contrasting regions: three in the North West of England (NW), three in the South East (SE)¹ (table 2). The selection was motivated by our objective to understand the dynamics of bargaining and to offer theoretical insight in a given context (Eisenhardt and Graebner, 2007) characterized by a challenging period of spending cuts and national pay restraint. Drawing on first-stage data and supplementary documentary evidence, the sample was designed to enable investigation of a spectrum of local employer responses and local industrial relations contexts. Multiple cases facilitated the grounding of propositions in varied empirical evidence (Yin, 1994). The two regions offered contrasts along three key dimensions. First, local government union density² is higher in the North West region (57%) than in the South East (37%). Second, while all 41 local authorities in the North West operated within the sector collective agreement, in the South East only half did (36 of 74). Third, local government real expenditures per person have been cut more in the North West than the South East –by around 26% and 17%, respectively, during the period 2009/10 to 2014/15³. These differences were mirrored at case-study level with SELA1 specially selected since it operated outside the sector agreement. All three factors can be expected to impact on local pay bargaining –in terms of union influence, the role of the sector agreement, and pressures to make trade-offs between pay and other cost-saving measures such as job cuts.

¹ The case study SELA3 is outside the South East region but we include it due to its proximity to London

² 2014 data reported in BIS (2015).

³ Innes and Tetlow (2015: figure 3.2).

Table 2. Characteristics of six case-study local authorities

	Council type	Local population	Political balance	Workforce size	Union density ¹	Two-tier pay bargaining?	% spending cut per person ²
NWLA 1	Metropolitan borough (unitary)	498,800	Labour	8907	58%	Yes	-£210
NWLA 2	Metropolitan borough (unitary)	308,800	Labour	1859	58%	Yes	-£151
NWLA3	Unitary authority	327,300	Con	12281	58%	Yes	-£52
SELA1	County council	1,427,400	Con	12,652	47%	No	--
SELA2	Unitary authority	239,700	Con/ Labour ³	3,888	47%	Yes	-£68
SELA3	District council	125,700	Lib/ Lab	1010	46%	Yes	-£43

Notes: 1. Region; 2. 2010-11 to 2012-13; 3. Labour won control in May 2012.

Source: Case-study data.

Each case study involved analysis of relevant documentation and face-to-face, in-depth interviews with three senior informants designed to access expert knowledge from diverse perspectives: a UNISON workplace representative with knowledge of pay bargaining, a senior HR manager and a senior operational manager. We also conducted follow-up telephone interviews where necessary. In each case, we collected data on: local authority structure and central government budget cuts; workforce size and composition; the industrial relations context (including management strategy, union influence and levels of decision-making); the character of wage-setting (including national/local influences, pay scales and entry wages for occupations; and use of external pay benchmarking); and the impact of national pay restraint. Questions focused in particular on specific areas of bargaining, namely low pay, pay progression, downsizing practices and pay premiums; these core areas are used to structure the data analysis below. Overall, the interviews revealed varied local strategies and diverse contextual conditions that shaped local outcomes. The empirical evidence is presented using a mix of ‘construct tables’ designed to summarise multiple case evidence

alongside case descriptions and interviewee quotes. The interview data were analysed by core themes with attention to differences both among local authorities and between management and union representatives, as well as across national, regional and local levels.

Research findings

The failure of the sector agreement to maintain standards of pay and employment formed a critical backdrop to our case-study investigation and can be interpreted as a key ingredient of a potentially more disorganised model of decentralisation. The LGA imposed a pay freeze in 2010, one year ahead of the two-year freeze set by government across all parts of the public sector. This meant the minimum hourly rate in the sector agreement (£6.30) remained unchanged from April 2009 until March 2013. Nevertheless, senior employer and union representatives remained committed to preserving the formal institutions of the sector agreement. For the LGA, pay discipline at sector level enabled individual employers to achieve local spending cuts, while for UNISON a sector agreement was preferred over multiple local agreements that would risk union de-recognition:

‘For three years, we have been able to nationally, in effect, save councils money by not adding to their paybill and ... allowed councils to say to their own workforces, “I know it’s terrible, it’s those nasty people in London who won’t give you a pay rise”’ (LGA9).

‘The prize for us is implied recognition, because of the National Joint Council. If the bargaining machinery were to go, then I have absolutely no doubt that we would be de-recognised in quite a number of councils’ (Unison2).

Among the six cases, four imposed the three-year pay freeze. SELA2 imposed a pay freeze in 2010 and 2012 but in fact reduced pay in 2011 (see below), while SELA1, operating

outside the sector agreement since 1989, froze pay for two years but paid a 1 per cent increase in 2012 –agreed jointly with unions through local negotiations (table 3).

Under the two-tier articulation rules described above, local authority employers have the freedom to do more than simply follow the national pay freeze. The sector agreement, in fact, demarcates a single, harmonised payscale as a key national standard, but delegates decisions over, pay bands for specific occupations, mechanisms for pay progression, and the adjustment of pay premiums to local negotiators. At the same time, however, our data also reveal considerable scope for disorganised local practices in the related areas of adjusting base rates of pay, awarding pay increments and downsizing practices. The following data analysis is structured around three dimensions of local bargaining that facilitate analysis of this mix of organised and disorganised decentralisation: i) low pay; ii) pay progression; and iii) downsizing and adjustments to pay premiums. Each sub-section also highlights the consequences for workers' employment standards and considers the role of local politics and the wider HR approach in explaining the varied local practices.

i) Local practices to address low pay

To mitigate the effects of its pay freeze central government announced that public sector employees earning less than £21,000 would receive a £250 annual payment in 2011 and 2012. However, as central government is not the direct employer of local authority staff, the LGA argued they were not obliged to honour the commitment particularly as they were not consulted prior to its announcement, and given that around 70% of the workforce earned less than £21,000 the additional cost would have been significant. Furthermore, adding pay at the bottom was not seen as necessary as councils '*have absolutely no problem recruiting into those lower paid, lower skilled jobs*' (LGA9).

The rejection of the pay supplement conflicted with the unions' goal to address low pay through the national agreement, as evidenced in submissions by UNISON, Unite and the GMB to the National Joint Council that underlined the increasingly unfavourable comparisons with other parts of the public sector: in 2012-13, the sector base rate of £6.30 per hour was more than 10 per cent below the £7.11 NHS minimum and only 22 pence above the statutory minimum wage.

Falling real pay and deadlock at sector level therefore increased pressures on local actors to abandon the lowest rate(s) of pay set in the sector agreement. These local efforts to improve pay were outside the scope of organised, sector-level processes, and although they had the potential to deliver concrete gains for the lowest paid they also carried a risk for the unions nationally that local negotiators would succeed where they had failed. Among the six cases, only two applied the sector base rate. The others ignored one or more of the bottom points on the sector pay spine and set a higher rate of base pay (table 3). If these local negotiations were not a result of organised processes, then what factors were influential? The evidence rules out local labour market conditions since managers in all four cases claimed high local unemployment meant limited recruitment problems. Politics, however, did play a role. In the North West, it was the two Labour-controlled authorities that acted positively. At NWLA2, local trade union negotiation of a higher base rate, plus the £250 supplement in 2011 and 2012,⁴ was directly associated with longstanding work by the local Labour party group to address economic deprivation among low paid workers -although the policy benefited from cross-party support for a living wage in the run-up to local elections.

'The Labour group at the time ... were taking reports to committee in relation to child poverty ... So we started talking to the Labour group in relation to getting them to accept the £250 for those people who were earning £21,000 and less. ... If you are

⁴ NWLA2 was the only local authority in the region (and one of just four across the country) to pay this supplement in both years.

real about child poverty, you've got to have a decent living wage to do the things that you need to do with children ... I just thought there's an opportunity here. They're talking about child poverty, let's test them' (NWLA2 –union official 7).

Table 3. Pay bargaining outcomes at sector and local levels, April 2012

	NATIONAL PAY AGREEMENT	NWLA1	NWLA2	NWLA3	SELA1	SELA2	SELA3
Adopts sector pay-scale?	--	Yes	Yes	Yes	No	Yes	Yes
Implemented harmonised sector pay agreement?	1997	2005	2008	2002	2003	2000	2004
Pay freeze? April 2010, 2011, 2012	Yes	Yes	Yes	Yes	Yes except +1% 2012	Yes except pay cut 2011	Yes
£250 low pay supplement?	No	No	Yes	No	No	Yes	No
Minimum collectively agreed hourly wage	£6.30	£7.00	£7.20 'living wage'	£6.30	£6.75	£6.30	£ 7.04
Pay increments frozen?	No rule	Yes	No	No	No	Yes	No
Basis of pay progression?	Hybrid practice	Hybrid-seniority+ competency test	Seniority	Hybrid-seniority+ performance	Performance	Hybrid	Performance

Source: Case-study data.

By contrast, the sector base rate remained unchanged at NWLA3 (under Conservative control) and SELA2 (Conservative control until May 2012). Conservative ideology shaped a particularly combative management approach towards pay policy at SELA2. Management unilaterally cut pay in 2011 on a sliding scale from 2 per cent (those earning £17,000-21,000) to 5.5 per cent (£65,000+). Moreover, the pay cut was imposed by dismissing all employees and obliging them to sign new contracts on the lower pay rates. In response UNISON and Unite filed around 1,000 unfair dismissal claims and coordinated a series of targeted local

strikes during 2011 and early 2012. An incoming Labour administration in May 2012 reversed the pay cuts, except for management, but had not yet at the time of fieldwork uprated the base rate.

Interviews with managers suggest a second factor played a decisive role in some cases, namely the need to pay a higher base rate to compensate for job cuts and pressure to work harder -a form of tacit productivity bargaining (Purcell, 1991). The evidence holds for the North West case studies where the largest job cuts occurred in NWLA1 and NWLA2 but not in the South East where SELA2 combined major downsizing with pay cuts.

A third factor concerns the interaction with specific and varied HR practices. For example, at NWLA1 managers claimed the higher base rate helped reduce catering staff turnover from over 20 per cent to 8 per cent. At SELA3, managers and unions engaged in a wide-ranging local pay review with the agreed purpose of shortening pay bands and minimising overlaps to reduce equal pay risks. This not only established a new base rate of £7.04 per hour, but also eliminated the bottom point in all nine bands to prevent pay losses on assimilation, and provided a one-off pay rise for one in four employees. Overall, while local union branches benefited to some extent from broad national support, in all four cases where base rates were uprated these were the culmination of largely independent local initiatives, as opposed to the organised delegation of responsibilities to the local level.

ii) Local practices of pay progression

The data suggest decentralised pay progression practices and the associated consequences for employment conditions were a function of both organised and disorganised features. Through a process of organised demarcation, the 2005 amended principles of the NJC agreement explicitly incorporated the recommendations of the Local Government Pay Commission that individual employers move away from long, service-based incremental pay

scales and consider factors such as acquisition of skills and qualifications as contributing to better pay, with appropriate attention to gender equity issues (LGPC 2003; NJC 2005: 4.9.23). Among the five local authorities that used pay bands with fixed pay points taken from the sector payscale, one used seniority only, one used performance only and three applied a hybrid system combining elements of seniority, performance and competence (table 3). Our data suggest that local politics was not a decisive factor in explaining the shift, although it is notable that it is a Labour authority that retained the seniority system and a Conservative controlled authority that moved to a performance-only basis of pay progression.

At the same time, other evidence reflects processes of disorganisation. During the three year pay freeze, the local practice of awarding annual pay increments became a critical means for improving workers' pay but as the Audit Commission (2011: 37) note although 72 per cent of local authority employers continued to use 'automatic' annual incremental scales, limited external recruitment meant that the proportion of staff who benefited in practice was much lower. Furthermore, there was no sector-level guidance on this issue during 2010-13 meaning that only four of six cases continued to award annual increments; again, unlike actions to improve base rates of pay, neither local politics nor the desire to compensate for job cuts were influential factors. Increments could provide a potentially significant boost to pay; across the first ten pay points in the sector payscale, each increment represents an average 2.6 per cent rise in basic pay. In practice, however, paybands vary between councils and occupations, and are typically shorter at the lower end of the payscale.; For example at NWLA3, where pay bands were short, union officials estimated half the workforce were at the top of their pay band and therefore received no pay rise during 2010-13.

Outside of the sector agreement, SELA1 pursued a novel approach to pay progression. From 2010 all staff were appraised on a four-step performance ranking, with pay rises distributed according to the available budget. In 2012, four in five staff received a 1.4 per

cent rise, 18 per cent who exceeded targets gained 3 per cent and the 1 per cent judged outstanding received 5 per cent. Comparable pay rises were also awarded in 2011. It is notable that staff at the top of their pay band (around one third of workers) were also eligible, but the pay enhancement was non-consolidated to keep pay within maximum thresholds. Local union representatives also secured beneficial pay deals in other opted-out local authorities in the South East, but nationally the union was said to have failed to monitor and learn from these experiences:

'Local [opted out] pay ... is almost the elephant in the room and [we] do not have regular reports on local pay. ... It's almost as though if they [union leadership] talk about it then in some ways they may be indirectly advocating it. ... My attitude is ... if we have local pay arrangements in more than half our councils [in the South East region] then we ought to be good at it' (Union official 12).

However, UNISON leaders feared that low union density across the South East region (37%) would leave many branches highly exposed. While unions at SELA1 enjoyed negotiating rights –along with another 13 of the 38 opted-out South East councils, industrial relations were less positive at the others, with a mix of consultation and negotiation rights at six and consultation rights only at ten.⁵

iii) Local practices of downsizing and pay premiums

Unions' approaches towards local pay bargaining took place in a wider context of downsizing and cuts to other employment conditions, especially premiums for unsocial and overtime hours working. Again, the data point to variation of organised and disorganised practices and associated outcomes.

⁵ UNISON data provided privately to research team; missing data for eight local authorities.

Downsizing was certainly not a function of organised decentralisation. All six cases imposed local-level job cuts, ranging from 6 to 30 per cent (table 4), with the variation determined by the greater dependency of poorer localities on grant income from central government and lesser ability to raise local property tax revenues, as well as the scrapping of special grants (Hastings et al. 2012). At NWLA1, the austerity cuts built on a pre-2010 ‘transformation programme’ that had already removed around 1,000 full-time equivalent posts and £35m labour costs. The focus then shifted, in the words of a HR manager, to *‘taking out management layers without detriment to those services’* (NWLA1-4). All six employers acknowledged that subsequent cuts would require more radical downsizing. At NWLA2, downsizing one in five workers had only yielded £24m towards a target £60m savings.

‘We have probably exhausted, bar a few hundred, as many people as we can afford to leave. ... So each department is going to have to review everything it does and review those [services] against [the question] do we stop doing them?’ (NWLA2-13, HR manager).

Table 4. Local practices of job cuts and compensation measures

	NWLA1	NWLA2	NWLA3	SELA1	SELA2	SELA3
Workforce reduction¹	30% (3,700) 03/10 to 03/12	18% (1,068) 06/10 to 12/11	8% (492) 03/10 to 03/12	14% (2,067) 03/10 to 03/12	27%	6% (69) 04/11 to 03/12
Use of compulsory redundancy	No	No	Yes	Yes	Yes	Yes
Redundancy compensation equivalent to statutory regulation?²	3 weeks’ pay per year of service, capped at 30 weeks	Yes	Double statutory but capped at 52 weeks	Yes	1.25 x statutory for voluntary only; capped at £30k	Yes (no ceiling)
Pay protection for redeployed staff	3 years	1 year, £2,000 cap (temporary £4000 cap 2012)	6 months full, 6 months half	3 years	--	1 st year full, 2 nd year half, 3 rd year 25%

Notes: 1. Headcount excludes school teachers; 2. Employees with >2 years service entitled to compensation based on weekly pay (<£430, 04/12) up to 20 years, as follows: <21 years- 0.5 x weekly pay; 22-40 years- 1 x weekly pay; >40 years- 1.5 x weekly pay. The maximum statutory compensation in 2012 was £12,900.

There was also variation in downsizing practices. The sector agreement contains no formalised rules for two critical features –use of compulsory redundancy and level of pay protection following redeployment –although custom since the 1990s supported use of voluntary redundancy and three years pay protection. The result is a set of disorganised local practices (table 4). Two organisations, both Labour controlled, used voluntary redundancy and early retirement, agreed locally with unions, while four added compulsory redundancy to this mix. Five local authorities applied pay protection for employees redeployed to lower paid posts (no data for SELA2): only two retained three years’ protection (one Labour controlled, the other Conservative). NWLA2 reduced pay protection to just 12 months and initially imposed a cap of £2,000 per employee. Following union protests and an internal review, managers increased the cap to £4,000 (only for 2012), ‘*because we felt [the salary reductions] were more drastic than we had anticipated*’ (NWLA2-13, HR manager). Similarly, NWLA3 reduced pay protection to six months full and six months half pay in anticipation of a radical downgrading of unsocial hours premiums.

Indeed, alongside job cuts, five local authorities redesigned or downgraded pay premiums for working unsocial hours and/or overtime; the exception was SELA2, under Conservative control until 2012. The sector agreement fixes a full-time working week of 37 hours (36 in London) but delegates the adjustment of premium rates to local negotiators. The organised procedures only involve one constraint on local bargaining –namely, in the case where no agreement is reached sector conditions apply (NJC, 2005: 3.2-3.6; see table 5). The absence of more binding restrictions on local bargaining parties means this organised decentralisation has resulted in the abolition of previously negotiated premiums in some cases, exemplified by the case of NWLA3.

Table 5. Local adjustments to national pay supplements

	NATIONAL AGREEMENT	NWLA1	NWLA2	NWLA3	SELA1	SELA2	SELA3
Unsocial hours premiums	Sat (x1.5) Sun (x1.5, x2 lowest paid) Night (M-F x1.33 20.00-06.00) Public holiday (x2 plus time-off)	Simplified to 4 bands (6.7%, 10%, 15%, 20%)	Sat, Sun (no premium) Night (x1.2 20.00-06.00) Public hol. (x2)	Sat, Sun (no premium) Night (x1.2 22.00-06.00) Evenings (x 1.1 19.00-22.00) Public hol. (no premium)	Same as national agreement	Same as national agreement	Sat (x1.4) Sun (x1.8) Night (M-F x1.3 23.00-07.00) Public hol. (x2)
Overtime hours premiums	Mon-Sat (x1.5), Sundays & public holidays (x2)	Same as national agreement	All days (x1.5) over 36 hours Low paid (Bands A/B) x2 (Sun and public hols)	No premium	Mon-Fri (first 2 hours x1.33, remaining x1.5) Sat (x1.5) Sun (x2)	Same as national agreement	No premium Mon-Fri (07.00-23.00)

Source: National conditions from NJC (2005) ‘Green Book’ National Agreement on Pay and Conditions of Service (pp 3.4 – 3.5), to be applied in situations where no local agreement is reached.

Premiums were downgraded at NWLA3 by dismissing the entire workforce (8,500, including school support staff) and re-engaging each worker on a new employment contract (similar to SELA2’s implementation of pay cuts, above). This policy measure ran parallel to the downsizing exercise and, in managers’ eyes, provided an effective legal route to achieve savings by reducing employment conditions. The new contract abolished pay premiums for weekend working and included a clause enabling performance-related pay. Union officials believed employees had no option but to sign:

‘If you tried to sign them under protest or say you were signing under duress, they were sent back to you and told that’s not acceptable – “Either you sign them with nothing else on the paper or if you sign under duress we’ll treat you [as if] you haven’t signed it”’ (NWLA3 –Union official 10).

Unions confronted NWLA3 managers with evidence that downgraded unsocial hours premiums unjustly targeted some of the lowest paid workers, particularly care staff and street cleaners. Managers argued the unions’ response was too late in the annual budget cycle to

enable concessions. The impasse resulted in a series of strikes during early 2012 and, eventually, a compromise payment of up to £3,000 to care workers to compensate for lost earnings over a six-month period. However, staff had to sign the new contract to benefit, thus ensuring that the group most affected by the abolished premiums complied with the new regime. The unions' counter-position was to improve hourly premiums to 25 per cent for weekends and public holidays (and double time for Christmas and Boxing Day). Managers costed this proposal at around £500,000 per annum and advised councillors to reject it. At the time of fieldwork managers and unions were in ongoing discussions to identify alternative savings to finance improved pay premiums.

Discussion

The well-established two-tier pay bargaining system in UK local government has been severely tested during the post-2010 austerity programme. Imposition of a pay freeze at sector level (ahead of the unilateral public sector pay freeze), the chilling of social dialogue among the national partners, and a rising incidence of low pay, all raise questions about the purpose and resilience of the institutional framework. Our evidence cautions against a diagnosis that finds fault simply with sector level negotiations. Instead, building on insights from research on the articulation mechanisms embedded in two-tier pay bargaining structures (Crouch, 1993; Marginson and Galetto, 2013), our analysis points to the need for a nuanced understanding of the character of decentralised collective bargaining. In line with earlier studies of local government collective bargaining (e.g. Bryson et al., 1993; LGPC, 2003; Lissenburgh, 1995) and wider public sector research on the tensions between local and sector bargaining (Thornley, 1998; White, 1996), this study sought to identify different features of organised and disorganised decentralisation of local government bargaining and to investigate their consequences for employment standards in a context of austerity. Our data provide

detailed evidence for three dimensions of local bargaining over pay and employment conditions. The results contribute to current debates concerning the evidence for, and consequences of, disorganisation and fragmentation of collective bargaining (e.g. Doellgast, 2012; Wagner and Lillie, 2014).

Combining the findings for the three dimensions of local bargaining, we find a complex mix of both organised and disorganised local practices with varying consequences for employment standards. Table 6 summarises the results. What this shows is that there are multiple associations between organised/disorganised practices and employment standards. The first column describes those practices that for the most part contribute to the sustaining and/or improving of employment standards. The first cell, 'assimilation', describes those organised practices that allowed variation around a strong sector rule. These included the crucial application of the single, harmonised pay spine (fixed at sector level) and modified pay progression principles to meet gender equity conditions specified at sector level (LGPC, 2003). The second cell labelled 'legitimation' contains two sets of disorganised practices that also mostly improve standards through local efforts to improve low wages. However, these actions occur in a context of job cuts, work intensification and industrial action and may be considered forms of 'legitimation', in the sense used by O'Connor (1973). Here what we find is local government, in its role as employer, must continually manage the contradictory tensions between budgetary financial constraints and responding to the workforce's socio-economic needs. This seems a more plausible explanation than a sudden upsurge in local union bargaining power. Our data did point to significant union actions to mobilise political support for a higher base rate of pay but their effectiveness depended on having a Labour-controlled political leadership, as well as management willingness to compensate for more intensive working conditions caused by excessive downsizing. This is well illustrated by the

sudden change of approach at SELA2 where political control changed hands during the period of our fieldwork.

Table 6. Features of organised and disorganised bargaining in a context of austerity and the consequences for employment standards

	Likely to sustain and/or improve standards	Likely to undermine standards
Organised bargaining	<p>1) Assimilation</p> <ul style="list-style-type: none"> -Local pay bands built around sector payscale -Local pay progression principles with sector gender equity standards 	<p>3) Fragmentation</p> <ul style="list-style-type: none"> -Local bargaining of ‘Part 3’ conditions, including pay premiums
Disorganised bargaining	<p>2) Legitimation</p> <ul style="list-style-type: none"> -Pay increments and £250 bonus for low paid -Locally uprated base pay rate 	<p>4) Destruction</p> <ul style="list-style-type: none"> -Aggressive downsizing practices -Collective dismissal and re-engagement -Local opt out from the sector agreement

To some extent these findings mirror current developments in several European countries where the hierarchy of two-tier collective bargaining has been inverted and the substance of sector agreements has perforated under pressure from European authorities and the IMF, as well as sector and organisation-specific pressures (Karamessini, 2014; Marginson, 2014). In the UK there are as yet no explicit ideological pressures for dissolution of the local government sector collective agreement. Nevertheless questions remain among unions, managers and government about its role and resilience. It is possible that local, disorganised improvements in pay may eventually be accommodated within the sector agreement. In this case the sector might fit Marginson’s (2014) description of ‘unauthorised disorganisation’ that over time nevertheless equilibrates through a framework of two-tier interdependency. Indeed, the local government unions’ pay claim for 2014-15 argued for a £1 flat rise on all national pay rates, which would have lifted the base rate to the then UK living

wage of £7.45 and accommodated many of the disorganised local pay rises. However, such accommodation of local arrangements at national level would require the resilience of the national institutional framework and stronger rather than weaker articulation mechanisms.

The third cell in table 6 identifies organised features of local bargaining that in the specific context of austerity, which framed our period of data collection, were more likely to undermine standards, generating ‘fragmentation’. The sector agreement carefully demarcates pay premiums for unsocial hours and overtime working as areas for local negotiation. Although erosion of pay premiums is a feature of many sectors across the UK, local authority employers appear to have exploited their ‘Part three’ freedoms under pressure to balance tight financial budgets. Our findings uncovered the complete elimination of premiums for weekend working in two cases, public holidays in one case and overtime in two cases. The extreme repositioning raises the question about the operationalization of so-called Part three freedoms in a context of austerity. An ‘organised’ practice must also incorporate strong monitoring and feedback mechanisms so that the sector guidelines retain their relevance. As Nergaard et al. (2009) observe, the demarcation of issues can contribute to effective articulation between levels, but only *‘insofar as these processes are framed by higher-order procedures and centrally defined fall-back positions when local actors cannot agree’* (2009: 144). Where higher order procedures are not in place or not relevant and where local unions are unable to insist on the implementation of fall-back positions in case of dispute, as we saw in the case of NWLA3, then organised articulation is placed at risk.

The fourth cell in table 6 refers to a set of disorganised local practices that embody ‘destructive’ disorganisation. Evidence of aggressive local management strategies to downsize using compulsory redundancies, to reduce pay protections for redeployed staff and to radically downgrade conditions through the collective dismissal and re-engagement of entire workforces suggests local government decentralisation has been accompanied by a

strengthening of local managerial prerogative and an emasculation of union influence during the period of austerity (see, also, Traxler, 2003). Such practices fall completely outside the scope of articulation mechanisms and threaten to destroy social dialogue at local level, as evidenced by strikes and other forms of industrial action.

A further key condition of disorganised decentralization concerns the partial coverage of the sector agreement and the significant number of employers that operate single-tier arrangements. Pay bargaining at the 46 opted out local authorities challenges the reputation of the two-tier system: the greater variety of outcomes made possible by disorganised decentralization means some local deals will be better for workers than those negotiated under organised articulation mechanisms, as indeed we found at SELA1. Even union officials may believe the two-tier arrangement can learn useful lessons from single employer local agreements. Our research design could not capture the full variety of single employer pay settlements, but UNISON data reveal pay awards of up to 2 per cent, and low-pay supplements throughout the three-year pay freeze. However, the limited union influence in many opted-out authorities heightens the risk of unilateral management action and new pay practices that do not benefit the bulk of workers. The findings fit with other studies that stress the dangers of a shift towards ‘*a fragmented landscape of dispersed firm-level regulations*’ (Holst, 2013: 14).

Overall, the evidence suggests local government unions have made some gains for the very lowest paid through local negotiations in a context of sector-wide wage restraint and austerity. However, for the most part our data signal significant problems with current articulation mechanisms between sector and local level collective bargaining that for the period studied facilitated a net deterioration of pay and employment standards. With no reversal of spending cuts currently on the political agenda, there is a need for an institutional response by local government employers and unions to prevent further ‘destructive

disorganisation' of collective bargaining, which otherwise risks undermining the sector agreement and its role in defending and improving employment standards.

References

- Audit Commission (2011), *Tough Times: Councils' Responses to a Challenging Financial Climate* (London, Audit Commission).
- Bach, S. (2002), Public Sector Employment Relations Reform under Labour, *British Journal of Industrial Relations*, 40,2, 319-339.
- Bach, S and L. Bordogna (2013) Reframing public service employment relations: The impact of economic crisis and the new EU economic governance, *European Journal of Industrial Relations* 19,4,270-294
- Bailey, R. and C. Trinder (1989), *Under Attack? Public Service Pay over Two Decades*, Discussion Paper 25(London, Public Finance Foundation).
- Beaumont, P. B. (1992), *Public Sector Industrial Relations* (London, Routledge).
- BIS (2015), *Trade Union Membership 2014: Statistical Bulletin*, Department for Business, Innovation and Skills.
- Bosch, G. (2009), Low-Wage Work in Five European Countries and the United States, *International Labour Review*, 148,4, 337–356.
- Bryson, C. J. Gallagher, M. Jackson, J. Leopold and K. Tuck (1993), Decentralisation of Collective Bargaining: Local Authority Opt Outs, *Local Government Studies*, 19, 4,558-583.
- Crouch, C. (1993), *Industrial Relations and European State Traditions* (Oxford, OUP).
- Crouch, C. and F. Traxler (eds) (1995), *Organized Industrial Relations in Europe: What Future?* (Aldershot, Avebury).

- Cunningham, I., & James, P. (2014). Public service outsourcing and its employment implications in an era of austerity: The case of British social care. *Competition & Change*, 18,1, 1-19.
- Doellgast, V. (2012), *Disintegrating Democracy at Work* (Cornell University Press).
- Eisenhardt, K. M. and M. E. Graebner (2007), Theory Building from Cases, *Academy of Management Journal*, 50, 1, 25-32.
- Glassner, V. (2010), *The Public Sector in the Crisis*, ETUI Working Paper No. 07 (Brussels).
- Hastings, A., Bramley, G., Bailey, N. and D. Watkins (2012), *Serving Deprived Economies in a Recession*, Phase 1 report (York, Joseph Rowntree Foundation).
- Holst, H. (2013), “Commodifying Institutions”: Vertical Disintegration and Institutional Change in German Labour Relations, *Work, Employment and Society*, Online 0950017012464423.
- Holtgrewe, U. and V. Doellgast (2012), A Service Union’s Innovation Dilemma: Limitations on Creative Action in German Industrial Relations, *Work, Employment and Society*, 26,2, 314-330.
- IDS (2012), *Pay and Benefits in the Public Services* (London, Income Data Services).
- Innes, D. and G. Tetlow (2015), *Central Cuts, Local Decision-Making*, IFS Briefing Note BN166, <http://www.ifs.org.uk/uploads/publications/bns/BN166.pdf>.
- Johnson, M. (2016), *Bypassing the Low Wage Commission When Introducing a National Living Wage in the UK*, 23rd International Conference of Europeanists, Philadelphia.
- Karamessinni, M. (2014), *The Greek Social Model: Towards a Deregulated Labour Market and Residual Social Protection*, in D.Vaughan-Whitehead (ed) *The European Social Model in Times of Economic Crisis* (Geneva, ILO).
- Kenway P., A. Parekh and H.Aldridge (2012), *Living on the Edge: Pay in Local Government* (London, New Policy Institute).

- Kessler, I. and L.Dickens (2008), Dispute Resolution and the Modernization of the Public Services in Britain: The Case of the Local Government Pay Commission, *Journal of Industrial Relations*, 50,4, 612-629.
- Labour Research Department (2015), Survey of the 2014-15 Pay Round, [http://www.lrd.org.uk/payline/supplement/LRDPaySurvey2015 Printable.pdf](http://www.lrd.org.uk/payline/supplement/LRDPaySurvey2015%20Printable.pdf)
- Lissenburgh, S. (1995), Implementing 'Equal Value' through Collective Bargaining and Job Evaluation, *Policy Studies*, 16, 4, 49-64.
- LGPC (2003), Report of the Local Government Pay Commission, available at: www.unison.org.uk/acrobat/B4425a.pdf.
- Marginson, P.(2014), Coordinated Bargaining in Europe: From Incremental Corrosion to Frontal Assault?, *European Journal of Industrial Relations*, online April 10.1177/095968011453024.
- Marginson, P. and M. Galetto (2013), Engaging with Flexibility and Security: Rediscovering the Role of Collective Bargaining, *Economic and Industrial Democracy*, online July 0143831X14538850.
- McIntosh, M. (1955), The Negotiation of Wages and Conditions for Local Authority Employees in England and Wales, *Public Administration*, 33,2, 149-162.
- Nergaard, K., J. Dølvik, P. Marginson, J. Arasanz Días and B. Bechter (2009), Engaging with Variable Pay, *European Journal of Industrial Relations*, 15, 2, 125-46.
- NJC (2005), National Agreement on Pay and Conditions of Service (London, National Joint Council for Local Government Services).
- O'Connor, J. (1973), *The Fiscal Crisis of the State* (New York, St Martin's Press).
- Oliver, L., Stuart, M., and Tomlinson, J. (2014), Equal Pay Bargaining in the UK Local Government Sector. *Journal of Industrial Relations*, 56,2, 228-245.

- Perkins, S. and G. White (2010), Modernising Pay in the UK Public Services, *Human Resource Management Journal*, 20, 3, 244–257.
- Purcell, J. (1991), The Rediscovery of the Management Prerogative, *Oxford Review of Economic Policy*, 7, 1, 33-43.
- Scheuer, S., Ibsen, F., & Høgedahl, L. (2016), Strikes in the Public Sector in Denmark, *Transfer: European Review of Labour and Research*, 1024258916655709.
- Stokke, T.A. (2008), The Anatomy of Two-Tier Bargaining Models, *European Journal of Industrial Relations*, 14, 1, 7–24.
- Terry, M. (1982), Organising a Fragmented Workforce: Shop Stewards in Local Government, *British Journal of Industrial Relations*, 20, 1, 1-19.
- Thornley, C. (1998), Contesting Local Pay: The Decentralization of Collective Bargaining in the NHS, *British Journal of Industrial Relations*, 36, 3, 413–434.
- Traxler, F. (2003), Bargaining (De)centralization, Macroeconomic Performance and Control over the Employment Relationship, *British Journal of Industrial Relations*, 41, 1, 1-27.
- Traxler, F., Blaschke, S., Kittel, B. (2001), *National Labour Relations in Internationalized Markets* (Oxford, Oxford University Press).
- Visser, J. (2005), Beneath the Surface of Stability: New and Old Modes of Governance in European Industrial Relations, *European Journal of Industrial Relations*, 11, 3, 287–306.
- Wagner, I. and N. Lillie (2014), European Integration and the Disembedding of Labour Market Regulation, *Journal of Common Market Studies*, 52, 2, 403-419.
- White, G. (1996), Public Sector Pay Bargaining: Comparability, Decentralization and Control, *Public Administration*, 74, 1, 89–111.
- Yin, R. (1994), *Case Study Research: Design and Methods* (Thousand Oaks, California, Sage).