

**Continuity, change and crowding out: The reshaping of  
collective bargaining in UK local government**

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## Abstract

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This thesis examines elements of continuity and change in systems of pay determination in UK local government, with a specific focus on the period of austerity since 2010. Spending cuts present significant challenges for collective bargaining through the National Joint Council (NJC), which also serves as a 'critical case' to test our understanding of contemporary collective bargaining and industrial relations. The research draws on 56 interviews with a total of 62 key actors from the employers' representative organisations and trade unions at both national and local level, and eight local authority case studies. The interview data are complemented by a range of secondary qualitative and quantitative data sources. It seeks to understand the changing power relationships between employers and unions as they attempt to navigate increasingly turbulent waters, and the pragmatic trade-offs both sides are willing to make over pay, terms and conditions, and working practices in pursuit of longer-term strategic goals. These issues are addressed through three levels of analysis. Firstly, building on a rich tradition of industrial relations research, the thesis shows how the national employers have repositioned the sector level collective agreement as a means to deliver cost control rather than 'fair wages', which the unions have so far tolerated in preference to a complete dissolution of national bargaining. Second, drawing on contingency models of pay and HRM, case study data are used to explore the mixture of managerialism and political opportunism which characterises the development and implementation of pay and reward strategies at the level of the organisation. The findings identify the continued importance of transparent job evaluation processes in determining wage structures, but also show how pay practices act as a means to signal desired behaviours from employees, and are used to reinforce local level political narratives. Finally, through a critical re-appraisal of New Public Management (NPM) reforms in local government since the 1980s, further case study data reveal the way in which employers have reorganised staffing structures to match reduced budgets, but it appears that increased levels of work intensity for a significantly depleted workforce are beginning to impact on service standards. The findings also suggest that the ongoing process of restructuring serves as a means to increase managerial control of 'the labour process' through the efforts to standardise working practices and break down embedded departmental and professional identities. Taken together, the evidence suggests that although the formal institutions of employment relations have proved to be remarkably resilient, collective bargaining as a dynamic mode of joint regulation built on the notion of partnership has steadily been crowded out from both above and below. The meaningful content of negotiations has been squeezed by the tight financial constraints applied by central government, and in the vacuum created by stalled sector level negotiations local level pay and HRM strategies are becoming increasingly important to explain the level and distribution of wages. Perhaps as important as negotiations over pay are negotiations over working practices which fall outside the formal regulatory scope of the collective agreement, and change expectations about working time, task discretion, and job boundaries. A degree of drift across these three dimensions has resulted in an increasingly fluid adjustment of the wage-effort bargain over which the unions have a declining sphere of influence.

**Declaration**

I, Mathew Johnson, declare that no portion of the work referred to in the thesis has been submitted in support of an application for another degree or qualification of this or any other university or other institute of learning.

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## **Preface**

The thesis structure follows the 'Alternative Format Thesis' of the University of Manchester, which allows chapters to be incorporated into a format suitable for submission and publication in peer-reviewed academic journals. Therefore, the thesis is structured as three self-contained working papers that are presented in chapter 2, chapter 3, and chapter 4. Hence, each chapter has an independent introduction, draws on the most appropriate literature to frame the analysis, with standalone research questions, research design and methodological approaches, draws on different data sources, and develops discrete research findings and a discussion. Nonetheless, the second and third research papers take advantage of the learnings of the previous papers. As a result, each working paper (chapter) makes on its own a contribution to the literature of the fields that support its theoretical foundations. The introduction of the thesis provides in its three initial sections an integrated view of the research objective, research design, methods and the description of the data sources. The introduction also includes a contribution and conclusions section towards the end, to provide a complete overview of the thesis.

## **Abbreviations**

ACC Association of County Councils (until 1997)

ADC Association of District Councils (until 1997)

AMA Association of Metropolitan Authorities (until 1997)

APT&C Associate Professional Technical and Clerical

ASHE Annual Survey of Hours and Earnings

BIS Department for Business Innovation and Skills

CCT Compulsory Competitive Tendering

COHSE Confederation of Health Service Employees

CPI Consumer Prices Index

DCLG Department for Communities and Local Government

DSO Direct Service Organisation

DLO Direct Labour Organisation

ECB European Central Bank

EHRC Equality and Human Rights Commission

EU European Union

FTE Full-Time Equivalent

GDP Gross Domestic Product

GLC Great London Council

GMB General, Municipal and Boilermakers' Union

HRM Human Resource Management

IMF International Monetary Fund

IDS Incomes Data Service (closed in 2015)

JCC Joint Consultative Committee

JNC Joint Negotiating Committee

LACSAB Local Authorities' Conditions of Service Advisory Board

LFS Labour Force Survey

LGA Local Government Association (from 1997 onwards)

NALGO National and Local Government Officers' Association

## **Abbreviations**

NAO National Audit Office

NBPI National Board for Prices and Incomes

NHS National Health Service

NJC National Joint Council (for local authority services)

NPM New Public Management

NUPE National Union of Public Employers

OECD Organisation for Economic Co-operation and Development

PFI Private Finance Initiative

PPP Public Private Partnerships

PRB Pay Review Body

PRP Performance Related Pay

PSED Public Sector Equalities Duty

RPI Retail Prices Index

RSG Rate Support Grant

TGWU Transport and General Workers' Union, from 2007 UNITE

TUC Trades Union Congress

TUPE Transfer of Undertakings (Protection of Employment)

UK United Kingdom

VAT Value Added Tax

WERS Workplace Employment Relations Study

# 1. Chapter 1 - Introduction

## 1.1. Background and motivation

This thesis explores the changing dynamics of collective bargaining in UK local government, and specifically the impact of austerity on pay and conditions across the sector since 2010. The narrative of 'economic crisis' has been used by central government to exert significant downward pressure on labour costs across the UK public sector, but local government has experienced particularly deep and fast paced spending cuts (Lowndes and McCaughie 2013; Taylor Gooby 2012; Taylor Gooby and Stoker 2011). Even though the specific focus on a relatively well-unionised sector where collective bargaining has survived (somewhat against the odds) might be considered to create something of a selection bias, the National Joint Council (NJC) *Green Book* of terms and conditions (NJC 2005) serves as a 'critical case' (Flyvbjerg 2006) to test our understanding of contemporary collective bargaining and industrial relations. As one of the few remaining voluntary collective bargaining agreements operating at a sector level with automatic extension to nearly 1.5 million largely low paid, female and part-time workers, it provides an opportunity to investigate the way in which coordinated systems of wage determination contribute to pay equity outcomes and align with the egalitarian aims of trade unions to secure a fair day's work for a fair day's pay (Metcalf 2005). However, as Allan Flanders notes the "trade unions have always had two faces, sword of justice and vested interest" (1970: 15); indeed if the local government framework cannot protect workers from declining living standards it seems unlikely that workers in the private sector will fare any better where institutional controls over pay setting are weaker still (Marginson 2015). The significant representation of women in the local government workforce means that the NJC agreement is important from the perspective of protecting the relative and absolute position of women in the wider labour market, which is under severe pressure as a result of public sector downsizing, outsourcing and welfare cuts (Green 2012; Rubery 2013; Rubery and Rafferty 2013). The current research is also an opportunity to explore whether collective bargaining as an institution of labour market regulation still has a place in the twenty first century system of production and work organisation (Emery 2015; Sisson 2015).

The empirical analysis is underpinned by two key questions. First, given the significant downward pressure on labour costs across the sector, how resilient is the national framework of collective bargaining? Second, given the need to make significant and rapid adjustments to budgets locally, how might trade unions negotiate with employers to provide increased flexibility around nationally agreed standards? In order to address these questions the current research is organised around an analysis of three distinct but

complementary dimensions of pay bargaining and employment relations (hereafter referred to as Papers 1-3).

- First, through an analysis of the outcomes of negotiations since 2010, **Paper 1** (Chapter 2 of the thesis) reveals how collective bargaining has been confined to a largely distributive agenda as a result of long-term financial and political pressures which have intensified under conditions of austerity (Walton and McKersie 1965). This paper also reflects on the response of the trade unions to increasingly disorganised decentralised bargaining (Marginson et al. 2003), and considers what the future might hold for collective bargaining through the NJC agreement.
- Second, through a comparative case study analysis of councils both inside and outside of the sector level NJC agreement, **Paper 2** (Chapter 3) analyses the contingent pressures which influence the choice of specific pay practices and contribute to variations in pay outcomes across organisations. (Cox 2000). The paper considers the role of the national agreement in 'regulating' local pay setting, and a comparison of two contrasting pay strategies in the form of performance pay and the living wage reveals the importance of local level political priorities in shaping reward system choices, over and above notions of economic rationality.
- Finally through further case studies, **Paper 3** (Chapter 4) explores the response of individual councils to externally imposed budgets cuts through processes of downsizing, internal reorganisation and the outsourcing of local authority services. Through a critical reappraisal of New Public Management (NPM) reforms, this paper considers what the rebalancing of 'work effort' as a result of restructuring means for our understanding of public service delivery and systems of joint regulation (Gill-McLure et al. 2003; Kirkpatrick et al. 2005).

Although each paper contains a discrete literature review, methodology and research questions, a unifying theme across all three papers is what the process and outcomes of negotiations between employers and unions reveal about the power dynamic between parties at different levels, and how these relationships are being reformed and reconstituted as a result of austerity. The approach takes into account changes in the *horizontal coordination* of pay setting (e.g. across the wider economy and across different parts of the public sector) as well as the *vertical integrity* of collective bargaining within local government specifically (e.g. the strength and articulation of national and local levels of joint regulation). Considering change along these two planes allows for a more contextually sensitive analysis, while also providing a means through which to extrapolate data from specific negotiations both within and across systems. Case study data from eight

local authorities are combined with key actor interviews with employers' and unions' representatives at national and local level in order to develop a multi-level picture of elements of continuity and change in wage determination and employment relations across the sector.

Earlier studies placed local government at the centre of industrial relations reform (e.g. Gill McLure 2013; Kessler 1989; Walsh 1981) but save for Bach and Stroleny (2014) and Grimshaw et al. (2012a) there have been few empirical studies exploring the current period of austerity as a specific driver of change in pay bargaining and employment practices in UK local government. The current research covers events between 2010 and 2015 and helps to address a significant 'descriptive gap' in our knowledge of pay bargaining since the start of austerity. From the perspective of industrial relations theory, the research goes beyond an analysis of the structural form of pay setting institutions in the public sector (e.g. Beszter et al. 2015) and seeks to expand on issues highlighted by recent secondary studies on the outcomes of the 1997 Single Status agreement (Deakin et al. 2015; Kessler and Dickens 2008; Oliver et al. 2014; Perkins and White 2010). The detailed analysis of national and local level pay setting and employment systems extends our understanding of the 'regulatory power' of two-tier bargaining structures (Kalmi et al. 2012; Marginson et al. 2003) as well as the interlocking nature of bargaining over pay, conditions and employment practices which is often underplayed in both economic and behavioural models of collective bargaining (Booth 1995; Walton and McKersie 1965).

This research shows that although there is evidence of increased employer unilateralism which represents something of a break with the past, the unions have attempted to preserve their 'sword of justice' role (Metcalf 2005) and have achieved some (albeit minor) successes in what are clearly very difficult circumstances. While the coercive power of the unions may have continued to decline, both the employer and the unions still draw a degree of legitimacy power from the preservation of a sector-wide collective agreement with high coverage and automatic extension, which protects the weakest councils and union branches alike and guarantees a minimum floor of employment standards. UNISON, Unite and the GMB have been able to successfully maintain a 'defensive' bargaining stance on core terms and conditions through the national agreement, and locally are actively engaged in efforts to preserve 'in-house' services and ensuring that employers observe equalities duties when making localised adjustments to staffing numbers and organisational structures. The unions also press employers to extend the coverage of localised living wage strategies while also promoting consistency and transparency in managerially controlled pay systems such as performance pay schemes. As a model for partnership, the Single Status agreement is far from perfect, but national

collective bargaining remains central to the coordination of minimum standards across the sector, and wage structures are still shaped by the principles of job evaluation codified in the *Green Book* nearly twenty years ago.

The rest of this chapter is structured as follows. Drawing on comparative employment relations literature, section 1.2 establishes the nature of retrenchment since 2010 and the scale of the threat to voluntary collective bargaining as a result of austerity reforms. Section 1.3 then outlines the analytical approach to the current study of pay bargaining in local government, drawing on both historical UK industrial relations literature along with more contemporary theoretically driven work to emphasise the complex and nuanced nature of employer and union interactions. Section 1.4 presents the research objectives and methods, outlining the philosophical justification for the current research design and the qualitative approach to answering the research questions including the sources of data. Section 1.5 presents a brief summary of the findings for each of the three papers, including the overall conclusions of the thesis and the contributions to literature. This introductory chapter focuses largely on the period up to the end of 2013 when the fieldwork began, in order to explore the background context and antecedents of events which unfolded during the 18-month period of data collection (late 2013 through to early 2015). However, in order to capture the full story of austerity reforms, Papers 1- 3 overlap with the introduction by reflecting on changes in pay and employment practices since 2010.

## **1.2. Employment relations and austerity**

This section briefly considers the process of fiscal consolidation and the implementation of public sector spending cuts across selected European countries. This stylised analysis places the UK as a liberal market economy at the more ‘radical’ end of the spectrum of reforms (both in rhetoric and reality), but recognises the general downward pressure exerted on the public sector in many developed economies as a result of the dominant narrative of ‘economic crisis’ which has been used by policy makers to legitimise cutbacks and reorganisation. The specific implications of austerity for a relatively uncoordinated and fragmented system of public sector employment relations are considered before the justification is made for UK local government as the focus of the current research.

### **1.2.1. Reforms across the EU: continuity and change; convergence and chaos**

The financial crash of 2007-08 triggered the widespread adoption of austerity policies by governments across the EU, putting direct pressure on pay and conditions for public sector workers, and restricting the scope to engage in meaningful social dialogue with trade unions at sector-level (Bach and Bordogna 2013). Cuts in real wages along with

reforms to pension schemes and the downgrading of other terms and conditions were seen as legitimate means to shrink the unit cost of state functions (Glassner 2010). As might be expected, those countries most exposed to sovereign debt pressures saw heavy cutbacks in the public sector: austerity measures in Italy took a heavy toll on local government (Bordogna and Neri 2014) and the conditions attached to Troika bailouts in fragile economies such as Spain, Portugal, Ireland and Greece led to the significant restructuring of employment relations (Koukiadaki et al. 2014). However, other coordinated market economies (CMEs) with a lower debt to GDP ratio such as Denmark also adopted what could be classed as broadly 'market-based' policies such as the raising of eligibility criteria for welfare payments and a reduction in the top marginal tax rate as a means to 'stimulate growth' (Hansen and Mailand 2013), and the linking of movements in public sector wages to that of the private sector also effectively meant a pay freeze in 2011 and 2013 (Mailand 2014). Job losses and outsourcing in the German public sector actually pre-dated the crash, and since 2010 the increasing share of the (albeit comparatively small) public sector in Germany classified as civil servants or 'Beamte' (who have no rights to collective representation under the sovereign employer tradition) gave central government greater scope for unilateral decision making over employment relations (Bosch et al. 2012).

Across the EU these reforms represented a clear threat to embedded systems of social dialogue and created significant scope for an accelerated marketization of public services (Hermann and Flecker 2013), and the levelling down of public sector wages to the lowest private sector comparators (Grimshaw et al 2012b). The convergence in public sector cutbacks across countries despite variations in the underlying levels of public debt (Bach and Bordogna 2013) illustrates that the notion of 'crisis' has an important discursive component which goes beyond 'rational' macro-economic strategising. The capacity to define a problem and hence narrow the range of possible solutions is of particular importance when constructing a policy paradigm, and the singular 'problematization' of an event creates the conditions in which a single solution is legitimised or made inevitable (Howell 2005). In order for political leaders to successfully develop and impose packages of austerity reforms, there had to be a strong discourse which clearly identified 'state enterprise' (in its various guises) as a key cause of failure namely: high levels of public spending; generous welfare systems; excessive regulation on businesses and the labour market; and a low proportion of the workforce employed in the 'wealth creating' private sector. Public spending cuts were then presented as the only response to reduce the ratio of public debt to GDP, as opposed to expansionary policies such as cutting regressive taxes (e.g. VAT), investing in infrastructure and expanding public sector employment.

Since 2010, ownership of the 'legitimate' economic discourse in the UK has been relatively uncontested. An initially 'Keynesian' approach of demand management in the form of sustained levels of public spending during 2008-09 actually helped to stabilise the economy particularly as interest rates remained low (Grimshaw 2013a). However, this approach unravelled as the situation in Greece worsened in 2009 (fuelled in part by the unrealistic bailout terms set by the ECB), and the simplistic analogy between national government and households responding to uncertainty by 'tightening the purse strings' gained traction with the electorate in the 2010 election year (Krugman 2015). Failing to cut back the public sector was presented as a threat to growth, creating the possibility of further Greek-style economic collapses across the EU. As other countries have softened slightly on fiscal consolidation, the UK central government remains committed to public sector spending cuts, further reductions in headcount, and wage restraint suggesting that austerity is not a one-off event but a source of ongoing savings (Krugman 2015)<sup>1</sup>.

A particular problem was the lack of effective resistance to austerity of left-wing political parties, and the machinery of industrial relations such as the trade unions and the peak union organisation the Trades Union Congress (TUC). The Labour party in the UK generally limited itself to making marginal distinctions between its own policies and that of the Coalition government in terms of the scale and pace of spending cuts without fundamentally questioning the 'need' for austerity. As in many countries the unions found themselves very much on the margins of the debate around the economy and the labour market. The unions accepted public sector pay cuts in Ireland (Erne 2013), and resistance to austerity in countries such as Spain and Greece tended to be borne out of more loosely coordinated social movements and political opposition rather than traditional forms of employer-union social dialogue. This reflects the difficulties that the unions experienced in creating and presenting an alternative narrative which had a broader appeal beyond just that of protecting 'featherbedded' public sector workers (Bach and Bordogna 2013). The next section offers a critique of austerity policies in the UK public sector.

### **1.2.2. Downward pressures on the UK public sector**

Taking greater control of public sector employment relations proceeded along four key dimensions: retrenchment; blanket downward pressure on collective agreements; support for the decentralisation and marketization of pay setting mechanisms; and wider reforms of the employment relations landscape.

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<sup>1</sup> A Conservative majority government elected in May 2015 plans to introduce a legal duty on government to run a surplus in public finances which means that the tight control of public spending will continue for the foreseeable future whichever political party is in charge

### **1.2.2.1. Retrenchment**

Following the undecided outcome of the May 2010 UK national elections a coalition government was formed by the Conservative and Liberal Democrat parties and it wasted no time in announcing a raft of severe austerity measures designed to 'rescue' public finances and eliminate the structural deficit over the course of the 5 year parliament. Austerity reforms were largely focused on ensuring that public sector workers 'shared the pain' experienced by the private sector during the immediate aftermath of economic crisis (where nominal pay growth turned sharply negative between 2008 and 2009 before rebounding slightly in 2010, Marsden 2011). The Comprehensive Spending Review of October 2010 outlined 25% departmental budget cuts over four years (totalling £81bn) along with: a two-year pay freeze for all public sector workers earning more than £21,000 per annum to be followed by two years of pay capped at 1%; the loss of almost 500,000 public sector jobs; and a £7bn cut in the welfare budget. This was argued to be essential in order to prevent the UK succumbing to the sovereign debt crises witnessed in countries across the EU. While these structural reforms were presented as a necessary adjustment to the economy and labour market, there was a clear underlying ideological commitment to reducing the size of state. Speaking ahead of the general election in 2010 the leader of the Conservative party (now the Prime Minister) David Cameron commented:

*"In some parts of the country the state accounts for a bigger share of the economy than it did in the communist countries in the old eastern bloc...this is clearly unsustainable" (BBC News online 25<sup>th</sup> April 2010).*

### **1.2.2.2. Pay restraint**

The impact of the downward pressure on the five largest public sector pay agreements (totalling nearly 3.5m workers) can be seen in table 1-1. Most parts of the public sector are now covered by independent pay review bodies (PRBs) which allowed central government (as the direct employer) to impose a pay freeze for 2011 and 2012. Local government is the only large agreement where voluntary collective bargaining is in place, but the national employers (acting on behalf of 320 individual councils) actually adopted a pay freeze a year early in 2010 which the employers' representative body, the Local Government Association (LGA), argued was essential to help protect in jobs in front-line services.

**Table 1-1 – selected public sector agreements 2010-13 (covering more than 100,000 staff)**

<b>Agreement/staff group</b>	<b>Format/Mechanism</b>	<b>No. of employees covered</b>	<b>Unions</b>	<b>Settlements since 2010 (date when agreements are valid from)</b>
<b>Local government NJC (England &amp; Wales)</b>	Voluntary CB	1,400,000	UNISON, Unite, GMB	2010 – 2012: 0% April 2013: 1% plus deletion of bottom scale point
<b>NHS</b>	PRB	1,200,000	GMB, NIPSA, RCM, RCN, UCATT, UNISON, Unite, USDAW	April 2010: 2.25% 2011 & 2012: 0% April 2013: 1%
<b>School teachers (England and Wales)</b>	PRB	495,000	ATL, NAHT, NASUWT, NUT, PAT, SHA, UCAC	Sept 2010: 2.3% 2011 & 2012: 0% September 2013: 1%
<b>Armed Forces</b>	PRB	174,890	None	April 2010: 2% 2011 & 2012: 0% April 2013: 1%
<b>Police Negotiating Board</b>	PRB (including indexation until 2007)	144,000	None – Police Staff Associations sit on the PNB	September 2010: 2.25% 2011 & 2012: 0% September 2013: 1%

Source: Labour Research Department pay survey 2013, pay awards from respective agreements, author's own compilation

### **1.2.2.3. Pay reforms – marketization and flexibility**

In addition to controlling overall pay growth, the government was also keen to level down the ‘public sector premium’, and remove some of the ‘unfair’ privileges associated with public sector jobs such as ‘gold plated’ final salary pension schemes and automatic pay progression. The notion of ‘fairness’ was a particular motif of the early stages of the coalition’s budget setting and austerity reforms. The £83bn packages of cuts announced in the emergency budget was proposed by David Cameron “to deal with the deficit, but do that in a way that's fair and takes the country with us” (The Telegraph online 20<sup>th</sup> October 2010). Savings from public sector spending would inevitably come from labour costs, but the government was also at pains to point out that the expectation was that “those with the broadest shoulders should make the biggest contribution”. The pay freeze was to be offset by small flat rate payments of £250 for those public sector workers earning less than £21,000, which alongside plans to strengthen the national minimum wage and the lifting of the tax-free personal allowance threshold to £10,000 (achieved a year early in 2014) were presented as evidence that the lowest paid would be protected from the worst of austerity.

There was also a crudely redistributive dimension to some of the early discussions about pay. High pay in the public sector had been identified by the outgoing Labour government as an issue to be addressed, and the new Coalition government endorsed the findings of the Hutton review into public sector pay<sup>2</sup> which proposed that pay ratios between the highest and lowest paid workers within public sector organisations should not exceed

<sup>2</sup> This review was commissioned under the Labour government in 2010 but the recommendations were not published until 2011

1:20. The Hutton review was followed with a new requirement for local authorities to publish salary details of posts (although not necessarily individual names of post holders) which attracted a salary of more than £58,000 per annum, and to calculate the ratio between the highest and lowest earners within the council. This was expected to act as a brake on pay growth at the top (which increased by 75% during the 2000s more than double the rate of increase for all full-time employees; Communities and Local Government Committee report HC 191 2014), and to incentivise councils to raise pay at the bottom. More generally, the Hutton review was expected to further underline the problem of public sector ‘fat cats’ and act as means to drive down senior pay but in fact revealed that the problem of potentially corrosive wage dispersion was far more pronounced in the private sector (Scott and Williams 2014).

Seniority-based pay scales are being phased out in the Civil Service, and in 2013 the minister for health described the system of annual incremental pay progression linked to length of service as ‘at best...antiquated and at worst...deeply unfair...’(The Guardian online 4<sup>th</sup> October 2013). The Chancellor asked the chairs of all six public sector Pay Review Bodies (covering areas such as the health service, prisons and teachers, see table 1-1) to explore options for introducing ‘market facing pay’ based on local economic conditions, but this was rejected on the grounds that professional labour markets were still predominantly national rather than local<sup>3</sup>. Furthermore, the desire of ministers to incorporate performance and labour market factors is based on questionable estimates of the ‘preferential’ pay and conditions enjoyed by public sector workers. Time-served progression pay scales have their roots in the apprenticeship system of craft work and are based on the principle that workers join at below market rates and, by gaining experience over time within the organisation, progress through pay points up to a fully competent market rate. It can therefore be argued that the system in fact saves money by paying below the market rate until the worker has gained the necessary skills and experience to move up. Furthermore, rather than being an arrangement which is unique to the public sector, there is strong evidence that ‘time-served’ progression systems are also relatively common in the private sector (IDS 2014). The so-called ‘public sector premium’ has been found to be largely a result of differences in the qualification and skill levels of workers along with the specific occupational mix within each sector, and not the inherently greater concern of public sector paymasters (along with trade unions) for issues of fairness (Beaumont and Leopold 1982; Blackaby et al. 2012; IDS 2013; Müller and Schulten 2015). Employers do not want to pay more than they have to for labour but quality public services may be difficult to deliver if the public sector follows employers in low paying

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<sup>3</sup> <http://www.miphealth.org.uk/News/HomepageNews-31624.aspx>

sectors such as retail and hospitality where the national minimum wage is often misused as the going rate (Grimshaw 2013b).

#### *1.2.2.4. Employment relations*

The announcement of an emergency budget in June 2010 followed by the Comprehensive Spending Review of October gave social partners and key stakeholders little time to engage with or prepare responses to the proposals for heavy public sector and welfare cuts. The creation of the Office for Budget Responsibility (OBR) was an attempt to introduce an element of independence and scrutiny to financial issues of government, but this did not extend to actual policy making or the critique of ministerial decision making. Rather than attempt to engage social partners such as the trade unions or even the public sector employer bodies themselves in productive forms of negotiation and consultation, reforms since 2010 have tended to be underpinned by unilateralism on the part of central government rather than cooperation. The pay freeze was announced without consultation with the public sector employers or the chairs of the PRBs, and neither was the announcement of a £250 flat rate low pay supplement for public servants earning less than £21,000 per annum. Although this was small relief for many low paid workers, the lack of additional funding for local government (in contrast with the extra funding given to health and education) meant that this was not considered affordable. In 2011 the first national one-day public sector strike for nearly a decade was called over a raft of pension reforms including: raising the retirement age from 65 to 68; increasing worker contributions; switching from a final salary scheme to a 'career average' scheme; and the uprating of pensions in-line with Consumer Prices Index (CPI) inflation (which tends to be lower than the Retail Prices Index (RPI) previously used). Somewhere between 1.3 and 2 million public sector workers were out on strike on the 30<sup>th</sup> November, which was reasonably effective in achieving some minor concessions from government in order to protect low earners but many of the reforms were eventually endorsed by union members (Bach and Stroleny 2013).

In addition to direct reforms of employment relations since 2010, the coalition government also attempted to undermine the legitimacy of the trade unions by opening a consultation on the costs to tax payers for trade union officials to (legitimately) perform their duties (known as 'facility time'). The coalition government reversed a number of New Labour policies of employment relations 're-institutionalisation' which were relatively effective in the public sector (Bach and Kessler 2011). This included: reverting back to the two-year qualifying period for unfair dismissal; the removal of the two-tier code which discouraged employers from engaging new staff in outsourced services on inferior pay and conditions than TUPE transferred workers; and the weakening of

equalities policies by cutting funding for the Equality and Human Rights Commission (EHRC) - although proposed reforms of the public sector equalities duty (PSED) were deferred until 2016 when the duty will have been in place for a full five years<sup>4</sup>. This can be interpreted as a marked change from the residual 'liberal collectivist' model of employment relations inherited from the previous Labour government of 1997-2010 (Grimshaw and Rubery 2012), and these changes in the wider institutional landscape have made it increasingly difficult for the unions (and by extension workers) to mobilise against austerity (Kelly 1998). The narrative of crisis was clearly important and as with previous turbulent episodes such as the 1979 'winter of discontent', the reform of public sector labour has been presented as an economic necessity (Howell 2005). Similarly the fragmented nature of pay setting and employment relations across the public sector meant that the pressures of austerity impacted on different collective agreements in different ways.

### **1.2.3. Austerity and local government**

Within the package of reforms, local government as a significant and highly visible expression of the welfare state was targeted for heavy budgets cuts and structural reorganisation since 2010 (Lowndes and McCaughie 2013; Taylor Gooby 2012; Taylor Gooby and Stoker 2011). Inclusive of workforce groups such as the fire service and teachers, local government is the largest employer within the public sector, with more than double the number of staff than in the NHS (Bach and Stroleny 2014). At national level, the Department for Communities and Local Government (DCLG) was forecast to see a 27% cut in its local government budget and a 51% cut in its communities budget over the five year parliament, although real terms cuts (adjusted for inflation) for the sector were estimated at closer to 40% (LGA 2014a). The Prime Minister spoke of his vision for 'the complete modernisation of public services' but the attempts to protect health and education budgets meant that local government remained the poor relation within the public sector (Bach 2011). There was a clear correlation between levels of deprivation and spending power reductions, and the consequence of these lopsided departmental cuts and shrinking welfare was that as Taylor Gooby and Stoker (2011) note, the poorest individuals in society and the poorest regions of the country would be worst affected. There is some evidence to suggest that councils attempted to protect those services typically relied on by disadvantaged residents (e.g. daycare services, adult and children's social care), while making deeper reductions to the funding for universal services accessed

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<sup>4</sup> [file://nask.man.ac.uk/home\\$/Downloads/SN06591.pdf](file://nask.man.ac.uk/home$/Downloads/SN06591.pdf)

by more affluent sections of the population such as museums and libraries (Hastings et al. 2013).

Reflective of these growing pressures a number of councils filed for bankruptcy between 2010 and 2013, and at the end of 2013 around 20% were judged by the Audit Commission to be at risk of experiencing significant financial hardship (Audit Commission 2013). Part of the problem is that despite the local system of taxation in UK local government (e.g. through council tax and business rates), the control of funding is highly centralised. The proportion of local authority funding made up of central government grants declined steadily throughout the 1980s (Adam et al. 2007), but the introduction of the short-lived community charge ('poll tax') in 1990 followed by the subsequent council tax system (which is still in place) saw locally collected non-domestic rates transferred to the centre and re-distributed to councils on the basis of needs (rather than just the value of commercial properties within council boundaries). This created one of the most centralised systems of local government finance in the developed world: only 25% of local authority expenditure is funded directly from locally raised revenues (DCLG 2014). Cuts to central grants therefore had clear consequences for services and the workforce.

Local government is a large, diverse and geographically dispersed sector: there are 353 individual local authorities in England and Wales, delivering a wide range of services including: statutory safeguarding and social care for vulnerable children and adults; culture, leisure and library facilities; along with environmental, waste and public realm management. Individual councils vary in size from 30,000 employees to less than 100, but generally speaking it is a labour intensive and female dominated sector: at around 1.5million staff the total workforce is the largest in the public sector over 50% of which are women in part-time roles, and the annual pay bill is over £23 billion (LGA 2014b). The National Joint Council for local authority services NJC is the largest single collective bargaining agreement in the UK, agreed under the 1997 Single Status *Green Book* of terms and conditions. The three recognised trade unions in local government (UNISON, UNITE and GMB) participate in single-table bargaining over pay and conditions with the local government employers, coordinated by the LGA, with unilateral recourse to external arbitration in case of deadlock in negotiations (Kessler and Dickens 2008) (Box 1).

**Box 1 - Trade unions and employers in local government**

Name	Description	Members (2013)	Dues '000s (2013)
GMB	General union with no formal demarcation of membership domains	613,384	£60,468
Unison	Public sector union, (largest local government and healthcare sector trade union)	1,301,500	£171,076
Unite the union	General union with no formal demarcation of membership domains	1,424,303	£151,302

Source: Reports of the Certification Officer 2012/13, accessed at: <https://www.gov.uk/government/publications/public-list-of-active-trade-unions-official-list-and-schedule/trade-unions-the-current-list-and-schedule>

The three unions submit a joint annual pay claim but have quite distinct organisational and membership profiles. UNITE was formed in 2007 by the merger of Amicus and the Transport and General Workers' Union (TGWU), and is the largest trade union in the UK with around 1.4m members. UNITE has only 70,000 members in local government making it the smallest union represented on the NJC, but has a strong representation among lower paid male manual occupations such as estates management, fleet and vehicle maintenance along with private sector providers of council services. GMB is a smaller general union (around 600,000 members with 220,000 in local government), but with high concentrations of members in waste and refuse services, and school support roles (particularly academies which fall outside the control of local authorities). UNISON was formed in 1993 from the health service union COHSE, the local government union NALGO, and the general public services union NUPE, and currently has 1.3m members (around 600,000 in local government) who are largely female, and from a range of occupational groups including care work, school catering and support, administration, social work along with a number of senior managers and chief officers.

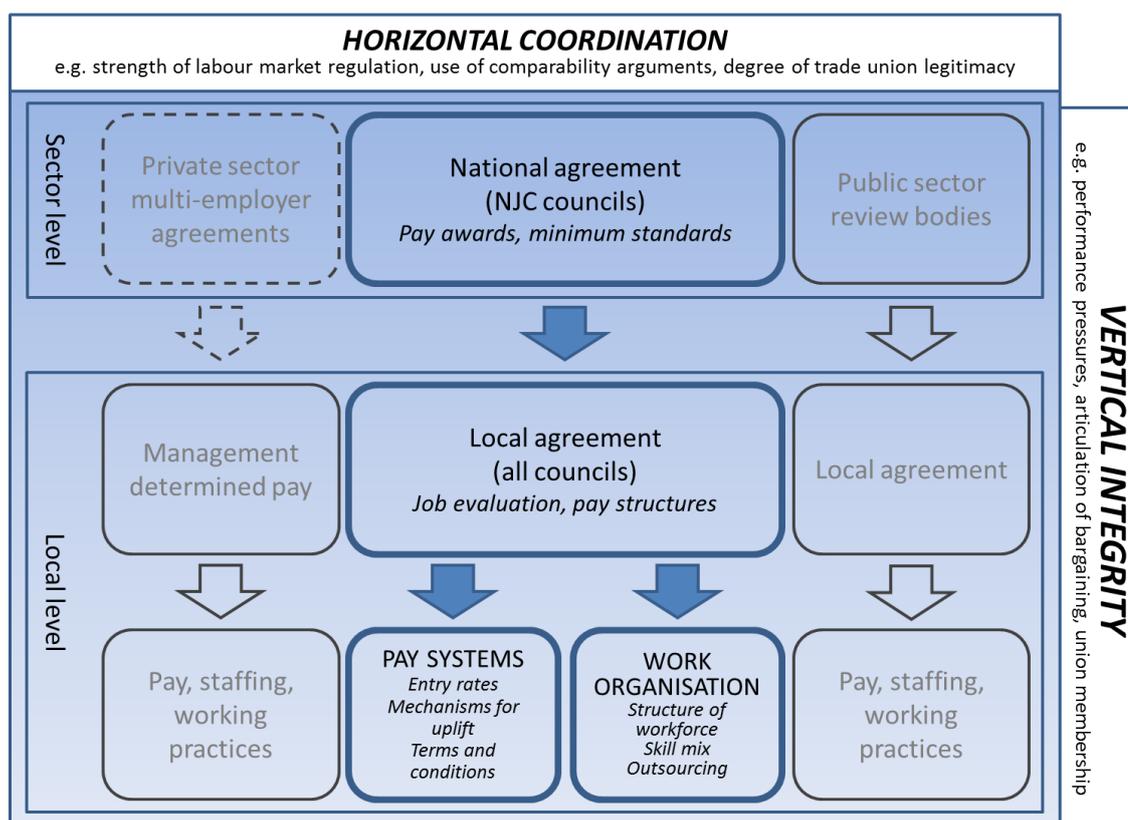
The LGA offers consultancy advice and represents councils as a collective in negotiation with trade unions and public communications. It was created in 1997<sup>5</sup> following a merger of three local authority associations: the Association of County Councils (ACC); the Association of Metropolitan Authorities (AMA); and the Association of District Councils (ADC), along with the Local Authority Conditions of Service Advisory Board (LACSAB). There are also political sub-groups within the employers' side (Conservative, Labour and Liberal Democrat, and Independent groups) and leadership of the LGA tends to switch between Conservative and Labour as the largest representative parties across the sector.

<sup>5</sup> The LGA was part of a wider network known as the 'Local Government Group' before all component parts were merged under the LGA umbrella branding in 2012

### 1.3.Relevant literatures

The data reviewed so far illustrates the complexity of the institutional context which surrounds public sector pay setting in the UK, and the often tense relationship between employers and unions mediated by the role of the central state. Pay setting in UK local government forms part of a complex and multi-tiered system which is fragmented across distinct areas of public sector employment and combines elements of both sector and local levels of joint regulation (Bach and Stroleny 2014). Public sector pay setting is then in turn ‘nested’ in a wider system of pay determination across the economy which in the UK combines elements of managerial unilateralism in many parts of the private sector, with residual forms of collective negotiation between employers and unions in the public sector. Drawing on a range of public sector industrial relations literature, along with broader literatures on the role of trade unions, collective bargaining, and human resource management, this section sets out the specific factors influencing pay setting and employment relations in local government, and how this aligns with wider changes in the collective bargaining landscape as a result of economic and labour market restructuring over the last 40 years. It is proposed that the analysis of changes in pay determination can be conceptualised along two dimensions: the *horizontal coordination* of pay setting across the economy, and the *vertical integrity* of pay setting within specific sectors or industries (figure 1-1).

Figure 1-1 - a schematic model of the organisation of employment relations



The *horizontal coordination* of pay setting relates to the overall significance of collective systems of wage setting across the economy, the legitimacy power of trade unions to exert an effect on labour market outcomes, and the extent to which trade unions can coordinate bargaining strategies and tactics across industries. This may be through comparability arguments at a sector level (represented across the upper part of figure 1-1) where unions explicitly attempt to maintain parity between occupational groups in different industries (e.g. skilled manual workers across the engineering, metalwork, and chemical sectors) or through local level pattern or 'whipsaw' bargaining (represented in the lower part of figure 1-1) where union branches attempt to use the labour market conditions affecting individual firms or plants to maintain or increase wages (e.g. by emphasising the potential loss of staff to better paying firms). At a sector level, the degree of coordination may be shaped by the opportunities for tripartite economic policy making between the state, employers' representatives and the unions, and inclusive labour market regulation which helps to protect workers from low wages and precarious working conditions. For example coordinated collective bargaining can contribute to egalitarian outcomes such as low wage dispersion and a reduction in the incidence of low wage work (Visser and Checchi 2009), driven by notions of a fair day's work for a fair day's pay. Sector level agreements may set pay and conditions for all firms and workers (through the use of automatic extension mechanisms), and the coordination of sector agreements may establish the 'going rate' for occupational groups and industries based on movements in average earnings and prices. At local level, the ability of unions to engage in pattern bargaining may be shaped by the tightness of the labour market, the profitability of individual firms or plants to be able to increase wages, and the willingness of union members to go out on strike.

In the UK context outlined in figure 1-1, the weakening of comparability arguments for setting public sector pay in the 1980s along with the decentralisation of pay in the private sector led to a gradual disintegration of coordinated bargaining across the economy at sector level (Emery 2015). The coordination between the sector level agreement in local government (shown in the middle column of the diagram) and the few remaining multi-employer agreements (as indicated by the dashed line surrounding the box in the top left of the diagram) is now almost non-existent which means that the ability of unions representing the interests of workers in one sector to draw on a 'demonstration effect' of successful union bargaining in another sector is negligible. Fragmentation within the public sector means that the unions have faced difficulty in coordinating bargaining strategies across different collective agreements even where the same unions are recognised. Pay review bodies replaced voluntary collective bargaining in most parts of

the public sector during the 1980s<sup>6</sup> which arguably gave the individual unions greater direct access to central government paymasters, but at the same time undermined the common stance on pay rates, terms and conditions, and occupational (rather than sectoral) relativities (Beaumont 1992). Moreover, continued questions about the right of public servants to strike suggest that the survival of collective bargaining as an institution (or network of institutions) increasingly depends not only on coercive power (e.g. from union strikes) but also on 'legitimacy power' which is the extent to which society legitimises the wider role that collective bargaining fulfils (Simms and Charlwood 2010).

The *vertical integrity* of bargaining relates to the strength of collective bargaining within a sector or industry (in isolation) and the ability of the unions to prevent the erosion of pay and conditions through sector and local level negotiations. The pressures acting specifically upon the two-tier system of pay setting in UK local government reflect longstanding tensions between central and local decision making and political control, and the attempt to balance elements of flexibility in pay setting with tight cost control. For example, the sector level agreement has been used by central government to impose wage discipline at various points in time through the use of incomes policies and pay caps in order to control costs and inflation. At the same time, central government has attempted to introduce elements of flexibility into pay setting in order to allow individual employers to adapt pay rates and scales to local level financial, performance and labour market conditions. The outcome of this is that the national agreement has tended to set relatively low minimum standards, with significant scope for local uplift (within the overarching shell of the NJC agreement), for example increasing rates of pay for specific roles where the labour market is tight (a process known as 'grade drift') (Perkins and White 2010; Walsh 1981). In addition, more than 40 councils operate entirely independently of the higher level sector agreement with localised procedures for pay setting (Bach and Stroleny 2014; Bryson et al. 1993). These councils may take a 'cue' from the higher level national negotiations through the NJC when setting their own pay awards, but they are not directly obliged to mirror what is agreed at a higher level. Despite this the rules and procedures surrounding bargaining structures help shape the behaviour of individual councils and individual actors within the system whether or not they are formally part of the NJC agreement. The problem with this local level variation is that it can result in a greater segmentation of the workforce along geographical and occupational lines where the unions are not able to build local level bargaining strength to press for higher wages across the sector. The localised managerial control over working practices, the skill mix and processes of outsourcing also creates significant room to evade national standards

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<sup>6</sup> Including the health service, police and school teachers

where they are perceived to be too restrictive (Kessler 1989), and the managerial control over firm-level pay setting in the private sector means that the opportunities to engage in whipsaw or 'solidaristic' pattern bargaining at local level are also drastically reduced.

The trade unions are therefore becoming increasingly isolated at both national and local level, and find they have limited influence over labour market outcomes within and across sectors. The outcome of change along the *horizontal* and *vertical* dimensions is that national systems of employment relations are becoming increasingly internally diversified along sector or industry lines with a higher degree of decentralisation and devolution, while at this disaggregated level there are increasing cross national similarities; what Katz and Derbyshire (2000) describe as a pattern of 'converging divergences'. Indeed it has recently been argued that the sector context is as important if not more important than the country context in understanding systems of employment relations (Bechter et al. 2012). Exploring these multiple linkages and how they align with the trajectory of change in local government employment relations is crucial, as it allows us to situate current reforms in context and explore why the sector agreement survived previous attempts by central government to impose decentralisation.

### **1.3.1. The horizontal coordination of pay setting**

Through the mechanism of voluntary collective bargaining unions are able to influence both the process and substantive outcomes of pay setting (Heery 2009), defending members' basic economic interests and pursuing the egalitarian concern of 'fair pay' by preventing low wages and achieving a compressed wage structure – what has been called 'the sword of justice' (Metcalf 2005). Indeed, it is the notion of 'equal pay for work of equal value' and the development of pay scales attached to jobs rather than people which helps to explain much of the union success in achieving egalitarian outcomes (Machin 1999). The influence of unions over issues of fairness in the UK public sector historically found expression through the collective bargaining machinery of Whitley Councils in the use of comparability clauses to set annual pay awards (Bailey and Trinder 1989; Ironside and Seifert 2003), action on low pay through bottom-weighted and flat-rate pay deals (Morris 2000), and the agreement of national pay scales and basic rates for a range of occupations (Beaumont 1992; McIntosh 1955). The UK has tended to follow the model employer approach which is based on a common law tradition that does not differentiate between systems of employment in the public and private sectors, and while recognising a plurality of interests between employer and employees places collective joint regulation at the heart of employment relations (Bach and Stroleny 2014).

The ability of the trade unions to shape the level and distribution of wages has come under significant pressure as a result of structural changes in the UK economy and labour market, as well as changes in the legal and political environment which have undermined the role of unions in regulating working conditions and representing the interests of organised labour. Kelly (1998) argues that periods of union strength are often followed by periods of 'counter-mobilisation' by the state in order to weaken the unions and organised labour and strengthen employers' right to manage. As outlined in figure 1-1, where collective bargaining still exists in the UK private sector it is generally decentralised, taking place between management and unions at firm, plant or unit level with a greater emphasis on performance and labour market conditions as opposed to the 'going rate' (Marginson 2015). While individual firms may recognise unions for the purposes of bargaining, there is a relatively limited role for unions in coordinating occupational wage rates across firms and sectors (Visser and Checchi 2009). The decline in unionism has been described as the 'counter-revolution' of our times (Phelps-Brown 1990) and as Brown (2009a: 22) observed, 'possibly the most remarkable feature of the period after 1980 in Britain was the collapse of collectivism as the main way of regulating employment'. In contrast with parts of Europe where strong sector level agreements along with more integrated systems of social dialogue helped to ensure that decentralisation proceeded in an organised manner (with a clear delegation of bargaining activities from national to local level and with no implicit erosion of pay and conditions), the decentralisation of pay setting in the UK has tended to be more disorganised with employers increasingly free to set pay and conditions unilaterally in-line with the prevailing economic and labour market conditions (Sisson 2015). Whereas comparability mechanisms, indexation and cost of living arguments may have once sheltered workers from turbulence in the economy, market risks are now increasingly borne by individuals (Edwards 1995).

Moreover, the shift to an increasingly individualised rights-based regime, has led some to conclude that voluntarism in the UK 'is dead' (Dickens and Hall 2010), but given the overall weakness of employment protections in the UK (Hall and Soskice 2001:165 table 4.1), it is perhaps more a case that worker representation in all its forms is in very poor health. The restrictions placed on trade unions in the UK since the 1980s means that a once strong union movement has become simultaneously weakened and consolidated, with fewer more 'generalist' unions exerting less of a direct influence on government policy, and relying more on political lobbying (Bach 2002; Terry 2000). The shift from a straightforward focus on achieving a mark-up over non-union members to that of equalities reflects the general weakening of collective bargaining power, and also the changing composition of the workforce and trade union membership. Action on low pay

through bottom-weighted pay deals alongside more overt attempts to raise the relative pay of women have become important bargaining strategies for unions (Dickens 1999; Heery 2006). Metcalf summarises the changing role of unions thus:

*“any impact of trade unions on economic performance is more muted than it was twenty years ago. But unions still wield the sword of justice in the workplace. Unions narrow the distribution of pay, promote equal opportunity and family friendly policies, lower the rate of industrial injuries, and handle grievances” (2005: 14).*

The balance of unionism has shifted decisively away from the private sector and towards the public sector where unions have a greater ability to organise workers within national labour markets aligned to a more unified system of production (Brown 2008). As of 2014 54.3% of public sector workers were members of a trade union which is far higher than in the private sector (14.2%) and 60.7% were covered by centralised pay setting compared with just 15.4% in the private sector (BIS 2014). Collective bargaining in the public sector has traditionally been seen as a political process with many nuanced compromises and trade-offs (Beaumont 1992), creating a spaces for the prioritisation of egalitarian concerns such as protections for low earners and the improvement of the relative position of women (Heery 2006).

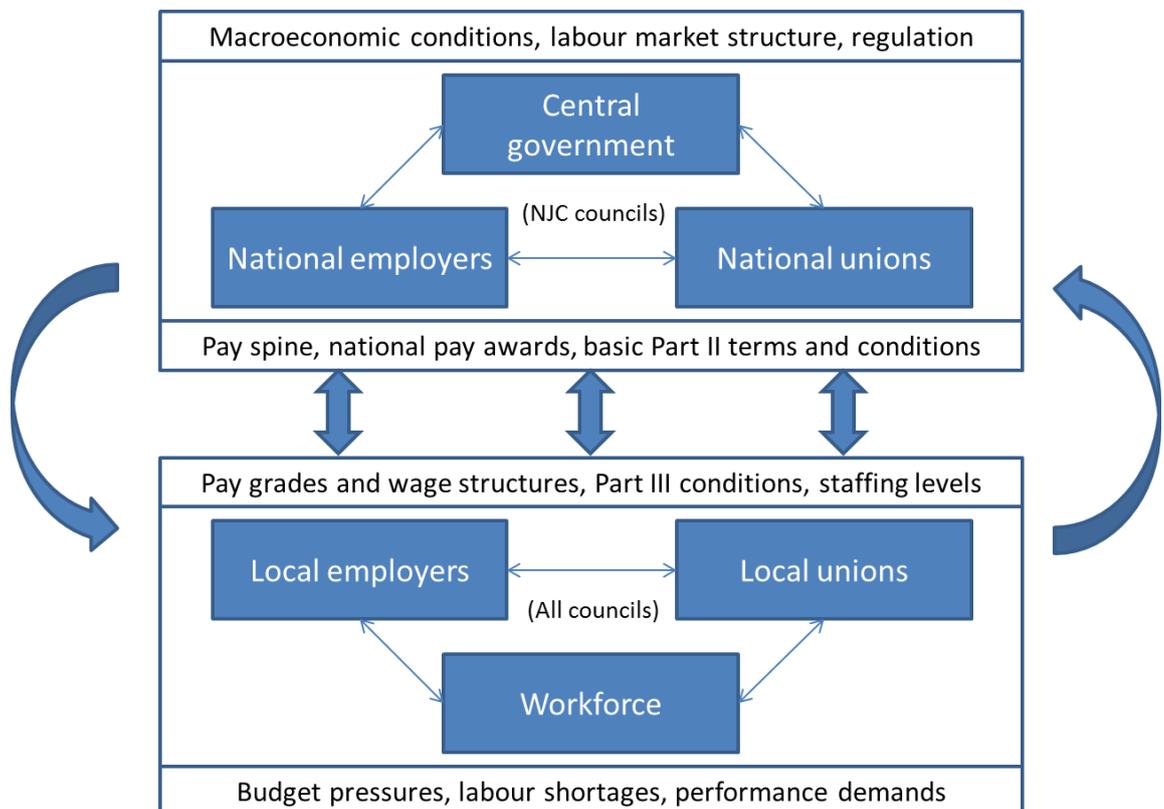
At the same time, the highly politicised nature of pay setting means that relationships between bargaining parties are shaped by wider considerations such as public perceptions of legitimacy and affordability, and the way in which both sides present their respective positions to the media. The process of attitudinal structuring in Walton and McKersie’s (1965) classic model of collective bargaining recognises that negotiations involve more than just the substantive terms of the deal; levels of trust are affected by the degree of openness and transparency in negotiations. The process of reaching agreement can produce positive or negative relational outcomes based on how parties perceive they have been treated, which in turn sets the context for future negotiations (Kochan and Lipsky 2003; Sisson 2015). The specific economic pressures acting on public sector pay setting, and the inability to absorb higher wage costs through higher prices or declining profit margins also mean that collective bargaining tends to be distributive in nature as opposed to ‘mutual gains’ where both sides gain equal utility from the terms of the deal (Walton and McKersie 1965). Whereas pay in the private sector may fluctuate in-line with profitability, shifts in the product market and the competitiveness of labour markets for specific skills sets, public sector pay is typically held in check by inflationary concerns when the economy is growing, but comes under specific and often severe pressure from policy makers and politicians during a downturn in order to release cashable savings. Thus public sector pay is both the subject and means of economic reform (White 1996). Countries as diverse as the US, the UK, Germany and Sweden have seen adjustments in

public spending, and the marketization of employment relations driven by the privatisation of services, a downgrading of the social wage and increasingly flexible forms of employment (Peters 2012).

### 1.3.2. The vertical integrity of the two-tier system of employment relations in local government

Pay setting in local government is notionally vertically integrated in that there are common standards which local authorities within the NJC are expected to apply, which are above statutory minima. 46 local authorities operate outside the sector agreement although these councils still tend to follow at least the minimum standards set out in the *Green Book*. Annual cost of living pay awards tied to a single pay spine are agreed at a sector level between employers' representatives and trade unions, along with variations to core terms and conditions such as occupational sick pay, working hours and maternity leave. Figure 1-2 shows the inter-dependent nature of national and local collective forms of joint regulation, and the respective forces shaping the process and outcomes of negotiation at each level. Issues agreed nationally have a direct bearing on patterns of negotiation and management strategy at local level, and issues raised by employers, unions and workers at local level can feed back into national negotiations through internal channels of consultation.

Figure 1-2 – the dynamics of two-tier bargaining in UK local government



The sector agreement in local government has no statutory underpinnings and arbitration has always been seen as morally rather than legally binding (Walsh 1981). Under section 112 of the Local Government Act 1972, all Councils (in or outside the NJC) have the “power to appoint officers on such reasonable terms and conditions as the authority thinks fit”. Most councils operate a mixture of collective bargaining and consultative structures at local level through which employers engage with staff over issues of pay and working conditions, although there is arguably more of a loosely coordinated system in local government than other parts of the public sector owing to the existence of more than 350 separate employers that have jealously guarded their right to decide on most employment matters locally (Bach and Stroleny 2014; Kessler 1991). Centralisation was slow to develop in local government, and although bargaining groups for manual staff were operational under Whitley JICs from 1919, membership of individual councils was patchy during the 1920s and 30s and the majority of white collar Associate Professional Technical and Clerical (APT&C) staff were not covered by centralised agreements until 1947, at the same time as the first central employers association was formed (Beaumont 1992). Centralisation in local government was difficult to achieve owing to the fact that individual local authorities as employers were reluctant to cede control over ‘manpower’ issues, and some union branches had been successful at playing councils off against each other and leveraging upward pressure on wages which would be lost by standardisation (McIntosh 1955).

The UK local government ‘Single Status’ collective agreement, developed in the final year of the 18 year conservative government in 1997, was in many ways a watershed moment in equality bargaining and public sector employment relations. Although employers retained the freedom to set entry rates and specific pay grades locally, the terms of the new *Green Book* of national terms and conditions required employers to harmonise manual and non-manual occupations onto a single pay spine. ‘Part II’ conditions are set nationally and include: a 37 hour week; occupational sick pay rates and minimum annual leave and maternity leave rights. ‘Part III’ conditions are agreed locally and include: mileage rates for car users; overtime and unsocial hours premiums; and sleeping in allowances. In a sense this can be interpreted as an exemplar of the ‘sword of justice’ role, but the implementation of the new agreement highlighted the entrenched inequality within local government pay systems. This in part reflected the less than scientific approach to job evaluation and grading in the past, along with pervasive social norms about the relative ‘worth’ of work typically undertaken by men and women. Single Status was designed to address the systematic undervaluation of female-dominated roles along with the locally administered productivity bonus scheme which favoured male-dominated manual roles (Lissenburgh 1995; Perkins and White 2010; Wright 2011). In the past the

trade unions had been accused of historically failing to effectively represent the interests of women workers (Colling and Dickens 1998), and local government unions were integral to the operation of the productivity bonus scheme dating back to the 1960s which largely excluded groups of female workers in blue-collar care, cleaning and catering roles. Even the redrawing of national manual pay grades in the late 1980s specifically to take account of equal pay for work of equal value did little to improve the relative position of many women in part-time roles, and the bottom two grades on the pay structure in effect remained 'women's grades' (Coyle 1989). Women were also markedly under-represented among full-time officials in NALGO, NUPE and the GMB (op. cit.).

The Single Status agreement was meant to represent a new 'partnership agreement' between the employers and unions nationally by bringing together formerly distinct bargaining groups under a 'single table' approach, while also providing the means for individual councils to reach similar partnership deals with locally recognised unions. Decentralised bargaining within the NJC is relatively 'organised' in that there is a demarcation of bargaining activities between national and local level, and the higher level framework establishes the scope and depth of negotiations over pay and terms and conditions. Beyond the determination of specific pay outcomes across organisations, collective bargaining regimes exert a 'regulatory' effect on pay practices within organisations (Kalmi et al. 2012; Marginson et al. 2003), that is the content of collective agreements along with the rules and procedures which actors are expected to follow set parameters around what is considered acceptable and legitimate. At the same time, higher level pay frameworks that are seen as too constraining, can provide the motivation for organisations to seek greater autonomy. This can lead to variations in pay rates and pay practices across organisations within a sector such as the use of variable pay systems and efficiency wages to attract the best staff (Brown and Terry 1978). As Kalmi et al. (2012: 1646) note the "prevailing system provides a set of norms which organisations are constrained by, have to find ways to circumvent, or which provide a space for action". However, in contrast with European agreements which contain scope for local level 'derogations' in the form of a downgrading of national standards on the grounds of economic or employment exigencies (Marginson 2014), local level variability in the case of UK local government has tended to be either to bolster low national standards through enhanced terms and conditions and grade drift (Beaumont 1992; Perkins and White 2010; Walsh 1981), or a subtle evasion of the higher level agreement by cutting staff numbers through privatisation and closing services (Kessler 1989). In fact employment flexibilities have long been an accepted form of 'quasi-derogation' which allowed employers to achieve cost savings and flexibility without the need for a formal decentralisation of pay setting (White 1997). There is a balance to strike between the control and coordination of

higher level pay setting and the flexibility to adapt pay systems to local labour market and business requirements. The appetite for greater local autonomy is mediated by the capacity of actors to develop and implement idiosyncratic pay systems as well as the strength of local custom and practice. This includes trade union representation (which may vary markedly from plant to plant) and the sensitivity of workers to changes in pay setting principles and the adjustment of internal wage differentials (Brown 1972; Marsden 1986). Pay determination frameworks must offer some scope for 'drift', but the more this drift is legitimised across organisations (through the sharing of best practice, or inter-organisational imitation) the more of a threat it becomes to the higher level system of pay setting, particularly if outcomes agreed locally are seen as more positive:

*...central negotiators have neither the instruments nor the information needed to tailor national agreements to the particular circumstances of individual industries or enterprises and thus must allow for some "wage drift" to maintain flexibility. But drift opens the door for defection by local bargaining pairs, which threatens the viability of centralised arrangements (Freeman and Gibbons 1995: 364)*

### **1.3.3. A new era of employment relations?**

The public sector has been at the centre of economic and policy reforms since 2010, and the government has shown its willingness to act unilaterally rather than attempt to engage in constructive negotiations. The approach of central government is in real danger of compromising the UK's voluntarist approach to issues of industrial relations, and with it the distinctive features of public sector employment relations such as taking a lead role in promoting equalities and offering comparatively good terms and conditions for all workers including those in low paid and part-time positions (Bach and Bordogna 2013). A well-established narrative is that the 'good employer' model collapsed during the 1980s as private sector management practices were applied in the public sector and tight budgetary controls were enforced (Fredman and Morris 1989). The New Public Management (NPM) discipline associated with the new right was based on three main principles: managerialism, importing private sector management practices, and the transformation of bureaucracies into efficient and agile organisations along the lines of private sector firms (Farnham and Horton 1996). The local managerial influence over pay systems aligned with the emergence of an increasingly Taylorist approach to the control of work under the guise of strategic human resource management, and the efforts to shape pay and reward to match local business strategies (Kessler 1989; Kessler and Purcell 1996; Kessler et al. 2000). Nevertheless, as Beszter et al. (2015) argue, the framework has proven to be highly resilient to waves of financial and structural reorganisation as a result of the 'sunk investments' of key actors such as unions, HR managers and politicians in existing systems of pay bargaining.

This section has shown that collective bargaining is a complex and multi-faceted process, and the outcomes of bargaining are shaped by a number of factors including: the changing industrial relations context; along with shifts in both product markets and labour markets (not necessarily the power and priorities of unions themselves). A review of the two-tier agreement in UK local government through the prism of contemporary European literature on the articulation of bargaining structures, illustrates that an analysis of pay bargaining has to go beyond a simple dichotomy between centralised and decentralised bargaining. There are a multitude of horizontal and vertical pressures on collective bargaining as a process and an 'institution', and both the coercive and legitimacy power of the unions have been challenged as a result of economic and political restructuring. Changes in the industrial relations landscape and the strengthening of non-union forms of employee engagement raise questions about whether collective bargaining with trade unions is still relevant (Purcell 2012). In view of greater legal protections for individual workers and improvements in the national minimum wage along with progressive HRM strategies such as living wages the unions may find that their ability to recruit members as a result of securing a 'mark-up' for their members over non-members is drastically undermined (Booth 1995; Brown 2009b). The reversal of a number of key institutional employment relations policies since 2010 has created something of a novel (and highly precarious) form of 'employer-led voluntarism': under this approach good employment standards rely on enlightened employers adopting progressive policies as opposed to being bound by wider regulatory or institutional obligations (Scott and Williams 2014). The next section will set out the research design for the thesis, and the specific structure and methodologies of the three empirical papers.

#### **1.4. Research design and methods**

In order to understand the complexities of collective bargaining in local government the analytical approach of this thesis covers both national and local level systems of joint regulation, combining both employer and union approaches to issues of pay determination, organisational downsizing and restructuring, and changes to working practices. The use of qualitative case studies is well established in industrial relations research in UK local government, but the development of three levels of analysis, along with the use of theoretical sampling procedures in the current study helps provide a foundation for developing theoretical as well as empirical insights. The epistemological underpinnings of the research design are outlined first, and are most closely aligned with the critical realist approach, which has a clear (if often implicit) overlap with critical studies of employment relations whether these are towards the more moderate pluralist end of the spectrum, or the radical Marxist perspective (Edwards 2006).

### 1.4.1. Philosophical approach

The literature considered in this introductory chapter and in Papers 1 -3 (Chapters 2 -4), ranges from the deductive analysis of large scale surveys and macro-economic trends, to smaller scale inductive qualitative approaches to explore the views of specific actors in context. Published research within industrial relations is rarely explicitly positivist or relativist, although the analysis of regularities in official statistics through correlation and regression is perhaps a legacy of 'scientific' approaches to labour economics (Frege 2001). Theorising (where it occurs) tends to proceed on the basis of inducting abstract concepts about power, capital and class from empirically grounded examples of the employment relationship (although the appropriateness of this approach has been questioned, see Ackers 2014). Broadly speaking many studies adopt an implicitly realist ontology; quantitative data are presented as a description of the 'reality' of work and interviews are assumed to be representative of actual events. Contrasting perspectives on the 'same' events are often used to illustrate the relative position of different actors in relation to a common issue, and the tensions which can arise when attempting to reconcile opposing views.

Perhaps the philosophy of social science most complementary to this combination of ontological realism and epistemological relativism is Critical Realism (e.g. Sayer 1992). Critical realism prioritises ontology over epistemology, and in making a clear distinction between the reality of being (the ontological or intransitive dimension) and our knowledge of that reality (the epistemological or transitive dimension), offers a basis for evaluating knowledge in respect of its ability to explain the features of the intransitive dimension (Bhaskar 1998). The notion of causal mechanisms takes us beyond empirically observed regularities, to an exploration of how events may or may not unfold based on the complex interaction of countervailing powers and liabilities. Knowledge claims are evaluated on the basis of their usefulness and practical adequacy (Sayer 1992) and their power to illuminate hidden structures (Lawson, 1998) not their correspondence with a single absolute 'truth'. Bhaskar argues that as beliefs are socially produced all knowledge is transient, and neither truth values nor criteria of rationality exist outside historical time (1998: 236). The direct consequence of this argument is that our knowledge is not only fallible, but also relative to our social context. Although a rigorous social science is entirely possible, we have to view the social world in a different way to the natural world as it cannot operate in conditions of closure, and depends to a greater or lesser extent on human activity (Edwards 2005). Although a strictly dualistic view of structure and agency is now somewhat outmoded (Flyvbjerg 2006) a sensitivity to the interplay between actors and their environment in the study of employment relations and organisational change is

becoming increasingly important (Beynon et al. 2002). For example, the efforts of employers to renegotiate 'the work bargain' along the lines of High Performance Work Systems (HPWS) based on mutual trust in order to adapt to changing technological and product market imperatives is often undermined by the constraints within managers typically operate, such as: the degree of unpredictability in the external environment; the pressure to cut costs; and an unwillingness to relinquish control of the labour process (Thompson 2003). From this perspective, the axiology of social science research in the area of employment relations is to reveal the often contradictory behaviour of employers, and the implications for our understanding of organisational change.

#### **1.4.2. Research strategies**

From the perspective of critical realism, research strategies can be categorised as extensive or intensive, the former characterised by the use of large-scale quantitative methods aimed at drawing general conclusions across populations, and the latter by the study of particular individuals or situations in context with the aim of generalising by corroboration (Sayer 1992). It is not simply a case of quantitative versus qualitative methods; critical realist approaches often used mixed methods within an intensive design. Critical realism is perhaps gaining credibility in the social sciences owing to its relative tolerance for a range of methodological approaches, although it has been noted that in some disciplines, such as industrial relations, the critical realist approach remains implicit rather than explicit (Edwards 2006). The use of case studies as a specific research strategy within social sciences and organisational research is well established (Yin 2003), and case studies lend themselves well to the relatively uncontrolled and dynamic conditions of organisations (Fitzgerald and Dopson 2009). Case studies have a long history in industrial relations research, and the in-depth analysis of specific concrete examples of workplace behaviour and organisational change have provided powerful insights into the complex relationships between employers, staff and trade unions (Kitay and Callus 1998). Yin (2003) suggests that a case study design should be considered when: the focus of the study is to answer "how" and "why" questions; the behaviour of those involved in the study cannot be manipulated; contextual conditions are relevant to the phenomenon under study; or the boundaries are not clear between the phenomenon and context. Easton (2010) suggests that a critical realist approach to case studies can draw particular strength from the close links between theory and empirics over a period of time, with researchers working iteratively to explore and evaluate the explanatory power of different hypothesised mechanisms. Case studies can lead to the development of analytically generalisable claims from the systematic specification, testing and corroboration of causal mechanisms using a limited number of concrete cases (Flyvbjerg 2006). Qualitative

research affords the opportunity to conduct an in-depth examination of processes, actors and behaviour in context. The open-ended and iterative character of qualitative research enables investigators to consider processes and relationships over time, drawing out hidden or suppressed features of the work environment, and the mechanisms through which they are activated (Whipp 1998).

### 1.4.3. Current research design

This research is an ESRC CASE studentship undertaken in partnership with the UK's largest public sector trade union UNISON. The overall aim of the research is to compare and contrast how both local government employers and local government trade unions are responding to the current economic and political conditions across selected diverse councils. Public sector employment is now the dominant site for trade union membership and collective bargaining in the UK and a key provider of quality employment conditions for women, particularly for those working part-time. The consequences of current changes in pay and rewards strategies and practices therefore have significance beyond their effects on the immediate trade union members. The collection of original, detailed case-study data should also enhance evidence underpinning policy debates about the intended and unintended effects of spending cuts with implications for improved responses by public sector bodies and trade unions such as UNISON.

The initial questions which motivated the research were relatively broad:

- How resilient is the national framework of collective bargaining to changes in public policy and finances?
- How might trade unions negotiate with employers to provide increased flexibility around nationally agreed terms and conditions?
- What is the range of strategies unions can deploy to bolster their wage bargaining strength?
- To what extent can experiences at one local authority be used to inform developments in other situations?

In order to refine the research questions, and develop the case study sample, I spent time at UNISON head office in London and attended a number of national officer meetings, and observed local government service group executive meetings during 2012 and 2013. This level of access proved invaluable in developing the research approach, and helped to develop contacts with key union officials from across the UK. The time spent within UNISON offered a unique insight into the response of the organisation to a sustained period of public sector austerity and a marked slowdown in bargaining activity with the national employers since 2010.

The initial research design was to develop a set of comparative case studies of local authorities from across the sector in order to focus on the way in which issues of pay and terms and conditions varied across councils. A sample of eight case study councils was developed following discussions with UNISON officials, and drawing on publicly available data on pay and employment changes since the start of the austerity programme in 2010. The sample (table 1-2) was designed to reflect different geographical areas, and includes councils of different sizes, types and political leadership. The practicalities of visiting local authority and UNISON offices across the UK was also a consideration, and therefore the majority of councils are in the north of England, although three councils in the south east and one in London were also included. The use of telephone interviews in around a third of the total interviews made a wider sample more feasible, although it is recognised that face to face interviews would have been preferable (see 1.4.4 below). Two case studies did not materialise owing to the failure to gain access to local authority management interviewees, although interviews were conducted with UNISON officials at both authorities which form part of the dataset for *Paper 1*.

**Table 1-2 – the case study sample**

	Devolved pay				National pay			
	Coast County	Commuter County	Shire County	City Council	London Borough	Metropolitan District	North Borough	North City
<b>Region</b>	South East	South East	South East	North West	London	North East	North West	North West
<b>Political control</b>	Conservative	Conservative	Conservative	Labour (directly elected mayor)	Labour (marginal)	Labour	Lib Dem	Labour
<b>Workforce</b>	30,000	27,000	9,000	8,500	8,000	8,000	9,000	16,000
<b>Annual Budget</b>	£1.7bn	£1.5bn	£700m	£500m	£600m	£600m	£450m	£1.2bn
<b>Local consultation mechanisms</b>	JCC, but shift to PRP means no annual negotiation	Pay forum for annual awards	JCC and employee reps, but shift to PRP means no annual pay negotiation	JCC	JCC	JCC	JCC	JCC
<b>Main unions recognised*</b>	UNISON	UNISON	UNISON	UNISON, Unite, GMB	UNISON, Unite, GMB	UNISON, Unite, GMB	UNISON	UNISON, Unite, GMB
<b>Local Govt. Regional union density (2014)**</b>	37.1%	37.1%	37.1%	57.3%	43.3%	73.4%	57.3%	57.3%

\* Individual local authorities may also recognise teaching unions for the purposes of consultation

\*\* Source: BIS trade union statistics 2014, Public Administration, accessed at:

<https://www.gov.uk/government/statistics/trade-union-statistics-2014>

This ‘case-in-sector’ approach was substantially revised in view of the multiple dimensions along which local authorities differed (e.g. size, location, political control, national or local pay) and therefore it was felt that a more systematic approach to comparing and contrasting councils was required. Following discussions with my supervisors, I chose to pursue an alternative format thesis, with research questions developed in-line with each of the three individual papers. The advantage of the

alternative format thesis is that it offers scope to address a different sub-set of issues in each of the three papers drawing on a different sub-sample of cases and interviewees. Paper 1 is a critical case analysis of sector level bargaining, and involved interviews with elite and non-elite actors in order to establish different perspectives on the national agreement and its continued relevance in view of the slowdown in sector negotiations since 2010. Paper 2 is based on a purposive sample of three authorities within the national agreement and three outside the national agreement, all of which had recently made changes to local pay systems (established from a brief review of secondary/publicly available data). The intention here was to establish patterns of variance in pay setting principles across a range of councils faced with similar business contingencies such as cost pressures, but with different political contingencies such as overall political control. The structured sample also allowed for an exploration of the role of the national agreement in regulating pay at a local level. From this, a parallel (and overlapping sample) of local authorities was developed for Paper 3 looking specifically at work organisation, which was developed as an extension of the themes and issues in papers 1 and 2. Structuring the thesis in this way allowed for a more nuanced analysis driven by a discrete set of research questions and case studies which might have been more difficult in an integrated thesis where all cases, interviewees and data are part of a single unified sample. The way in which each paper draws on sections of the sample of cases and respondents can be found in table 1-3.

**Table 1-3 – the case study data used across the three papers**

	<b>Paper 1</b>	<b>Paper 2</b>	<b>Paper 3</b>
Employers representatives (National and regional)	X		
Unions			
GMB (national)	X		
UNISON			
National	X		
Local	X	X	X
Unite			
National	X		
Local (Metropolitan District only)		X	X
City Council		X	
Coast County		X	
Commuter County		X	X
London Borough		X	X
Metropolitan District		X	X
North Borough			X
North City			X
Shire County		X	

The interview sample for Paper 1 is discrete (i.e. the interview data are only used in Paper 1), but there is a degree of overlap between the case study samples used in Paper 2 and Paper 3: Commuter County, London Borough, and Metropolitan District are used as part of the dataset for both papers. This was based on the level of access, and the multi-faceted nature of change at these councils which involved both pay and work restructuring. Rather than combine the sample completely across the two papers, I chose to create an evenly balanced sample of NJC and non-NJC councils for Paper 2 which compared pay setting in and outside the sector framework. To an extent, any of the cases could have been included in Paper 3 as all had undergone significant programmes of workforce restructuring, but the five cases selected provided particularly clear examples of workforce change. The replication of the findings across these councils (including one council outside the NJC) was indicative that patterns of workforce restructuring could (tentatively) be generalised across a wider range of local authorities and therefore for the sake of focusing the data reporting and analysis no additional cases were included. The next three sub-sections outline the theoretical and empirical foundations of each paper.

#### **1.4.3.1. Paper 1**

The objectives of Paper 1 are to understand the changing dynamics of voluntary collective bargaining in UK local government during the current period of austerity and to assess the implications for the future. Drawing on insights from behavioural analyses of the collective bargaining process (e.g. Walton and McKersie 1965), along with contemporary institutional perspectives on the articulation of collective bargaining (e.g. Marginson et al. 2003), *Paper 1* combines original analysis of secondary data with a range of 'elite' and 'non-elite' interviews from across the trade unions' and employers' side to explore the changing dynamics and process of collective bargaining at both national and local level. The analysis focuses on pay negotiations since 2010 when a three year pay freeze began, through to the resolution of the pay award for 2014/15 (in late 2014).

#### **Research Questions**

1. What types of bargaining exist within the sector framework and has the meaningful content of negotiations suffered as a direct result of austerity?
2. What does the articulation of collective bargaining between national and local levels reveal about the relative power of bargaining parties and the coherence of the industrial relations system?
3. What might the future hold for the NJC *Green Book* agreement and how might actors reshape collective agreements to meet changing bargaining priorities?

Paper 1 followed an exploratory case study method (Yin 2003) and the unit of analysis was effectively the sector-level agreement itself: what it has delivered for workers; how it has been affected by austerity; and what constraints and opportunities it affords to bargaining parties. In a sector with high collective bargaining coverage and comparatively high union density, it could be expected that unions would be well placed to resist downward pressure on pay and conditions from employers, but under conditions of austerity it appears that the unions have struggled to move bargaining out of a 'distributive' mode. The analysis of the sector level agreement provides a frame for the analysis of devolved pay setting in Paper 2. The interviewees for Paper 1 were a mixture of national and regional employer's representatives, and national, regional and local level trade union representatives.

#### *1.4.3.2. Paper 2*

The objectives of Paper 2 are to understand how local authorities as employers select and implement pay practices, and the influence of five key contingencies (normative, political, representational, business, and institutional) on both the modification and stickiness of pay rates, relativities and the overall reward mix at a local level. The main focus of the paper is to explore the adoption and implementation of two contrasting pay strategies in the form of performance related pay, and the living wage both of which have developed locally against a context of severe financial turbulence, weak sector level collective bargaining, and acute cost of living pressures for low paid workers. Within the HRM literature contingency theory argues for the design of pay systems which align with the overarching business strategies and contextual factors in the external environment, whilst also adding value to the organisation by contributing to the development of stocks of human capital (Lawler 1995). However, the prescriptive literature often fails to recognise the dissonance between internal and external pressures on pay systems which managers may struggle to reconcile, with the outcome that pay systems become increasingly contradictory. This poses questions about the assumptions behind contingency-based HRM models of pay (Cox 2000; Rubery 1997), namely that in response to multiple competing demands a single rational course of action will emerge. A key issue to be explored in Paper 2 is whether managers and politicians can satisfy multiple and competing demands on pay at the level of the organisation.

### ***Research questions***

1. To what extent are organisational pay strategies influenced by the five contingencies outlined in figure 3-1?
2. How important is the NJC agreement for regulating local level pay systems?
3. How fragile or precarious are new pay strategies in the face of ongoing economic, labour market and political turbulence?

Paper 2 followed a 'matched case' sampling strategy where six local authorities of a similar size, type, political composition and geographical location were compared systematically to reveal similarities and differences in the approach to pay and reward and the mediating effect of the national collective agreement on local level pay strategies. This approach has been used to compare HR structures and practices in local authority pairs alongside hospital, police boroughs, and civil service agency pairs (Kessler and Purcell 1996; Kessler et al. 2000; Truss 2009). The six local authorities were sampled purposively from the larger sample (table 1-2) on the basis that they had made local modifications to pay and conditions since the start of the 2010 austerity programme. The sample was then divided into two sub-groups: three large Conservative-controlled county councils in the South East of England who operate devolved arrangements for pay setting; and three medium-sized Labour controlled metropolitan councils engaged in national pay setting (although they are from different regions). The interviewees for Paper 2 were a mixture of local authority politicians and managers, and regional and local level trade union representatives.

#### ***1.4.3.3. Paper 3***

The aims of Paper 3 are to explore the response of individual councils to externally imposed budget cuts through processes of downsizing, internal reorganisation and the outsourcing of local authority services. It seeks to identify the ways in which employers balance issues of flexibility and stability in workforce arrangements, and assesses the implications of organisational restructuring for service quality, employment relations and work intensity. Paper 3 reappraises New Public Management (NPM) reforms in local government in order to understand the motivations and implications of public service restructuring for the 'labour process' (Braverman 1974; Gill-McLure et al. 2003; Kirkpatrick et al. 2005). The scale and pace of austerity cuts since 2010 threatens to overwhelm an already weak system of employment relations through retrenchment, reorganisation and increased work intensity.

## **Research questions**

1. In what ways have service structures been reconfigured as a result of austerity, and have service standards suffered?
2. What are the implications of organisational restructuring for the local government workforce and the system of employment relations?
3. Has the tendency towards externalisation created a downward spiral of employment standards driven by cost cutting?

Paper 3 compared case study evidence from five local authorities who were sampled purposively from the larger sample (table 1-2), on the basis that they had undertaken significant programmes of organisational restructuring since 2010. The research revealed recurring themes around work reorganisation and intensification across all the cases (regardless of the local level contextual factors), and the replication of findings across a diverse sample of cases suggested that a degree of closure was reached in respect of the key issues identified (Eisenhardt 1989). Other cases could have been included from the larger sample, but having first established recurring themes of change across all councils these additional cases would not have added significant variation in terms of the approaches to workforce change. The inclusion of one local authority where pay setting was wholly devolved was intended to allow for any variations in workforce redesign and employment relations which may not have been present at those local authorities still within the national framework. The interviewees for Paper 3 were a mixture of local authority politicians and managers, and regional and local level trade union representatives.

### **1.4.4. Methodology and data sources**

The three papers combine original analysis of available secondary data on public sector pay and employment data (at national, regional and local authority level) with analysis of qualitative data collected through case studies from within the local government sector. While this is not a mixed-methods study in the strictest sense (i.e. no statistical analysis was performed on the quantitative data), it is important to recognise the mediating effect of nuanced institutional and political factors on programmes of change which can only be elicited through the use of qualitative methods alongside quantitative data analysis (Modell 2010). A range of publically available data sources was utilised in order to develop a broad understanding of local government pay including: the Labour Force Survey (LFS); the Annual Survey of Hours and Earnings (ASHE); earnings data published by the LGA; and the results of the 2011 Workplace Employment Relations Study (WERS) (published by BIS). The quantitative data were used to provide an overview of the ways in which local

government pay and employment have changed, and to identify any interesting patterns of between-groups differences. This was used to frame the qualitative exploration of changes in real pay, localised wage differentials, and the size and structure of the workforce.

The qualitative data across the three papers consist of 56 interviews which were undertaken with a total of 62 interviewees across: the employers' representative organisations (nationally and regionally); the three recognised trade unions in local government (GMB, UNISON, Unite) at national, regional and local level; and local authority politicians and officers from the eight case study councils. Semi-structured interviews were employed to allow for a balance between standardisation and freedom for the respondents to discuss and develop specific issues (example outline interview schedules used for management and union respondents can be found in the appendix). A small number of interviewees were interviewed more than once (key union and employer representatives) in order to develop a perspective on key events as they unfolded, and a small number of interviews were conducted with more than one participant (hence the number of interviews differs from the number of interviewees). Interviewing in pairs or groups creates a risk that the full range of views and opinions is not captured, or that 'groupthink' dominates over more nuanced individual responses which may be elicited through one-to-one interviews. However 'paired-depth' interviews also offer the opportunity to explore the combined experiences of more than one respondent whom it may not have been feasible to interview separately (Purdon et al. 2001). This type of interview was considered permissible for the current research as the emphasis was on developing a broad picture of the process and substantive outcomes of pay setting and the implications for employment relations as opposed to a wholly constructivist or interpretivist account of the feelings of individual actors towards these events (Alvesson and Skoldberg 2009).

**Table 1-4 - interviews across the three papers**

<b>Interviewee type</b>	<b>Interviews</b>	<b>Interviewees</b>
National Employers	2	1
Regional employers	3	3
Local authority politicians	2	3
Local authority management	29	33
Trade union paid officials	10	12
Trade union lay officials	10	10
<b>Grand Total</b>	<b>56</b>	<b>62</b>

Interviews lasted between 30 and 105 minutes, the majority of which were conducted face-to-face, although given the geographical dispersion of the interviewees, 23 were conducted via telephone. Interviews with national employer and union representatives

were all conducted face-to-face, as were all trade union interviews across the eight case study councils (with the exception of Commuter County where the diary commitments of the branch officials made a face-to-face interview difficult). The majority were tape-recorded and fully transcribed, although in 13 interviews permission was declined to audio-record and therefore manual notes were taken instead. A pragmatic choice was taken to include these data on the basis of widening the sample rather than excluding for the sake of methodological 'purity', although obviously no direct quotes are used from these interviews. All the interview details for Papers 1 -3 can be found in the appendix.

Although the current study contained elements of exploration (that is it did not seek to test firm hypotheses) it did not take a 'grounded' approach (e.g. where theory is built solely from the data). Qualitative analysis is often thought to be primarily 'inductive', which means that the patterns, themes, and categories of analysis emerge out of the data rather than being imposed on them prior to data collection and analysis (Strauss and Corbin 1994). However, patterns, themes, and categories do not emerge independently of the researcher's prior knowledge, motivation, and world view; the process is highly reflexive (Flyvbjerg 2006). Whether the research is primarily inductive or deductive, Tracy (2010) outlines a number of elements that are the hallmark of good qualitative research including: worthy topic (e.g. timely, significant, or evocative); rich rigour (e.g. detailed and suitably complex data); credibility (e.g. persuasive, dependable and trustworthy); and resonance (e.g. the ability to reverberate with an audience). By reporting on both the process and the outcomes of the research, rigour and quality are strengthened. The interview material collected for each paper (along with field notes) was manually coded - no Computer Assisted Qualitative Data Analysis (CAQDAS) software such as NVivo was used (see appendix for details of the coding structure followed in each paper). While CAQDAS software can be instrumentally useful to 'organise' qualitative data, it is not a substitute for the careful scrutiny of interview material, documentary evidence, and field notes in order to develop analytical insights framed by extant theoretical perspectives (McLafferty and Farley 2006). Data analysis across the three papers proceeded by immersion and crystallisation; reading and re-reading transcripts in order to identify patterns and themes; and making connections across interviews and cases (Borkan, 1999). The literature review contained within each paper established a clear analytical frame and research questions, which was then used to structure the findings and discussion. The data were analysed in respect of the key themes emerging from the literature, looking for both evidence of confirmation and points of departure; what Eisenhardt (1989: 544) describes as 'enfolding literature'. This is an important phase which helps to sharpen conceptual definitions and creates the basis for generalising findings to novel cases.

The sample would have been strengthened by the inclusion of more politicians, but owing to the practicalities of arranging interviews this was only possible at two cases (London Borough and North City). Similarly, it was not feasible to gather the views of workers themselves about changes to pay practices and work reorganisation either using interviews or survey methods. A representative sample would have required significant resources, and discussions with UNISON officials at national and local level revealed that members were already in danger of 'survey fatigue' as a result of various internal surveys about pay and conditions since 2010. As might be expected, it was not possible to witness internal decision making processes, and the informal interactions and power struggles between key actors away from the bargaining table (e.g. politicians, unions and managers) which can be critical to the outcomes of new policies (e.g. Marchington et al. 1992). Rather than being judged by the attainment of a particular numbers of cases or interviews (for example Eisenhardt 1989 advocates at least four cases) the current research attempted to reflect a broad range of perspectives (e.g. HR and operational managers, trade unions, at national, regional, local level) and a broad range of local authority types (e.g. spread across different geographical areas and with different political leadership). The comparative nature of the research design and the number of cases included in the sample meant that the focus was on the general nature of change (and the associated drivers/outcomes) as opposed to the fine-detail of specific negotiations or behind the scenes discussions and 'manoeuvring'. Nevertheless, the time period of the data collection (over 18 months between late 2013 and early 2015) allowed for an iterative approach which moved between theory and empirical evidence to shed light on processes of change, and compared the different perspectives of key actors while events were still fresh.

Interviews were triangulated with a range of internal and public documents relating to workforce issues, changes to pay and conditions, and consultation over redundancies or restructuring. This established an overall narrative for each local authority, and helped to highlight the degree of coherence or contradiction between different perspectives. In this sense each data source was one piece of the "puzzle," with each contributing to an understanding of the whole phenomenon (Baxter and Jack 2008). The data gathered from each council helped to develop a 'chain of evidence' which linked perceptions to individual change, individual change to wider change, and rhetoric to action (Yin 2003). Paper 3 is perhaps the most 'empirically rich' in terms of the number of interviewees, but across all three papers the detailed description and thematic analysis of interview and documentary evidence helped to develop a picture of organisational change, and allowed for an exploration of the behaviours of actors in context. The combination of quantitative data with multiple sources of qualitative data proved to be 'practically useful' (Sayer 1992) for interpreting and understanding the complexity of the overall research problem.

## 1.5. Contribution and conclusions

The motivation for the current research was to assess the impact of budget cuts and pay restraint imposed by central government on the system of wage determination in UK local government. This was addressed through an analysis of the changing dynamics of voluntary collective bargaining at sector and local level since 2010. This section briefly reviews the theoretical underpinnings of the thesis, and empirical perspectives on local government pay determination, before reflecting on the findings of the three papers. Following the contributions to literature, this section concludes with implications of the thesis for policy in respect of public sector pay setting, and offers some suggestions for future research.

Local government was selected on the basis that it experienced particularly heavy spending cuts within the UK public services (Lowndes and McCaughie 2013; Taylor Gooby 2012; Taylor Gooby and Stoker 2011), and given its labour intensive nature, savings were always likely to be achieved from controlling wages, terms and conditions and staffing numbers. As one of the few remaining voluntary collective bargaining agreements operating at a sector level with automatic extension to nearly 1.5 million largely low paid, female and part-time workers, the NJC *Green Book* served as a 'critical case' to investigate the way in which the articulation of two-tier bargaining regimes 'regulate' pay and employment practices at the level of the organisation (Kalmi et al. 2012; Marginson et al. 2003). The current research also offered an opportunity to explore how coordinated and collectively negotiated systems of wage determination contribute to pay equity outcomes, and align with the egalitarian aims of trade unions to secure a fair day's work for a fair day's pay (Metcalf 2005). The significant representation of women in the local government workforce, and the historical provision of reasonable quality part-time employment in the local government sector meant that the NJC agreement was important from the perspective of protecting the relative and absolute position of women in the wider labour market (Green 2012; Rubery 2013; Rubery and Rafferty 2013).

Previous studies in UK local government have tended to focus on the institutions of bargaining at the expense of the bargaining process and the behaviour of bargaining parties, or have focused primarily on the role of the employers or the unions in isolation to the detriment of generating a greater understanding of the relationship and interactions between the two. This thesis proposed an alternative theoretical and empirical approach which took into account: national and local levels of joint regulation (including where pay is wholly devolved); different types of bargaining outcomes (e.g. the level and distribution of pay and conditions, staffing numbers, working practices); and the views of different actors within the system of joint regulation. The use of qualitative case studies in UK local

government industrial relations research is well established, but this has tended to take the form of either single 'in-depth' cases to explore highly idiosyncratic change within organisations, or the comparison of 'least different pairs' in order to draw general conclusions about patterns of change across organisations. The use of a theoretical sampling approach in Paper 2 and Paper 3 was important to establish the dimensions along which local authorities appear to have become increasingly divergent (e.g. pay strategies aligned to local level political priorities) and increasingly convergent (e.g. the increasing control of working practices and rising levels of work intensity brought about by continuous organisational restructuring). While being guided by the overarching body of literature on public sector collective bargaining, the research questions within the three papers were informed by distinct theoretical frameworks and therefore generate contributions to different areas of literature which are presented below. Taken together the findings of the three papers provide a detailed picture of change in collective bargaining in UK local government, which carries broader implications for systems of coordinated wage setting.

Firstly, in terms of our understanding of collective bargaining, the findings of *Paper 1* suggest that austerity has served to compound rather than create weaknesses in the NJC collective agreement which has become completely dominated by considerations of affordability for the most financially vulnerable (or recalcitrant) employers in the sector. Since the 1997 Single Status agreement collective bargaining has moved into a decidedly distributive space (Walton and McKersie 1965) with an implicit trade-off between pay and jobs, which has served to keep pay awards at or below inflation in 13 of 18 years since 1997. It could have been expected that a three year pay freeze would leave little to be analysed, but in fact it tellingly revealed a key reason why the sector-level agreement has survived: not necessarily because of a faith in a collectivist or paternalist style of management (Beszter et al. 2015); but because the 'tight-loose' system of joint regulation effectively serves the aim of controlling costs and limiting wage rises throughout the sector while affording a degree of lateral movement to implement packages of pay and conditions locally in order to adapt to changing performance and labour market requirements or satisfy local concerns for 'fair pay'. It is also clear the unions have lost coercive power even though membership density and collective bargaining coverage remain comparatively high (Simms and Charlwood 2010) and have struggled to mobilise members around the annual pay award which appears to be increasingly removed from the everyday concerns of workers (Kelly 1998). Unions have attempted to preserve legitimacy power at sector level by focusing on the preservation of standards through the sector agreement which has proved largely successful, but there is also evidence of increasingly disorganised decentralised bargaining in the form of local trade-offs between

terms and conditions and job security and the use of dismissal and re-engagement procedures. As a system of voluntary collective bargaining, local government is perhaps not a model which fits neatly into the behavioural framework of Walton and McKersie (1965), nor the institutional analysis of articulation developed by Marginson et al. (2003). The NJC *Green Book* agreement is perhaps something of an exception in that it has survived against all the odds, but the constraints placed on actors within this institutional framework, and the shaping of attitudes and expectations which happens largely away from the bargaining table both raise serious questions about whether it truly can be regarded as voluntary collective bargaining in anyone's book.

The data presented in *Paper 2* suggest the national agreement continues to exert a regulatory effect over pay practices at local level (Kalmi et al. 2012) through the use of job evaluated pay structures, and helps to protect against highly individualised PRP which has largely remained confined to councils outside the NJC. However, it appears that the weakness of sector level social dialogue and the low pay norms transmitted by the national agreement has encouraged local authorities to experiment with increasingly divergent pay practices such as performance related pay and the living wage both of which were aligned to local level political and managerial goals (with or without endorsement from the trade unions). A number of councils outside the NJC agreement continued to make pay awards during the three year national freeze, but this has not created the basis for more general upward pressure on wages. This reflects the proportionally lower budget cuts for many of these councils, but the trade unions nationally appear reluctant to discuss the reasons behind these (albeit minor) local gains in fear of legitimising local pay determination. Incremental changes across a number of other dimensions such as the use of market supplements, grade drift, and flexible employee benefits underline the efforts to take greater control of pay setting locally which fall outside the scope of collective agreements (national or local). The simultaneous sheltering and exposing of employees to market forces as a result of contradictory pay and HRM practices is not new (Edwards and Gilman 1999), but it is difficult to draw firm conclusions about the pay setting norms that are dominant within the sector, and what 'signals' these increasingly incoherent HRM bundles send to incumbent workers or the external market (Cox 2000; Grimshaw 2000; Rubery 1997). It appears that in and amongst the changes to entry rates, terms and conditions, and performance progression through internal labour market structures, the anchoring of pay structures to a standard 'rate for the job' has helped preserve a degree of stability in pay determination and employment relations: organisational pay systems in UK local government continue to function in spite of and not because of management and political interference.

The data from *Paper 3* show that organisational and workforce restructuring offers local authorities significant leverage over labour costs: achieving cost savings at the same time as increasing work intensity for the 'survivors' of large scale downsizing. Local authorities have long employed various forms of employment flexibility such as part-time and contingent work (White 1997), but it appears that there are increasingly adverse trade-offs as a result of internal redeployment which offers only limited guarantees of job security in return for the loss of task discretion, departmental specialisms, and occupational boundaries. This somewhat accidental rebuilding of the internal labour market is undermined by a lack of resources for staff training and the weakening of internal job ladders as a result of management de-layering, with managers increasingly reliant on the commitment of individual employees to either the organisation, the sector or their profession rather than the offer of training and development or a clearly defined career path. More broadly, case study data from across the sector suggest that it is the process rather than the outcomes of restructuring which is crucial (Thompson and O'Connell Davidson 1995). The turbulence created by internal reorganisation gives managers scope to take greater control of 'the labour process' by centralising and 'corporatizing' working practices, and eroding residual departmental and professional identities (Braverman 1974; Gill-McLure et al. 2003; Kirkpatrick et al. 2005). This takes us beyond a simple dualism of centralised or decentralised management structures, and the assessment of the relative success or failure of New Public Management reforms to narrow the gap between private and public sector management practices (Bach and Bordogna 2011). It remains to be seen for how much longer this can continue as budgets are squeezed, and managers attempt to extract ever greater levels of efficiency and flexibility from an already overstretched workforce.

Taken together, the findings of this thesis help to refine extant theoretical perspectives in four main ways. Firstly, an analysis of the poor outcomes associated with the NJC agreement extends our understanding of trade union coercive and legitimacy power. Secondly, the way in which bargaining is divided across sector and local levels underlines the importance of the articulation of bargaining over and above a simple dichotomy between centralised and decentralised bargaining structures, which takes into account different facets of pay, terms and conditions, staffing levels, and working practices. Thirdly, the way in which the unions and employers have attempted to build support for a common stance underlines the need for a greater appreciation of both institutional and behavioural perspectives on pay determination and the importance of the behaviour of bargaining parties away from formal face-to-face negotiations. Finally, in view of the multiple ways in which coordinated wage setting has been reshaped and undermined in local government begs the question what collective bargaining is for.

In terms of bargaining power, the current research helps to situate the specific experiences of pay bargaining, HRM and employment relations in UK local government under conditions of austerity at the intersection of two competing sets of pressures. The general fragmentation of sector level collective bargaining, and the loss of both coercive and legitimacy union power across the economy has made it increasingly difficult for the trade unions to coordinate bargaining strategies across sectors to prevent falling real wages, to slow the spread of increasingly precarious forms of work or to resist macro-economic restructuring (Emery 2015; Marginson 2015; Simms and Charlwood 2010; Sisson 2015). Furthermore, despite high union membership density and collective bargaining coverage the specific vertical pressures on the sector in particular have made it very difficult for UNISON, UNITE and GMB to preserve the relative and absolute earnings of nearly 1.5 million NJC workers through sector level bargaining, or to prevent heavy job losses and structural reorganisation at local level (Bach and Stroleny 2014). Coercive bargaining power clearly relies on more than just the weight of numbers (Vernon 2006). The latent power of the bargaining unit (whatever its size) needs to be activated in pursuit of clear and achievable goals. The living wage created a basis for the mobilisation of members for strike action in 2014, and the unions need to find a way of harnessing the sense of injustice at poverty pay in order to raise pay for all members (Kelly 1998). The issue is perhaps that workers who are scared for their jobs may be unwilling to take action even if they feel strike action will achieve a positive outcome. Similarly the legitimacy power which sector level bargaining confers on negotiators within a sector does not necessarily mean that wider society 'legitimises' centralised collective bargaining as a means of pay determination. Given the near disappearance of multi-employer bargaining in the private sector, centralised collective bargaining is now inextricably linked with the efforts of trade unions to secure higher wages for public servants who are already perceived (somewhat unfairly) to be better paid than many in the private sector (Bach and Bordogna 2013). Rooted as it is in notions of economic and social justice, the living wage may resonate with politicians and the public more than a straightforward percentage pay increase, and the absurdity of the state having to make up the shortfall in wages for its own employees through working tax credits may yet provide a policy platform on which the unions can build pressure for better wages at the bottom. Although some 'rank and file' union members may see an unfavourable trade-off between the (implied) legitimacy of sector level bargaining and the poor outcomes it has produced for the majority of members, there still appears to be a general consensus that tackling low pay is a key priority which would also further close the gap between the pay of men and women (Morris 2000; Rubery and Grimshaw 2015).

Second, the decentralisation of bargaining structures is generally assumed to be to the detriment of organised labour but it appears that it is the articulation of bargaining rather than the formal structure which is important (Marginson et al. 2003). The meaningful content of sector negotiations in local government has certainly been narrowed as a result of austerity, with affordability the chief concern governing pay and terms and conditions. However there is evidence to suggest that long-term pressures on funding (as a result of central government budgetary control and the cost burden of equal pay) mean that the unions have seen a withering of the substantive topics of collective bargaining since the early 2000s (Kessler and Dickens 2008). Single Status created a regulated space for local employers and unions to bargain over terms and conditions, and to make adjustments to pay structures linked to performance and labour market considerations (Perkins and White 2010). However, patterns of grade drift, localised living wages, and recent changes to terms and conditions have proceeded in an increasingly disorganised manner (Marginson et al. 2003). The asymmetry of bargaining over pay and employment at national and local level means that employers can offset any perceived rigidities associated with national collective bargaining through employment flexibilities, outsourcing and changes to working practices. While collective bargaining in the public sector has historically been seen as a politically mediated process (Beaumont 1992) it has essentially become a 'right to manage' model (which is more commonly associated with orthodox economics) where bargaining takes place over pay and conditions but individual employers reserve powers to adjust staffing levels (and more importantly working practices) with relatively few constraints (Booth 1995).

Third, as Frege and Kelly (2003: 17) note, in the analysis of collective bargaining and joint regulation 'institutions matter', but the current research has shown that as important are the ways in which institutions shape behaviour. This includes the lateral scope afforded to parties for bargaining activity; the nature of trade-offs and compromises made by both sides in pursuit of longer-term goals; and the changing relationships between bargaining parties mediated by the wider political and economic context. The lack of a neat fit between conceptual bargaining models and what happens in 'the real world' points to the need for a reappraisal of what is classed as 'bargaining activity' to take account of multi-lateral bargaining such as: internal communication and consultation through organisational hierarchies; and the way in which target and resistance points are agreed. There is also the important role of attitudinal structuring in shaping the process and outcomes of negotiations. That there is intra-organisational conflict within bargaining parties over acceptable compromises and concessions is not a new insight (Gill 1994), but attitudinal structuring appears to be as important as the actual content of negotiations, particularly when the nature of bargaining is highly distributive, and communications

between bargaining parties are conducted in the public sphere. The ability of lead negotiators on both sides to rationalise the outcomes of bargaining, to marshal divergent views within their respective organisations, and how they attribute responsibility for failure is increasingly important to maintain a particular course of action (whether or not substantive progress is actually made).

Finally, the shift of bargaining away from 'bread and butter' issues such as pay, terms and conditions and working practices (Dau-Schmidt 2007) raises more fundamental questions about what collective bargaining is for. From a functionalist perspective, where collective bargaining exists it is often assumed to have a 'utility' in that it achieves a particular set of outcomes (although for a critique see Turnbull 1988). This may be a mark-up for union members; the stabilisation of employment relations; a contribution to aggregate economic performance; the maintenance of living standards. The historical trade-off between low wages for job security in local government (Corby and White 1999) no longer holds true given the significant downsizing seen across the sector since 2010, and the apparent failure of centralised collective bargaining to deliver significant gains on any of these dimensions leads us to question the role it does fulfil. The political function of unions may be curtailed by the weakness of the Labour party at a national level and the recalcitrance of central government first under the Conservative-Liberal Democrat Coalition and then under a Conservative majority government, but collective bargaining still has social if not political or economic utility. The erosion of the unions' vested interest role (Flanders 1974), means a de facto prioritisation of the 'sword of justice' role (Metcalf 2005) which has largely survived as a result of the ongoing commitment to gender neutral job evaluation procedures. Whether this provides a platform for bargaining is open to debate. Job evaluation has historically been to the benefit of the most marginalised groups in the labour market (e.g. women, part-timers, immigrants) owing to their weak bargaining position relative to full-time male breadwinners and where applied it does lift pay relative to the rest, but it is arguable whether this strengthens the overall position of organised labour (Figart et al. 2002). The distributive nature of bargaining reflects the highly challenging financial context, but it also reflects the limited bargaining power of a largely female workforce in low paying part-time roles (Thornley 2006; Wright 2011).

Given the transformation of industrial relations in the UK over the last 50 years, the survival of the National Joint Council *Green Book* agreement should rightly be celebrated as a remarkable achievement not only for the local government trade unions but for the principles of tackling gender pay discrimination in the labour market (Marginson 2015; Sisson 2015; Rubery 2015). However, the evidence presented in this thesis suggests that while the institutional framework has proved to be resilient, voluntary collective

bargaining as a dynamic mode of joint regulation built on the notion of partnership has steadily been crowded out from both above and below. The meaningful content of negotiations has been squeezed by the tight financial constraints applied by central government, and in the vacuum created by stalled sector level negotiations local level pay and HRM strategies are becoming increasingly important to explain the level and distribution of wages with the unions increasingly reliant on litigation to achieve substantive concessions from employers. Perhaps as important as negotiations over pay are negotiations over working practices which fall outside the formal regulatory scope of the collective agreement, and change expectations about working time, task discretion, and job boundaries. A degree of drift across these three dimensions has resulted in an increasingly fluid adjustment of the wage-effort bargain over which the unions have a declining sphere of influence.

### **1.5.1. Future research**

It is suggested that future research may benefit from the consideration of three specific issues. The first is the disaggregation of pay and employment changes within the public sector, and at both national and local levels (as opposed to treating the public sector as a single monolithic entity). The second is the range of tactics employed by bargaining parties and how they affect the long term relationship through a wider process of attitudinal structuring. Finally in view of the proposed restrictions on trade union activity and national strike action there is the need to be alert to the possibility of increasingly fragmented forms of industrial conflict.

The research has revealed that the effects of public sector austerity have been particularly acute in local government. It therefore does not make sense to talk of an undifferentiated system of public sector employment relations, research has to take into account sector specific changes in employment relations as well as system effects generated by the country context such as the degree of labour market coordination and levels of social protection and welfare which mitigate against the adverse effects of market-driven wage setting (Bechter et al. 2012; Hall and Soskice 2001). Fruitful area of analysis might be to compare specific patterns of change within public sector systems across different national contexts as austerity continues to look for evidence of convergence and divergence (Grimshaw et al. 2012b). The analysis of individual organisations alongside national and sector systems is also important to explain changes in pay rates and patterns of earnings growth as a result of changing internal labour market structures within the same sector context.

It is also important to understand the range of bargaining tactics employed by bargaining parties, and their ongoing interaction with 'bread and butter' industrial relations. For example increasing statutory protections in the UK points to the 'juridification' of joint regulation which is assumed to be to the detriment of organised labour (Dickens and Hall 2010) but this may also be a source of strength where union actors can use legal challenge to challenge exploitative or discriminatory employer practices. The unions may have to act decisively to either eschew litigation and concentrate on voluntary collective bargaining, or to formally incorporate it into their bargaining stance in order to maximise the leverage available to them. Collective bargaining can proceed from a position of strength where legal protections are robust, but it appears that individual and collective litigation taken against discriminatory employment practices in UK local government tend to fill a power gap where traditional forms of voluntary regulation have been weak or absent (Deakin et al. 2015). Similarly the announcement of a statutory national living wage of £7.20 to be introduced in April 2016, with an ambition to reach at least £9.00 per hour by 2020 will subsume a large section of the local government workforce who will effectively have their pay set by statutory intervention rather than the 'cut and thrust' of collective bargaining.

Given the proposed reforms of trade union activity under the Trade Union Bill 2015-16, the current research may also be one of the last studies to be witness to a national public sector strike in the UK. The election of a Conservative government in May 2015 (albeit with a majority of just 12 MPs) has placed industrial relations reform back on the agenda. Despite that fact that UK trade union laws are already some of the most restrictive in Europe and the number of days lost to strikes is low, the 2015-16 Bill signals a further 'counter-mobilisation' of the state (Kelly 1998) which is likely to pose further challenges for both the coercive and legitimacy power of the trade unions. Proposed reforms (described by The Guardian as 'the biggest crackdown on trade unions for 30 years', The Guardian online 15<sup>th</sup> July 2015) include: raising the strike ballot turnout threshold to 40% (with at least 50% of eligible voters supporting strike action); unions having to re-ballot on strike action every four months; two-weeks' notice to be given to employers before strike action (during which time employers can hire strike-breaking agency workers); and ending the system of automatic deduction of union membership dues at source in the public sector. At a speech to the European Trade Union Congress in October 2015, Paul McCarthy from the GMB argued that the proposed bill is the culmination of 30 years of trade union reform...."the Conservative Party is trying to finish the job that Thatcher started"<sup>7</sup>. While the bill may effectively end the type of industrial action witnessed

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<sup>7</sup> <https://www.tuc.org.uk/international-issues/europe/employment-and-social-policy/labour-standards/etuc-speech-trade-union>

occasionally over the last ten or fifteen years in the public sector namely relatively peaceful and coordinated national one-day strikes, the bill may in turn provoke greater workplace disputes and the reliance on a wider range of leverage tactics such as civil disobedience as suggested by the UNITE general secretary Len McLuskey. Paradoxically, the Trade Union Bill 2015 could be the 'critical juncture' which sets collective bargaining and industrial relations on a new and increasingly volatile path.

## 1.6.Appendix

Table 1-5 – interviews Paper 1 (Chapter 2)

Organisation	Role	ID	Interview	Interviewees	Format	Audio
Employers	Director	LG Regional Employers 1	1	1	Phone	Y
		LG Regional Employers 2	1	1	Phone	Y
		LG Regional Employers 3	1	1	Phone	Y
	National Officer	LG National Employers 1*	2	1	Face-to-face	Y
<b>Employers Total</b>			<b>5</b>	<b>4</b>		
Trade Union	Branch Secretary NE	UNISON 4	1	1	Phone	Y
		GMB 1	1	1	Face-to-face	Y
	National Officer	UNISON 2*	2	1	Face-to-face	Y
		UNITE 1	1	1	Face-to-face	Y
	Regional Manager NW	UNISON 3	1	1	Face-to-face	Y
	Regional Manager London	UNISON 6	1	1	Phone	N
	Regional Organiser NE	UNISON 1	1	1	Phone	Y
	Regional Organiser & Branch Secretary London	UNISON 5	1	2	Face-to-face	N
<b>Trade Union Total</b>			<b>9</b>	<b>9</b>		
<b>Grand Total</b>			<b>14</b>	<b>13</b>		

\* These key national representatives were interviewed twice: once in late 2012; and again in 2014

To analyse the key findings from the interviews for Paper 1, the following codes were employed:

### Paper 1 - Coding structure

- Pressures on local government employment relations
  - Austerity effects
  - Long-term political/structural reform
  - Equalities
- Bargaining power
  - Employers
  - Unions
  - Strike action
- Meaningful content
  - Breadth and depth of negotiations
  - Minimum standards
  - Trade-offs and compromises (e.g. pay/jobs/terms and conditions)
- Articulation of bargaining
  - Relationship between national and local negotiations
  - Communication
  - Role of national employers' and unions' representatives through NJC

**Table 1-6 – interviews Paper 2 (Chapter 3)**

Case study	Representing	Role/ID	Interview	Interviewees	Format	Audio
City Council	LA	HR Director City Council	1	1	Face-to-face	Y
		Mayor and Assistant Mayor City Council	1	2	Face-to-face	Y
		Procurement and legal officers City Council	1	2	Face-to-face	N
	Union	UNISON Branch Secretary City Council	1	1	Face-to-face	Y
<b>City Council Total</b>			<b>4</b>	<b>6</b>		
Coast County	LA	HR Manager Coast County	1	1	Phone	N
	Union	UNISON Regional Organiser Coast County	1	1	Phone	Y
<b>Coast County Total</b>			<b>2</b>	<b>2</b>		
Commuter County	LA	HR Manager Commuter County	1	1	Phone	Y
		HR Officer Commuter County	1	1	Phone	Y
	Union	UNISON Branch Secretary Commuter County	1	1	Phone	Y
<b>Commuter County Total</b>			<b>3</b>	<b>3</b>		
London Borough	LA	Lead Member Finance London Borough	1	1	Phone	Y
		Procurement Manager London Borough	1	1	Face-to-face	Y
		HR Manager London Borough 1	1	1	Face-to-face	Y
	Union	HR Manager London Borough 2	1	1	Face-to-face	N
		UNISON Branch Officials London Borough	1	2	Face-to-face	N
<b>London Borough Total</b>			<b>5</b>	<b>6</b>		
Metropolitan District	LA	HR Manager Metropolitan District	1	1	Face-to-face	Y
		HR Director Metropolitan District	1	1	Face-to-face	Y
		HR Manager Metropolitan District 2	1	1	Phone	Y
	Union	UNITE Branch Secretary Metropolitan District	1	1	Face-to-face	Y
		Branch Officials Metropolitan District	1	2	Face-to-face	Y
<b>Metropolitan District Total</b>			<b>5</b>	<b>6</b>		
Shire County	LA	HR Director	1	1	Phone	N
		Procurement manager	1	1	Face-to-face	N
	Union	UNISON Convenor Shire County	1	1	Face-to-face	Y
		UNISON Branch Secretary Shire County	1	1	Phone	Y
<b>Shire County Total</b>			<b>4</b>	<b>4</b>		
South East	Union	UNISON Regional Manager	1	1	Phone	Y
<b>Grand Total</b>			<b>24</b>	<b>28</b>		

To analyse the key findings from the interviews for Paper 2, the following codes were employed:

### **Paper 2 – coding structure**

- Changes in pay strategy
  - Organisational goals attached to pay
- Contingent pressures acting on pay systems
  - Normative
  - Political
  - Institutional (including specific effect of bargaining structure)
  - Representational (trade unions and direct communication)
  - Business
- Implementation
  - Process for approval
  - Timetable
  - Cost and time pressures
- Outcomes/impact
  - Organisation
  - Workers
  - Monitoring/feedback/revision

**Table 1-7 – interviews Paper 3 (Chapter 4)**

Case study	Representing	Role/ID	Interview	Interviewees	Format	Audio
<b>Commuter County</b>	<b>LA</b>	Care Manager Commuter County	1	1	Face-to-face	Y
		Deputy Director of HR/OD	1	1	Phone	Y
		HR Manager Commuter County	1	1	Phone	Y
		HR Officer Commuter County	1	1	Phone	Y
	<b>Union</b>	UNISON Branch Secretary Commuter County	1	1	Phone	Y
<b>Commuter County Total</b>			<b>5</b>	<b>5</b>		
<b>London Borough</b>	<b>LA</b>	Business Support Manager London Borough	1	1	Face-to-face	N
		Facilities Manager London Borough	1	1	Phone	N
		HR Manager London Borough 1	1	1	Face-to-face	Y
		HR Manager London Borough 2	1	1	Face-to-face	N
		Lead Member Finance London Borough	1	1	Phone	Y
		Procurement Manager London Borough	1	1	Face-to-face	Y
	<b>Union</b>	UNISON Branch Officials London Borough	1	2	Face-to-face	N
<b>London Borough Total</b>			<b>7</b>	<b>8</b>		
<b>Metropolitan District</b>	<b>LA</b>	Care Director Metropolitan District LATC	1	1	Face-to-face	Y
		Head of Transactional Support Metropolitan District	1	1	Phone	Y
		HR Director Metropolitan District	1	1	Face-to-face	Y
		HR Manager Metropolitan District	1	1	Face-to-face	Y
		HR Manager Metropolitan District 2	1	1	Phone	Y
		Lead Commissioner Metropolitan District	1	1	Phone	Y
	<b>Union</b>	UNISON Branch Officials Metropolitan District	1	2	Face-to-face	Y
		UNITE Branch Secretary Metropolitan District	1	1	Face-to-face	Y
<b>Metropolitan District Total</b>			<b>8</b>	<b>9</b>		
<b>North Borough</b>	<b>LA</b>	Care Director North Borough	1	1	Face-to-face	Y
		Care Manager North Borough 1	1	1	Face-to-face	Y
		Care Manager North Borough 2	1	1	Face-to-face	Y
		Care Manager North Borough 3	1	1	Face-to-face	Y
	<b>Union</b>	UNISON Branch Secretary North Borough	1	1	Face-to-face	Y
<b>North Borough Total</b>			<b>5</b>	<b>5</b>		
<b>North City</b>	<b>LA</b>	Head of Procurement North City	1	1	Face-to-face	Y
		HR Manager North City	1	4	Face-to-face	Y
		Lead Commissioner North City	1	1	Phone	N
		Performance Manager North City	1	1	Phone	Y
		Waste Manager North City	1	1	Phone	Y
	<b>Union</b>	UNISON Branch Secretary North City	1	1	Face-to-face	Y
<b>North City Total</b>			<b>6</b>	<b>9</b>		
<b>Grand Total</b>			<b>31</b>	<b>36</b>		

To analyse the key findings from the interviews for Paper 3, the following codes were employed:

### **Paper 3 – coding structure**

- Scale/pace of local budget cuts
- Corporate priorities
  - Political
  - Managerial
- Service structures
  - Centralisation and decentralisation
  - Working practices
  - Quality and standards
- Workforce changes
  - Job losses (voluntary/compulsory)
  - Contingent workers
  - Occupations/service areas most affected
- Managing change
  - Pressures for flexibility
  - Pressures for stability
  - Succession planning and training
  - Union input
- Outsourcing
  - Cost and quality
  - Risk

## **EXAMPLE MANAGEMENT INTERVIEW SCHEDULE (adapted for use with different actors across Papers 1 -3)**

### **Background info**

1. What functions and services are you responsible for? How many staff are under your management, and what is the management structure?
2. What would you say are the main HR/workforce issues at this council (e.g. training and development, sickness, turnover)? How are they being addressed? Has that changed over the last couple of years?
3. Do you feel that HR has the capacity and the skills to meet those challenges/aims?
4. How has this council achieved its budget savings? Roughly how many jobs have been lost over the last 5 years? How has the process been managed?
5. Has this caused any major problems or disputes? Any industrial action?

### **Pay, conditions and working practices**

6. Is pay a priority issue for your staff? Do many of your staff receive enhancements to pay (e.g. overtime)?
7. Are there any parts of the council which are recruiting? Are there any areas where recruitment and retention is a particular issue? How much of a factor is pay in recruitment 'hotspots'? Do you pay market supplements for some roles? Is there a formal redeployment policy? Do you use any agency staff? (Where/why)
8. Can local government compete for the best staff? Would you say the council is a good employer? Do you think the local authority has a duty or obligation to support staff to progress and increase their earnings?

### **Restructuring and redeployment**

9. Which areas/occupations do you think have been most affected by job cuts and restructuring? In what ways do you think the council will be fundamentally different in 5 or 10 years?
10. Have working practices changed significantly? Do you feel staff are more productive? Has work intensity increased?
11. What contact (if any) do you have with trade union representatives? Do you have many shop stewards or convenors in the department/service?
12. Do you think your department/service is stronger or weaker as a result of the austerity programme?

## **EXAMPLE UNION INTERVIEW SCHEDULE**

1. What do you see as the main function of UNISON at a local/regional level with regards to pay and conditions?
2. Do you think the NJC machinery is an effective forum for collective bargaining over pay and conditions? If not why not? Why do you think employers are still committed to national pay bargaining?

3. Is there any appetite for industrial action over pay this year? Are pay and conditions a priority issue? How do you explain the willingness of employees to go out on strike over pensions but not pay?
4. How has this council achieved its budget savings? How has the process been managed? Has this caused any major problems or disputes? Any industrial action?
5. How would you characterise the relationship between the council and trade unions? How do you mobilise or deploy your resources to challenge local authority proposals?
6. What is the branch/regional density? Have you seen any notable changes in the last few years? Why is that?
7. In which parts of the council/occupations is UNISON strongest/most effective? Where is UNISON weakest/least effective? Do you think that UNISON's strength lies in servicing or organising?
8. Would you say this council is a good employer? How far does politics determine the approach to workforce issues?
9. What would you say are the main workforce issues at this council? How are they being addressed? Does the local authority have the HR skills and capacity to plan/manage significant change?
10. Who do you think has been impacted most by budget cuts? Are equalities issues given sufficient attention/scrutiny?
11. What is the council doing to address low pay? What is the base rate at this council? What is the council doing to address pay for middle and high earners?
12. What is the basis of pay progression? Roughly how many staff are at the top of their incremental scale? What is the top of the pay spine?
13. Are there any recruitment and retention issues? How much do you think pay is a factor in turnover/vacancies?
14. How does the council regulate pay and conditions among private and voluntary sector providers? Do you think that will change over the coming years?
15. What you think the future might hold for local government pay and reward? What do you think will emerge as the main concerns in next few years?

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## **2. Chapter 2 - Changing the rules of the game: The dynamics of Collective bargaining in UK Local Government**

### **Abstract**

The objectives of this paper are to understand the changing dynamics of voluntary collective bargaining in UK local government during a period of fiscal austerity (2010-2015) and to assess the implications for the future. The findings of the research illustrate the way in which the national employers have succeeded in re-positioning the sector-level collective bargaining agreement as an instrument through which to deliver financial discipline for local authorities rather than as a means to offer equity and equivalence in workers' wages. Interviews with union and employer representatives from across the sector suggest that long-term financial pressures on the sector have to a large extent restricted bargaining to a distributive rather than an integrative agenda (Walton and McKersie 1965). Following Marginson et al. (2003) the analysis indicates that austerity has served to compound weaknesses in the articulation of the two-tier framework by further eroding the scope and depth of sector negotiations, and hastening the spread of disorganised decentralised bargaining.

For now at least, the national employers and unions appear committed to a pay setting framework which retains high sectoral coverage, helps to preserve common standards, and protects the weakest councils and union branches alike. This perhaps explains why industrial relations have remained remarkably stable (if somewhat cold) throughout the austerity period. The de facto reliance of the unions on the legitimacy power conferred by sector-level negotiations is a risky strategy given the distinct lack of coercive power they have at either sector or local level (Simms and Charlwood 2010). Growing intra-organisational conflict is detected among rank and file union members who see an unfavourable trade-off between meaningful content and the preservation of the sector-level machinery, which may set the scene for greater volatility in the coming years.

### **2.1.Introduction**

Collective bargaining is one of the defining features of employment relations in the UK local government sector. In contrast with the private sector where trade union membership has declined rapidly and pay setting has become chiefly determined by managers (Kersley et al. 2006; Millward et al. 2000), in local government the trade unions are still very much part of the formal arrangements for pay setting. Further, despite their shared heritage in the Joint Industrial Councils (JICs) of 'Whitleyism', most parts of the public sector are now covered by arms-length pay setting in the form of independent pay review bodies (White and Hatchett 2003). Local government is therefore relatively rare in

that 'pay remains a matter for free collective bargaining between the national employers and trade unions through the National Joint Council' (LGE 2010). The structural foundations and coverage of collective bargaining appear to be relatively healthy. However, there is evidence to suggest that centralised negotiations have been steadily 'hollowed out' by a combination of: financial constraints imposed by central government (Bach and Stroleny 2014; White 1999); the increasing reliance on litigation to bolster equal pay bargaining (Deakin et al. 2015; Oliver et al. 2014); a reiteration of the right to determine pay grades and terms and conditions locally under the terms of the 1997 Single Status agreement (Perkins and White 2010); and the strengthening of the human resource management function (Truss 2009).

Recent empirical studies have highlighted how recognised trade unions have been unable to prevent falling real wages at sector level and have struggled to coordinate negotiations over job cuts, outsourcing and changes to terms and conditions at a local level (Grimshaw et al. 2012). With parties becoming ever more entrenched, the opportunities for integrative or 'mutual gains' bargaining in local government appear to be increasingly narrow: budgets are relatively fixed and shrinking year on year; capital is not generally a substitute for labour; and higher wages by implication mean fewer jobs or other cutbacks. Thus the process of bargaining is re-shaped as parties seek to gain control over 'slices of a shrinking cake' (Erne 2013). It remains to be seen whether the residual collectivism in local government human resources management and employment relations noted by Beszter et al. (2015) will be enough to sustain the national agreement as austerity continues.

Drawing on insights from behavioural analyses of the collective bargaining process (Kochan and Lipsky 2003; Walton and McKersie 1965), along with contemporary institutional perspectives on the articulation of collective bargaining (Marginson et al. 2003), this paper combines original analysis of secondary data with a range of 'elite' and 'non-elite' interviews from across the trade unions' and employers' side to explore the changing dynamics and process of collective bargaining at both national and local level. The analysis focuses on pay negotiations since 2010 when a three year pay freeze began, through to the resolution of the pay award for 2014/15 (in late 2014). The 2014/15 round was notable for a number of features: in the context of previous years' negotiations it represented a marked stepping up of ambitions on both sides and it saw the first coordinated strike action across the public sector since the pensions strike of 2011 (and the first specifically about pay in local government since 2008). The final agreement represented a pragmatic compromise which answered immediate questions about the future of the sector agreement, but it raised issues within union structures about the

effectiveness of internal consultation mechanisms and the articulation of bargaining between national and local levels. The paper is structured as follows: the next section considers key institutional and behavioural perspectives on collective bargaining and the application to UK local government pay setting; the third section outlines the research questions and methods; the fourth section presents the secondary data analysis and qualitative empirical findings; and the final section offers a discussion and conclusions.

## 2.2. Collective bargaining: theory and practice

This section reviews perspectives on both the process of collective bargaining, and the importance of institutions in shaping bargaining activity. While an analysis of bargaining tactics offers insights into the aims and motivation of actors, it is important also to consider the way behaviours are framed by institutions. This includes for example: the relative freedoms and constraints placed upon actors by the wider system of joint regulation; and how rules and institutions are viewed and interpreted to produce a range of pay outcomes. This dual analysis of process and institutions is then applied to UK local government. The institutional context of the UK public sector is particularly complex.

The pluralist tradition within the field of industrial relations recognises fundamental differences in the respective position of management and workers, what Edwards (2003) terms the 'structured antagonism' of the employment relationship. In bargaining over pay and conditions, employers and employees (traditionally represented by trade unions) therefore have to find a way to advance their respective position and secure concessions from their opponents without compromising the basic fabric of the relationship itself. Trade unions strive to achieve better rewards for the workers they represent, while also seeking a fair distribution of rewards (Heery 2009). Management in turn seek to control labour costs as far as is practicable, and leverage productivity gains while also endeavouring to maintain harmonious industrial relations and avoiding strikes (Brown 2008). The work of Walton and McKersie (1965) is a touchstone in exploring the dynamics of collective bargaining and the interactions between different facets of employer and union strategy. Although not the first to propose a theory of collective bargaining, their contribution was to attempt to reconcile the thick description of highly contextualised case studies in the industrial relations literature with emerging theoretical and conceptual work in the sociology of human relations (Kochan 1992). Walton and McKersie (1965) distinguish two main sub-processes or dimensions along which collective bargaining can vary: distributive and integrative. *Distributive bargaining* is based on the distribution of finite or limited resources, in which any gains for one party generally comes at the other's expense (zero sum in the language of game theory). It is assumed that both sides have a target and a resistance point (most and least favourable outcome) and parties negotiate

until they reach an acceptable compromise which falls within the positive settlement range (e.g. the agreed figure falls somewhere between the target and resistance points of both sides). If a figure cannot be agreed and a temporary impasse occurs (i.e. the settlement range is negative), each side has to weigh up the gains from inflicting negative consequences on their counterparts in order to force concessions (e.g. layoffs or a strike), against the potential damage to the long-term relationship. *Integrative bargaining*, in contrast, is based on activities that increase the joint gain available to the negotiating parties as opposed to forcing concessions from the opposing side. It assumes a degree of consensual problem solving, and emphasises 'behaviours and other activities which identify, enlarge and act upon the common interests of the parties' (Walton and McKersie 1965). Integrative bargaining may take place over a single issue in which both parties identify a common objective, or multiple issues which contain a mixture of shared and conflicting interests. This type of *mixed-motive bargaining* is common and generally involves finding trade-offs and concessions to which both sides can agree, leaving them in a better position overall than if they had negotiated over each issue separately.

Another important element in this model is the way in which bargaining strategies are formulated by each side and the process of agreeing a common stance on key issues. *Intra-organisational bargaining* is basically what goes on 'behind the scenes in respective organizations' (McKersie and Walton, 1992) and involves the agreement of target and resistance points, acceptable trade-offs in mixed motive bargaining, and the willingness to pursue unilateral action in case of an impasse. Negotiators have to take into account the preferences of their members, and the relative power of different individuals or groups within the organisation when developing a bargaining stance. 'Management' is often a generic term used for all employers' representatives, but other actors are clearly important. Company directors, for example, have a powerful role in shaping the boundaries of affordability aligned with profitability even though they may not formally meet with the unions; they are effectively the 'ghosts at the bargaining table' (Winkler 1974). Similarly, the priorities of union leaders cannot be assumed to be a simple aggregation of the preferences of all rank and file members, and negotiators may attempt to reflect the wage-employment preferences of the 'median voter' (Booth 1995). This may lead to different bargaining strategies depending on the composition of the workforce and the union: for example blue collar workers may favour flat-rate deals which improve their absolute and relative position whereas white collar workers may prefer percentage deals which improve the absolute position of all workers but maintain relativities between workers of different skill levels. Multi-lateral bargaining (MLB) reflects the process of establishing a common stance within bargaining parties before entering into negotiation with the opposing side. This may involve discussions between individual negotiators, or

more commonly, discussions between negotiators and the organisations which they represent. Both the unions and management may struggle to agree a common position on target and resistance points internally before even entering into negotiations based on internal factions and inter-personal relationships. Intra-organisational conflict (IOC) reflects the difficulties of agreeing and maintaining a unified stance within bargaining parties, particularly where processes of multi-lateral bargaining are weak (Kochan and Lipsky 2003). The relationship between bargaining parties is of crucial importance. The notion of 'partnership' underpins successful integrative bargaining, and positive relationships between parties can help to foster a climate of mutual gains. *Attitudinal structuring* recognises that negotiations involve more than just the substantive terms of the deal (Walton and McKersie 1965); levels of trust are affected by the degree of openness and transparency in negotiations. The process of reaching agreement can produce positive or negative relational outcomes based on how parties perceive they have been treated, which in turn sets the context for future negotiations (Kochan and Lipsky 2003). By entering into a sustained relationship (comprising elements of formal and informal negotiation) employers and unions attempt to satisfy deeper strategic ambitions alongside short-term control over wages and working time.

The ability of bargaining parties to apply leverage in pursuit of their bargaining goals is fundamentally derived from a combination of *coercive power* and *legitimacy power* (Simms and Charlwood 2010). Coercive power refers to the ability of bargaining parties to 'force' their opponents to agree to something because they fear the consequences of not doing so, and legitimacy power is the extent to which society legitimises the wider roles that collective bargaining and membership of both trade unions and employers' associations fulfil (op. cit.). At a basic level coercive power can be thought of in terms of the threat of strike action from the unions (mediated by their ability to control the labour supply) set against the threat of a 'lock out' from the employers (mediated by the cost to employers of finding replacement labour). Membership density within a firm or sector is a key indicator of union coercive power as it determines the likely disruption caused by a strike and the weight of the 'threat' to withdraw labour power (Freeman and Pelletier 1990), and the union wage premium (over non-members) represents the extent to which unions are able to extract rents from employers (Booth 1995). However, it has been argued that the bargaining power of unions hinges on their ability to mobilise workers against injustice in the workplace and by extension to challenge the fundamentally exploitative nature of the employment relationship and not some abstract notion of economic utility (Kelly 1998; Turnbull 1988). In the public sector, high union density and the threat to important public services from strike action potentially gives unions in UK local government significant coercive power. However, the willingness to use strike action has tended to follow

occupational lines with refuse workers typically much more militant than white collar professionals such as social workers (Gill-McLure 2013; Ironside and Seifert 2003; Terry 2000). The relatively weak tradition of workplace organising in local government (Kessler 1986; Terry 1982; Walker and Moore 1987) also meant that local level industrial relations were not typically as volatile as in parts of private industry or public services such as education (Beaumont 1992).

Legitimacy power reflects the extent to which collective bargaining is viewed as a legitimate means through which to set wages and regulate the employment relationship, and whether unions are regarded as legitimate representatives of workers' interests (Simms and Charlwood 2010). This may be manifested in: the formal recognition of unions for the purposes of collective bargaining; the degree of centralisation in wage setting; the coverage of collective agreements; and the reliance on legal protections and arbitration to enforce the outcomes of pay setting. In contrast with the legalistic underpinnings of labour relations in the US, where collective bargaining yields lengthy legal contracts and arbitration is binding, the industrial relations system in the UK has been argued to be the 'epitome of voluntarism' (Freeman 1995). This also applies to the public sector, although the situation is slightly more complex. Even though the state is not a direct party to negotiations the state has an important role in shaping both the procedural and substantive issues of collective bargaining (Hyman 2008). Multi-lateral bargaining in this sense needs to take account of the multiple roles of the state as employer, legislator and macro-economic regulator (White 1996). Across much of the twentieth century voluntary collective bargaining through the Whitley Councils provided a means for employers and unions to engage in centralised negotiations over pay, conditions and working time (Sheldrake 1988). On the back of employer endorsement for union membership across the public services, membership increased steadily throughout much of the post-war period to a peak of almost five million in 1979, and workers shared 'rents' in the form of final salary pension schemes, comparatively good terms and conditions, and high levels of job security (Corby and White 1999).

However, from the 1960s onwards, central government began to intervene directly in voluntary collective bargaining in order to control inflation through the use of incomes policies (by both Labour and Conservative governments) and the widely criticised social contract between the Labour party and the TUC (Tarling and Wilkinson 1977). As Walsh (1981: 53) argues, this period saw an increasingly direct role for central government in determining the process and outcomes of wage setting: "the formal situation in which local authorities are independent employers who voluntarily cede certain of their rights to national and regional representative institutions no longer matches reality; the role of

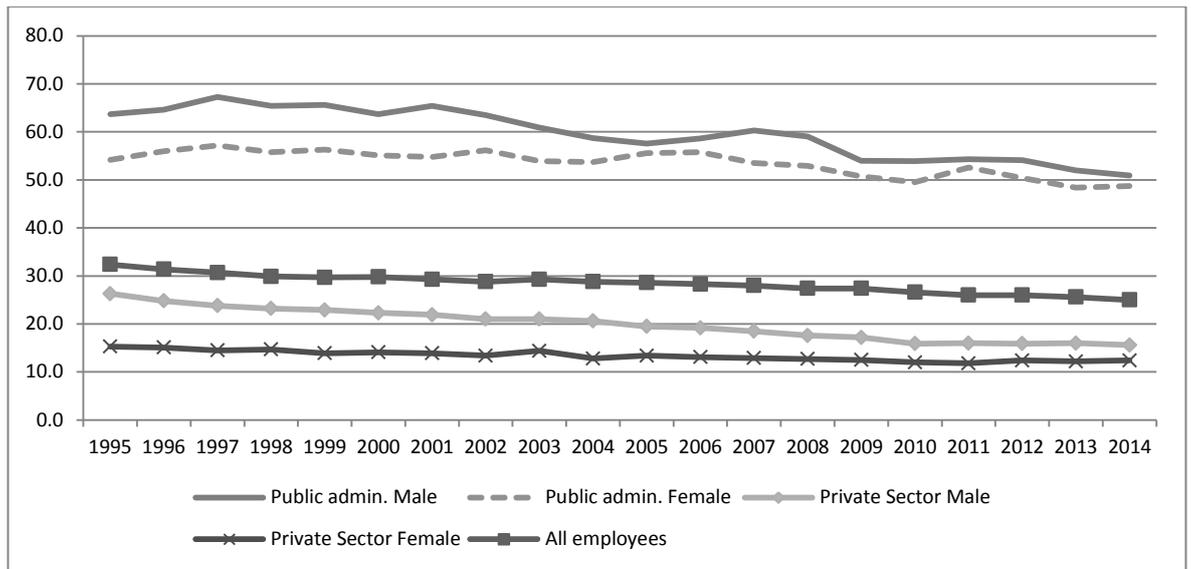
central government cannot be ignored". This distortion of multi-lateral bargaining through incomes policies created intra-organisational conflict within both the employers' and trade unions' sides. Although the employers did not typically argue against wage restraint per se (as it was in their interests to keep costs down), they were increasingly concerned about the lack of flexibility within the national collective agreement and the pay 'norms' which it transmitted giving rise to 'grade drift' at a local level (op. cit.). This period also saw rising trade union membership, the affiliation of previously independent unions - NALGO, NAS and NUT - to the TUC, in 1964, 1969 and 1970 respectively, and the growth of industrial action: the sixties ended with the Hackney dustmen's strike of 1969, and the 1970s began with the local authority 'dirty jobs' strike (Gill-McLure 2013). This shift in bargaining behaviour set the tone for a turbulent period of industrial relations in the public sector, culminating in the infamous 'Winter of Discontent' in 1978-9 which saw an extended strike among local authority manual workers and effectively brought down the Callaghan Labour government (Beaumont 1992).

The incoming Conservative government of 1979 led by Margaret Thatcher was determined to undermine both the coercive and the legitimacy power of unions who, it was argued, had misused their power to hold employers (and the government) to ransom over wage demands, and contributed to rigidities in the labour market which meant the UK economy had become increasingly uncompetitive on the global stage (Daniels and McIlroy 2009). Legislation introduced in the 1980s included the outlawing of closed shops and 'sympathy' strikes, along with changes to the democratic constitution of trade unions which meant that strike action was increasingly difficult to instigate (Brown et al. 1997). There is evidence that this approach was broadly successful: union membership across the economy fell by over 40% from a peak of 13 million in 1980 to less than 8 million in 1998 (Charlwood and Metcalf 2005). Furthermore, the days lost to strikes fell from an average of over 12 m per year in the 1970s to less than 1 m per year by the end of the 1990s (BIS 2014). Cuts to the public sector through job losses and outsourcing hollowed out collective bargaining as an industrial relations institution as managers explored increasingly individualised forms of employment relations (Bacon and Storey 2000), and the unions were 'disciplined' through wage moderation (White 1999). Despite this, the trade unions are still a major feature of employment relations in the UK public sector: at around 50%, membership density among both male and female workers in Public Administration<sup>8</sup> is significantly higher than the private sector (figure 2-1).

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<sup>8</sup> 40% of this SOC category relates to central government and 60% to local government

Figure 2-1- trade union membership density, by industry and gender, 1995-2014



Source: BIS trade union statistics 2014, Public Administration, accessed at: <https://www.gov.uk/government/statistics/trade-union-statistics-2014>, author's own compilation

In terms of legitimacy power, trade unions in the public sector are generally recognised for the purposes of collective bargaining and consultation at both sector and local level, although collective agreements (either through voluntary collective bargaining or overseen by pay review bodies) have automatic extension to all directly employed staff. However, this gives rise to a problem of free-riders which results in a level of legitimacy power which outweighs coercive power: although unions are recognised in nearly 80% of central and local government workplaces 61.4% of workers are actually covered by collective agreements, and 49.8% are union members (BIS 2015). Collective agreements in the public sector typically set basic pay awards along with terms and conditions of service at sector level, with local level discretion for management to adjust grades and staffing levels. Pay and conditions in local government have historically been agreed at a sector-level, supplemented by a degree of local negotiation over bonuses and other benefits (Terry 1982). Although around 30 councils in the south east of England opted out of the sector agreement in the 1980s (Bryson et al. 1993), the attempts to impose decentralised pay setting on local government were largely unsuccessful owing to local level political and managerial indifference (Bach and Winchester 1994), and existing freedoms within the two-tier framework (Ingham 1987). Outside of the south east it was argued that some employers did not want to “single-handedly face a union like NALGO with a strong branch organisation and long experience of bargaining at authority level” (Gill 1994: 213).

This takes us beyond a simple dualism between high or low coercive power based on membership density, and high or low legitimacy power based on the coverage of collective agreements and the extent to which bargaining is centralised. Certainly where bargaining is devolved and density is low, managerial prerogative may proceed relatively unchecked

but in so far as density is indicative of the weight of joint regulation and the likely constraints on managerial prerogative, it does not necessarily equate to bargaining power (Vernon 2006). Similarly, the presence of a centralised agreement says relatively little about the nature and quality of joint regulation; much relies on the actual content of agreements and their regulatory effects (Brown and Terry 1978; Clegg 1976; Flanders 1968). The 'voluntarist' tradition in the UK results in few legally binding conditions being placed on either unions or employers but has also arguably contributed to narrow and shallow agreements with only limited prescriptive standards (Freeman 1995). The work of Traxler et al. (2001) and Marginson et al. (2003) refines the analysis of bargaining institutions to encompass what is referred to as the 'articulation' of collective bargaining. This includes the meaningful content of collective agreements (e.g. the scope and depth) and the regulatory effect that they exert over the actual behaviour of bargaining parties through the level of coverage and 'binding status' (e.g. statutory underpinning, the way in which rules are enforced and recourse to dispute resolution mechanisms). In a two-tier bargaining structure it is of crucial importance to understand the nature of decentralisation that is: the procedural rules governing bargaining activities, and whether there is strict demarcation of activities between levels or delegation from one level to another. Demarcating different activities to be fulfilled at either sector or local level means that actors can take advantage of the respective power dynamics to achieve what their counterparts at a different level would fail to. For example negotiating annual pay awards at sector level allows for the consolidation of institutional power resources both within and between unions, and offers greater scope to contribute to wider political and macro-economic debates which would be more difficult to achieve through decentralised bargaining. Conversely the delegation of bargaining activities such as terms and conditions and working patterns from national to local level may allow actors to capitalise on close working relationships and the discretion of management to strengthen specific standards which higher level negotiators would struggle to do. In many ways this is an extension of the concept of multi-lateral bargaining (MLB) in the models of Walton and McKersie (1965) and Kochan and Lipsky (2003) and takes into account the power dynamics which exist both within and between bargaining parties at different levels of activity. However, there is a danger that the notion of 'articulation' within a system of industrial relations which spans more than one level is conflated with the degree of decentralisation, and the relative bargaining power of parties (Marginson et al. 2003). For example, a system may be well articulated but employers or unions weak, leading to a set of highly procedural or mechanistic negotiations concerned chiefly with the application of rules (Crouch 1993). Conversely a system may be poorly articulated but bargaining parties relatively strong, leading to more volatile negotiations with greater lateral scope for both sides to make

trade-offs and offer concessions. A key test of articulation mechanisms is therefore the ability to link sector and local bargaining through effective communication channels, and to contain the potential volatility created by imbalances in bargaining power without inhibiting active and contested industrial relations. Successful multi-lateral bargaining may help to contain intra-organisational conflict, but this can quickly unravel where actors at different levels perceive that their interests have not been fully recognised or expressed through internal channels of communication. An analysis of the two-tier agreement in local government provides an opportunity to explore these dynamics.

### **2.2.1. The scope and articulation of the NJC framework**

The National Joint Council for local authority services (NJC) is the largest single collective bargaining agreement in the UK, covering around 1.5million staff (over 50% of which are part-time women) with a gross pay-bill of £23.2 billion (Local Government Association 2014). The three recognised trade unions in local government (UNISON, UNITE and GMB) participate in single-table bargaining over pay and conditions with the local government employers, coordinated by the employers' representative body the Local Government Association (LGA), with unilateral recourse to external arbitration in case of deadlock in negotiations (Kessler and Dickens 2008). However the notion of simple bilateral negotiations between two distinct parties is over-simplistic: indeed, multi-lateral bargaining (MLB) is a key feature of collective bargaining in local government and the "potential for a conflict of interests is virtually guaranteed by the diversity of group membership both on an inter and intra-organisational basis" (Gill 1994: 213).

For example, the three unions submit a joint annual pay claim but have quite distinct organisational and membership profiles. UNITE was formed in 2007 by the merger of Amicus and the Transport and General Workers' Union (TGWU), and is the largest trade union in the UK with around 1.4m members. UNITE has only 70,000 members in local government making it the smallest union represented on the NJC, but has a strong representation among lower paid male-dominated manual occupations such as estates management, fleet and vehicle maintenance along with private sector providers of council services. GMB is a smaller general union (around 600,000 members with 220,000 in local government), but with high concentrations of members in waste and refuse services, and school support roles (particularly in academies which fall outside the control of local authorities). UNISON was formed in 1993 from the health service union COHSE, the local government union NALGO, and the general public services union NUPE, and currently has 1.3m members (around 600,000 in local government) who are largely female, and from a range of occupational groups including care work, school catering and support, administration, and social work along with senior managers and chief officers. The LGA

offers consultancy advice to councils and represents a broad range of local authority employers as a collective in negotiation with trade unions as well as through public communications, campaigns and lobbying. The LGA was created in 1997<sup>9</sup> following a merger of three local authority associations: the Association of County Councils (ACC); the Association of Metropolitan Authorities (AMA); and the Association of District Councils (ADC), along with the Local Authority Conditions of Service Advisory Board (LACSAB). There are also political sub-groups within the employers' side (Conservative, Labour and Liberal Democrat, and Independent groups) and leadership of the LGA tends to switch between Conservative and Labour as the largest representative parties across the sector.

Negotiations over pay and conditions for manual and non-manual staff were still handled separately until the development of the 1997 Single Status *Green Book* agreement. In order to tackle long-standing discrepancies in basic pay and the uneven use of productivity bonuses (Lissenburgh 1995), Single Status was designed to ensure parity between men and women through the use of job evaluated pay structures (Bewley 2006). The terms of the Single Status agreement were “developed jointly by the employers and trade unions nationally on the basis that that joint partnership operates within the authority” (NJC 2005: 3). There was concern among former NALGO branches within UNISON that reformulating the national framework to provide stronger minimum standards and new procedural rules on job evaluation would inhibit the ability of experienced officers to engage in ‘traditional’ negotiations, but ultimately these local level concerns were subordinate to the higher level goals of UNISON to prioritise equal pay and improve the representation of women within union structures (Terry 2000). At a time of relatively benign political and labour market conditions, Single Status created the potential for integrative bargaining over traditionally distributive concerns, but the equalities gains were tempered by the pressure to contain costs (estimated to be somewhere around £3bn in total, Perkins and White 2010), and the lack of a clear implementation timetable meant that negotiations dragged on up until 2010 in some cases (Oliver et al. 2014). Equality bargaining can contribute to the sustained growth of women’s wages through bottom-weighted settlements, the strengthening of job ladders and creation of promotion opportunities, particularly for part-time workers (Heery 2006). However, it could be argued that the equality bargaining of Single Status was largely a technical exercise which codified the principles of equalities and standardisation, but resulted in a more cautious and mechanistic negotiation process concerned as much with the application of rules, as enhancing the substantive content of discussions. In addition the use of litigation as a

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<sup>9</sup> The LGA was part of a wider network known as the ‘Local Government Group’ before all component parts were merged under the LGA umbrella branding in 2012

(legitimate) bargaining tactic strengthened the position of individual unions in specific disputes but created new conflicts with employers, other unions, and workers themselves (Oliver et al. 2014). The unions were accused of pressuring women members into 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). For example in the watershed case of *Allen vs. GMB*, the tribunal noted ‘how much care, effort and discussion went into pay protection and how little went into back pay’ but the GMB in turn argued that back pay was by far the largest cost burden on individual councils and pushing for the maximum settlement would almost certainly lead to job losses and outsourcing (Deakin et al. 2015). Thus, the scope, depth and rules of NJC framework reflect these somewhat hesitant (and problematic) beginnings and the attempts to reconcile a wide range of union and employer demands for security and autonomy (table 2-1).

**Table 2-1 – the structure and content of the NJC Green Book**

	<b>‘Meaningful Content’</b>	<b>Bargaining mechanisms</b>	<b>Rule enforcement</b>	<b>Power of parties</b>
<b>National</b>	<ul style="list-style-type: none"> <li>-Cost of living pay awards</li> <li>-National pay spine</li> <li>-Bottom weighting and adjustments to national pay spine</li> <li>-Minimum Part II and Part III terms and conditions</li> <li>-Workforce training and development</li> </ul>	<ul style="list-style-type: none"> <li>-Face to face negotiations</li> <li>-Consultative ballots</li> <li>-Political lobbying and public briefings</li> <li>-Arbitration</li> <li>-Technical working groups for specific exercises (e.g. job evaluation)</li> </ul>	<ul style="list-style-type: none"> <li>-No legal underpinning but general obligation to adhere to common standards</li> <li>-Built around principles of equal pay with agreed procedures for job evaluation</li> <li>- Demonstration effect for contractors, but no binding protections (outside of TUPE)</li> <li>-Sector agreement prevents ‘leapfrogging’ but scope for local enhancement and ‘drift’</li> </ul>	<ul style="list-style-type: none"> <li>-Employers more loosely coordinated than unions, but consensus among councils that pay is not a priority issue</li> <li>-Lack of funding across sector means downward pressure on pay awards</li> <li>-Remoteness of negotiations creates tension within unions and undermines bargaining stance</li> </ul>
<b>Local</b>	<ul style="list-style-type: none"> <li>-Pay structures (e.g. entry rates and pay ranges)</li> <li>-Mechanisms for pay progression</li> <li>-Adjustments to Part II and Part III terms and conditions</li> </ul>	<ul style="list-style-type: none"> <li>-Mixture of negotiation and consultation (depending on recognition rights at individual councils)</li> <li>-Jointly developed job evaluation schemes</li> <li>-Local level appeals and grievances procedures</li> <li>-Legal challenge</li> </ul>	<ul style="list-style-type: none"> <li>-Scope for adjustment to national standards through local negotiation, but potential threat to equalities where poorly monitored</li> <li>-No standard protocols for conducting local negotiations</li> <li>-Local level partnership arrangements offset weakness of national bargaining but rely on resources and knowledge of local actors</li> </ul>	<ul style="list-style-type: none"> <li>-Variable union density raises questions about legitimacy of local negotiators</li> <li>-Difficulty in leveraging national union resources to protect against adverse deals means potential for increased managerialism</li> <li>-Traditional IR undermined by non-union communication and engagement</li> <li>-Unilateral change possible through S188 dismissal and re-engagement procedures</li> </ul>

Source: Adapted from Marginson et al. (2003) and the National Joint Council for Local Authority Services *Green Book* (2005)

The two-tier NJC agreement offers the security of common standards for individual councils and union branches, with scope for local level uplift through mechanisms of both demarcation and delegation. There are no national job descriptions or pay grades anymore, but annual cost of living pay awards are clearly demarcated as the sole preserve of national negotiators as is the design of the basic pay spine. Individual local authorities then choose whether to transpose the national pay spine directly (or to set entry rates and maximum rates at a different level), and choose where to place individual grades along the pay spine (allowing councils to adjust to local level labour market conditions through a process of 'grade drift'; Perkins and White 2010). Similarly, there are processes for job evaluation that are agreed at a national level but can only be applied at local level. Core 'Part II' conditions are set nationally and include: a standard working week of 37 hours; and agreements for occupational sick pay, annual leave and maternity leave. However, through delegation these conditions can be enhanced locally in agreement with recognised unions along with 'Part III' conditions which are agreed locally and include: mileage rates for car users; overtime and premiums for unsocial hours working; and sleeping in allowances. Despite these powers of delegation, in many cases local authorities simply transpose the basic entitlements set out in the Green Book with only limited local uplift. While the demarcation of certain activities such as the annual pay award and pay spine is perhaps a pragmatic reflection of the institutional power resources of national negotiators, the delegation of bargaining over enhancements to terms and conditions from national to local level within the framework confers a degree of legitimacy on negotiators, who operate through an agreed set of procedures and protocols (Marginson et al. 2003). The only mechanism which could be classed as a 'derogation' (which allows for exemptions from the principles or standards of the higher level agreement) is the use of Section 188 of the Trade Union and Labour Relations (Consolidation) Act 1992 which can be used to unilaterally effectively impose change on workers. S188 procedures allow employers to give notice and lawfully dismiss workers and re-engage them on new contracts with different terms and conditions, provided attempts have been made to reach agreement and a period of consultation has occurred.

The binding status of the national agreement is weak in that it has no statutory underpinning, and does not cover all 375 councils in England and Wales. Currently 46 local authorities operate outside the sector agreement with entirely devolved mechanisms for agreeing pay awards, terms and conditions. Most recognise at least one union, although there is a mixture of negotiation and consultation rights which is likely to result in variations in the depth and scope of negotiations. Even for those councils within the NJC, the outcomes of local level bargaining may depend on the bargaining power of individual branches and the skills and experience of union negotiators. Well organised branches may

be able to capitalise on the good employer tradition associated with Labour controlled councils in order to achieve pay and conditions 'above the going rate' (Ingham 1987), but smaller union branches who rely on the resources of regional or national officers may struggle to negotiate effectively with strong employers, thus exposing workers to unilateral management decision making (Vernon 2006). Recently local negotiations have been successful in delivering protection for low earners in the form of the living wage at over 100 councils, but may come with 'strings' attached. For example, Derby City Council introduced a living wage in early 2014 but at the same time unions were not able to prevent cuts in the value of unsocial hours enhancements with the result that many workers were no better off overall (BBC News online 1<sup>st</sup> April 2014).

Generally speaking, in a two-tier system of sector and local bargaining, activity at one level may reinforce rather than displace activity at the other (Brown and Terry 1978; Marginson et al. 2003). The implication is that local negotiators are unlikely to make significant gains where national negotiators have failed. Where there is deterioration in the 'meaningful content' of sector agreements (Hyman 1997) local negotiations may amplify rather than counteract the weakness of higher level social dialogue. In view of the increasingly limited coercive and legitimacy power of the trade unions, and under cost pressures of austerity it may be difficult for union negotiators to build a constitution for mutual gains bargaining at either national or local level. Beszter et al. (2015) argue that the bargaining machinery in local government survived (albeit in a weakened state) due to a combination of factors including: the pragmatism and flexibility of actors within the system; a degree of inertia and institutional 'lock-in' created by highly bureaucratic procedures; and the commitment to a broadly collective, paternalistic model of human resource management. Although the parameters of negotiation may have changed, it appears that the 'sunk investments' of employers, politicians and unions in existing arrangements have helped to prevent a complete dissolution of the national agreement or a the significant break away of a large number of individual councils. It remains to be seen whether the fragile consensus between employers and unions will survive sustained budget cuts, or whether it will be swamped by the dominant business strategies of cost cutting, downsizing and externalisation seen across the sector since 2010 (Bach and Stroleny 2014; Grimshaw et al. 2012).

## 2.3. Research and methods

### **Aim**

The objectives of this paper are to understand the changing dynamics of voluntary collective bargaining in UK local government during a period of fiscal austerity (2010-2015) and to assess the implications for the future.

### **Research Questions**

1. What types of bargaining exist within the sector framework and has the meaningful content of negotiations suffered as a direct result of austerity?
2. What does the articulation of collective bargaining between national and local levels reveal about the relative power of bargaining parties and the coherence of the industrial relations system?
3. What might the future hold for the NJC *Green Book* agreement and how might actors reshape collective agreements to meet changing bargaining priorities?

### **Research design**

The current research follows an exploratory case study method. The use of case studies as a specific research strategy within social sciences and organisational research is well established (Yin 2003), and case studies lend themselves well to the relatively uncontrolled and dynamic conditions of organisations (Fitzgerald and Dopson 2009). Case studies have a long history in industrial relations research, and the in-depth analysis of specific concrete examples of workplace behaviour and organisational change have provided powerful insights into the complex relationships between employers, staff and trade unions (Kitay and Callus 1998). The unit of analysis is effectively the sector-level agreement itself: what it has delivered for workers; how it has been affected by austerity; and what constraints and opportunities it affords to bargaining parties. Through an analysis of both quantitative and qualitative data, the study combines a sector perspective on general trends in employment, pay and conditions at sector level with individual perspectives on the negotiation process. The logic of selecting critical cases with the potential to surprise us is advocated by Flyvbjerg (2006) who notes that the careful selection of cases is as important in promoting the development of theoretical knowledge as extensive data collection and thorough analysis. In a sector with high collective bargaining coverage and comparatively high union density, it could be expected that unions would be well placed to resist downward pressure on pay and conditions from employers.

## **Methods and data sources**

The study draws on original analysis of secondary data and a total of 14 in-depth semi-structured interviews with 13 key actors who are either involved directly in collective bargaining or contribute to collective bargaining through regional and national decision making bodies. The secondary data comprise official statistics published by government bodies such as the Office for National Statistics (ONS) and the Department for Business Innovation and Skills (BIS), along with data collected and published by national level employer and union organisations (LGA and UNISON).

Secondary data on pay, employment and union membership in local government are used to situate the qualitative empirical data around specific negotiations and industrial relations processes in a wider political and economic context. Qualitative research affords the opportunity to conduct an in-depth examination of processes, actors and behaviour in context. The open-ended and iterative character of qualitative research enables investigators to consider processes and relationships over time, drawing out hidden or suppressed features of the work environment, and the mechanisms through which they are activated. Whipp (1998) suggests that qualitative research is particularly useful as a means of elucidating the meaning of the employment relationship as seen by those involved, and gaining a greater understanding of key issues in organisations such as culture, power and change. All three of these areas are of relevance to the current study, particularly as the scope of the study includes both formal and informal negotiations between employers and unions, which would be difficult to capture using quantitative means alone.

The interview sample included national officers from the three main local government unions (UNISON, Unite and GMB) along with representatives of the employers' bodies at a national and regional level. The sample also included regional managers from UNISON along with a range of regional organisers and lay branch officials who undertake local negotiations and consultation, along with union recruitment and case work. The interviews were supplemented by attendance at UNISON Local Government Service Group Executive meetings and local government national officer meetings to gain a first-hand perspective on decision making processes and strategic discussions, and non-participant observation at a picket line during the one-day strike on July 10<sup>th</sup> 2014.

Access to UNISON officials at all levels offered an excellent opportunity to gain insight into the day-to-day activities of trade unionists in a challenging environment, but also created the space in which to reflect on broader issues of union structure and strategy. At the same time, the co-operation of employers (and their representatives) offered a candid critical

appraisal of the collective bargaining landscape and the pragmatic engagement with trade unions which are broadly speaking still seen as essential to the successful operation of local government industrial relations. The research was not longitudinal by design, but the time period of data collection (just over 24 months between late 2012 and early 2015) and follow-up contact with respondents allowed for an analysis of actors' responses to events as they unfolded.

## **2.4. Findings**

The findings of this research underline the often complex interplay between actors and institutions which lies behind the collective bargaining process, and the way in which negotiators attempt to build support behind their bargaining stance. The findings presented here follow the annual pay round for each year of the five year parliament (2010/11-2014/15), identifying the key issues of negotiation (where they actually occurred) and the implications for on-going relations between the employers and the unions. The outcomes of pay awards are briefly assessed in terms of the implications for pay and conditions across the sector, and the ways in which actors at different levels perceived the relative success or failure of specific negotiations through a consideration of 'articulation mechanisms'. Evidence on local level negotiations is also included in order to understand the range of ways in which employers and unions engage in discussion over pay and conditions, and the various trade-offs and compromises that are made. More broadly, data on both the process and outcomes of bargaining reveal the changing coercive and legitimacy power of the employers and unions.

### **2.4.1. The pay freeze (2010-2013)**

During the final years of the New Labour government (2007-2010), as the UK economy faltered under pressure from the collapse of global financial markets, public spending came under increasing scrutiny. Limits of 2% were placed on all pay awards and central government began briefing about a 'culture of excess' among senior civil servants (BBC News online 7<sup>th</sup> December 2009). Sensing a change in mood over public sector pay, the local government employers attempted to lower expectations about the trajectory of pay awards, which was reinforced when the Conservative-Liberal coalition government assumed office in May 2010. The newly formed administration placed public sector pay restraint and heavy departmental budget cuts at the heart of a package of measures designed to 'rescue' public finances and eliminate the structural deficit over the course of the 5 year parliament (Grimshaw 2013).

A common view among both the employers' and union representatives at all levels was that local government was targeted for cuts for three main reasons. First, as a direct

expression of 'welfare' (e.g. with its roots in the local system of poor relief) local government services such as social housing and child protection tend not be electoral priorities when compared with universal services such as the National Health Service. Second, the often uneasy relationship between central and local government politicians exacerbated by the strong representation of Labour councillors at local level made the sector a prime candidate for Conservative-led cuts. Third, the ability of the sector to absorb cuts as shown by previous periods of retrenchment meant that local authorities were expected to 'rise to the challenge'. This last point is perhaps crucial. While by 2011 and 2012 all areas of the public sector were subject to a pay freeze, the local government employers imposed a pay freeze without negotiation starting in April 2010 after rejecting a claim of 2.5% from the unions in late 2009. The employers also argued they were not in a position to extend the £250 flat rate payment to workers earning less than £21,000 on the basis of the significant additional cost which would have to be met out of the general grant allocation<sup>10</sup>. The employers argued this was necessary to offer councils some stability while the full implications of the looming budget and welfare cuts were evaluated, and to help protect jobs in front-line services such as children's services and care for older people. The unions rejected both the necessity and logic of the wage freeze, arguing that a number of councils were budgeting for both pay rises and the £250 low pay award (suggesting money was not as tight as the national employers had portrayed), and more importantly that pay restraint could not guarantee the protection of jobs. Across Europe since the start of the financial crisis there is evidence to show that public sector employers have been willing to compromise their stocks of skilled human capital in order to save money, and ultimately job cuts have often been accompanied by pay cuts (Glassner 2010). Data for the UK appear to bear this out: despite the extended pay freeze over 500,000 jobs were lost in local government between 2010 and 2014 with women in part-time jobs making up over 40% of all losses (table 2-2).

**Table 2-2 – local government job losses 2010 (Q1) to 2014 (Q2), by gender and contract status**

		Headcount	Male FT	Female FT	Male PT	Female PT	Permanent	Temp
2010	Q1	2,254,747	413,713	641,841	146,524	1,052,669	1,925,080	329,667
2014	Q2	1,742,700	306,800	482,200	114,800	838,900	1,499,100	243,600
<b>Change 2010 Q1 - 2014 Q2</b>		<b>-512,047</b>	<b>-106,913</b>	<b>-159,641</b>	<b>-31,724</b>	<b>-213,769</b>	<b>-425,980</b>	<b>-86,067</b>
<b>Change per cent 2010-2014</b>		<b>-22.7%</b>	<b>-25.8%</b>	<b>-24.9%</b>	<b>-21.7%</b>	<b>-20.3%</b>	<b>-22.1%</b>	<b>-26.1%</b>
<b>% Share of job losses</b>		<b>-</b>	<b>-20.9%</b>	<b>-31.2%</b>	<b>-6.2%</b>	<b>-41.7%</b>	<b>-83.2%</b>	<b>-16.8%</b>

Source: Office for National Statistics Quarterly Public Sector Employment Statistics (QPSES) 2010 to 2014, accessed at: [http://www.local.gov.uk/research-pay-and-workforce/-/journal\\_content/56/10180/2991184/ARTICLE](http://www.local.gov.uk/research-pay-and-workforce/-/journal_content/56/10180/2991184/ARTICLE), author's own calculation

<sup>10</sup> All other areas of the public sector covered by RPBs received additional funding to cover the £250 payment

The national employers' representative interviewed here recognised that there was not a straightforward trade-off between pay and jobs as downsizing and restructuring at individual councils would not necessarily align with the negotiation of the annual pay award, resulting in a mixture of voluntary and compulsory job losses across the financial year. While there was a risk of damaging the spirit of collective negotiations with the unions, enforced pay discipline was considered crucial to protect less well-off employers while transferring the responsibility for unpopular decisions to the centre:

*"...the three year freeze effectively meant those councils who couldn't afford a penny could get away with it...and they could hide behind the national pay negotiations and our 'cruel and heartless behaviour'...whereas those councils who could afford it avoided across the board increases and then could say to their staff 'here's a nice non-consolidated pay award'..." [LG National Employers 1]*

Despite some initial resistance to the pay freeze from the Labour group within the employers' side, framing the decision as an issue of 'economic necessity' helped both to shape expectations among the workforce and to create a more uniform stance among the employers. The Conservative group (who chaired the LGA at the time) managed to raise enough support behind a *de facto* bargaining stance of attempting to contain the damage of centrally administered budget cuts while keeping council tax low (Local Government Chronicle 27<sup>th</sup> January 2010). A UNISON official interviewed argued that national bargaining acted as a means of obfuscating responsibility for low pay awards, effectively absolving individual councils (even those who might publicly criticise the budget cuts) from any responsibility to their own workforce over pay increases:

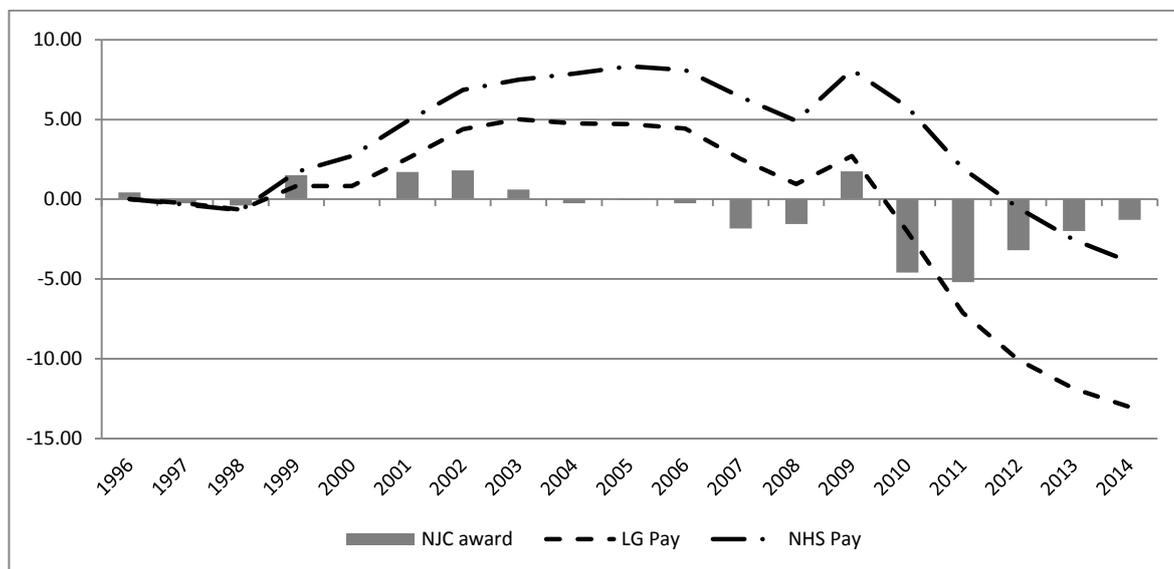
*"...I have spoken to a few Labour councillors [and] they prefer national pay bargaining because it takes the decision of pay rises away from them locally so they don't have to get their hands dirty doing it..." [UNISON 1]*

From the employers' perspective, budget cuts of nearly 40% in real terms across a five year period had fundamentally altered the bargaining landscape and the very real possibility of sustained retrenchment over the next five or ten years virtually guaranteed that affordability would continue to be the ultimate governing force in setting pay awards. But for a national officer at UNISON this was simply the latest in a long line of difficult negotiations:

*"...at a sector wide level there is very little bargaining basically and there hasn't been now for about 15 years..." [UNISON 2]*

This is supported by data on pay settlements (figure 2-2). Pay awards have been at or below RPI inflation<sup>11</sup> in 13 out of 18 years since 1997 meaning that by 2014 the cumulative value of pay awards in real terms had dropped 15% below the level of 1996. In contrast real pay in the NHS grew more sharply in the 2000s providing a larger buffer against a shorter two year freeze meaning that real pay dropped only 4% relative to 1996.

**Figure 2-2 - cumulative value of real pay awards, local government and NHS, 1996-2014**



Source: Pay data supplied by UNISON, author's own compilation. Cumulative growth in real pay = value of annual pay award minus RPI inflation, 1996 = 100.

#### 2.4.2. Trading pay for terms and conditions (2013/14)

The articulation of the two-tier structure in local government creates significant lateral room for bargaining parties to engage in various forms of concession or mixed-motive bargaining over both procedural and substantive issues. The fragmentation of these trade-offs across different levels within the NJC structure also presents an opportunity to explore issues of Multi-Lateral Bargaining (MLB). Mixed motive bargaining can be successful where both parties bring a range of issues to the negotiating table and are willing to make concessions in one area in order to further their ambitions in another (Kochan and Lipsky 2003; Walton and McKersie 1965). As the freeze extended into a third year there were signs that the employers wanted to return to the bargaining table, although they made it clear that future negotiations over pay awards would require concessions from the unions on *Green Book* terms and conditions as a *quid pro quo*:

<sup>11</sup> RPI inflation is used by the trade unions in preparing pay claims as it typically reflects changes in the cost of living inclusive of housing costs, whereas central government favours CPI inflation exclusive of housing costs as the rate is typically lower

*“We could have another seven years of austerity...what have we got to bargain with? Although the situation at some councils is very harsh, we can’t pretend these are normal times...if they were then you wouldn’t have so many councils looking at things like sick pay...” [LG National Employers 1]*

Re-opening negotiations (however constrained they may have been) coincided with the lifting of the pay freeze in other parts of the public sector, and perhaps also reflected the fact that individual employers were starting to see the demoralising effects of heavy job losses and declining real wages. Affordability and cost control were clearly still critical issues for most councils but an offer (even if it was largely symbolic) had to be made in order to maintain the support of workers:

*“...the view was we can’t afford it and every extra pound potentially puts somebody else out of work. However after 3 years we need to do something for our staff who have had an awful lot to put up with...” [LG Regional Employers 1]*

The unions submitted a pay claim in late 2012 for a ‘substantial percentage increase’ on all pay points noting the pay freeze actually represented a 13% cut in real pay since 2009 alone (see figure 2-2). The employers responded with two options in early 2013: option 1 was an offer of 1% on all pay points but with ‘strings’ attached in the form of a reduction in Part III car mileage rates and the replacement of the unilateral arbitration clause with a bilateral clause (meaning that both sides would have to agree to a referral to arbitration in case of a dispute); option 2 was a ‘no-strings’ offer of 1% for those on the lowest six scale points (up to about £14,000 pa for a full-time worker) and 0.6% for those above. This was to be supplemented with an additional day of paid leave (from 21 to 22), and the return to continuous service period (following outsourcing and then insourcing again) was increased from 5 to 10 years for the purposes of calculating pensions, sick pay and maternity leave. The unions argued that concessions on the *Green Book* itself were not necessary as the employers pre-emptively refused arbitration in 2010 and 2011 anyway, and a survey carried out by UNISON in 2012 suggested that around 60% of councils had already reduced mileage rates locally or were planning to do so. More importantly national union officers argued that once a precedent for reducing terms and conditions had been set by agreeing minor changes this could quickly be followed by more significant cuts with employers free to re-open negotiations whenever they wished.

On this basis both options were rejected by the unions at the beginning of April 2013. Perhaps conceding that reform of the *Green Book* would be problematic following three years without negotiations, the employers responded with a ‘no-strings’ offer of 1% coupled with the deletion of the lowest scale point in October 2013 in order to preserve a gap of £0.14 over the new National Minimum Wage figure of £6.31. Although UNITE members rejected the offer, both UNISON and GMB members voted to accept the 1% offer

and it was formally endorsed by the unions' side in July 2013. In this case, the proposed reform of the *Green Book* in 2013 was not achieved, and in addition by making two (albeit low) offers of 0.6% and 1% the employers gave the unions an advantage by revealing the upper limit of what was acceptable to councils. In this context, preserving terms and conditions was perhaps a minor victory for the unions nationally, but by refusing to discuss reform of the *Green Book* there was a danger that individual employers would look to circumvent the national agreement by attempting to make changes at a local level. While it was recognised by the employers that the trade unions nationally had to adopt a public stance that they 'would not sell workers' terms and conditions down the river', as a result of the impasse over *Green Book* reform, in late 2013 the LGA notified local authorities of their intention to direct resources and support to local level negotiations around all aspects of *Green Book* terms and conditions including core national Part II conditions such as sick pay (LGA 2013a).

Increased bargaining at local level created a risk that some councils would end up paying for change twice by agreeing to concessions over working hours or annual leave locally to secure reductions in the value of terms and conditions only for the national employers to then do the same. In contrast with the view of the national employers' representative, the regional employers interviewed here (covering the North East, North West, and West Midlands) reported that many councils had backed away from making changes to sick pay such as withholding payment for the first three days owing to the 'cost and hassle', along with the potential for a counterproductive effect of workers taking periods of absence longer than three days in order to trigger payments. However, a number had entered into negotiations over terms and conditions such as mileage allowances and unsocial hours payments at local level precisely because the national employers had over-promised on *Green Book* reform and failed to make any significant progress. The LGA was therefore attempting to catch up with local employers by reaffirming the right to adjust terms and conditions locally. As Marginson et al. (2003) note, 'organised' decentralised bargaining in this sense reflects not so much a strategic or planned delegation of activity from higher level actors to lower level but a tactical accommodation by higher level actors to a reality already prevailing on the ground. In order to try and protect against these local 'deals', the unions nationally have instructed branches to register disputes where changes to Part II conditions are proposed. But according to regional employers, the proximity of local union actors to the tangible effects of central government cuts resulted in a sense of 'realism' which afforded greater scope for the type of pragmatic trade-offs and compromises considered essential for industrial relations processes to maintain their relevance:

*“...there's a massive discord between what the unions nationally are saying and doing and what is happening locally....there are agreements reached locally which would not get past the national officers...but the trade union guys locally really understand the consequence of not doing deals....” [LG Regional Employers 2]*

National union officers did not underestimate the difficult position which local union actors were in or openly criticise the trade-offs that local branches were willing to accept. However, they were keen to try and maintain a strong line on core terms and conditions on the basis that they were already worse than other parts of the public sector, and that any further cuts would seriously damage the financial situation of many low-paid women in part-time roles. There was clearly a sense among national union officers (UNISON, UNITE and GMB) that local deals were steadily eroding terms and conditions, which would be difficult to restore nationally or locally. The burden of these reductions on different workforce groups is difficult to quantify precisely but it appears that councils have attempted to balance out general reductions in terms and conditions such as mileage rates with targeted cuts at higher levels: for example, ending car lease schemes and healthcare insurance for senior managers; banning overtime for staff above certain grade thresholds; and limiting performance payment schemes (LGA 2013b).

A number of UNISON branch secretaries suggested that concessions on conditions such as mileage rates, and a mixture of formal and informal negotiations with senior managers and politicians helped to protect against the most drastic reductions in terms and conditions such as sick pay and unsocial hours payments as opposed to registering disputes). This re-affirms the important role of unions in mediating change processes, but the proliferation of this type of mixed-motive bargaining is indicative of the difficulties faced by the unions nationally in attempting to regulate local bargaining. It is not yet clear whether the instruction to register disputes is being followed diligently by branches who may identify gains to be made by yielding on terms and conditions in order to safeguard against compulsory job cuts and outsourcing. Moreover, where unions have attempted to counteract adverse local concessions by refusing to endorse them at regional or national level, it was suggested by one of the regional employers that some authorities were questioning the value of entering into negotiations at all, raising the possibility of even greater unilateral change:

*“...[local] authorities are saying why on earth are we doing all these negotiations, we get the unions locally on board and then the rug is pulled from beneath our feet by the national people...” [LG Regional Employers 1]*

In contrast with the national employers, individual local authorities as direct employers can choose to terminate the contracts of all staff under ‘Section 188’ procedures. Thus although more than half of those councils making changes to terms and conditions

between 2010 and 2013 did so in negotiation with recognised trade unions (LGA 2013b), a number of councils imposed changes to pay and conditions by dismissing workers and re-engaging them on new inferior contracts. For example, Shropshire County Council in 2011 forced through pay cuts by dismissing its entire workforce of 6,500 and re-engaging them on new contracts at lower rates of pay (BBC News online 5<sup>th</sup> July 2011). Delegated bargaining powers are therefore more clearly articulated for local authorities than unions as they reserve sovereign powers to dismiss workers if agreement cannot be reached, raising the possibility of increased management unilateralism within ‘the shell’ of the NJC agreement. Beyond notions of ‘organised’ or ‘disorganised’ decentralisation, this kind of ‘destructive’ bargaining represents a marked change in the industrial relations landscape which according to a national officer at GMB would have been ‘unthinkable’ even 10 or 15 years ago. It is a clear threat to the regulatory role of existing bargaining institutions as well as damaging to the material conditions of employment for individual workers. Union branches may feel coerced into agreeing local concessions where they do not have the membership density to contest management proposals which carry the implicit or explicit threat of S188 dismissal and re-engagement. In 2011, Conservative political leaders at Southampton council imposed pay cuts on a sliding scale from 5.5% (earnings of £65,000+) to 2% (£17,000-21,000). UNISON and Unite subsequently filed around 1,000 unfair dismissal claims and coordinated a series of targeted local strikes, and the incoming Labour administration in August 2012 reversed the pay cuts except for management (BBC News online 16<sup>th</sup> August 2012). Similarly, Portsmouth City council briefly de-recognised UNISON in a dispute over local changes to pay and conditions, but following the refusal of other locally recognised unions (UNITE and GMB) to engage in consultation the council backed down (The Guardian online 2<sup>nd</sup> September 2011).

#### **2.4.3. Addressing low wages through national and local bargaining (2014/15)**

As part of the annual NJC pay claim the trade unions have long pressed for substantial pay increases to raise the bottom rate of the pay spine up to the level of the living wage<sup>12</sup>, and the 2014/15 claim was built around a flat £1 per hour increase on all pay points which would bring the bottom rate up to the 2014 living wage figure of £7.45 while preserving tapered differentials between grades. For the unions the living wage represents a benchmark of decency for the lowest paid, many of whom rely on in-work benefits and second jobs to make ends meet (Kumarappan et al. 2012). At the same time it was a simple, unifying issue around which to mobilise members, as was the case with efforts to

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<sup>12</sup> <https://www.unison.org.uk/upload/sharepoint/Research%20Material/NJC%20pay%20claim%202013%20-%202014.pdf>

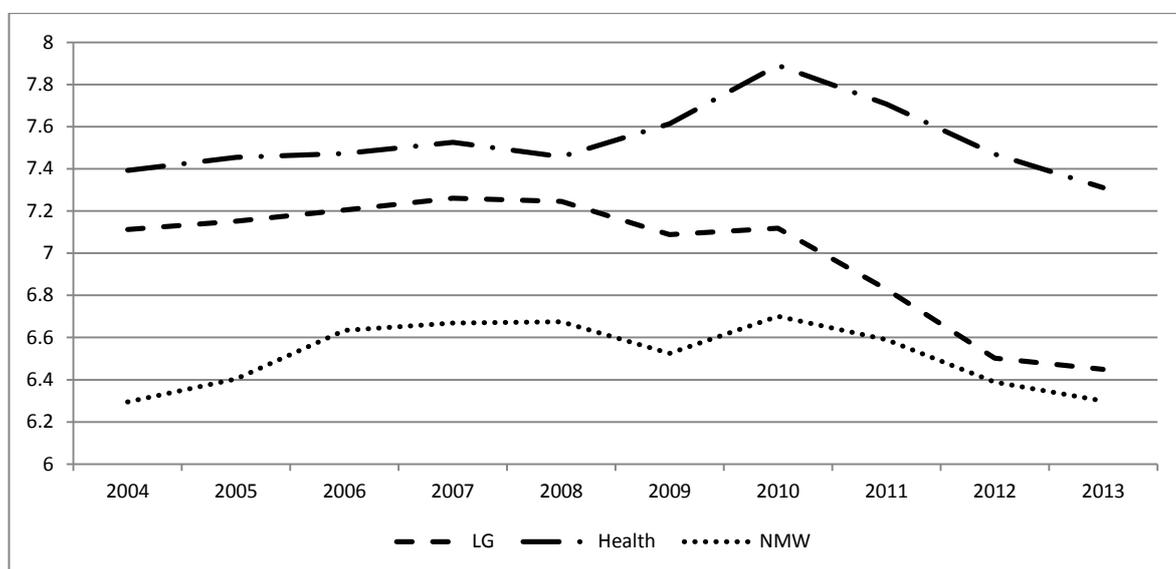
introduce a national minimum wage which UNISON was instrumental in driving forward within the TUC (Morris 2000). It was also an opportunity for the national employers to take ownership of a policy which was popular with the public, and had already been implemented in around 100 mostly Labour controlled councils in a somewhat fragmented and non-systematic way.

Unpublished data gathered by the LGA in 2013 on the spread of local living wage policies across the sector suggested that in almost all cases locally-recognised unions were involved in the design and implementation of policies. The adoption of a local living wage can be an exercise in mutual gains bargaining as employers may derive 'political capital' from voluntarily adopting an ethical employment standard, and the unions are able to point to the concrete gains for the lowest paid workers. Similarly it is often assumed that the initial outlay on wages is recovered by the reduction in labour turnover, and the higher productivity associated with the boost to morale (Reich et al. 2005). However, at a time of general cost cutting, the specific terms of local living wage deals matter. Permanently changing the grades of entry level jobs offers some security to the lowest paid but may interfere with job evaluated pay structures. Conversely offering to pay a living wage 'supplement' leaves pay structures intact but means that employers reserve the right to adjust or withdraw the supplement if it is deemed to be too expensive in future. Similarly, the unions may be wary of agreeing to a policy which raises pay at the bottom but is 'bundled together' with other changes which carry adverse implications. This may include cuts in pay for other groups of workers; the erosion of terms and conditions; the compression of wage differentials; or programmes of workforce restructuring which means job losses and outsourcing negate the gains in basic pay altogether (Johnson 2014). Even where the living wage is not offered as an incentive for unions to accept other cuts as was the case at Derby City council, the trade unions have to weigh up the material gains from local deals which offer guarantees over wages and job security but at the expense of higher level social dialogue. For example, the UNITE national officer interviewed here explained how Oxford City Council in negotiation with UNITE and UNISON had opted out of the national pay framework in 2013 in order to agree a living wage and a five year deal worth 2.5% annually for all staff alongside a no-compulsory redundancy agreement.

The national employers' representative argued that local authorities were generally sympathetic to the 'plight' of a low paid largely part-time female workforce, and were concerned to avoid the label of being a minimum wage employer. The margin of the NJC minimum rate over the UK National Minimum Wage declined from 24 per cent in 1999 to just 8.5 per cent in 2006 long before any hint of austerity or public spending cuts, and despite bottom weighting in 2007, 2008 and 2009 the gap declined further still between

2010 and 2012 as the pay freeze continued. The real terms value of the local government base rate fell sharply between 2008 and 2013 leaving entry rates for jobs such as cleaning, catering, maintenance, and auxiliary care over £0.80 per hour lower than the NHS (figure 2-3).

Figure 2-3- NJC and NHS base rates, UK national minimum wage, 2004-2013 (deflated to 2013 prices)



Source: UK National Minimum Wage from HM Treasury, Local government and NHS base rates from respective collective agreements, author's own calculation

Nevertheless, neither the moral nor the business case appeared to have much purchase in national negotiations. Historically the employers have deflected the charge of exploitation by pointing to the superior terms and conditions in local government over similar roles in the private sector (Nolda 2004), while emphasising the disemployment effects of sharp wage increases at the bottom end which it was argued made in-house services uncompetitive and led to cost-driven outsourcing during the 1980s (Foster and Scott 1998; Halford 1982). In the view of both the national and regional employers' representatives interviewed, the living wage was fundamentally a political rather than a business choice, as many councils had 'people queuing out the door' for entry level and low paid jobs in areas such as cleaning, catering, and refuse. Reflective of this stance the pay claim for a rise of £1 per hour on all pay points was rejected 'out of hand'. The cost implications of a living wage were significant and unevenly distributed: it was estimated that close to 500,000 local government workers would be covered by a living wage figure of £7.45<sup>13</sup> adding well over £1bn to the annual pay bill and impacting heavily on larger metropolitan district councils with larger blue-collar workforces. The employers made a 'first and final' offer of 1% in March 2014 with a small amount of bottom-weighting to bring the base of the pay spine up to £6.75 (maintaining a gap of £0.25p over the national

<sup>13</sup> This was the UK Living Wage figure at the time the pay claim was submitted

minimum wage which was due to be uplifted to £6.50 in October 2014), and indicated that they would refuse any application from the unions to go to arbitration. The issue of arbitration was already problematic given the failed attempts to replace the bilateral clause with a unilateral clause in 2012/13, and the 2008/09 pay round created significant ill-feeling within the employers' side when an additional 0.3% (toalling £93m) was added by ACAS after council budgets had been set (described by the employers as the unions' third 'bite of the cherry' following negotiations and an unsuccessful strike ballot). Nevertheless, 71% of UNISON members voted to reject the 2014 offer of 1%, with 90% of UNITE members and 83% of GMB members following suit (although on a turnout estimated to be less than 30%). A one day strike was called for the 10<sup>th</sup> of July 2014 for all local government staff, which was the first industrial action solely about pay since 2008. The successful mobilisation of members for strike action (Kelly 1998) rested on three key factors. The first was the use of a flat £1 per hour pay claim as opposed to 'a significant percentage increase on all pay points' as was the case in previous years. For those on the bottom pay points the £1 per hour represented a 15.5% increase in hourly wages which would have been more difficult to present to the employers (or the public) as a reasonable increase considering the 1% pay cap in force across the rest of the public sector. Second, the use of the living wage as the basis of the claim helped to generate a stronger sense of 'injustice' at the failure of the NJC agreement to provide even the basic necessities to hard working staff, which could then be attributed to the national employers. Third, the ending of the pay freeze the previous year, and the spread of the living wage at a local level raised expectations that a pay award of more than 1% was possible, and crucially that strike action would be instrumental in achieving that target. Nevertheless, the strike action produced mixed results. The employers made no indication that they would either improve their offer, or even re-open negotiations until a second day of strike action which was called for the 30<sup>th</sup> October 2014 was cancelled. Discussions re-opened in early September (which meant a formal suspension of the strike) and a deal was formally put to union members shortly afterwards. The final offer was worth an average of 2.2% over two years, which was estimated to add around £27m on top of a straightforward 1% in both years. The addition of tapered non-consolidated cash payments in December 2014 and January 2015 for those workers on the bottom five pay points was attractive for UNITE and GMB who have high concentrations of members in lower paying occupations, and would see their pay increase by up to 8.6%. For UNISON the vote was more problematic: 65% of members accepted the offer on a turnout of less than 20% but almost immediately there were strong calls from the North West and London regions for a special conference to discuss the handling of the pay award and the cancellation of the second strike by national negotiators without an explicit 'mandate' from members. The employers were

generally satisfied with the final outcome in that it did not significantly increase costs, and reaching collective agreement through the national machinery was equally important as it meant individual local authorities did not have to consider imposing their own pay awards which would be a clear threat to the survival of the NJC. However, where the NJC is perceived to have 'failed' on low pay, individual councils may be increasingly inclined to agree localised living wages in order to satisfy ethical and political goals around fair pay. This in turn creates scope for local negotiations with the trade unions around the level at which local rates are set and whether they are uplifted in-line with the recommendations of the Living Wage Foundation. Furthermore, unions may also press employers to extend payment of the living wage to contracted staff in low paying areas such as cleaning, catering and care services. The issue of the living wage further underlines the complex articulation of bargaining in local government, but suggests that (in certain circumstances) local negotiators have been able to achieve positive outcomes where national negotiators have failed (Hyman 1997; Marginson et al. 2003; Brown and Terry 1978). This however, is as much a reflection of the willingness of individual employers to engage with the notion of a living wage as a political or ethical statement as opposed to the bargaining power of the unions per se (see Paper 2).

#### **2.4.4. Multi-lateral bargaining and intra-organisational conflict**

As Walton and McKersie (1965) note, bargaining parties typically use a range of tactics in order to pursue their aims, but negotiators are often acting on behalf of a larger (and sometimes highly heterogeneous) membership, which can create problems with the agreement of a common bargaining stance. In contrast with Walton and McKersie's model where bargaining parties arrive at the negotiation table having formulated *target* and *resistance* points based on internal discussions and calculations, NJC negotiators rarely have an explicit mandate from members before negotiations commence as to what these should be. Unions make a formal written pay claim usually in the autumn which the employers discuss and respond to formally by letter, before further arrangements are made to meet and discuss possible compromises. Negotiations may take place at a meeting of the unions' and employer's side secretaries (as opposed to the full NJC), before negotiators then consult their respective members as to the acceptability of the deal. From the perspective of the national employers' representative the trade union claim is not generally the most important factor when discussing the pay award within the employer's side: gaining a broad picture of affordability across sector is the first principle of shaping any offer (which invariably drags pay awards downwards). Although it is not a 'one-council one-vote mandate' as such, through a series of regional consultation events the national employers listen to the views of individual employers and make a judgement 'in

the best interests of the sector'. This underlines the complexity of this consultative style of multi-lateral bargaining with powerful individual employers replacing company directors as the 'ghosts at the bargaining table' (Winkler 1974). Whereas in the past the unions may have felt that there was a gap between the employers' target and resistance points (e.g. the difference between the minimum amount they would ideally like to pay and the maximum they would tolerate), it was clear from the early exchanges in 2014/15 that the employers were highly unlikely to increase the total value of the offer. As shown by recent pay rounds, the employers have tended to make first and final offers of around 1% which puts them in a stronger position as they know that councils will be very unlikely to agree to any significant departure from that 1% figure. Despite the recognition of the national employers' representative that the recruitment and retention of staff was becoming a problem, it appears that as long as there is a steady supply of labour for female dominated care, cleaning and catering roles, there are few incentives for employers to depart from nationally agreed pay norms which prioritise affordability above all else:

*"...even if we got more funding for local government...I think a bigger pay rise for staff would be about 98<sup>th</sup> on the list of the things we would spend the money on...and that's not because staff don't matter or we don't care...but because there is an impending crisis in adult social care and we don't have enough children's social workers...." [LG National Employers 1]*

In terms of coercive power (Simms and Charlwood 2010), strikes are symptomatic of a breakdown in negotiations but as a bargaining tactic appear to have only a marginal effect on the outcomes of negotiations. Despite the coordination of strikes with teaching and civil service unions, the LGA estimated that around 95% of local authority staff were at work on July the 10<sup>th</sup>, and disruption at most councils was generally minimal. From the perspective of the national employers strikes were at worst a nuisance, and in the eyes of a national officer at UNISON the feeling was much the same:

*"...to be honest I think a one day strike is nigh on useless...it's [only] symbolic and the employers rub their hands because they save a lot of money and nothing happens..." [UNISON 2]*

All three unions struggled to gain support among their members for industrial action, and there is a particular problem for UNISON in that they often carry a burden of expectation to lead on strike action as the largest union in the NJC, but their power base has become increasingly fragmented along geographical and occupational lines. At a national UNISON local government service group executive meeting witnessed in 2013 (when the employers made an offer of 1% with 'strings'), a number of delegates expressed frustration at national negotiators for failing to mobilise members by encouraging them to reject the meagre pay offers put forward by the employers, a criticism echoed at the

special conference in 2015. However, union leaders were reluctant to push all branches for strike action, reporting that with density as low as 20% in some parts of the country<sup>14</sup> the impact would be minimal. In this sense the unions are locked into something of a vicious circle: membership density is needed to make strike action effective which hinges on successful organising, but if strikes are not seen as effective recruitment and organising becomes more difficult (Badigannavar and Kelly 2005).

Perhaps the deeper issue here is finding a way to mobilise a historically 'passive' membership base around the higher level strategic goals of the union which in turn does not stymie bottom-up organising or reinforce the full-time officer culture associated with NALGO (Terry 1996). A common view among the UNISON branch secretaries interviewed was that members were 'used to being serviced' by the union, and the corporate image projected by UNISON as more of an insurance scheme was increasingly removed from the agitation for better pay and conditions rooted in class-based conflict (Gill-McLure 2013). Recruitment at most of the branches was often contingent on specific local level events (e.g. corporate restructures and equal pay reviews) as opposed to broader anti-austerity campaigns or the annual pay award. A regional organiser in London noted that the national recruitment campaign coupled with the weakness of sector negotiations had unfairly raised the expectations of new recruits which neither lay nor paid officials at a local level had the resources to address:

*"...we do a lot to recruit all these low paid workers but we can't do anything for them..." [UNISON 5]*

Non-participant observation of a picket line outside the main office building at one local authority on the July 10<sup>th</sup> strike revealed a general sense of indifference among the workforce towards the prospect of another 1% pay deal, with the vast majority of workers reporting for work (despite the best efforts of UNISON, Unite and GMB joining forces to raise the profile of the living wage pay claim). Similarly, a UNISON branch secretary in the North East noted that when set against a context of massive job losses and seemingly continuous restructuring, wider issues such as the national pay award were simply becoming less and less relevant:

*"...my members are not really interested in the pay rise...they're certainly not interested in the pound an hour...if the employers turned round and said yeah we'll give you 1% again I think most people would probably go fair enough I'll take it...I think people breathed a sigh of relief that they got something last year..." [UNISON 4]*

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<sup>14</sup> Data on membership density for each of the three unions at local level are not in the public domain

If the national machinery continues to struggle to contain this intra-organisational conflict, it opens up the question whether pay setting should be increasingly devolved, as a way of counteracting the dominant employer concerns of overall cost control as well as rigid union bureaucracy and top-down strategising (Fairbrother 1996). UNISON and UNITE remain committed to national bargaining whereas in contrast the GMB have expressed clear dissatisfaction with the sector agreement. This perhaps reflects their membership base in historically more 'militant' and male dominated blue-collar occupations who may be better placed to take advantage of the leverage of local negotiations to achieve positive outcomes such as the living wage. However, due to variable union density across the country and the scope for management unilateralism as described earlier, it is not clear that the unions overall would fare any better by delegating activity to lower level (Vernon 2006). Allowing employers and local union branches to agree their own pay awards along with terms and conditions would compromise the coordinated standards of the sector agreement and potentially create systematic differences in occupational pay levels across areas with different representations of male and female workers. Furthermore, in the same way that national bargaining protects the weakest employers it also helps protect the weakest union branches from de-recognition<sup>15</sup>, and there appeared to be a general acceptance within UNISON at least that national bargaining (however dysfunctional) was preferable to a fragmented system which would erode bargaining units and compromise standardisation.

## 2.5. Discussion and conclusion

The objectives of this paper were to understand the changing dynamics of voluntary collective bargaining in UK local government under conditions of austerity and to assess the implications for the future. Since May 2010<sup>16</sup> there has been a dramatic acceleration in the restructuring of public finances and a corresponding retrenchment in public services in particular local government. Interviews with elite and non-elite actors from both the employers' and trade unions' side, revealed that although there remains a broad commitment at all levels to the national framework of pay setting, there are signs of fraying in the relationship between employers and trade unions as the bargaining agenda has become completely dominated by the 'ability to pay'. The power imbalance between the employers and trade unions means that the workforce has effectively paid for austerity three times over through a combination of cuts enacted at both sector and local level:

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<sup>15</sup> Aside from the brief de-recognition of UNISON at Portsmouth City council

<sup>16</sup> The austerity programme was initiated by the Conservative-Liberal Democrat coalition of 2010-15 and has been continued by the majority Conservative government since May 2015

- A three year pay freeze followed by two below inflation awards of 1% which equates to a real wage cut of over 20% since 2009
- Significant local programmes of restructuring and retrenchment which have resulted in heavy job losses and outsourcing
- Locally administered changes to terms and conditions such as reductions in payment protection, mileage allowances and unsocial hours payments

In many ways the current period of austerity is simply a contemporary manifestation of the highly embedded four-way tension which exists between central government, local authorities (as employers), the trade unions and workers themselves who have all expressed frustration at the failure of national pay setting to respond quickly enough to their changing interests and demands (Walsh 1981). The results of this research however, suggest that there are new dynamics in the articulation of collective bargaining in UK local government, and the disappointing outcomes of negotiations at different levels of joint regulation illustrate that the employers have been able to resist union pressure for better pay and conditions by aligning themselves more closely with central government policy on affordability than may have been the case in the past. While cost pressures are clearly significant, through centralised bargaining the national employers have been able to leverage austerity conditions to exercise pay discipline on behalf of all councils, reinforcing the poverty of meaningful content in the sector-level agreement (Hyman 1997).

### **2.5.1. The articulation and outcomes of bargaining**

By synthesising the behavioural analysis of the bargaining process offered by Walton and McKersie (1965) and the institutional analysis of bargaining ‘articulation’ offered by Marginson et al. (2003), we can consider the ways in which bargaining outcomes at both national and local level reflect the changing external political and financial environment, along with the underlying power dynamics between the employers and trade unions (table 2-3).

Table 2-3- a typology of negotiations in local government

		Type of bargaining		
		Integrative	Mixed motive/concession	Distributive
Articulation	Organised	Strong employers/strong unions <i>Single Status agreement 1997</i>	Weak employers/weak unions <i>Aborted Green Book reform 2013/14</i>	Strong Employers/Weak Unions <i>Pay freeze 2010-13</i>
	Disorganised	Strong employers/strong unions <i>Localised living wage deals</i>	Weak employers/weak unions <i>Equal pay claims, trading off terms and conditions for job security</i>	Strong employers/weak unions <i>Job losses, S188 dismissal and re-engagement</i>
		Low	High	Low
<b>Multi-lateral bargaining, intra-organisational conflict</b>				

### Organised bargaining

At sector level, integrative bargaining (in the top left) characterised by relatively strong employers and unions perhaps peaked with the 1997 Single Status agreement which was built on the notion of partnership (Perkins and White 2010). Organisation in this sense reflected the commitment to standardisation and the principles of equality bargaining. But despite the creation of a ‘regulated’ space for local negotiators under the terms of the Green Book through the principles of delegation (i.e. the explicit transfer of responsibility for negotiation from sector to local level), it is clear that the discretion left open to local union branches and employers led to variable outcomes. The use of litigation became an important bargaining tactic for the unions to force recalcitrant employers to comply with equal pay legislation (Oliver et al. 2014) but the fact that no-win no fee lawyers took a large number of cases was a reflection on the failure of the unions to consistently press for the maximum amount of back pay for women (Deakin et al. 2015).

Moreover, even before the ink was dry on the NJC *Green Book* agreement, bargaining at sector level moved into a much more ‘distributive’ space (towards the top right of table 2-3) as employers sought to offset the cost of harmonising pay between men and women which was not funded by central government (as was the case in the NHS). This was achieved through a combination of measures including a levelling down of pay for male dominated occupations; keeping real annual pay awards at or below inflation in most years; the failure to upgrade terms and conditions; and allowing the national minimum wage to catch up to the bottom of the NJC pay spine. In terms of the articulation of national bargaining, the unions did not gain much by demarcating the annual pay award as the sole

preserve of national negotiators, and increasingly tight funding settlements meant that the national employers acting on behalf of around 330 councils in the NJC moved decisively to impose a pay freeze ahead of the change in government in 2010. This highly distributive outcome saw cost control take complete priority over the unions' egalitarian concern for notions of 'fair wages' and the employers did not yield to economic arguments about sharp rises in the cost of living. But at the same time, the national employers' decision was also in part a means to head off any potential intra-organisational conflict (IOC) within the sector (most notably the Labour group within the LGA) about the appropriateness of a pay freeze. Imposing the pay freeze without negotiation severely limited both the need and scope for multi-lateral bargaining (MLB), and meant that the employers were able to present a united front on the need to avoid any further increases in cost at a time when jobs and services were at risk. Contrast this with the attempt to engage in mixed-motive bargaining in the 2013/14 pay round which proved to be unsuccessful, and created much greater intra-organisational conflict. The employers' offer to make a 1% award (up from 0.6%) contingent on reforms of national agreed terms and conditions (described as 'strings' by the unions) were overwhelmingly rejected by the workforce and in the end the employers backed down. Paradoxically, the ending of the pay freeze and the efforts of both employers and unions to engage in mixed-motive bargaining in 2013 and 2014 meant that negotiations moved into a much more volatile space: neither side appeared strong enough to be able to force through change without offering some kind of concession; and the gradual recovery of the wider economy appeared to raise expectations within the unions about what should be achievable through sector level negotiations. Although the unions and employers would obviously much rather be in a position of mutual strength in order to engage in integrative bargaining, at least when the pay freeze was effectively imposed without negotiation little was expected of national negotiators and intra-organisational conflict remained remarkably low (Gill 1994).

### *Disorganised bargaining*

The unions have attempted to prevent the spread of disorganised local bargaining by instructing branches to register disputes in situations where employers attempt to vary core Part II conditions, but this appears to have had limited impact where key actors are able to reach informal agreement over packages of reforms, and the findings of this paper suggest that it still does not prevent determined employers from forcing through change by dismissing staff and re-engaging them on inferior contracts. Faced with something of a 'take-it or leave-it' choice, union branches appear more willing to engage in disorganised mixed-motive bargaining by trading-off terms and conditions in return for the scope to input into processes of workforce restructuring and redeployment. One area where

employers and unions have been able to achieve something close to ‘mutual gains’ bargaining is through localised living wage policies, which align with the goal of the unions nationally to protect low earners. However the way in which these policies have been adopted points to further disorganisation where individual branches are not clear on what concessions are permissible in pursuit of higher entry rates. Low pay is still an issue across the sector, and assuming that differentials between grades are not fully preserved, the planned increases in the national minimum wage over the coming years (starting at £7.20<sup>17</sup> in April 2016 with a target of £9.00 at current prices by 2020) is likely to subsume a large section of the workforce, with the result that local government will effectively become a ‘minimum wage employer’. The addition of bottom weighting and flat rate payments as part of a two-year deal for 2014 – 16 shifted money towards the lowest paid (within an overall pay envelope of a 2.2% rise over the two years), but still did not get close to the unions’ initial goal of achieving full UK living wage (£7.65 at the time) and the handling of somewhat protracted negotiations throughout the course of 2014 created significant tensions between national and local actors within UNISON.

#### *The importance of attitudinal structuring*

As Walton and McKersie (1965) note, there is a complex and inter-dependent relationship between what happens at the negotiating table and the interactions of bargaining parties in the public and political sphere. Attitudinal structuring reflects the degree of mutual trust and honesty between parties, and how their relationship evolves over time framed by the wider socio-political context. This in turn feeds back into specific negotiations and the willingness of parties to push their opponents into a negative contract zone (e.g. where the proposed outcome is beyond their resistance point) if they feel that the outcomes of negotiations are unfair or unjust based on the economic and labour market context. While strikes are now almost exclusively a public sector phenomenon, five years of sustained public sector austerity has not provoked widespread (or effective) industrial action as might have been the case in the 1960s and 70s (Gill-McLure 2013; Nolda 2004). Part of the issue is that workers who are scared for their jobs may be unwilling to take action even if they feel strike action will achieve a positive outcome. Furthermore, austerity appears to have ‘disempowered’ workers as a result of the difficulties in attributing the source of injustice to one single agent or party (Badigannavar and Kelly 2005; Kelly 1998). Under conditions of austerity since 2009, from the most to the least solvent, the employers have benefited from a unified narrative of the ‘ability to pay’ which is framed by a higher level discourse of fiscal prudence created by central government and reproduced by

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<sup>17</sup> Misleadingly described as a ‘national living wage’ by the government

mainstream economic analysis in the media which the unions have struggled to counteract. Individual local authorities can hide behind the pay freeze imposed by the national employers; who in turn can blame central government as the 'paymaster' for heavy budget cuts and the imposition of long-term wage restraint across the public sector; who in turn can blame the earlier Labour administration for their profligacy which has created the need to make spending cuts (Krugman 2015).

### 2.5.2. Conclusion

The findings of this research suggest that *organised bargaining* at a sector level has become increasingly concerned with preservation of basic standards, and the basic framework of pay setting itself as opposed to what could be described as the 'cut and thrust' of face-to-face negotiations. Furthermore, localised bargaining has become increasingly *disorganised* with the unions nationally struggling to coordinate bargaining tactics across individual councils, even where there is scope for positive outcomes. The efforts of the unions to consolidate their legitimacy power resources at national level by focusing on the preservation of standards through the sector agreement points to a further decline in coercive power (Simms and Charlwood 2010). The largest union in the NJC, UNISON, has been resolute in defence of the national agreement and there is no clear evidence that unions overall would be better served by local negotiations. This perhaps reflects the nexus of power at national level and the importance of standardisation and equalities for a large, predominantly female membership dispersed across wide range of occupations (Terry 2000). The NJC confers a degree of legitimacy on the unions at a national level, and it is recognised that the control of pay awards through the national agreement dis-incentivises opt-outs by individual councils, which although disappointing from the perspective of earnings growth is preferable in the eyes of national negotiators to further fragmentation of bargaining units. It also protects the weakest union branches who might be marginalised or de-recognised altogether should the national framework be dissolved. However, there appear to be increasing levels of intra-organisational conflict within UNISON where rank and file members see an unfavourable trade-off between procedural and substantive outcomes, as indicated by the special conference called in early 2015 over the hastily agreed deal in late 2014.

As Frege and Kelly (2003: 17) note, in the analysis of collective bargaining and joint regulation, 'institutions matter', and certainly we have not witnessed the de-institutionalisation of employment relations as envisaged by the Coalition government (Bach and Stroleny 2014). However, the assertion that the survival of collective bargaining is the product of a residual and largely benign collectivist approach to HRM and employment relations (Beszter et al. 2015) is also in need of qualification in view of recent

trends in pay setting at both national and local level. Employers still see unions as instrumentally important for the management of employment relations, if only to add a veneer of legitimacy to proceedings (as distinct from the legitimacy of unions as 'equal partners' in the co-determination of terms and conditions or working practices). Employers continue to buy in to the sector agreement as it fulfils three essential functions: it helps to stabilise wages (by preventing leapfrogging and competition for staff); it offers economies of scale (compared with the time and resources required to conduct negotiations locally); and councils generally prefer the security of operating in a framework with common basic standards. The pay freeze indicates why the sector-level agreement has survived, not necessarily because of a paternalist or staff welfare-oriented style of management but because the 'tight-loose' system of joint regulation effectively serves the government's and employers' aim of controlling costs and limiting wage rises throughout the sector, while affording a degree of lateral movement to implement packages of pay and conditions locally in order to adapt to changing performance and labour market requirements. Bargaining institutions therefore clearly serve the employers' goal of affordability over and above notions of comparability or the 'going rate'. While austerity has certainly intensified the pressures of affordability, the tight financial limits enforced by central government over the last 30 years or so have effectively fixed the parameters of negotiation, creating a 'zero-sum' game where pay awards are played off against job security, and councils are steered down a low road of workforce strategy where staff are seen as a financial liability to be minimised and not as a resource to be invested in and nurtured. From the perspective of the negotiation process, the lack of room to manoeuvre on workforce spending has served to undermine the collective autonomy of local government employers to agree substantial pay awards or long-term bottom-weighted deals (as has been the case from time to time in the NHS Agenda for Change agreement).

Multi-lateral bargaining between actors at different level of activity places pressure on the collective agreement itself which has to balance competing priorities whilst providing an effective channel through which these divergent interests can be expressed. The potential for intra-organisational conflict is high: the unwieldy nature of the bargaining machinery and the dominance of sector level bargaining places significant organisational distance between central negotiators and those they represent; and the heterogeneity of bargaining parties makes for fragile and changing alliances between employers, unions and staff (Gill 1994). As a system of voluntary collective bargaining, local government is perhaps not a model which fits neatly into the behavioural framework of Walton and McKersie (1965), nor the institutional analysis of articulation developed by Marginson et al. (2003). The NJC *Green Book* agreement is perhaps something of an exception in that it has survived against

all the odds, but the constraints placed on actors within this institutional framework, and the shaping of attitudes and expectations which happens largely away from the bargaining table both raise serious questions about whether it truly can be regarded as voluntary collective bargaining in anyone's book.

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### 3. Chapter 3 - You get what you pay for: a contingency analysis of organisational pay setting in UK local government

#### Abstract

This paper contributes to debates around reward management within the employment relations and HRM literature by underlining the contradictions and tensions which arise as organisations attempt to balance competing priorities for fairness and equity in the level and distribution of wages with the pressure to implement 'modern' pay systems which reflect business priorities and labour market conditions (Cox 2000; Grimshaw 2000; Kessler 2001). Through a comparative case study design, the research analyses pay practices introduced at the organisation level in UK local government, namely the adoption of performance related pay systems on the one hand, and localised living wage policies on the other. The development of these seemingly divergent strategies has occurred against a context of severe financial turbulence, weak sector level collective bargaining, and acute cost of living pressures for low paid workers. The findings suggest that organisations typically engage in the *ex-post facto* rationalisation of pay and reward strategies through a business case approach but specific pay practices often reflect political factors such as the image which leaders wish to portray of being 'a good employer' or a 'high performance organisation'. In reality pay systems are often a pragmatic compromise between competing contingent pressures resulting in an increasingly incoherent HRM bundle which sees notions of 'fairness' undermined by cost cutting and efforts to extract value from workers.

#### 3.1. Introduction

This paper explores the multi-faceted nature of organisational pay setting, and the range of outcomes produced by two contrasting pay strategies in the form of individual performance related pay on the one hand and localised living wage policies on the other. In UK local government performance related pay (PRP) emerged in the 1980s among a small number of predominantly Conservative controlled councils in the South East of England (Bryson et al. 1993; Heery 1998) and in the current austerity context, the anticipated greater connection between pay and performance may be attractive to managers who are expected to achieve 'more for less'. However, highly individualised pay setting may not sit well with standardised systems of service delivery underpinned by a collective professional ethos and a standardised 'rate for the job'. The living wage is more of a recent phenomenon, and has emerged at a number of Labour-controlled councils in response to cost of living pressures, the weakness of sector level bargaining and problems of staff turnover among lower grades (Johnson 2014). Living wages have also become popular among private sector employers as a symbol of ethical employment practices

(Werner and Lim 2015). Living wages may be seen as a solution to sluggish wage growth at a national level, but at the same time may be undermined by job losses and cuts to terms and conditions as organisations attempt to reduce budgets locally.

A key issue explored in the current research is the rationale for adopting new pay practices, and whether managers and politicians can satisfy multiple and competing demands on pay systems at the level of the organisation. Within the HRM literature contingency theory argues for the adoption of pay systems which align with the overarching business strategy, reflect contextual factors in the external environment, and ultimately add value to the organisation by contributing to the development of stocks of human capital (Boselie et al. 2005; Bowey and Thorpe 1986; Lawler 1990; 1995; Oliver 1997; Wright et al. 2001). Advocates of strategic pay suggest that there should be ongoing adaptation of pay systems in response to changing business goals in order to deliver outcomes of strategic value (Lawler 1995). The theoretical argument over 'best-practice' and 'best-fit' HRM is well established (c.f. Purcell 1999). Of more interest for the current research is the literature which points to the difficulties which organisations face in attempting to dislodge existing pay practices, and the ways in which strategic pay systems are diluted and modified as managers pursue a path of least resistance (Cox 2000). This may be as a result of the countervailing power of custom and practice within the firm (Brown 1973; Marsden 1986; Trevor and Brown 2012), the bargaining power of workers mediated by representative contingencies such as trade unions (Heery 2009), external regulations such as the national minimum wage and equal pay legislation (Brown 2009a; Rubery and Grimshaw 2015) and wider social norms about what constitutes fair pay (Beynon et al. 2002).

The paper uses a comparative case study design to understand how individual councils as employers respond to changes in the external environment through the adoption of specific pay practices, particularly at a time when budget pressures weigh heavily on the local government sector as a whole. The current research broadly follows a 'matched pair' methodology which has been used previously to compare local authorities side-by-side for evidence of similarities and differences in the approach to HR and employment relations (Kessler and Purcell 1996; Kessler et al. 2000; Truss 2009). This research adopts a replication logic by comparing three authorities which engage in national collective bargaining, and three which engage in local collective bargaining. This is to understand the regulatory and normative pressures which act upon organisations within the same sectoral context but which follow different institutional processes for pay determination. The next section offers a critique of mainstream HRM's narrow contingency analyses of

pay and proposes an alternative five dimension model of contingent pressures, which is then applied to UK local government.

### **3.2. Contingent pressures on wage setting**

The absolute and relative level of pay for public servants continues to be a vexatious issue in the UK. The idea of featherbedded town hall bureaucrats protected by overly powerful unions is pervasive in parts of the UK media (The Telegraph online 8<sup>th</sup> May 2011), and public sector workers are seen (by some) to be immune to the vicissitudes of the business cycle and changes in wage rates determined by the relative supply of labour for different jobs. This is argued to result from 'sheltered' internal labour markets which offer comparatively good pay and conditions along with deferred rewards in the form of time-served pay progression and occupational pension schemes, and the role of the labour supply in shaping wage rates is tempered or even negated by high levels of job security. Furthermore, centralised collective bargaining is said to raise wages above opportunity costs, and the levelling up effect of national wage determination 'crowds out' private sector employers (who cannot compete on wages) and contributes to higher levels of unemployment as workers queue for government jobs (Wolf 2010). Much research has focused on the decentralisation of bargaining structures (Brown 2009b; Kersley et al. 2006; Wanrooy et al. 2013), the merits of collective bargaining compared with independent pay review bodies (Dolton 2011; White and Hatchett 2003), and changing patterns of public-private sector pay differentials (Beaumont and Leopold 1982; Blackaby et al. 2012). Less attention has been paid to the factors which public sector employers take into account when making adjustments to pay rates, relativities and the overall reward mix at a local level, and the ways in which turbulence in the external environment is distilled and refracted through organisational decision making.

#### **3.2.1. Contingency analysis**

Balancing different facets of pay is a complex challenge, and tensions inevitably arise within organisations as they try to reconcile internal pay differentials governed by custom and practice rules, occupational hierarchies and 'fair pay' norms, against external relativities created by labour market conditions and changing performance expectations. Although collective bargaining may once have been seen to provide the primary (albeit imperfect) means to address these issues, the predominant approach within the HRM literature has been contingency theory (Boselie et al. 2005; Bowey et al. 1986; Lupton and Gowler 1969). Contingency theory considers the external factors which shape pay practices, and the degree of fit between pay and business strategies (e.g. the way in which pay supports a system of production which optimises the chances of achieving desired

business goals such as expansion, specificity, stability). Contingency theory (along with the resource based view of the firm) lies behind much of the strategic or 'new pay' literature which emerged in the 1980s and 90s. Within this literature organisational inertia is viewed negatively. It is argued that as the external environment becomes increasingly uncertain and unstable and organisational structures are reshaped, pay systems must adapt to new performance, production and labour market pressures. Managers are warned against the use of pay systems that are simply 'inherited' from the past: instead pay systems should be continually updated and revised in-line with changing business goals in order to deliver outcomes of value (Lawler 1995). Embedded pay systems may reflect established notions of 'the going rate' in the external market, and may be strongly defended by trade unions as custom and practice arrangements, or may be considered by managers to be the least risky option. Moving away from standardised pay structures governed by the rate for the job gives managers the scope to use pay instrumentally to reward specific behaviours such as innovation, efficiency or risk taking, and at a basic level pay may reflect the market position of the firm: e.g. those that compete on price and seek to drive down labour costs; and those that compete on quality and are willing to pay more in order to attract the best staff. This literature draws on behavioural models of employee motivation and agency theory (e.g. Eisenhardt 1989a; Milgrom and Roberts 1992) to advocate designing variable pay systems to involve clear incentives and punishments to correct for the principal-agent problem in that once hired, there is no guarantee that employees will expend maximum effort or direct their efforts in the most appropriate way. There is evidence that the strategic approach to pay and HRM has gained a foothold in the UK public sector starting with PRP in local government (Heery 1998) and education (Marsden and Richardson 1994), and devolved systems of pay in the civil service (Burgess et al. 2012).

How pay systems achieve their effects is not well understood but the overriding conclusion of much of the HRM literature is that pay does have an impact on organisational performance (see Kessler 2001; and Trevor and Brown 2012 for critiques). Although strategic 'best fit' gives scope for managers to move away from prescriptive 'best practice' approaches, it is still assumed that pay systems reflect some underlying managerial goals such as enhanced performance and quality, or the securing of competitive advantage by creating an idiosyncratic HRM bundle which others cannot easily imitate (Oliver 1997; Wright et al. 2001). This however underestimates the importance of organisational politics and internal power struggles in shaping the choice of a particular strategy. For example individual actors have a personal stake in selecting and implementing specific pay practices but at the same time this may be challenged or undermined by others within the organisation that do not share the same viewpoint.

Desires to please senior management, to advance one's own career or to marginalise or placate certain groups within the organisation, can give rise to internal political dynamics which may influence decision making over and above notions of efficiency or rationality (Marchington et al. 1992). The prescriptive literature often fails to recognise the dissonance between internal and external pressures on pay systems which managers may struggle to reconcile, with the outcome that pay systems become increasingly contradictory: they may shelter employees from market forces but equally they may expose them to these forces (Edwards and Gilman 1999). A greater focus on business needs such as the link between pay and performance within the organisation, may result in pay systems becoming divorced from labour market factors over time, strengthening the position of privileged and powerful 'insiders' who are believed to be critical to the success of the organisation (Chapman and Keliher 2011; Oliver 1997). The reverse is also true in that pay systems which reward individual effort within the organisation may be undermined by the need to recruit to particular specialisms regardless of merit (White 1999). Turbulence in the economy and labour market gives managers greater scope to abandon custom and practice arrangements which may lead to the imitation of pay systems seen in other firms (which are perceived to be successful whether or not they 'fit'), along with active attempts to undermine collective pay setting through the use of PRP; whether or not these pay practices actually achieve 'better' outcomes (Kessler and Purcell 1992; Marsden 2009). There is also evidence that organisations can be successful without 'strategic' pay and HRM systems: weak incentive structures may yield high levels of commitment from low paid and vulnerable workers as a result of their relatively weak bargaining position (Grimshaw and Rubery 1995), and the threat of restructuring may make it easier for management to intensify work effort without the need to link it to pay (Grimshaw and Rubery, 2010).

The ability of pay systems to deliver strategic value is also compromised by the complexity of balancing production, labour market and employment relations pressures in the 'real world'. For example organisational leaders may see pay systems as a means to drive forward organisational change (Legge 2005), but pay is typically the weakest element of the HRM bundle chosen on the basis of what managers believe will generate the fewest adverse consequences (Cox 2000). Regardless of senior management ambitions, middle managers may seek to maintain credibility and minimise the disruptive effect on employment relations on the shop floor by honouring custom and practice agreements over working patterns, thus negating productivity gains (Brown 1973; Marsden 1986; Trevor and Brown 2012). Where trade unions are weak there is greater scope for opportunism and arbitrary management control over pay and working arrangements. However, on a practical level, the more organisations attempt to move away from the

'going rate' (as established by coordinated systems of wage determination such as collective bargaining) the greater the potential for conflict as managers have to convince workers of the procedural and distributive 'justice' of internal pay setting. As Nolan and Brown (1983) note, workers' sensitivity to changes in relative pay tends to be greater the more 'parochial' the point of comparison, and 'felt fair' comparisons tend to hinge on the perception that the process followed is fair (irrespective of the outcomes) (Tyler and Bies 1990).

Even where there is scope for a high level of 'indeterminacy' in wage rates, generally speaking firms do not tend to deviate too far from generally accepted wage rates and structures moving 'like ships in convoy' (Arrowsmith and Sisson 1999; Findlay et al. 2013; Kessler 2001). Pay rates and relativities may be shaped by statutory rules such as national minimum wages (Brown 2009) and equal pay legislation (Rubery and Grimshaw 2015), but may also reflect deeper social norms such as: the link between pay and social status; attitudes towards the distribution of rewards between different groups; and the obligation on employers to pay 'fair' wages. Building on the work of Osterman (1994), Beynon et al. (2002) argue that internal and external factors interact to shape specific employer strategies, framed by social norms and customs. For example changes in the structure of external markets and broad social norms around fair employment standards impact on organisation level behaviour (within the parameters afforded by market position and the relative bargaining strength of employees), and changes within organisations can impact on the wider labour market as the expectations of workers increase or regulations are introduced to curb arbitrary, exploitative or discriminatory management behaviour. It is debatable whether strategic pay fills the gap left by the decline in collective bargaining or in fact hastened its demise, but assuming that the two are mutually exclusive fails to recognise the nuances of pay setting in many organisations (public and private) which exhibit elements of devolved strategic pay at the organisational level alongside traditional collective joint regulation at a higher level. Beyond the determination of general trends in pay across a sector or industry, collective bargaining regimes exert a 'regulatory' effect on pay practices within organisations (Kalmi et al. 2012; Marginson et al. 2008; Nergaard et al. 2009): that is the content of collective agreements along with the rules and procedures which actors are expected to follow set parameters around what is considered acceptable and legitimate. The weakening of collective bargaining as a constraint on organisational pay setting does not necessarily mean that sophisticated, high performance HRM naturally springs up in its place (Trevor and Brown 2012).

This poses questions about the assumptions behind contingency-based HRM models of pay (Cox 2000; Rubery 1997), namely that in response to multiple competing demands a

single rational course of action will emerge. More broadly, organisations' decisions to pursue different strategies are often rationalised *ex post facto* as efficient cost-minimising solutions rather than reflecting managerial opportunism or exploitation of some groups' limited bargaining power or indeed a tendency to imitate what other organisations are doing (Grimshaw 2000). Nevertheless, contingency analysis provides a useful heuristic device for exploring organisational pay systems and in particular for considering how managers attempt to respond to changes in the external environment and what the adoption of specific pay practices reveals about the dominant forces governing pay systems in different sectors or industries. This is particularly true of the public sector where rationales for wage structures are highly contested and contingent pressures are significant as a result of political, financial and organisational restructuring.

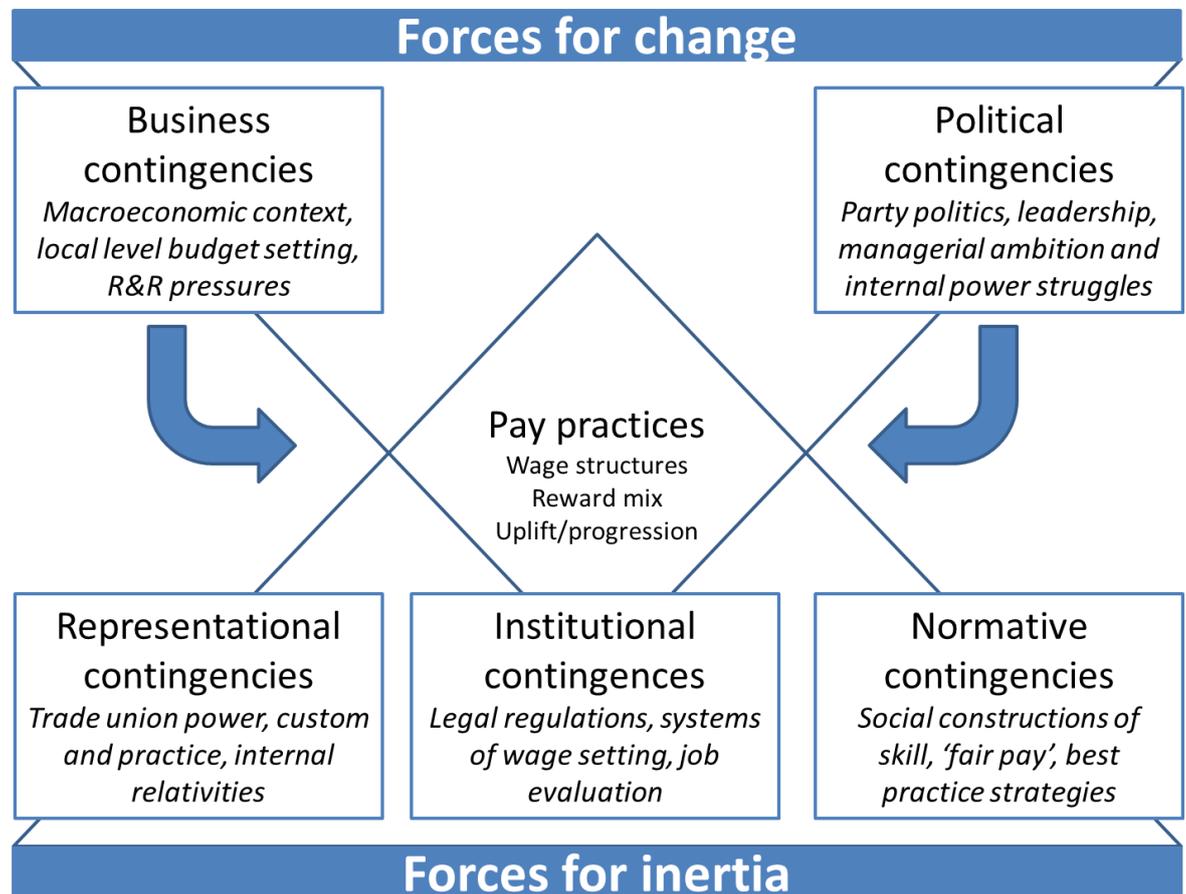
### 3.2.2. An alternative contingency model of wage setting

The limitations of simple contingency theory encourage us to look wider than the design of pay systems which reflect business factors such as changing product markets and the competition for staff. Pay setting is particularly complex in local government in that centralised collective bargaining is still in place through which the national employers and trade unions agree annual pay awards along with basic terms and conditions, but councils have long had the local flexibility to uplift terms and conditions and bolster low pay rates where labour markets are tight (a phenomenon known as 'grade drift') (Perkins and White 2010). At the same time, 'strategic choice' models in local government have shown that HR practices are sensitive to 'upstream' decisions within the institutional context such as higher level management decision making and prevailing norms of fair treatment which narrows variation between organisations (Kessler and Purcell 1996; Kessler et al. 2000).

Drawing on both elements of HRM and industrial relations literature in order to expand on the contingency approach, this paper aims to explore the role of five key contingencies within UK local government (figure 3-1), and how these contingencies interact to produce divergent patterns of pay systems across councils of different size, location and political leadership. Following the (stylised) principles of contingency analysis, it is proposed that organisational pay practices are shaped by the interaction of two broad categories of contingent pressures: those contingent factors which act as *forces for change* and those contingent factors which act as *forces for inertia*. Within the strategic pay literature the term *inertia* has clear negative connotations and represents those factors which serve to constrain or disrupt the plans of managers to modify and adapt pay systems to changing product or labour market conditions. However, the conceptual model described here assumes a less pejorative meaning. While it is important to recognise the potential constraints on management arising from trade unions, custom and practice, and

embedded institutional and normative rules, the current approach sees these contingent factors as an important counterweight to political and managerial decision making, and argues that many of these factors act as ‘anchors’ for organisational pay setting and help to maintain a degree of stability in local level employment relations.

Figure 3-1 – a schematic model of contingent pressures on pay



**Forces for change**

The contingences in the upper part of figure 3-1 may directly shape the adoption of new pay practices as a result of their influence over the strategic direction of the organisation (indicated by two arrows), or may indirectly provide managers with the justification to explore new pay systems as a result of business and political turbulence.

**Political contingencies** in this formulation refer to both interpersonal politics as well as party politics, although there are also wider political contingencies such as the legitimacy of pay systems as perceived by external stakeholders such as shareholders or the public. Political contingencies are proposed as a key driver of organisational strategy which may range from the commitment to providing high quality customer focused services, a desire to cut costs and increase efficiency, or the ambition to adopt ethical employment practices

as a means to improve the socio-economic conditions within the local community. Pay strategies in turn may reflect these higher level political goals aligned to party political leadership, the personal ambitions of individual politicians, and the ability to either bypass or work collaboratively with political opponents to 'get things done'. In UK local government pay systems are expected to broadly uphold notions of fairness and transparency in line with democratic principles of accountability to the tax payer. Local level party politics are also important. During the 1970s and 1980s, managers used supplementary bargaining over pay and grading, bonuses, and working practices to create flexibility within the national agreement and for workers in Labour-dominated councils it created the prospect of pay rates which were 'over the odds' (Ingham 1987: 91). Political factors were also partly responsible for the 'breakaways' from the national agreement during the 1980s. Many of the Conservative-controlled councils which opted out of national bargaining were keen to instil a more performance-oriented culture where pay increases had to be 'earned', individual staff were accountable for results, and managers were free to make workforce changes unencumbered by unions and collective bargaining (Bryson et al. 1993; Griffiths 1990). Political factors are often under-theorised in mainstream management and HRM perspectives on organisational change, but clearly have a role to play in shaping the adoption of specific pay systems.

***Business contingencies*** such as labour market shortages, performance considerations, organisational restructuring and considerations of affordability may also be key drivers behind the adoption of new pay strategies. Tight control of the public sector pay bill was (and continues to be) seen as critical to keep both spending and inflation down. The gradual centralisation of both funding and performance measures since the 1980s has arguably eliminated the scope for public sector managers to deviate from higher level macroeconomic policy, and ensures that all running costs (of which labour costs are the main part) are subject to the discipline of affordability (Kessler and Dickens 2008; Walker 1988) (see Paper 1). In the new pay literature, business contingencies are typically placed at the heart of organisational decision making as managers attempt to align pay strategies with that of the overall business strategy. However, this often ignores the disruptive influence of financial and competitive pressures on the design and implementation of strategic pay, as cost considerations come to the fore, or managers and workers settle into new custom and practice arrangements. Business contingencies also represent the (conscious and unconscious) pragmatic compromises and short cuts which managers tend to make 'in the real world' which affect the 'purity' of a chosen pay strategy. The pressure on all local authorities to cut costs may act as a significant barrier to the successful implementation of new pay systems, and may create internal tensions where changes to pay systems in one area are undermined or negated completely by reductions elsewhere.

Employers may find that pay practices oriented towards the strategic aim of quality and customer service are undermined by rapid cost cutting and downsizing, or that pay flexibility in one dimension (e.g. a tighter internal link between pay and budgets) in fact creates rigidities in another (e.g. the inability to recruit and retain in competitive labour markets).

### ***Forces for inertia***

The contingencies in the lower part of figure 3-1 represent those factors which help to sustain particular pay practices and wage structures (both good and bad), and serve to constrain political and managerial attempts to introduce change. The anchoring of pay systems to these factors may be implicit or explicit, but these contingencies can exert a strong power over the process of organisational change. A key observation from empirical research is that wage differentials are remarkably resilient or 'sticky' in the face of changes in the prevailing economic conditions, the productivity demands of employers, and the supply of labour in the external labour market.

Wage setting may be shaped by ***normative contingencies*** which exist within society or specific industries, and the values or business ideals which organisational leaders buy into<sup>18</sup>. This may flow directly from institutional frameworks such as collective bargaining agreements, but may also include prevailing norms around what constitutes 'fair pay', and the pay practices considered to be legitimate by managers and practitioners. Normative influences on pay are a product of the particular political and economic context, and the relative weight of different pay setting principles at a given point in time. These 'norms' may be transmitted explicitly through the use of common pay and grading structures which apply to all organisations within a sector or industry, or implicitly through the sharing of knowledge and information between professionals across organisations (DiMaggio and Powell 1983). Pay setting in local government has historically been governed by comparability mechanisms through the Whitley council model of centralised collective bargaining. This helped to stabilise national occupational labour markets by linking pay with prices and movements in wages in the wider economy and emphasised fair treatment aligned with the 'good employer' model of public services. 'Collusion' through coordinated pay setting also limited competitive market conditions and reduced the likelihood of 'leapfrogging' pay settlements between councils competing for staff who were periodically in short supply and had the power to bring services to a standstill

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<sup>18</sup> It is acknowledged that this is an approximation of *normative* isomorphic pressures within the new institutional literature (e.g. DiMaggio and Powell 1983). The intention here however is to consider how pay setting 'norms' are developed and transmitted through a highly complex institutional context such as that of local government. This is why these normative influences are separated out from other institutional factors such as collective bargaining structures that are typically (and not unreasonably) absent from the new institutional literature.

(Beaumont 1992). Comparatively low wages were historically traded off for job security, resulting in periods of falling real wages but with parity subsequently restored through the catch-up awards recommended by special inquiries (Sheldrake 1988). This essentially conservative role for collective bargaining also meant that entrenched inequalities between groups went unchallenged as unions (and their largely male members) attempted to preserve their relative position in the wage hierarchy (such that women and other marginalised groups lost out). In contrast with other parts of the UK public sector such as the police and fire service, in local government there has been no use of indexation to explicitly link wages with prices, and there is limited evidence that the employers at national level have bought into the notion that wages should provide 'a living' (Figart et al. 2002). For example a productivity bonus scheme was recommended in the late 1960s to bolster low national rates for local manual authority workers, and the problem of falling real wages was behind the infamous winter of discontent in 1979 (Gill-McLure 2013). Despite the Single Status agreement which embedded the principles of equal pay it is the high concentration of women in local government along with the use of non-standard contracts which perhaps explains persistently low pay (Thornley 2006). Residential and home care jobs are highly prevalent in local government but despite the highly personal nature of tasks, they have typically been under-paid relative to manual and office roles. This stems from pervasive social norms which do not value emotional or caring skills as highly as physical or technical skills (Beechey and Perkins 1987).

In most contingency models *representational contingencies* in the form of trade unions or other forms of collective worker organisation and voice, tend to be discussed either in relation to management strategies to overcome the inertia associated with the presence of trade unions, or utilising mechanisms of worker voice as a means to share information and legitimise new managerial strategies (Heery 2009). Despite the efforts of central government to weaken the influence of representational contingencies, trade unions remain important in local government, where membership density is still close to 50% (BIS 2015). The encouragement of devolved pay strategies in the public sector during the 1980s reflected the desire of central government to modify pay setting 'norms' within the sector, and weaken the role of the trade unions nationally. This also aligned with an increasingly Taylorist approach to the control of work at local level under the guise of strategic human resource management (Kessler 1989). However, there is evidence that PRP schemes in local authorities designed to bypass the unions and 'force' an increase in productivity were bent to fit the prevailing interests of line-managers and workers which emphasised cooperation over coercion: managers used a range of formal and informal measures to gauge performance; and few employees received extreme positive or negative grades (Heery 1998). As with political contingencies, representational contingencies are

relatively under-theorised in much of the mainstream HR literature on pay. Where trade union membership density is high, it could be expected that the ability of managers to adapt pay systems to business strategies would be reduced.

***Institutional contingencies*** tend to exist largely beyond the control of individual organisations, but may have a direct influence on pay systems within them. In keeping with the UK's traditionally voluntarist system of industrial relations the national agreement in local government is non-statutory (Walsh 1981) which means that individual councils are not legally bound by the pay and conditions agreed at sector level. Furthermore, 46 councils (out of a total of 375) operate pay systems which are outside the national agreement, which gives them significant freedoms to set pay in-line with local level financial and labour market conditions. The majority of these councils 'opted-out' of national bargaining in the late 1980s and early 90s in response to labour shortages in the south east of England (Bryson et al. 1993). Nevertheless, the institutional framework of pay setting in local government still exerts a powerful 'regulatory effect' over local level pay practices through the use of job evaluation procedures which all local authorities are expected to follow (whether they are in or outside the NJC). The 1997 Single Status *Green Book* required employers to harmonise all manual and non-manual grades onto a single nationally-agreed pay spine, whilst also allowing councils freedom to set pay structures locally, including grades for specific jobs, provided these followed transparent job evaluation procedures (market supplements were also advocated for hard to fill vacancies). Although opted out councils had locally-devised pay spines, they were also expected to follow job evaluation procedures and consult with trade unions locally to agree terms and conditions. This was essential to ensure pay structures were 'equal pay proofed' as although job evaluation is not a legal requirement in the Equal Pay Act 'a non-discriminatory analytical job evaluation scheme' can be used as a defence against an equal pay claim (NJC 2005: 4.9.6). An important proposition to be explored in the current research is whether those councils outside the institutional framework of the NJC agreement have greater freedoms to pursue local level variations in pay systems, or whether the institutional context within UK local government in terms of job evaluation and prevailing rates for occupations within the sector serves to narrow the 'range of indeterminacy' in pay setting across organisations (Edwards and Gilman 1999).

### ***Summary***

Pay setting in local government is highly complex, and shaped by a wide range of competing contingent pressures. Wages are the product of an imperfect market where local government employers are in a dominant position in relation to workers (who are largely female and in part-time roles), but in a weak position in relation to central

government which imposes wage restraint in pursuit of macro-economic goals (White 1999). The principle of the rate for the job remains (if only for the reason that it minimises the risk of legal challenge), although the broader pay norms underpinning centralised agreements reflect the lowest aspirations within the sector leading to comparatively low rates and a compressed wage structure. National government has tended to advocate decentralised pay setting in the public sector (in order to align with *business contingencies*) whilst at the same time gradually narrowing the scope for individual employers to experiment and innovate by tightening the control of overall spending. Wage flexibility at a national level (e.g. control over negotiated settlements) allows the local government employers to keep the total paybill within budget, whereas flexibility at a local level offers scope to adjust to local labour market conditions, individual employee performance and inter-organisational productivity variations (Grimshaw 2000). Reconciling the two is difficult as the dominant concern of controlling wage costs does not always sit easily with the pressures to deliver quality public services and attract high quality staff. This helps to explain the use of local level enhancements and grade drift in order to supplement low national standards (Perkins and White 2010; Walsh 1981).

An important theme for the current research is to explore how various managerial and political imperatives for change can be reconciled with the expectations of unions and workers for fair and consistent pay practices which reflect a standard 'rate for the job', all within a relatively fixed budget. Whilst the public sector may have long since abandoned the 'model employer' tradition, for the effective functioning of staffing structures within public services, remuneration needs to be adequate to recruit, retain and motivate high-quality employees without being overly generous or too internally dispersed. The sampling strategy for the current research is theoretically informed by these five contingencies, and seeks to contrast local authorities on a number of dimensions such as the institutional arrangements for pay setting (national or local pay), political leadership (Conservative or Labour) and worker representation (high or low trade union density). Based on the literature described above, it could be expected that those councils outside the NJC framework would have greater freedoms to modify pay systems locally as they are not constrained by the rules and procedures of the sector level agreement. Similarly, Conservative controlled councils have in the past proved to be more willing to pursue localised forms of pay setting, along with performance related pay. The presence of trade unions is often associated with 'egalitarian' pay outcomes, and it could be expected that where membership density is high, management may experience greater difficulties in dislodging existing pay systems and structures. The effect of normative contingencies is perhaps more difficult to detect in local government as pay setting principles are the product of a range of considerations such as affordability, national and local labour market

factors, notions of fair wages, and the somewhat unsystematic approach to increasing productivity. It remains to be seen which 'norms' are most influential over the choice of pay strategies at local level, and the extent to which HR managers share best practices across organisations. Budget cuts across the local government sector have been severe since 2010 and therefore it could be expected that business contingencies such as the pressure to cut costs would exert a strong effect across all councils, and may serve to both drive and disrupt pay strategies. The next section briefly considers secondary data on the responses of councils to significant downward pressure on budgets and the role of austerity in creating a new impetus for change at local level.

### **3.2.3. The contingent pressures of austerity**

Since 2010 UK central government has exerted severe downward pressure on public sector labour costs through heavy departmental budget cuts and an enforced two year pay freeze (2011-13) followed by a 1% cap on total growth in the wage bill which is to remain in place until 2019. Central government has rationalised austerity measures as essential to lower costs, to help reduce the national deficit, and keep inflation low. The sector level agreement in local government has proven to be a relatively effective mechanism through which to administer austerity measures. Despite criticism from the local government employers of the disproportionate nature of the departmental cuts (which favoured health and education), the national employers group acting on behalf of the 330 councils within the NJC agreement actually adopted a pay freeze a year early in 2010 (much to the dismay of the national unions), which it was argued was necessary to protect jobs in front-line services. As a result of the three year pay freeze and two years of pay capped at 1%, real wages are estimated to have fallen by around 15% (NJC Trade Union side pay claim 2014).

Beszter et al. (2015) argue that the survival of the NJC framework is evidence of significant continuities in collective approaches to pay setting and employment relations, but the pressures of austerity across the sector may provide a new motivation for actors at a local level to experiment with strategic pay systems to either offset or circumvent higher level pay norms (Kalmi et al. 2012). The highly distributive nature of national bargaining since 2010 and the low pay norms which that reinforces (as discussed in Paper 1) may encourage local authorities to try and break out of 'the iron cage' (Ashworth et al. 2009; DiMaggio and Powell 1983). A key observation here is that while some local authorities have attempted to strengthen the pay and HRM 'bundle' others have used the context of austerity to level down pay and conditions. The dominant narrative of austerity appears to have given legitimacy to decisions by a small number of councils to pursue reductions in basic pay, in some cases imposed unilaterally through dismissal and re-engagement procedures. The Local Government Association (LGA) published a joint document with the

Audit Commission in 2011 which outlined options for councils to reduce the wage bill locally by lowering grades for specific jobs such as ICT professionals where inter-regional wage dispersion was high, changing pay progression arrangements and reducing terms and conditions (Audit Commission/LGA 2011). Around 20% of councils claim to have made pay progression through incremental scales contingent on individual worker performance, and almost 90% offer flexible staff benefits such as salary sacrifice schemes and opportunities to 'buy' extra annual leave (LGA 2010). At the same time, in response to staff shortages in social care, councils have turned to localised solutions such as enhanced career pathways for social workers with longer pay scales and training and development plans, along with market supplements and relocation packages for new starters to increase their attractiveness to potential recruits (Wiseman and Davies 2013). At the same time living wages are increasingly seen by individual councils as a legitimate (if imperfect) means to protect low paid workers from falling real wages and cost of living pressures whilst also helping address issues of turnover among lower grades (Johnson 2014). The local government employers have rejected a living wage through national negotiations since 2010, so the adoption of localised living wage policies by over 100 predominantly labour-controlled local authorities is clearly the product of local political decision making.

Austerity is therefore adding to an already complex picture of pay setting and employment relations at local level, and it is not clear what the consequences of this greater political and managerial experimentation will be. Decentralised pay strategies may yield short-term gains in performance and productivity but carry the potential for incremental and unplanned deviations from sector standards, thus compromising the control of the sector framework and reproducing inequalities seen in the wider labour market. Similarly, at a time when centrally administered budget cuts weigh heavily on national bargaining, 'enlightened' employers may take the opportunity to improve the position of low paid jobs locally through the use of living wage policies, for example, but within a fixed budget unions have to remain vigilant that better pay for some is not paid for by cuts elsewhere.

### **3.3. Research and methods**

#### **Research aim**

The aim of this paper is to understand how local authorities as employers select and implement pay practices, and to consider the influence of the five contingencies described in figure 3-1 (normative, political, representational, business, and institutional) on pay rates, relativities and the overall reward mix at a local level.

## Research questions

1. To what extent are organisational pay strategies influenced by the five contingencies outlined in figure 3-1?
2. How important is the NJC agreement for regulating local level pay systems?
3. How fragile or precarious are new pay strategies in the face of ongoing economic, labour market and political turbulence?

## Research design

The current research follows a comparative case study approach. Aggregate secondary and survey data provide an indication of general prevailing trends in pay but do not provide the richness of data required to understand the nuances and complexity of change at the organisational level. Conversely, a single case study offers insight into the development of idiosyncratic pay practices but does not provide the breadth of data to understand what is a relatively heterogeneous sector. The current study instead follows a 'matched case' sampling strategy where six local authorities of a similar size, type, political composition and geographical location were compared systematically to reveal similarities and differences in the approach to pay and reward strategies.

The six local authorities were sampled purposively from a larger sample of eight case study authorities across England (developed for an ESRC/UNISON CASE PhD studentship) on the basis that they had made local modifications to pay and conditions since 2010. All six councils employed over 4,000 staff, and were either unitary or upper-tier councils responsible for delivering (or managing under contract) a wide range of services such as child protection, care for older people, waste, parks and leisure facilities. Workforce reductions since 2010 ranged from 2,000 at City Council to almost 10,000 at Coast County<sup>19</sup>. London Borough had actually undertaken a significant programme of 'insourcing' since 2010 which had returned a number of services formerly provided under contract to local authority control, and in contrast with the other councils staffing numbers increased by around 4,500. The sample was then divided into two sub-groups: three Conservative-controlled county councils in the South East of England outside the NJC; and three Labour controlled metropolitan councils engaged in national pay setting (although they are from different regions) (table 3-1).

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<sup>19</sup> This includes school support staff who are not directly employed by local authorities but are covered by national and local agreements on pay and conditions

Table 3-1 – the case study sample

	Devolved pay			National pay		
	Coast County	Commuter County	Shire County	City Council	London Borough	Metropolitan District
<b>Region</b>	South East	South East	South East	North West	London (inner)	North East
<b>Political control</b>	Conservative	Conservative	Conservative	Labour (directly elected mayor)	Labour (marginal)	Labour
<b>Workforce</b>	30,000	27,000	9,000	8,500	8,000	8,000
<b>Annual Expenditure £</b>	£1.7bn	£1.5bn	£700m	£500m	£600m	£600m
<b>Local consultation mechanisms</b>	JCC, but shift to PRP means no annual negotiation	Pay forum for annual awards	JCC and employee reps, but shift to PRP means no annual pay negotiation	JCC	JCC	JCC
<b>Main unions recognised*</b>	UNISON	UNISON	UNISON	UNISON, Unite, GMB	UNISON, Unite, GMB	UNISON, Unite, GMB
<b>Regional union density (2014)**</b>	37.1%	37.1%	37.1%	57.3%	43.3%	73.4%
<b>Interviewees</b>	1x manager, 2x tu	2x manager, 1 x tu	2x manager, 2 x tu	3 x manager, 2 x politician, 1 x tu	3 x manager, 1 x politician, 2 x tu	3 x manager, 3 x tu

\* Some councils also recognise teaching unions for the purposes of local consultation

\*\* Source: BIS trade union statistics 2014, accessed at: <https://www.gov.uk/government/statistics/trade-union-statistics-2014>

This purposive sampling strategy allows for both literal replication (the prediction of similar results within groups) and theoretical replication (contrasting results across groups but for predictable reasons) (Eisenhardt 1989b; Yin 2003). If the national pay setting framework is to exert a clear and consistent effect on pay practices at the level of the organisation we would expect that within group differences would be small, and between group differences to be large. Conversely if organisational pay practices are entirely independent of the institutional context then we could expect to see no consistent pattern across councils with managers free to choose whichever pay practices best suit their strategic priorities, contingent on organisation-level factors such as budgets, HR capacity, staff shortages and trade union strength. This approach has been used to compare HR structures and practices in local authority pairs alongside hospital, police boroughs, and civil service agency pairs (Kessler and Purcell 1996; Kessler et al. 2000; Truss 2009). The matching of cases allows contextual factors such as the legal environment, factors of production (e.g. the demands of the public and organisational forms typical of the sector), and the complexity of HRM and employment relations to be held broadly constant. Furthermore, the comparison of councils in and outside the NJC pay

setting framework allows us to isolate the specific constraining effects of national bargaining on local level pay practices.

### **Methods and data sources**

A total of 15 semi-structured interviews were conducted across the six case study councils with 17 key actors consisting of HR directors and managers, operational managers and (a limited number of) political representatives (at City Council and London Borough), along with nine interviews with 11 trade union representatives. Union respondents were generally the UNISON branch secretary (and/or deputy), but the sample also included one UNITE branch secretary (at Metropolitan District) and the south east regional manager for UNISON who had over 15 years' experience of conducting and overseeing local negotiations. The interview data were combined with document analysis, and extensive field notes.

The comparative nature of the research design and the number of cases included in the sample meant that the focus was on the general nature of change (and the associated drivers and outcomes) as opposed to the fine-detail of specific negotiations or behind the scenes discussions and 'manoeuvring'. Nevertheless, the time period of the data collection (18 months between late 2013 and early 2015) allowed for an iterative approach which moved between theory and empirical evidence to shed light on the implementation process, and compare the different perspectives of key actors whilst events were still fresh. The literature review in section 3.2 helped to develop a clear analytical frame for the qualitative data collection, and thematic (manual) coding structured the analysis around the five contingencies contained in figure 3-1. However, data on the implementation process and how specific pay practices were 'rationalised' within the organisation were allowed to emerge in a more inductive fashion from the interviews.

### **3.4. Findings**

This section explores the emergence and implementation of pay practices across the six case study authorities, and the role of contingencies in shaping choices over different pay strategies. The first part deals with the forces for change outlined in figure 3-1 (political and business contingencies) and the second part deals with the forces for inertia (normative, representational and institutional contingencies). The main pay innovations at each of the six councils are summarised in table 3-2, with further construct tables used throughout the findings to summarise key data. The findings highlight the various contradictions and tensions which arise between different pay practices, and the specific factors which appear to lie behind the adoption of contrasting pay practices in the form of performance pay (which was adopted by two Conservative-controlled councils along with

a complete freeze on pay progression at the third) and the living wage (which was adopted by three Labour-controlled councils).

**Table 3-2 - pay innovations at the six case study authorities**

	<b>Commuter County</b>	<b>Shire County</b>	<b>Coast County</b>	<b>London Borough</b>	<b>Metropolitan District</b>	<b>City Council</b>
<b>National or local pay</b>	Local	Local	Local	National	National	National
<b>Mechanisms for individual pay uplift</b>	De facto time-served. All increases frozen 2010-16	Contribution Based Pay	Contribution Based Pay	De facto time-served through incremental scale	De facto time-served through incremental scale	De facto time-served through incremental scale
<b>Performance pay</b>	No	Yes	Yes	No	No	No
<b>Changes to terms and conditions</b>	Total reward scheme	Removed private healthcare and car lease scheme for senior managers	Total reward scheme	No major changes	Introduction of cafeteria benefits, reduction in work pattern enhancements	Minor changes to mileage rates
<b>Pay freeze 2010-13</b>	Yes	Yes	Yes	Yes	Yes	Yes
<b>Low pay supplement</b>	£250 (2011)	£250 (2012)	£250 (2011)	£250 (2011 and 2012) Yes full London living wage	£250 (2011)	No
<b>Living wage</b>	Local variation	No	No	Yes full London living wage	Yes full UK living wage	Yes full UK living wage
<b>Market supplements</b>	Social worker roles graded separately with large incremental progression, £2,000 'start-up payment' across first year of service	Limited use in children's social work	£2,000 'golden hello' for social workers, plus £3,000 for hitting case management targets	Director of children's services, social workers, ICT staff	No*	No*

\* Market supplements have been used in the past for social workers

### 3.4.1. Forces for change

The first set of contingences in the upper part of figure 3-1 relate to those factors which are hypothesised (by contingency theory) to drive the adoption of new pay practices as a result of their influence over the strategic direction of the organisation, or because they provide managers with the justification to dislodge embedded pay systems.

#### 3.4.1.1. Political contingencies

Political contingencies refer to the interpersonal and organisational politics of power and decision making, as well as in the case of local government the system of local party politics which can mean that different councils follow divergent paths even when faced with similar external pressures. Political factors appeared to be behind the two main contrasting pay strategies in the form of performance related pay and the living wage in terms of the party political image which council leaders wished to portray. The

Conservative councils appeared keen to present an image of being ‘high performing’ or business focused, whereas the Labour councils appeared keen to be seen as ‘good employers’.

#### 3.4.1.1.1. Creating a performance culture through PRP

Pay progression in the public sector has become a contentious issue, and around 25% of councils have attempted to make progression more closely linked to individual performance, either in the form of fully-developed PRP schemes or by withholding annual increments where performance is less than satisfactory (LGA 2010). However, the existence of ‘time-served’ increments does not necessarily mean that significant numbers of staff receive them: at London Borough, Metropolitan District and City council there had been an ad hoc reduction in ‘wage drift’ as the slowdown in external recruitment meant that the majority of staff were at top of incremental grades and were therefore no longer eligible for pay increases other than the annual cost of living award. The major point of departure for the three councils outside the NJC framework was the attempt to hold back across the board pay increases both in the form of annual cost of living awards and ‘time-served’ incremental progression. This was in order to achieve organisational goals either in the form of budgetary control or improving individual effort by incentivising the achievement of performance goals (table 3-3).

**Table 3-3 - performance pay systems in three opted out councils**

	<b>Mechanism for pay increase</b>	<b>Principles</b>	<b>Assessment</b>	<b>% salary at risk</b>
<b>Coast County</b>	Total Contribution Pay (TCP)	Contribution to organisation, demonstrating desired attitudes and behaviours, incentivise improvement and excellence	Annual appraisal, line-manager judgements overseen by senior management	Total awards set by politicians, average uplift 1.8%, mixture of consolidated increase and cash bonus
<b>Commuter County</b>	Satisfactory performance, all increments withheld for 2010-16	Meeting work performance expectations and achieving agreed personal development goals	Annual appraisal	Value of increment typically 2%, consolidated into basic pay
<b>Shire County</b>	Contribution Based Pay (CBP)	Contribution to organisation, demonstrating desired attitudes and behaviours, incentivise improvement and excellence	6 monthly appraisal, line-manager judgements overseen by senior management, appeals procedure	Total awards set by politicians, average uplift 2.5%, mixture of consolidated increase and cash bonus

At Commuter County there had long been the scope for managers to withhold increments where performance was below expectations but it was generally only weakly enforced and the vast majority of eligible staff received their annual increment. However, a ‘Pay

Restraint Policy' suspended all cost of living pay awards and incremental pay progression in order to save money. To compensate for this, a flat non-consolidated £250 was offered for those staff at the top of their grade (in lieu of a percentage pay increase), and £750 for those not at the top of their grade (in lieu of a percentage increase and the progression increment).

At Coast County and Shire County, making an explicit link between pay and performance was not only a reflection of the desire to drive up performance levels, but also to reduce the financial liability for 'unearned' pay rises in the form of annual incremental pay progression. To this end, both councils introduced 'contribution-based pay' (CBP) systems which appraised all staff on a four-step performance ranking, and distributed pay rises between categories according to the total budget available. Coast County had adopted PRP in the 1990s but abandoned it owing to the managerial burden of administering the scheme, and a lack of clear evidence of its impact. Nevertheless, a rebranded 'Total Contribution Pay' pay scheme was launched in 2011 which replaced fixed incremental pay points with a pay range for each grade within which percentage increases were added according to the performance level achieved by individual staff. This meant that all staff on the same grade could theoretically be on idiosyncratic rates of pay depending on their performance history and how long they had been in post. This was supplemented by non-consolidated lump sum payments for those who had already reached the top of the pay range, and non-cash payments up to the value of £500 to be distributed at the discretion of line managers. At Shire County CBP was aligned with a new performance appraisal system, and pay increases were a combination of consolidated increases in basic pay as staff moved through competency stages for three years, and then non-consolidated performance payments once staff were considered fully competent (in respect of the demands of the job) and at the top of their incremental scale. There were implementation costs attached to the new schemes (including a £750 incentive payment offered to staff as part of the transition to the new pay arrangements at Shire County), but both councils forecasted minor savings as a result of moving away from an annual cost of living pay award and annual incremental progression. Significantly, the introduction of the new pay schemes effectively ended formal collective bargaining between the local authority and unions over the annual pay award, although the allocation of funds for pay increases was set by politicians in consultation with locally recognised unions, and was expected to take into account cost of living pressures and movements in wages elsewhere.

Whether performance pay does increase individual productivity over the long run is debatable (Marsden 2009) but certainly the schemes at both Shire County and Coast County could be regarded as somewhat 'marginal' in the magnitude of the incentives on

offer, and the degree of departure from more traditional forms of pay setting which recognise length of service and the notion of a 'market rate'. At Shire County the payment of performance increases was partly linked with progression through fixed increments (which all staff moved through over a period of at least three years), and the at-risk element at both councils was relatively small in any one reporting period: although staff receiving the top performance judgement could receive a 5% increase, the average uplift across all performance levels was 2.5% at Shire County and 1.8% at Coast County. Similarly, one of the explicit aims of CBP at both councils was to strengthen the appraisal process which had in the past been used in an inconsistent way by line managers, resulting in a weak system of staff development with limited goal setting and feedback. Viewed in this way, contribution based pay was as much a means to correct for poor management as it was poor worker performance. Furthermore, the specific effects of performance pay on productivity were difficult to disentangle from the wider processes of downsizing and restructuring since 2010. A UNISON shop steward who had been through the appraisal process at Shire County argued that most staff were already working 'flat out' so the lever of better pay would be unlikely to realise any productivity gains. HR managers at both Shire and Coast County recognised there was no straightforward relationship between pay and productivity, and that any additional worker effort was likely to be as much a result of the increased attention to feedback and performance management as the motivating effect of pay itself. It appears that however performance pay schemes are rebranded the mechanisms by which they are assumed to achieve productivity gains remain somewhat unclear.

#### 3.4.1.1.2. The living wage: a return of the 'good employer'?

Within the public sector, local government has the lowest entry rates for routine manual, care and clerical work and there is significant compression of earnings across the wage structure (NJC Trade Union Side Pay Claim 2014). The NJC pay spine is relatively short compared to the health service and around 70% are estimated to earn less than the central government low pay threshold of £21,000 (LGE 2010). All of the councils studied here followed the pay freeze, but at the same time all but one had attempted to offset the pressure on low earners by offering flat rate payments. A £250 supplement at London Borough was paid in both 2011 and 2012 which was consolidated into basic pay, and one-off £250 cash payments were made at all other councils except City Council. In addition to voluntary flat rate payments, four councils had experimented with some form of locally administered 'living wage' (table 3-2) which lifted entry rates well clear of the bottom NJC rate (£6.45 in 2014 at the time of data collection). Commuter County introduced a 'minimum wage' rate of £8.01 per hour which was argued to be affordable and proportionate to the aim of reducing cost of living pressures on low earners, although its

proximity to London creates an argument to apply the higher London living wage of £9.15 (at the time of data collection). Furthermore, the policy was only applied to direct employees of the council and not contracted staff where the impact would arguably be greatest (City Council and London Borough in contrast both achieved accreditation with the living wage foundation which committed them to implementing the living wage throughout the supply chain). Coast County had also introduced a higher base rate of £7.22 with an (albeit loose) ambition to raise pay for directly employed staff up to a full living wage subject to a financial assessment.

The living wage has emerged as an important strategy for improving pay at the bottom of the labour market, often through locally coordinated campaigns. This began in the early 2000s when The East London Community Organisation (TELCO) and one of the UKs largest the trade unions, UNISON, began lobbying for a living wage some 30% higher than the NMW to ensure that nobody in full time work fell below the poverty line (UNISON 2002, cited by Grover 2005: 10). In all cases where a higher rate was introduced, this was aligned to political goals and not labour market factors or trade union pressure. For example, an elected member at London Borough, argued that even though within the organisation the living wage was rationalised by a ‘business case approach’ (which set the increasing pay costs against improvements in turnover and morale resulting from an assumed efficiency wage effect, Akerlof and Yellen 1984), fundamentally it was a political statement about the council’s commitment to social justice:

*“when the chips are down that’s when your political mettle is tested” [Lead Member Finance London Borough]*

At City Council the Mayor’s vision was to introduce an ‘employment standards charter’ that would act as a reference point for businesses across the city, as well as enhancing the reputation of the council as a fair pay employer. The living wage at Metropolitan District was actually proposed by the Conservative opposition group, having previously been rejected by ruling Labour leadership on the grounds of cost. Perhaps more significantly HR managers, ‘bruised’ by the recent experience of settling equal pay claims, adopted a somewhat risk-averse approach in order to preserve equal pay compliant structures, which the living wage would potentially distort. Nonetheless, the policy was adopted in April 2015 and the higher payments to staff were backdated to April 2014.

Whilst a commitment to higher wages at the bottom was generally welcomed by the unions locally, the mode of adoption raised three problems. First, the central role of the politicians in pressing for the living wage meant that the unions had a more marginal role than might be expected. Second, local level variation in the scope and coverage of local living wage policies (and local minimum wage policies at Coast County and Commuter

County) created additional ambiguity around their purpose (i.e. to equate wages with income 'needs'), making them vulnerable to alteration or dilution in future. Third, the overall cost pressures acting on all councils meant that living wages often involved the redistribution of wages from elsewhere. At London Borough this involved a cut in chief executive pay, and at City Council the living wage was introduced as part of a wider pay and grading review which saw a number of middle-ranking jobs downgraded (e.g. accountants, HR staff, and family support workers). The consequence was that UNISON did not formally endorse the final model. Just as performance pay was as much 'symbolic' of the employers' desire to create a performance culture (over and above any concrete gains in productivity), the living wage was perhaps symbolic of the desire to enhance the reputation of employers as 'ethical' over and above any concrete gains for low paid workers, or to engage in mutual gains bargaining with local unions.

#### ***3.4.1.2. Business contingencies***

The second set of contingencies in driving change, and also the most disruptive to the higher level 'strategic ambitions' of organisational leaders, is that of business contingencies. In this sense, business contingencies are a reflection of the labour and product market conditions which managers adapt to, as well as the practical and expedient decisions which managers make in order to try and maintain the stable operation of the organisation either on cost, quality or capacity grounds. Across the six case studies presented here, a common ambition was to develop pay strategies which would create a more flexible, agile and quality driven workforce. However, this was in many ways fundamentally compromised by the need to save money quickly. Budget cuts across the sector have been estimated at over 40% in real terms for the 2010-15 parliament (LGA 2014), and in response all councils pursued the same two strategies of cost reduction: a three year pay freeze and significant job losses. Job losses were the primary source of cost savings (explored in Paper 3), with all offering incentives for staff to take voluntary severance or early retirement in order to achieve the necessary reductions without the need for compulsory job cuts.

The contradiction between quality and cost cutting was clearly in evidence at Commuter County. Directly mirroring the language of the 'strategic pay', literature (Lawler 1995) a HR manager described the total reward package being developed at a local level as a key part of the council's 'competitive edge'. At the same time, this did not appear to align with the predominant business strategy of the council which was one of retrenchment, business efficiency and cost cutting. This was articulated clearly in the 'Pay Restraint Policy' where pay awards were frozen along with incremental progression through scale points, which was effectively imposed by management without collective agreement for the period

2010-14 and extended unilaterally for another two years until 2016. For the council this was identified as a major source of cost savings, which from a political point of view helped to protect jobs in front-line services highly valued by residents such as older persons care, refuse collection and libraries. The risk that the quality of these labour intensive services would deteriorate as a result of frozen pay and increasing work intensity did not appear to matter as much as cutting costs.

A stated ambition for pay systems across all councils was to recruit and retain the 'right' calibre of staff, but in view of the significant downsizing and restructuring across the sector, the relationship between pay and the quality of staff was in a state of flux. Managers at Commuter Council and London Borough noted that higher pay rates outside local government had created problems with the retention of procurement specialists, and the head of HR at London Borough noted that the council could 'not compete' with the wages offered by a nearby hub of hi-tech firms ('Silicon Roundabout') for ICT roles. In terms of recruitment and retention 'hotspots', all councils had experienced problems in recruiting and retaining social workers in children's services. Senior posts within children's services at London Borough had proved difficult to fill and market supplements were still in place for a number of posts including the director (worth around £5,000 per year or around 4% on a £120,000 salary). City Council and Metropolitan District had focused on the recruitment of permanent social workers by attempting to strengthen internal career progression supported by professional training and development, rather than 'throwing money at the problem'. High profile criticism of children's services at City Council in the late 2000s led to significant organisational restructuring and concerted efforts to address staffing shortages with targeted local recruitment and additional training and support for newly qualified social workers in order to improve retention as opposed to just pay. Metropolitan District had managed to recruit from overseas by offering competitive starting salaries and well defined career paths within the organisation. In contrast, despite offering financial incentives such as relocation packages, and start-up payments Shire County and Commuter County had both continued to struggle to fill vacant posts (up to 50% in some parts of Commuter County council) and relied more heavily on temporary agency staff. This created specific problems in service delivery at Shire County and resulted in an Ofsted judgement of inadequate for Children's services in the summer of 2014, which highlighted staff shortages as a specific area of concern. Whilst pay can contribute to successful recruitment and retention, it is not a substitute for good leadership and 'all the other things that make for a good atmosphere' (Trevor and Brown 2012).

### 3.4.2. Forces for inertia

There are clearly strong incentives for local authorities to modify pay strategies both to reflect the aspirations of political leaders and to meet the changing performance demands of management. Business practicalities such as cost control and labour market shortages for certain occupations can also lead to the ad hoc adjustment of pay systems (whatever the overarching political strategy). The second set of contingencies (in the lower part of figure 3-1) relate to those factors which are hypothesised to sustain particular pay practices and wage structures, and serve to constrain political and managerial attempts to introduce change.

#### 3.4.2.1. Normative contingencies

It is often argued that normative pressures serve to narrow management discretion and can lead to a convergence of strategy between organisations (DiMaggio and Powell 1983). This however assumes that a clear set of norms exist within a sector or industry, and are shared between professionals across organisations. An interesting feature of the current research was the relative absence of any dominant pay setting norms across the sector which left politicians and managers searching for a set of principles to which pay systems could be anchored. On the one hand, the 'vacuum' created by stalled sector level social dialogue arguably created the space for experimentations in pay aligned with different local level political goals (e.g. developing a performance culture and being seen as a good employer). At the same time the narrative of affordability emphasised by both central government and the national employers appeared to 'legitimise' cost cutting measures such as the pay freeze and reducing terms and conditions at local level. For example, while for the three NJC councils the pay freeze was effectively imposed by the national employers, the three councils outside national bargaining also applied the pay freeze even though they were not obliged to. Furthermore all made financial savings by reducing the value of car mileage rates (from over 50 pence per mile to around 45 pence) which had the potential to impact heavily on lower paid predominantly female workers in caring roles who rely on their car to visit clients at home. UNISON's fierce defence of unsocial hours premiums (which also tend to the bolster earnings of low paid women in social care) appears however to have had some effect as none of the councils studied here reduced unsocial hours payments. There were also targeted reductions at higher levels across all councils including a blanket ban on overtime for all staff above specific grade thresholds (generally around £35,000) and the removal of car lease schemes. At Shire County and Coast County private healthcare schemes available to strategic directors and the chief executive were withdrawn in 2011 to harmonise with the rest of the workforce.

No councils in this study had attempted to cut nominal pay (as a small number of local authorities have done since 2010) which perhaps reflected the potential to create significant ill-feeling among the workforce, but also the relatively limited 'headroom' for cutting pay in a sector with such a compressed wage structure. Reducing terms and conditions however was seen as a legitimate means to save money, but more importantly it was also an opportunity to reinforce new corporate strategies based on the somewhat vague notion of 'modernisation', individualised employment relations and increasingly flexible ways of working. Managers (particularly at London Borough and Metropolitan District) were keen to reduce the overall cost burden of pay drift arising from locally administered terms and conditions, but also wanted to remove other enhancements attached to specific working patterns for which the organisation no longer received any measurable benefit. For example at Metropolitan District weekend working which fell within a worker's scheduled hours which formerly attracted a 50% premium on top of the basic hourly rate was reduced to 'plain time' and shift enhancements were reduced from 20% to 15%. There was also the removal of meal subsidies (for those workers still eligible) and mileage rates were reduced down to HMRC rates. To offset these reductions slightly, an unsocial hours evening premium of 33% on top of the basic hourly rate was preserved and additional annual leave entitlements were introduced for all staff. Complementary to the reduction of job-based terms and conditions, all councils introduced elements of what would be classed as 'cafeteria benefits' which reflect the 'new pay' principles of flexibility and individual choice (Trevor and Brown 2012). These included: subsidised travel and transport; discounts from retailers and leisure chains; discounted mobile phone contracts and the opportunity to 'buy' additional annual leave. Whilst managers emphasised that these 'total reward' schemes were relatively popular with staff, salary sacrifice schemes also generated cost savings by reducing the employer's national insurance contributions (as they are deducted from gross salaries at source). This hints at some of the deeper motivations for adopting flexible benefit schemes which the South East regional manager at UNISON described as 'a gimmick' to distract workers from the fact that their actual take home pay had not improved for several years.

In the same way that 'modernisation' had become a euphemism for the efforts to dismantle custom and practice arrangements over terms and conditions, the concept of fairness was no less ambiguous. Managers often spoke of trying to balance issues of fairness for workers with 'fairness for the business', and ensuring that pay systems were both transparent and sustainable. A convergence in the rhetorical commitment to 'fairness' in part stemmed from the legal requirement to publish an annual pay policy

statement<sup>20</sup> and ensure that pay structures complied with equal pay legislation. However, a divergence in actual wage structures (table 3-4) across the councils revealed the varying strength of internal norms around fair pay, and the perceived importance of paying high salaries to recruit and retain the best senior staff in a competitive labour market conditions.

**Table 3-4 – wage structures at the six case study councils, 2014**

	<b>Commuter County</b>	<b>Shire County</b>	<b>Coast County</b>	<b>London Borough</b>	<b>Metropolitan District</b>	<b>City Council</b>
<b>Minimum rate (per hour)</b>	Local 'Minimum Wage' £8.01	£6.55	£7.22	London Living Wage £9.15	£7.88	UK Living Wage £7.85
<b>Median salary (annual FTE)</b>	£24,340	N/A	£23,696	£30,525	£19,817	£22,212
<b>Maximum salary for non-Chief officers (FTE)</b>	£55,298	£66,67	N/A	£51,469	£50,351	Up to £58,200
<b>Chief Executive basic salary (FTE)</b>	£211,900	£214,297	'Head of Paid Service' £189,575	£160,000	£175,699	'Head of Paid Service' £146,148
<b>Pay ratio (top-bottom)</b>	1:14	1:17	1:14	1:10	1:12	1:10

Reflecting historical patterns of outsourcing and adjustments to the local 'skill mix', the Labour-controlled councils in the north tended to have a larger share of low paid manual and care staff, whereas the workforce at London Borough and the three Conservative-controlled councils in the south east was more weighted towards white collar professional officers and managers. This resulted in the median salaries varying from £19,817 at Metropolitan District up to £30,525 at London Borough. While the three councils outside the national pay framework had an entirely localised pay spine, the three NJC councils had also extended the pay spine above the national maximum rate of £42,000 in order to accommodate upward drift among middle managers and professional or technical staff not on senior or 'Chief Officer' grades<sup>21</sup>. Interestingly, the decision to extend the pay spine was not something that was necessarily treated as a 'pay bargaining issue' as such. The flexibility of the NJC agreement to set grades locally was assumed to cover changes to the length of the pay spine itself, taking non-chief officer pay over £15,000 higher than the national agreement in some cases:

*"...there is nothing in the Green Book saying we can't so we just added some pay points on..." [HR Manager Metropolitan District].*

As discussed above, four councils had implemented some form of localised 'living wage' policy, with Coast County also exploring future options to raise base rates up to a living wage. Shire County paid £6.55 as minimum rate and was the only council not to move

<sup>20</sup> Introduced by central government in 2010 following the Hutton review into public sector pay which recommended a maximum pay ratio of 1:20 between the lowest and highest earners

<sup>21</sup> From around £65,000 upwards

significantly away from the UK National Minimum Wage of £6.31 (at the time of data collection). The HR director argued that it would be too expensive to introduce a living wage, but UNISON suggested this was reflective of the organisation's belief in 'free-market' economics which saw no reason to increase wages voluntarily for a largely part-time and female workforce when council rates were already (marginally) higher than the national minimum wage. At the other end of the wage distribution, the notion of market forces was criticised by the Hutton Report for producing rapid upward drift in senior salaries during the 2000s, as councils (particularly in the south east and encouraged by external consultants) attempted to outbid each other to attract senior staff who were believed to have contributed to positive audit and Ofsted inspection results (Communities and Local Government Committee report HC 191 2014). Both Commuter County and Shire County were towards the upper end of Chief Executive pay at over £200,000 even though they were markedly different in size (annual budget of £1.5bn vs. £700m and workforce of 27,000 vs. 9,500).

In contrast, across the sector a combination of egalitarianism and opportunism appears to have led to a general levelling down of chief executive pay since 2012. A number of councils have reduced chief executive pay when one departs or retires but in some cases incumbent post holders have agreed to pay cuts of up to £20,000 (Local Government Chronicle 2013). At London Borough the basic salary of the chief executive was reduced from £210,000 to £160,000 when the post holder took voluntary severance in 2013, and the savings were used to cover the costs of introducing the living wage, which enabled the council to achieve a top to bottom pay ratio of less than 1:10. The head of HR noted that the tight constraints on local government finances meant that a pay rise for staff at the bottom effectively 'takes money out of someone else's pocket', but the council had a responsibility to divert money to where it would have most effect. Coast County deleted the post of chief executive altogether when the post holder retired in 2012, and City Council was without a chief executive for over a year following the departure of the incumbent post holder in 2013. The role of 'head of paid staff' was created in 2014 on an annual salary of £150,000 (reduced from £175,000). According to both the Lead Councillor for workforce and the HR Director the reduced salary on offer did not appear to affect the external recruitment process, which runs counter to the conventional 'market-rate' argument used to justify high wages for senior staff (Farnham and White 2011).

#### **3.4.2.2. Representational contingencies**

Despite underlying differences in trade union density and multi-union presence (table 3-5), *representational contingencies* in the form of either custom and practice or trade union bargaining across all councils were surprisingly weak with managers encountering

relatively little resistance to the proposed changes in pay and conditions. Aggregate membership density across the sector of 47.7% (which is very high compared with the private sector), has not prevented significant downward pressure on real wages, and at local level branches are highly reliant on both local level membership density and the willingness of employers to engage with collective forms of worker representation. Union density was lowest across the South East at 37.1%, compared with 57.3% in the North West and 73.4% in the North West. UNISON was the largest at all councils, although UNITE and GMB were reasonably well represented at London Borough and Metropolitan District.

**Table 3-5 – mechanisms of employee representation at the six case study council**

	<b>Commuter County</b>	<b>Shire County</b>	<b>Coast County</b>	<b>City Council</b>	<b>London Borough</b>	<b>Metropolitan District</b>
<b>Local consultation mechanisms</b>	Pay forum for annual awards	JCC and employee reps, but shift to PRP means no annual pay negotiation	JCC, but shift to PRP means no annual negotiation	JCC	JCC	JCC
<b>Main unions recognised*</b>	UNISON	UNISON	UNISON	UNISON, Unite, GMB	UNISON, Unite, GMB	UNISON, Unite, GMB
<b>Local Govt. Regional union density (2014)**</b>	37.1%	37.1%	37.1%	57.3%	43.3%	73.4%

\* Some councils also recognise teaching unions for the purposes of local consultation

\*\* Source: BIS trade union statistics 2014, accessed at: <https://www.gov.uk/government/statistics/trade-union-statistics-2014>

At Shire County, UNISON vociferously opposed the move to performance pay, and in order to work around the trade unions the council shared the details of the new scheme directly with the wider workforce through individual communications, a dedicated intranet page and open meetings led by directors and senior politicians. Around 95% of staff opted into contribution based pay which was seen by management as a ‘vindication’ of the new pay system and also reflective of the success of direct staff engagement. The chief concern within the UNISON branch was that whilst some senior managers and professional staff may derive benefit from an accelerated performance pay system, it would be difficult for those in low-paid jobs with little autonomy and clearly defined outputs to ‘exceed’ their performance targets and get a pay rise. To try and protect against potential biases in the way in which performance judgements were made, Shire County introduced the new appraisal system a year ahead of the contribution pay system ‘going live’. Changes had to be made to the appraisal matrix for management roles as it appeared that they were much more likely than practitioner roles or support roles to receive higher judgements (which confirmed the prediction made by UNISON that performance pay was skewed towards rewarding managers). In addition a successful legal challenge was brought by a locally recognised teaching union (and subsequently extended to the small number of UNISON

members who did not sign up to performance pay) against the £750 incentive payment offered to staff as part of the transition to the new pay arrangements. An employment tribunal ruled that the council acted unlawfully by offering an inducement to staff to forgo their rights to representation through collective bargaining, and the 90 staff (around 5% of the workforce) who refused to switch over were awarded payments of up to £3,500. UNISON at Shire County considered the real motive for the introduction of performance pay to be the determination of increasingly hard-line managers and new political leadership (since 2011) to sweep away notions of 'custom and practice' or 'felt fair' comparisons when setting pay awards, and replace them with highly individualised pay modelled on the private sector with little or no input from the trade unions. The new process for setting pay combined with a management sponsored network of 'employee-representatives' was expected to further marginalise the unions and effectively end collective negotiations at a local level.

Despite the apparently stronger relationship with the trade unions among the three councils within the NJC, and the efforts to strengthen pay for low earners, negotiations were not without their problems particularly where there was disruption to existing wage hierarchies. For example at City Council the living wage was introduced as part of an equal pay review, which saw a number of middle-ranking jobs lose money, and created significant tension with the unions and resulted in protests at council meetings. 'Bundling up' the living wage alongside other changes in this way has made union branches hesitant about endorsing localised living wages without examining the detail closely. In the end, the loss of pay for downgraded staff was limited to a maximum of £2,000, but the living wage was in turn partly offset by parallel processes to both downsize and outsource services most affected by the living wage, and reduce the number of hours available for low paid workers such as cleaning staff.

The role of the trade unions in negotiating with employers, and acting as the primary communication channel between managers and staff was vulnerable as a result of variable membership density at local level, and all councils had attempted to strengthen channels of direct communication. Consultation over restructuring and changes to pay and conditions at all councils took place through Joint Consultative Committees (JCCs) which combined both union and non-union staff representatives. Similarly, staff roadshows championed by HR at City Council, Commuter County, Metropolitan District and Shire County were used to share the details of proposed workforce changes, and allowed politicians and managers to respond to individual rather than collective queries or grievances. On a day-to-day basis, the introduction of flexible benefit schemes at all councils also emphasised a more individualised and transactional relationship with staff.

Although these schemes were presented by managers as a way for individual employees to maximise their salaries and adjust their work life balance, they also offered the opportunity to communicate and engage with staff directly through internal channels such as email and 'web-portals' for HR and payroll services. Whether this shallow form of consultation and information sharing is a robust substitute for formal collective negotiations with locally recognised trade unions remains to be seen.

### **3.4.2.3. Institutional contingencies**

The final set of contingent pressures which help to sustain and stabilise embedded pay practices are institutional. This includes the influence of laws and 'rules', along with higher level systems of pay determination such as collective bargaining. The specific context of local government also has an important influence on organisational pay and HRM, serving to modify or undermine the attempts to import 'strategic' private sector practices (Kessler et al. 2000). In the current sample, the institutional framework of pay setting was closely linked with party political control with the three councils in the national agreement all Labour-led and the three outside the national agreement all Conservative-led. In terms of the mechanisms of pay setting, the three Labour councils were committed to national pay bargaining in principle, but had slightly different views on the continuing relevance and tangible outcomes of sector-level negotiations since the start of austerity. For Metropolitan District, the national agreement provided a small buffer over the lowest outside comparators which the council was keen to protect:

*"...we could get away with saying well we're just going to pay the minimum wage...we're not going to bother with national pay bargaining...but we're a Labour controlled council so that is never going to happen..." [HR Director Metropolitan District]*

For the other two Labour councils (City Council and London Borough), although there was no explicit opposition to the national pay freeze, the weakness of national negotiations since 2010 meant there was political capital to be gained from the introduction of localised 'egalitarian' wage strategies in the form of low pay supplements and the living wage (as discussed in 3.4.2 below). For example, although political leaders at both City Council and London Borough had no intention of withdrawing from national pay bargaining, local partnership deals with the trade unions around the living wage and a commitment to staff training and internal redeployment acted to strengthen the existing framework of pay and conditions which had failed to deliver significant wage increases at the bottom.

In contrast, local bargaining at the three opted-out councils studied here was driven initially by political decision making. All three were currently Conservative-controlled

(Coast County switched between Labour and Conservative control during the 1990s) and politicians stood squarely behind council officers' 'right to manage'. The HR managers interviewed here saw no prospect of returning to the national agreement, but more for practical rather than ideological reasons: withdrawing from the NJC was something of a 'statement' by entrepreneurial political leaders at the time but now the council valued the direct control over workforce and budgets which would be lost by returning to the NJC. On a practical level, the UNISON regional manager for the South East suggested that the experience of local bargaining with many opted-out councils was less antagonistic and certainly more straightforward than the distant and protracted negotiations handled by the NJC. Unpublished data collected by UNISON between 2009 and 2012 suggest that most councils outside the NJC (concentrated in the South East of England) in the run up to austerity were making pay awards in excess of that awarded through the NJC (2.75% in 2009), and when the pay freeze was implemented nationally for 2010/11, 2011/12 and 2012/13 a small number of opted-out councils made small percentage pay awards (between 1 and 2%) and in addition around half made flat rate payments of between £250 and £350 to those earning less than £21,000. However, these localised experiences did not translate into coherent national bargaining strategies, and individual branches were not able to use these local successes to build upward pressure on wages more generally. The UNISON regional manager argued that the antipathy of national union officers towards local bargaining meant that the union more broadly failed to reflect on both the positive and negative outcomes of local negotiations and direct support to where it was needed which ultimately did not serve its members (whether in or outside the NJC):

*"...it's almost the bargaining you should never mention its name...I don't promote it...but where it exists and where we can't persuade people to come back to national pay bargaining then we aren't able to serve our members if we sit on our hands...so where it exists we should be good at it..." [UNISON Regional Manager]*

Perhaps the more significant contribution of the national framework is the general adoption of transparent job evaluation schemes. All councils (in or outside the national agreement) are expected to follow gender neutral job evaluation procedures when developing job descriptions and setting rates of pay. Following extensive outsourcing of low paying jobs during the 1980s and 90s the three councils outside the NJC in this study were able to move more quickly to harmonise internal rates of pay under the Single Status agreement, whereas the three councils within the NJC who had retained more services such as cleaning, catering and care in-house took much longer (up to 2013 in the case of Metropolitan District). As the empirical findings of this research reveal, these principles of the 'rate for the job' are still important in shaping wage structures and specific rates of

pay, even where cost of living enhancements are added at the bottom or where pay increases are made contingent on individual performance appraisals.

### **3.5. Discussion and conclusion**

The aims of this study were to explore the multi-faceted nature of organisational pay setting, and the importance of contingent pressures in shaping the adoption (and 'stickiness') of specific pay practices across a diverse sample of six UK local authorities. The prime focus was a comparison of two contrasting pay strategies in the form of individual performance pay and the living wage. The theoretical and conceptual underpinnings behind these two pay systems are very different: performance pay underpinned by agency theory (e.g. Milgrom and Roberts 1992) and the living wage driven by social considerations and the 'needs' of workers (e.g. Figart et al. 2002). However, detailed empirical analysis of change across the six cases revealed the complex and nuanced reshaping of the reward mix driven by a mixture of business, egalitarian and pragmatic considerations.

There are limitations to the current study in that it was not feasible to gather individual payroll data which would have provided an insight into the aggregate and cumulative effects of multiple changes to pay and conditions on the take-home pay of workers. This approach has been used to examine the effect of labour market restructuring and occupational mobility on individual earnings (Brulhart et al. 2006), and may have strengthened the current paper but access to confidential pay data was not possible. As might be expected, it was also not possible to witness internal decision making processes, and the informal interactions and power struggles between key actors (in this case politicians, unions and managers) which can be critical to the design, implementation and outcomes of new policies (e.g. Marchington et al. 1992). The interview sample was also slightly unevenly distributed across the cases, with more interviews at those authorities within the NJC than outside, owing to access being controlled by senior HR gatekeepers and perhaps also the researcher's affiliation with UNISON<sup>22</sup>. It would also have been interesting to include a large Conservative controlled county council still within national pay bargaining to further explore the interactions between political and institutional factors. Nevertheless, the results of this study carry some interesting implications for the employment relations and HRM literature.

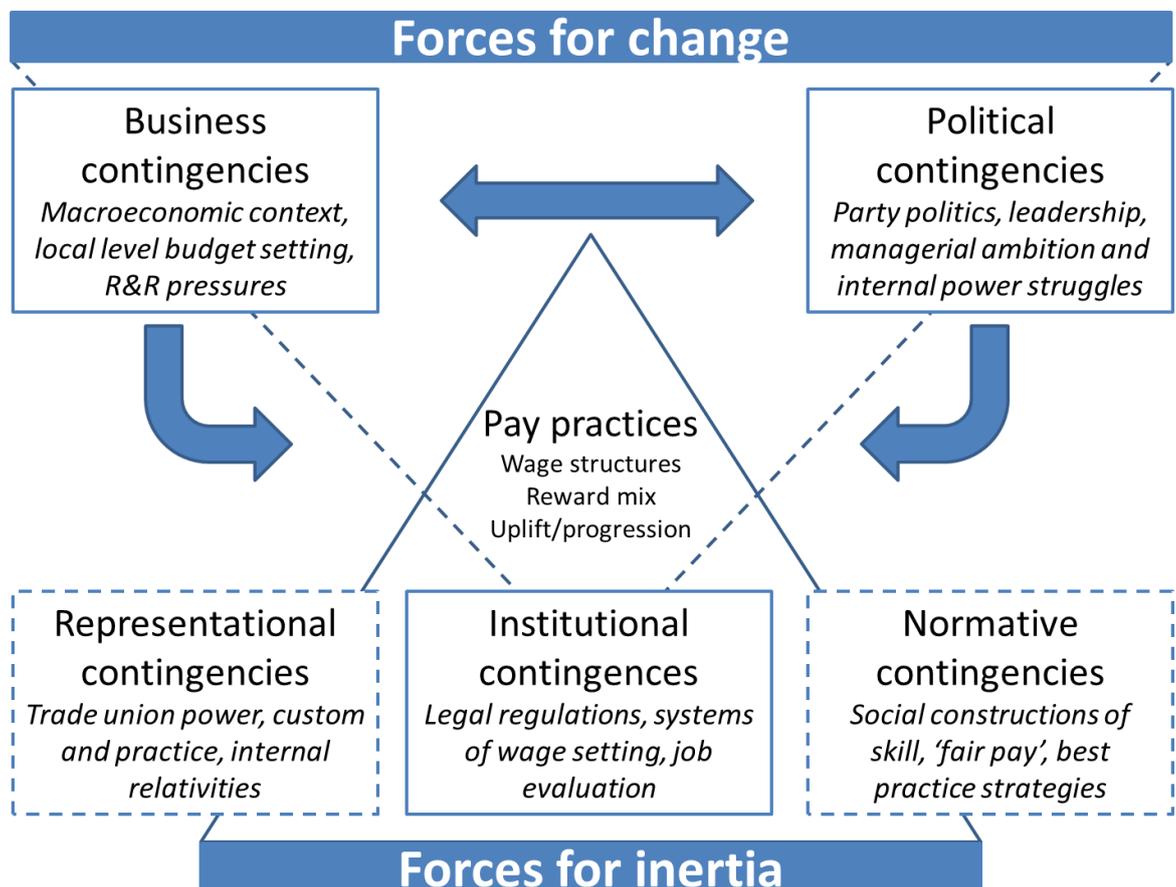
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<sup>22</sup> In the spirit of transparency and trust this was made clear to all interviewees

### 3.5.1. The complex role of contingencies

In contrast with the somewhat simplistic analysis offered by most contingency models of HRM where pay strategies align with business strategies in a smooth and functional manner, the findings of this study suggest that there is a wide range of internal and external ‘contingencies’ which serve to shape the adoption and implementation of pay systems, some of which are more contested and problematic than the prescriptive HRM literature allows for (Beynon et al. 2002; Cox 2000; Grimshaw 2000; Kessler 2001; Rubery 1997). In view of the findings of the research, it is necessary to revisit figure 3-1 in order to re-conceptualise the role of different contingent pressures and the relationships between them. Figure 3-2 reflects the refinements made to the original contingency model.

Figure 3-2 – a revised schematic model of contingent pressures on pay



In terms of the *forces for change*, business and political contingencies were important in driving forward the adoption of new pay strategies although this was certainly not an unmediated relationship (indicated by the dashed line around the imprint in the upper part of the diagram).

The effect of *business contingencies* was mixed: on the one hand the need to adjust to a new financial context appeared to provide the impetus for change while at the same time disrupting and undermining the implementation process. Cost was by far and away the main business contingency, and all councils adopted the same two cost cutting measures: a three year pay freeze; and job losses. In addition a freeze on all pay progression at Commuter County and a reduction in the value of terms and conditions at Metropolitan District were significant cost-cutting measures and were rationalised by managers as a means to avoid the need for further job losses. Although there were no signs that these measures provoked widespread hostility from workers, there is clearly a risk that the pressure to cut costs could have adverse outcomes in terms of staff recruitment, retention and morale. Previous research has established the various pragmatic compromises and concessions which managers (particularly at lower levels) have to make in order to make pay systems 'workable in the real world' even if it means a departure from higher level strategy (Brown 1973; Trevor and Brown 2012). The strategic quickly gives way to the tactical as practical concerns come into play such as financial constraints, management capacity, and time. All of the pay policies considered here (e.g. performance pay, total reward, the living wage) were expected to be cost neutral or even generate savings with the consequence that better pay for some came directly at the expense of cuts elsewhere (e.g. reductions in chief executive pay at London borough and across the board reductions at City Council). Although an element of redistribution may strengthen the egalitarian image of the organisation, there are potential risks to internal notions of justice where pay rises for one group 'come out of someone else's pocket'. Similarly, however well-intentioned pay strategies such as the living wage might be, at a time of austerity any gains in morale, effort and commitment might still be completely undermined by cuts elsewhere. Ad-hoc adjustments to pay grades and the pay spine allowed managers (both in and outside the NJC) to respond to localised performance and labour market conditions. For example, the three councils within the NJC had extended the national pay spine in order to accommodate grade drift among middle managers (taking pay some £15,000 above the national maximum), and all councils at various times had responded to the shortage of 'critical' staff in children's social care with market supplements and other financial incentives to boost recruitment and retention. Given the wide range of demands placed on pay systems in local government, it is perhaps unsurprising that the adaptation to changing business needs was less than perfect, but the analysis of various contingencies suggests a frequently problematic relationship between the strategic direction of the organisation and the day to day practicalities of managing the 'bottom-line'.

*Political contingencies* were perhaps the most significant in shaping the adoption of two contrasting pay strategies in the form of performance related pay schemes and the living

wage across the case study sample. Although pay policies were typically rationalised through a business case approach, (e.g. 'rationally' setting out the costs and benefits to the organisation), party politics and organisational politics were instrumental in driving forward new pay policies (Marchington et al. 1992). Performance pay appeared to reflect the desire of political leaders and senior managers to instil private sector values of individual risk and reward. Given the weak evidence in support of PRP, the power of re-branded contribution based pay (CBP) to create a 'step-change' in performance and productivity is questionable (Marsden 2009). Furthermore, the longstanding problems with the appraisal system at Shire County suggest that performance pay was as much a means to address managerial weaknesses as it was to tackle low staff productivity. Similarly, although the additional cost of the living wage at City council and London Borough was partly justified by expected reductions in sickness and turnover and improved morale and productivity, it was fundamentally driven by political motives to protect low earners during the recession and to strengthen the image of the two organisations as ethical or good employers (Werner and Lim 2015). Internal political tensions also resulted in the adoption of pay practices in a somewhat unexpected manner. The living wage at Metropolitan District came somewhat later (in early 2015) and appeared to be the result of party political manoeuvring between the opposition Conservative group and incumbent Labour leaders who were pressed into adopting the policy, having previously rejected it on the grounds of cost, and the threat to job-evaluated pay structures. Moreover, rather than business and political contingencies acting on organisational pay strategies independently (as in figure 3-1), they were often in direct tension with one another. For example cost pressures served to undermine political ambitions to roll out the living wage more widely at City Council (and to a lesser extent London Borough and Commuter County); and politicians were often expected to 'soften' the edges of more managerial policies in order to make them acceptable to workers and to legitimise them to the public through the budget setting process (such as the changes to terms and conditions at Metropolitan District).

The *forces for inertia* in contrast were perhaps more limited than expected, with managers and politicians facing relatively little resistance to the adoption of new pay strategies (reflected in the narrowed imprint of the forces for inertia in the lower half of figure 3-2, and the dashed lines around both the normative and representational contingencies).

The role of *normative contingencies* was somewhat ambiguous although the low pay norms transmitted by the sector agreement arguably created both the space and motivation to innovate with pay practices locally. The 'norms' of wage restraint were

certainly important: although a small number of councils outside the NJC made small pay awards during the three year freeze, all councils studied here followed the pay freeze including those on local pay who were not obliged to. The issue of 'fairness' was particularly problematic. All made adjustments to terms and conditions locally but at the same time all with the exception of City Council also offered flat rate payments to low earners. For the three councils within the NJC, the living wage was seen as a means to correct for the poor outcomes of sector level bargaining but at the same time, two of these councils made somewhat opportunistic cuts to chief executive pay. The turbulence of austerity may have given legitimacy to the efforts of employers outside the NJC to strengthen control over pay systems and weaken the norms of collectivism and fair treatment (Kessler and Purcell 1992). In addition, the moves towards a living wage were more tentative outside the NJC, and a faith in 'market forces' at Commuter County and Shire County appeared to legitimise very high salaries at the top. The role of these seemingly 'fluid' normative influences over pay is an area for further investigation, and in particular how pay setting norms are shared or transmitted between professionals across different organisations. Although the LGA conduct surveys of local authority HR and pay strategies, and occasionally publish reports but the formal sharing of best practice between individual councils is relatively limited.

Reflecting the difficulties which the trade unions nationally have experienced in preventing falling real wages and job losses, **representational contingencies** in the form of unions or notions of custom and practice at local level were relatively weak (Heery 2009). Although fairly radical changes were made at the opted out councils in the south east where union density is below average, significant changes to terms and conditions were also achieved at Metropolitan District where regional union density is the highest in England. There was some resistance from the unions to the displacement of the existing pay structure at City Council in order to address equal pay anomalies, but with the adoption of the living wage and mitigations for those workers losing pay, the majority of union members voted to endorse the proposals. London borough was perhaps the closest to adopting a 'partnership approach' with the unions over employment relations despite the lowest regional trade union density of any of the geographical areas studied. To an extent the unions also found themselves outflanked on issues of pay equity, with politicians taking a lead role in pursuing living wages, with or without formal endorsement from locally-recognised unions. The adoption of flexible employee benefit schemes also underlined the desire of both politicians and managers to internalise pay setting (to a greater or lesser extent), and reinforce the primary relationship with their employees by increasing the scope and depth of staff engagement through direct communications and elements of self-service HRM.

Despite the weakening of custom and practice arrangements and trade unions, *institutional contingencies* such as the structure of pay bargaining clearly have a role to play in that they determine the overarching approach to pay, whilst also shaping the implementation process in view of the legal and regulatory context (Kalmi et al. 2012; Marginson et al. 2008; Nergaard et al. 2009). Certainly, the three councils outside the NJC had greater freedom (and perhaps inclination) to pursue more 'radical' pay strategies which strengthened managerial control over pay systems and narrowed the scope for trade union input. The effects of devolved pay setting are clear in the adoption of a freeze on pay increments at Commuter County and the adoption of performance pay at both Shire and Coast County: neither policy would have been achievable through negotiations with national unions under the NJC framework. There appeared to be a pragmatic commitment from local politicians at the three Labour-controlled councils to remain within the national agreement on the basis that it served a purpose to keep overall wage growth low, while affording a degree of lateral room to adapt pay systems locally (see Paper 1). The more important role of institutional contingencies (from the perspective of maintaining stability in employment relations and preventing a complete breakdown of standardised pay setting) was perhaps the resilience of job evaluation procedures in setting rates of pay for specific occupations. Although it was possible for managers to 'enhance' rates of pay for a variety of reasons such as: introducing a living wage supplement to address cost of living concerns; market supplements and extensions to the pay spine for hard to fill posts; and individualised performance pay to drive productivity; underlying wage structures in all cases were still primarily anchored to the 'rate for the job'. For example, contribution-based pay schemes were designed to incentivise performance improvement by rewarding high achievers each year while allowing pay to fall for those who were 'coasting', but at both Shire and Coast County there was only a marginal departure from more traditional seniority-based schemes and basic job-evaluated salaries still make up the majority of total earnings. Again whether this reflects an ideological commitment of politicians and managers to the principle of standardised pay setting or a pragmatic adoption of job evaluation procedures in order to avoid (further) legal challenges is perhaps an issue for future research, but the findings here suggest that principle of 'equal pay for work of equal value' encoded in the Single Status agreement is remarkably 'sticky'.

### 3.5.2. Conclusion

The strategic pay literature advocates the use of an increasingly diverse reward mix in order to foster specific behaviours within the workforce, alongside the ongoing adjustment of pay systems in order to reflect changing business conditions and to deliver

outcomes of strategic value (Boselie et al. 2005; Bowey and Thorpe 1986; Lawler 1990; 1995; Lupton and Gowler 1969; Oliver 1997; Wright et al. 2001). The data presented here suggest that the reward mix within local government is certainly multi-faceted even among those councils still within the national collective agreement, and despite the survival of traditional forms of joint regulation, many councils have certainly bought-into the idea of strategic pay as a means through which to secure desirable employee outcomes. Across all councils, managers emphasised that pay and conditions had to align with the changing demands of public service delivery and new ways of working in 'modern' organisations. However, the instability caused by austerity meant that expedient cost cutting was often as much of a priority as 'modernisation', and perhaps as important as the implementation of new pay practices to drive strategic change, were the efforts to eliminate pay practices which were not regarded as cost effective or were not seen to secure outcomes of strategic value. This included a localised freeze on pay progression at Commuter County, changes mileage rates and overtime at all councils, significant changes to terms and conditions at Metropolitan District, and cuts to chief executive pay At Coast County, London Borough and City Council. The ability of local authorities to reorient their workforces towards new strategic goals by introducing increasingly segmented and incoherent pay systems is therefore perhaps questionable. The importance of party and individual political decision making in determining new pay strategies also makes them vulnerable to neglect or reversal should the local level political landscape change or if management do not share the same vision as political leaders. For example, a number of Conservative councils who experimented with PRP in the past either abandoned it owing to the bureaucratic burden of administering individualised pay, or managers diluted it to such an extent (in order to maintain worker cooperation) that it became almost meaningless (Bryson et al. 1993; Heery 1998). Similarly the announcement of a new statutory 'national living wage' of £7.20 to be introduced in April 2016 may dilute the political capital to be gained by voluntarily adopting a living wage set at a higher rate, councils may allow the statutory rate to gradually catch up over time. The additional cost of implementing the statutory figure of £7.20 throughout the supply chain may also reduce the funds available to support a voluntary enhancement to base rates even where there is still a political commitment to honouring the 'true' living wage figure of £8.25.

More broadly, and against the advice of the strategic pay literature, organisations still appear to approach pay setting with something of a 'shopping list' in that they pick the pay practices which are seen as a legitimate means to develop new relationships with employees, generate efficiencies, or to demonstrate ethical credentials (whether or not they are likely to deliver positive outcomes when set against the overarching business strategy). Local authorities may wish to present an image to the outside world that they

are 'high performing', 'lean and efficient' or a 'good employer' as a means to steer management-employee relations in a particular direction (whether or not the substantive content of pay strategies and their alignment with other competing interests actually results in the desired outcomes). Viewed in this way, the nascent pay practices observed across the cases in this study were perhaps more strategic in intent than implementation, that is they are an indication of where the organisation wants to be rather than where it actually is (Legge 2005). Perhaps the bigger concern is that the weakness of sector level social dialogue and the significant downward pressure on labour costs exerted by central government budget cuts has encouraged local authorities to experiment with novel pay practices across a number of different organisational dimensions. The simultaneous sheltering and exposing of employees to market forces as a result of contradictory pay and HRM practices is not new (Edwards and Gilman 1999), but it is difficult to draw firm conclusions about the pay setting norms that are dominant within the sector, and what 'signals' these increasingly incoherent HRM bundles send to incumbent workers or the external market (Cox 2000; Grimshaw 2000; Rubery 1997). It appears that in and amongst the changes to entry rates, terms and conditions, and performance related enhancements, the anchoring of pay structures to a standard 'rate for the job' has helped preserve a degree of stability in pay determination and employment relations: organisational pay systems in UK local government continue to function in spite of and not because of management and political interference.

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## **4. Chapter 4 - Working smarter or working harder?**

### **Restructuring, managerialism, and work intensity in UK local government**

#### **Abstract**

Resolving the tensions between cost, quality, flexibility and control has long been a key concern within the UK public sector, but research into local government finds that a process of fiscal consolidation since 2010 poses significant challenges for the successful delivery of local government services. Moreover deep and fast paced spending cuts threaten to destabilise an already fragile system of employment relations. Data gathered from five case study local authorities reveal a mix of widespread job losses, a levelling down of pay, pensions and terms and conditions, accelerated outsourcing and the internal re-organisation of public service work all of which reinforces the trend away from sheltered internal labour markets in-line with the new public management doctrine. At the same time, change appears still more incremental and opportunistic than 'paradigmatic', as managers attempt to match the need for greater internal flexibilities with the demand for stable high-quality outputs and high levels of accountability through increasingly 'corporatized' organisational hierarchies. Seeing as politicians and managers do not appear willing to make significant service closures or withdrawals, increased work intensity for remaining staff appears to be the primary method of adjustment to reduced funding settlements. Ultimately, therefore, council employers are still heavily reliant on the goodwill and cooperation of public servants themselves and the acceptance of increasingly precarious and fluid forms of employment; a situation which may be difficult to sustain over the long-term.

#### **4.1.Introduction**

The management of public services in many developed countries is a highly contested topic of debate, as politicians, professionals and citizens grapple with the issue of how best to distribute welfare resources within society (Alonso and Martinez Lucio 2006; Pollitt and Bouckaert 2011). Reforms in a number of liberal market economies since the 1980s were broadly aligned with the New Public Management (NPM) doctrine which emphasised flexible organisational forms, private sector style management, and the use of market mechanism to control costs and drive up standards (Bach and Kolins Givan 2011; Hood 1991; Walsh 1995). This stands in contrast with earlier forms of 'public administration' governed by centralised planning, undifferentiated services, and the bureaucratic control of professional autonomy through vertical organisational hierarchies (Geddes 1988; Leach et al. 1994). In a labour intensive sector such as UK local government, organisational restructuring to achieve greater flexibility, productivity or quality clearly has

consequences for public servants themselves who have been subject to large scale retrenchment and privatisation since the 1980s (Martinez Lucio 2007).

Nevertheless the conclusion of some authors (e.g. Hoggett 1991) that public services have shifted decisively to 'enabling' rather than providing services through agile post-bureaucratic modes of organisation is perhaps premature, and is only partially supported by qualitative empirical analysis. There are remarkable elements of continuity in bureaucratic structures, and despite a narrative of 'transformation' and modernisation detected in some mainstream academic and prescriptive literature, many change strategies at the organisational level are piecemeal, opportunistic, and in some cases contradictory (Kirkpatrick 2006a). In fact the turbulence implied by phrases such as transformation and modernisation are used by managers to legitimate on-going reforms regardless of whether change is ever actually achieved; what Thompson and O'Connell-Davidson (1995) describe as 'the continuity of discontinuity'. More broadly, the attempts to modernise public services along the lines of 'business units' while maintaining a unique public service offer aligned with population needs, reveal a deep rooted tension between 'Taylorist' managerial controls over working practices and the professional expertise required to deliver expected service standards resulting in a negotiated exchange between managers and staff over new working practices (Kirkpatrick et al. 2005). Through a multiple case study design in UK local government, this paper explores the implications of organisational restructuring and severe cost pressures for the management of local government labour, and the role of market factors in shaping working conditions. It assesses the impact of greater organisational fragmentation on the ability of local government HR to effectively regulate employment standards, and the ways in which trade unions attempt to prevent the direct and indirect erosion of public service work. In the drive to save money, local authorities may be pressed into making rapid structural adjustments which compromise the ability to deliver consistent service standards, and undermine residual notions of public service ethos. Councils have been through lean times before, which has led some to suggest that the current austerity phase is 'pretty much business as usual' for local government (Lowndes and McCaughie 2013), but as austerity continues the focus may switch from easy efficiency savings to deeper retrenchment (Hastings et al. 2015).

This paper starts from the premise that both the post-war model of public administration, and the flexible 'post-bureaucratic' organisational forms endorsed by advocates of New Public Management are ideal types, and real-world models of public service fall somewhere along a continuum between the two. The restructuring of public services is a historically-rooted and politically-mediated process, progressing at different rates along

path-dependent trajectories in different parts of the world (Bach and Bordogna 2011). The choice of UK local government is important in that it represents a sector where there are longstanding tensions between centralised and decentralised forms of decision making and political accountability, and where the cost-driven reform of public service labour has been acute (Gill-McLure 2014; Rhodes 1991).

## **4.2. The reform of the UK public sector**

This section reviews the evolution of public services and specifically local government in the UK during the post-war era. Although managerial reforms guided by central government in pursuit of the 'three Es' (economy, efficiency and effectiveness) during the 1980s were important in modifying the architecture and guiding principles of public services, it is argued here that the size and shape of the public sector has always been heavily influenced by the wider system of production at a particular point in time; that is the way in which welfare provisions such as health, education, housing, and care for older people are structured and delivered often reflect the way in which the economy itself is organised. Relatedly, as private sector firms are restructured, this provides legitimacy for politicians and public sector managers to undertake restructuring also (whether or not it is necessary or appropriate for the specific context).

### **4.2.1. Service restructuring**

The welfare state in the UK expanded rapidly in the post-war era at a time when the economy was growing, underpinned by the broadly Keynesian principles of centralised economic planning, demand management through the adjustment of taxation and public spending and a commitment to full employment. At a basic level economic growth supported investment in public services (domestic production and consumption were strong and tax receipts were growing), but the development of an increasingly sophisticated welfare state reflected an underlying commitment to the repair and reproduction of labour power (which in turn was expected to secure output and growth in future). Local government had a role in regulating the system of capital accumulation through local planning and development laws, whilst also 'legitimizing' the economic system by protecting citizens from a range of negative externalities created by the market such as poverty, ill-health and a lack of affordable housing (Painter 1991a). Within this 'bureaucratic' model of public administration, vertical accountability to senior managers and elected politicians was designed to govern the behaviour of professionals, and ensure a degree of consistency and standardisation (something which later advocates of devolved management and financial accountability failed to recognise was important for stable and high quality public services, Du Gay 2000). Controlling inputs and managing capacity were

prime concerns, and the cooperation of skilled professionals and strong trade unions were seen as essential in order to meet the growing demands placed on the state for the equal distribution of welfare such as housing, education and social services (Kirkpatrick 2006a). There was a tacit acceptance of the autonomy of professionals (particularly within service areas such as housing and social care) who were shielded by a system of 'custodial management', and exercised their discretion and autonomy to distribute welfare services according to professional principles and not necessarily the needs of service users themselves (referred to as 'producer capture', Broadbent and Laughlin 2002).

The classic elements of an internal labour market (c.f. Doeringer and Piore; 1971) such as job security and promotion routes were a relatively natural fit with this model of public administration in the UK. This found expression in the standardisation of processes, a concern for staff welfare, the principle of collective representation and the ambition to be a good or model employer (Farnham and Horton 1996). All of these features of traditional 'personnel management' were designed to 'shelter' employees from the vagaries of market conditions, and foster professional expertise and altruistic notions of public service ethos (op. cit.) Centralised collective bargaining brought significant economies of scale in wage determination, but also played a part in maintaining the consumption levels of wage earners which was seen to be important for continued economic growth (Painter 1991a). Nevertheless, the public sector 'good employer' thesis has been criticised for being too simplistic (Gill-McLure et al. 2003), and it has been pointed out that not all workers (particularly women and those from minority ethnic groups) were sheltered by trade unions and strong internal labour markets even during the so-called 'golden age' (Coffey and Thornley 2014). The notion of 'professional power' within local government services such as social work is also problematic, both in terms of the control of knowledge and expertise, and union power. Social Service Departments (SSDs) were only formally established in 1971 following the Seebohm report, with central government tightly controlling formal training routes, and qualified social workers making up only a minority of staff in SSDs and therefore struggling to establish a strong professional identity in the same way as nurses and doctors in the health service (Evandrou et al. 1990; Kirkpatrick 2006b). The National Union of Local Government Officers (NALGO), the main professional union within local government up until the formation of UNISON in 1993, began as a staff association and was initially reluctant to be called a trade union. NALGO did not agree a national strike clause until 1961, and did not call its first major industrial action until 1974 (Beaumont 1992).

The post-war consensus over expanding funding for welfare did not last long, and public services came under significant pressure as global markets grew increasingly unstable in

the 1970s. The growing gap between tax receipts and public spending described as the 'fiscal crisis of the state' (O'Connor 1973) served as an effective narrative device for right-leaning governments across the world to initiate programmes of political, financial and structural reform. For example in the UK the growing share of the economy engaged in the 'non-productive sector' during the 1970s (captured in the influential work of Bacon and Eltis 1978) was used by Margaret Thatcher's Conservative government to justify heavy cutbacks in the 1980s. Broadly neoliberal economic reforms including *inter alia* the marketization of the public sector, restrictions on trade union activity, increased labour market flexibility and a widening of wage inequality, were all presented as necessary measures to address weaknesses in the UK economy. In terms of public service reform, the main vehicle was the New Public Management (NPM) discipline which was driven by three main goals: increased managerialism, importing private sector management practices, and the transformation of bureaucracies into efficient and agile business units (Hood 1991). The notions of decentralisation, market controls and customer focus became important rhetorical devices in the pursuit of economy and efficiency (Clarke et al. 2000). The breakup of industrial relations structures and the drive towards increasingly localised decision making in-line with newly developed cost centres was a core part of new 'marketised' forms of public service delivery (Fairbrother and Poynter 2001). Proponents of public choice theory argued for greater variation in public services and increased responsiveness to the preferences of 'customers' rather than offering a standardised and uniform product (Parker 1985; Pollitt 1994). Producer capture would be reduced by making professionals accountable for spending and results, alongside the introduction of increasingly specialised and tailored interventions which were brokered rather than delivered by welfare professionals such as social workers (Kirkpatrick 2006b). Complementary to this, contract theory proposed a separation of service planning from service delivery with tasks contracted out to those organisations (in or outside the public sector) best equipped to provide them in the most economic and efficient way: a model described as 'the enabling authority' (Painter 1991b). Accountability for results was to be enforced through contract conditions, rather than time consuming and burdensome negotiations with workers about productivity levels (Hartley 1984; Mather 1991).

Whereas decentralisation in pay and employment relations was effectively imposed by central government on the civil service, and was (albeit hesitantly) adopted within the NHS through the creation of newly created hospital trusts, in local government it was more problematic (Bach and Winchester 1994). The logic was to decentralise to the lowest possible level within the organisation in order to bypass local politicians and powerful departments organised around strong professional groups and management cadres (Gill 1994). Structural reforms undertaken in the 1980s were relatively minor in scope but

politically significant: abolishing metropolitan county councils along with the Greater London Council (GLC) was justified on the grounds of over spending (the 1983 white paper *Streamlining the Cities* described in detail the waste and largesse of metropolitan counties) but the dominance of the Labour party within these councils led the general secretary of NALGO to describe it as a “completely cynical manoeuvre”. However it has been argued that Margaret Thatcher was largely ambivalent towards local authorities, which resulted in a more piecemeal approach to structural reform, and a greater focus on the centralisation of finance and a general reduction in the size of public services relative to the centre in order to bolster the primacy of national politicians (Bulpitt 1989). The increased control of central government over local authority finances and the associated penalties for overspending certainly narrowed the scope for maverick or ‘socialist’ councils to deviate from national policy (Duncan and Goodwin 1988; Gill-McLure 2014). Although not a return to incomes policies per se, volume planning was replaced by cash planning and strict spending limits were applied which had the effect of forcing councils to choose between pay and jobs (Walker 1988).

#### **4.2.2. Workforce restructuring**

The reform of public sector labour in the 1980s proceeded along two key dimensions. The first was the desire of central government to weaken the power of the trade unions by reducing and fragmenting the workforce through headcount reductions and outsourcing. The second was the role of organisational managers in leveraging the turbulence created by downsizing and outsourcing as a means to reduce labour costs and increase work intensity through introducing new working practices.

In terms of weakening the unions, although local government was not explicitly targeted prior to the 1979 election, it soon became the specific focus of efforts to reduce the size of the state and reallocate workers to the ‘productive sector’. The Secretary of State for the Environment Michael Heseltine (1979-1983) declared that the failure of many local authorities to change their ‘manpower’ practices threatened “the traditional relationship of voluntary cooperation between central and local government” (Karran 1984: 39). Despite drawing up targets for headcount reductions, the local government workforce did not contract as quickly as anticipated leading to a change of approach: the vertical disintegration of services through the use of external contracting which moved workers beyond the direct control of local authorities and trade unions. The private sector had long been used to supply ancillary services such as office cleaning (Rhodes 1994), but the Local Government Land Act of 1980 set in motion a dramatic acceleration in the scope and depth of procurement activity known broadly as Compulsory Competitive Tendering (CCT). During the early phases of CCT in-house units won the majority of bids, but using

the expertise gained from preparing and delivering contract specifications for routine services such as cleaning, catering and security, providers expanded into new 'core' service areas such as health and social care, environmental services, and the maintenance of housing stock (Colling 1999). The ideological underpinning to CCT was made clear by government minister Nicholas Ridley<sup>23</sup>: 'the root cause of rotten services lies in the grip which local government unions have over those services in many parts of the country....our competitive tendering provisions will smash that grip once and for all...' (Painter 1991b: 193). There is evidence that this approach was broadly successful. Although there is some evidence to suggest that unions were initially successful at following members into the private sector post-outsourcing (Hoffman et al. 2007), they were unable to stop privatisation through defiance strategies of strikes and non-engagement (Foster and Scott 1998). The limited trade union penetration in newly privatised services created the space for managers to level down pay and conditions and change working patterns.

The impact on service efficiency was more mixed. Whilst there is evidence which pointed to the cost savings to be made from opening up services to competition (e.g. Domberger et al. 1986; Parker 1985; Szymanski 1996) the overall verdict on the balance of performance, quality and cost is mixed (e.g. Boyne 1996), and much depends on the service area in question (e.g. Deakin and Walsh 1996). Far from raising quality, Milne et al. (2012) observed that the higher the number of bids for local authority services the lower the levels of contract compliance as providers cut corners to achieve a cost advantage over their rivals. It appears that the achievement of cost savings and higher productivity through outsourcing was not derived from inherently greater efficiency or management practices of the private sector, but rather from lower service standards and firms undercutting on the cost of labour (Escott and Whitfield 1995; Halford 1982). However, there was also evidence to suggest that outsourced employees may have been willing to trade off pay and conditions in the short-term for improved career prospects in the long-term with their new private sector employers (Kessler et al. 1999).

Drawing on Braverman's (1974) labour process theory Gill-McLure et al. (2003) and Gill-McLure and Seifert (2008) argue that the ultimate goal of structural and financial reorganisation was the degradation of local government labour which was pursued by attacking professional autonomy and reducing the skills base in order to lower costs. Braverman (1974) argues that the restructuring of production across capitalist societies (and within firms) entails a general 'deskilling' of labour in order to strengthen the power

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<sup>23</sup> Michael Heseltine's successor as Secretary of State for the Environment between 1986 and 1989

of management. By removing the specialist status of skilled workers and emphasising the substitutability of labour (either for machinery or other cheaper less skilled labour) managers eventually drive down pay and conditions to an 'un-skilled' level'. Furthermore, the application of Taylorist management principles increases managerial control over the production process, whilst undermining the collective bargaining power of workers through ever more fine grained divisions of labour. In terms of the local government 'labour process' the outcomes of NPM reforms were varied, and depended to large extent on the hierarchical position of specific groups of workers. Flexible staffing arrangements such as part-time and fixed-term contracts were already well established in local government (White 1997), and the extensive use of female and part-time labour helped to keep unit costs down: although the workforce grew by over 50% between 1952 and 1982 the wage bill only grew by 30% (Karran 1984). Nevertheless, the notion of management by contract within internal structures gave legitimacy to the efforts of public sector managers to implement market-style or 'hard' HRM in the form of reduced staffing levels, the intensification of work and cuts to pay and conditions (Beaumont 1992). Regular market testing of services was designed to ensure that cost targets, customer needs and contract performance were all being achieved (Deakin and Walsh 1996). The exposure of internal service delivery organisations to external market conditions was expected to reduce the 'rents' extracted by unions in the form of overstaffing and high levels of job security, pay and bonuses which did not reflect productivity levels, and archaic working routines which had become highly embedded not through rational management but through custom and practice (LeGrand 1997).

New restrictions on social work interventions (under the Children Act 1989) narrowed the parameters of professional discretion, and cuts to budgets increased caseloads (Kirkpatrick et al. 2005). The NHS and Community Care Act (1990) also attempted to shift the balance of care provision from 'institutions' to the community in the form of domiciliary or home care, with a greater focus on a mixed economy of providers and greater choice for service users (Evandrou et al. 1990). The process of reform continued during the New Labour years (1997-2010) but to diffuse some of the tensions around political and managerial interference in professional work the overarching programme was re-branded 'modernisation' (Bach and Kessler 2011). The increase in public spending during this period was accompanied by a raft of performance management measures designed to 'demonstrate impact'. These were often highly bureaucratic and top-down in nature with a strong emphasis on accountability to the centre, reflecting the dominant thinking about formalised 'incentives and punishment' for public servants and the importance of customer choice in improving quality (LeGrand 2003; 2010). Social workers, for example, became increasingly diverted from front-line activities in order to

complete assessments, along with financial and performance monitoring, and the sheer volume of policy initiatives emanating from the Department for Children Schools and Families (DCSF) threatened to overwhelm local authorities (Kirkpatrick 2006b).

The implementation of quality and business management techniques such as lean, six-sigma, and total quality management was presented as a means to raise service standards but also increased central government control over working practices aligned to notions of best practice (Martinez Lucio 2007). The breaking down of occupational boundaries and changes in the skill mix as a result of the introduction of assistant roles arguably opened career paths for lower graded staff whilst qualified professional incumbents lost out as a result of substitution and management layering (Bach et al. 2007; 2008). The Best Value programme introduced in 2000 was designed to temper some of the centrifugal forces pushing services out to the private sector (irrespective of quality) by limiting the compulsory dimension to contracting, and emphasising a range of outcome measures aside from cost. However, commissioners were not able to favour public sector bidders which meant that the 'mixed-economy' continued to grow (Bach and Kessler 2011). This also encouraged new forms of complex contracting arrangements such as Public Private Partnerships (PPPs) underwritten by crippling expensive private sector loans for capital works (the Private Finance Initiative) which were effectively hidden off the balance sheet and therefore out of any calculations on overall cost effectiveness (Grimshaw et al. 2002a).

### ***Summary***

For some authors, the shift to (or the attempts to shift to) a more flexible and 'marketised' system of welfare and public services is considered an inevitable consequence of long wave economic development and the transformation of capitalist production from standard outputs and economies of scale to decentralised batch production driven by technological advances and innovation (Hoggett 1991; Stoker 1989). Reflecting the overall decline in the collective basis of societal structures and identities over the last 30 years, this system is argued to better meet the changing requirements of individual citizens as 'customers' who, it is argued, are no longer tied to broad industrial or community based class groups, but rather are defined by individual aspirations and consumption patterns. However, others reject the determinism implied by these transformational accounts, emphasising the partial, contested and incomplete nature of change and the importance of context in explaining variable outcomes both within and across societies (e.g. Alonso and Martinez Lucio 2006).

More importantly it appears that is the process rather than the outcomes that are important what has been described as 'the continuity of discontinuity' (Thompson and

O'Connell Davidson 1995). Continually emphasising the need to increase productivity and lower costs, to restructure and modernise services effectively 'primes' workers for the erosion of custom and practice arrangements over working practices (even if the end result is no more efficient or effective than before). Whilst flexible and agile business units modelled on private sector firms were prized by proponents of NPM for their 'post-bureaucratic' form, with control by contract rather than hierarchy (Hoggett 1991), in reality NPM reforms within the public sector resulted in even greater rigidity in labour processes as a result of increased managerial control over working practices and productivity, increased accountability for budgets and results and reduced professional autonomy. Indeed NPM was 'not a rejection of bureaucracy but its fulfilment' (Walsh 1995: xiv).

Rather than an exercise in genuine modernisation, NPM has been argued to signal a return to a 'Victorian' model of public services which were highly dependent on private contractors, and where the central state attempted to contain local political and labour power bases through strict cost control and centralised policy making (Gill-McLure 2014). The inability of central government to effectively marshal professional behaviour during the 1960s and 70s as local government expanded made it an obvious target for financial and structural reform from the 1980s onwards, which emphasised labour flexibility and a greater use of the private sector to deliver services. The fragmentation of national pay bargaining was designed to expose workers to local level market forces which would inevitably drive down pay and conditions, but 'enforced' decentralisation was only partly successful in local government owing to underlying flexibilities within the sector, and also the residual role of local political leaders in attempting to preserve local welfare and standardised systems of employment relations (White 1997). The survival of services is perhaps testament to the ability of public service professionals to both resist but at the same time adapt to directly imposed systems of 'rationalist' management (Cochrane 1993; Kirkpatrick and Hoque 2005), and the continued relevance of altruistic notions of public service ethos, a tradition whose roots lie in the unity of interest between producer and citizen (Gill-McLure 2013).

#### **4.2.3. Austerity reforms and the threat to 'rational' management**

Across Europe since 2010, fiscal consolidation has affected the system of local government employment relations by reducing jobs, levelling down pay and conditions, and externalising services, processes over which the trade unions have found they have limited influence (Bordogna and Neri 2014; Hansen and Mailand 2013; Taylor Gooby 2012). The withdrawal of welfare services and increased outsourcing are viewed as crucial instruments to reorient the economy towards private enterprise (Hood 2010), and

it is envisaged that the private, voluntary and independent sectors will take a greater role in managing and delivering public services (Cabinet office 2011), driving down labour costs by competing on wages and utilising a flexible workforce of volunteers (Bach 2012). A reduction in public sector employment has been a significant planned component of the UK government's austerity budgets since 2010, and job losses to date have far outstripped expectations: the 2010 budget forecast a reduction of close to 500,000 jobs (10%) over the five year parliament (OBR 2010) but in fact over 900,000 jobs were lost during this period (a drop of 14.3%), over 500,000 of which were in local government (ONS 2015). Data from the 2011 WERS survey suggest that even before the full effects of austerity had been felt, workers' perceptions that their job was 'secure' within local government had dropped significantly since 2004, and were among the lowest levels recorded for any sector: dropping from 65.9% 'agree or strongly agree' to just 35.8% (Wanrooy et al. 2013).

There is some evidence to suggest that councils have attempted to protect those services typically relied on by poorer residents (e.g. daycare services, adult and children's social care), whilst making deeper reductions to the funding for universal services accessed by more affluent sections of the population such as museums and libraries (Hastings et al. 2013). The representative body for local government the Local Government Association (LGA) forecasts a £40bn funding deficit by 2020, and predicts that almost all of local authority budgets will be spent on two service areas: adult social care and domestic waste collection (LGA 2014a). Reflective of these growing pressures a number of councils have filed for bankruptcy, and at the end of 2013 around 20% were judged by the Audit Commission to be at risk of experiencing significant financial hardship (Audit Commission 2013). The autumn statement of 2015 contained two significant announcements which may compound the already parlous state of local government finances, whilst also creating the space for inequality in service standards between local authorities to widen. First, a further reduction in central grants of nearly 4% each year until 2020 is likely to maintain the overall pressure on labour costs (the OBR forecasts a further 80,000 public sector jobs to be lost). Second, a change in the finance system will see a larger share of business rates retained locally. Although in principle this means that individual councils are less reliant on centrally administered grants, this change favours more affluent authorities with a stronger local tax base, and may lead to even greater disparities between rich and poor communities. In the absence of robust comparative data across councils it is not apparent how exactly savings have been made, and through what mechanisms service standards are either upheld or revised downward. Productivity measures are notoriously difficult to apply to the public sector, but where politicians are unwilling to withdraw services completely reductions may come from tolerating lower quality, or increasing work

intensity for the remaining staff (Communities and Local Government Committee report HC 134 2013).

### **4.3. Research and methods**

#### **Aim**

The aims of this paper are to explore the response of individual councils to externally imposed budget cuts through processes of downsizing, internal reorganisation and the outsourcing of local authority services. It seeks to identify the ways in which employers balance issues of flexibility and stability in workforce arrangements, and assesses the implications of organisational restructuring for service quality, employment relations and work intensity.

#### **Research questions**

1. In what ways have service structures been reconfigured as a result of austerity, and have service standards suffered?
2. What are the implications of organisational restructuring for the local government workforce and the system of employment relations?
3. Has the tendency towards externalisation created a downward spiral of employment standards driven by cost cutting?

#### **Methods and data sources**

The current research follows a comparative case study approach. The paper draws on a comparison of case study evidence from five local authority sites across England which were sampled purposively from a larger sample of eight case study authorities across England (developed for an ESRC/UNISON CASE PhD studentship). The cases were selected on the basis that they had undertaken significant programmes of organisational restructuring since 2010. The sample offered a contrast in contextual factors, such as geographical location, size, union density, and political control (see table 4-1), but all were large authorities with primary responsibility for the delivery of core services such as children and adult social care, highways and environmental services. This meant that both service delivery arrangements and staffing structures could be expected to be sufficiently complex to allow for a detailed exploration of multiple changes in a context of reduced funding and increasing demand.

Although the current study contained elements of exploration (that is it did not seek to test firm hypotheses) it did not take a 'grounded' approach (e.g. where theory is built solely from the data, Strauss and Corbin 1994). Instead, by moving iteratively between data collection and analysis (Van Maanen et al. 2007) in relation to extant theoretical

perspectives on public sector restructuring the research revealed recurring themes around work reorganisation and intensification across all the cases (regardless of the local level contextual factors). The replication of findings across a diverse sample of cases suggested that a degree of closure was reached in respect of the key issues identified (Eisenhardt 1989; Pandit 1996). Other cases could have been included from the larger sample, but having first established recurring themes of change across all councils these additional cases would not have added significant variation in terms of the approaches to workforce change. The inclusion of one local authority where pay setting was wholly devolved was intended to allow for any variations in workforce redesign and employment relations which may not have been present at those local authorities still within the national framework (see Paper 2).

**Table 4-1 – the case study sample**

	Devolved pay		National pay		
	Commuter County	London Borough	Metropolitan District	North Borough	North City
<b>Region</b>	South East	London (inner)	North East	North West	North West
<b>Political control</b>	Conservative	Labour	Labour	Liberal Democrat	Labour
<b>Workforce</b>	25,000	8,000	8,000	9,000	16,000
<b>Annual expenditure (£)</b>	1.5bn	600m	600m	£450m	£1.2bn
<b>Reported cuts in central grants 2010-14 Local Govt.</b>	£200m	£100m	£180m	£50m	£250m
<b>Regional union density (2014)*</b>	37.1%	43.3%	73.4%	57.3%	57.3%
<b>Interviewees</b>	4X managers, 1 x TU	5 x managers, 2 x TU	6x managers, 3x TU	4 x managers, 1 x TU	8 X managers, 1 x TU

\*Source: BIS trade union statistics 2014, accessed at: <https://www.gov.uk/government/statistics/trade-union-statistics-2014>

Semi-structured interviews lasting between 45 minutes and 120 minutes were conducted with 28 management representatives across all five councils, and 8 trade union representatives. These were combined with document analysis, and extensive field notes. In order to understand the breadth of organisational and workforce restructuring, the management sample was made up of a mixture of HR, operational and contracting managers from both corporate and departmental areas. This was supplemented by analysis of key strategy documents: annual accounts for 2010/11 to 2013/14; pay policy statements for 2011/12 – 2014/15; reports and meeting minutes of relevant council decision making groups (e.g. personnel/workforce committees); and the annual workforce reports for 2010/11 - 2013/14. These documents were analysed for: data on the extent of budgetary pressures; corporate priorities and service planning; the approach to commissioning and procurement; and any specific proposals relating to the size, structure

and composition of the workforce. This was not a formal triangulation of methods or sources, but the consideration of documents and quantitative data alongside interview material helped to deepen and contextualise the understanding of social phenomena and processes (Olsen 2004). Internal performance and quality indicators were reviewed, but these do not necessarily provide reliable comparisons across local authorities. Since 2010 the audit and performance regime for public services has been drastically scaled back by central government, which means that comparable service standard measures across councils are now somewhat limited. One of the remaining quality inspections which all local authorities<sup>24</sup> are required to undertake is the Ofsted inspection of children's services which in this study is used as a headline indicator of service quality in a critical area. The data collection took place primarily during 2014, although the reference period for analysing programmes of organisational redesign was between 2010 and 2014 (which is generally when most councils made structural and workforce changes). This allowed for a consideration of how these programmes evolved over time, and the consequences of sustained restructuring and retrenchment for service quality and staffing.

#### **4.4. Findings**

The findings of this study reveal the impact of significant financial pressures acting on the UK local government sector. Reflecting the common approaches to retrenchment and restructuring, the data from the five case study councils are synthesised in order to develop a general picture of change across the sector, although attention is paid to variation within the sample to draw out the influence of specific managerial and political priorities, and the (albeit limited) ability of the trade unions to resist change. The first part of the findings (4.4.1) discusses changes in the nature and structure of local authority services and underlines the challenges created by retrenchment for service capacity and standards. The second part (4.4.2) explores changes in working practices driven by (seemingly continuous) structural reorganisation and the ways in which managers have leveraged greater flexibility through adjustments in staffing levels, the use of non-standard contract types, and internal redeployment. The third part (4.4.3) discusses the interaction between externalisation and employment standards.

##### **4.4.1. Service restructuring**

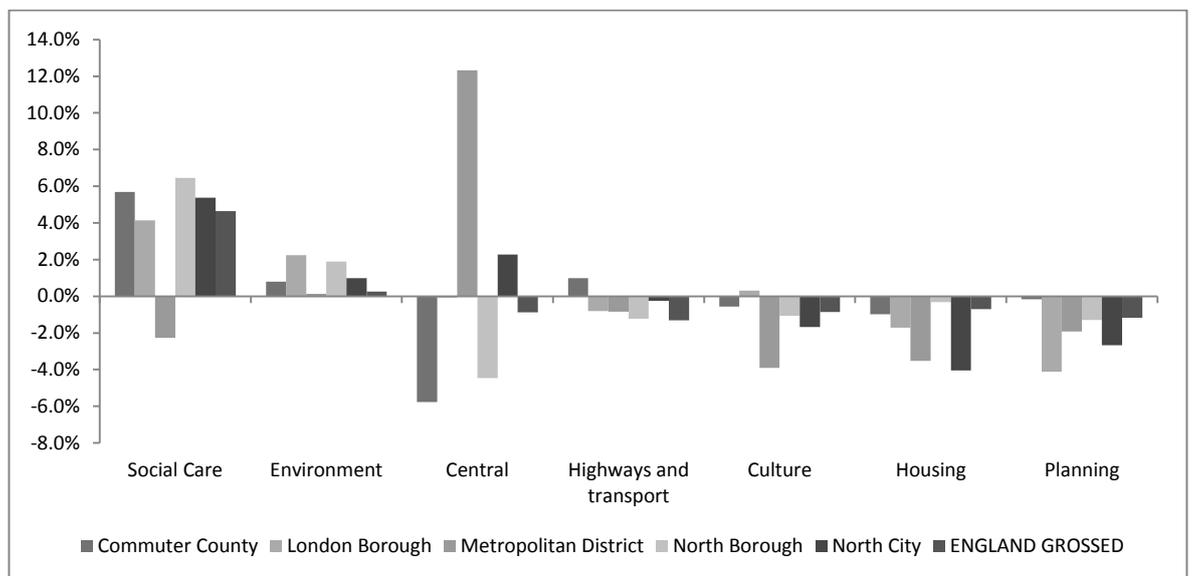
Budget reductions across the sector have been estimated at 40%, but reflecting variations in the size of individual local authorities and the reliance on central government grants, reported cuts between 2010 and 2014 ranged from £50m at North Borough (which

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<sup>24</sup> With responsibility for delivering or commissioning children's services, district councils do not generally have this responsibility

managers recognised was a comparatively small amount) to £250m at North City (table 4-1). Looking at changes in the share of budget spending between different services, it appears that whilst a fundamental rebalancing of service delivery priorities has yet to happen, some areas have fared slightly better than others (figure 4-1). A sharp increase in the proportion of spending on central services at Metropolitan District reflects the centralisation of a number of formerly dispersed functions such as HR, admin, finance, and a sharp decrease at Commuter County reflects heavy restructuring within corporate functions such as HR. Generally speaking most councils tried to protect spending on social care (and to a lesser extent environmental services) whilst areas such as housing, planning and culture have taken proportionally heavier cuts. This is likely to reflect a general slowdown in construction, but cuts to cultural services may be a tactical decision by politicians to help protect those areas relied on by more disadvantaged and vulnerable citizens (Hastings et al. 2015).

**Figure 4-1 - % change in budget share by department/service area 2009/10 to 2013/14**



Source: DCLG RSX financial out-turn 2009/10 to 2013/14 inclusive, accessed at: <https://www.gov.uk/government/collections/local-authority-revenue-expenditure-and-financing>, author's own calculation

Interestingly cuts had not significantly affected the scale or ambition of the strategic plans at each local authority. All of the councils studied here had published 'mission statements' or other high level corporate strategic plans setting out the priorities for the next three, five or even ten years. For example, at Commuter County the focus was on 'delivering value' through greater efficiency and the renegotiation of contracts with external suppliers, and at North Borough the corporate plan made reference to 'demand reduction' and 'invest to save strategies' alongside greater support for citizens to use the council's website in order to become a 'digital council'. The overarching strategy for North City included the ambition to "reduce inequality and break the cycle of poverty..." and

contained a range of departmental plans which showed how the council was going to “...attack these problems...” On the one hand such documents are important to demonstrate progress and impact for residents, at the same time they are a way of shaping organisational culture and orienting workers around a set of fundamental principles:

*“These values determine how we treat people and how we do our jobs...they are part of every one of us...” [North City Corporate Plan 2013/14]*

In the view of a number of managers, the issue of democratic accountability was something of a double-edged sword. On the one hand, as a result of significant financial pressures councillors were heavily involved in on-going discussions about budget setting and corporate performance which along with heightened scrutiny and transparency demands from the public meant that politicians had to ‘own’ the decision making process. On the other hand this high public profile meant that politicians had yet to make difficult and potentially unpopular decisions about what ‘front-line’ services should be protected and what services were considered nonessential, with the consequence that service standards across all areas were expected to be broadly maintained but with a vastly reduced workforce, leading to increases in the volume and pace of work. This in turn meant that the back office was a *de facto* prime target of retrenchment and reorganisation.

#### ***4.4.1.1. Increasing the control of work through restructuring cycles***

Restructuring across all councils generally took the form of a reduction in the number of departments, along with a transfer of formerly dispersed support services into corporate ‘hubs’ or shared service centres. On the one hand this was seen as important to achieve economies of scale but it was also a means to break down embedded ways of working which had built up within departments, and to leverage greater control over both decision making and finances. This represents a continuation of restructuring cycles whereby functions are gradually decentralised (within the local authority) and then recentralised again. The decentralisation of management and budgets to individual departments and service areas during the 1980s and 90s was seen as important to increase accountability, but more recently it appears that re-centralisation or ‘corporatization’ within the local authority is important to reduce the duplication of work, whilst also weakening ‘departmentalism’ where individual parts of the organisation identify with their own professional and service culture and not that of the corporate centre. The findings presented in this section suggest that it is not the achievement of an ideal ‘target state’ which is important but ongoing restructuring itself which is the primary means through which managers can impose new organisational forms on workers, and take greater control of working practices.

In an attempt to reduce the emphasis on traditional departmental hierarchies, all councils had drawn up 'target operating models' based on broad functional areas such as customer services, care and support, business services often guided by external management consultants. Common targets for structural reorganisation were 'back office' functions such as administrative and clerical support and transactional roles in HR and finance (which are much less of a political priority as discussed above). The case for change in strategic documents was often based on a view that existing arrangements were 'too bureaucratic' and greater flexibility would be achieved through the use of 'matrix management' and 'shared services' with staff deployed flexibly across 'business units'.

Pooling resources at corporate level was identified as a key means of increasing efficiency by reducing the duplication and rework associated with earlier waves of decentralisation in the 1990s and early 2000s (which saw management and staffing increasingly dispersed across departments), whilst also allowing for better tactical use of resources such as bulk purchasing of goods used across the council. Bringing staff together was also expected to reduce the size of the 'estate' as surplus office space could be sold, and new flexible working arrangements such as homeworking and 'hot-desking' meant more staff could be condensed into the remaining buildings. It was also an opportunity to introduce market mechanisms to internal management arrangements by creating a loose form of buyer-provider split between departments and the corporate centre (Walsh 1995).

Business support services were restructured at both Metropolitan District and North Borough based on a shared service model. This was seen by managers as a new opportunity to take control of working practices and reduce waste, but also to adjust staffing levels and the skill mix. At Metropolitan District high volume transactional tasks such as financial processing (e.g. payments to suppliers, collection of council tax) along with routine HR functions (e.g. preparing recruitment packs) and all administrative functions were brought into a single corporate shared services centre between 2010 and 2012. The central control of these formerly dispersed functions (particularly admin) under a single senior manager meant that consistency could be applied to working practices and management arrangements, whilst also reducing idiosyncratic work routines (which reflected the preferences of departmental managers and professionals). The head of the shared service centre explained that the decentralised management of administrative staff had generally been poor in the past with managers expecting differing levels of support from workers in different parts of the organisation, and tending to neglect appraisals and feedback. Bringing these staff together meant that staff would receive more consistent and regular performance appraisals, with greater support for professional development. The trade-off for this professionalisation and standardisation

was a shift to a much leaner organisational structure: the service is now made up of just three management layers, with teams of up to 35 admin staff. A 50% reduction in staffing numbers (from 500 to 250) had so far generated savings of around £8m. The pooling of staff also meant creating an internal market for support services, as departments gave up direct control of staff and the budget to cover them, and would then negotiate a level of support with managers in the shared service centre rather than setting working patterns directly with staff.

North Borough underwent a similar restructure of business support services during 2013/14 which brought together customer services, performance support and administration staff. This involved creation of a new corporate structure, the pooling of admin staff and significant process redesign. Rather than the heavy loss of posts, the new structure was built around generic job descriptions and involved some minor changes to the skill mix by reducing the number of management and supervisory roles. Following on from the value review programme at Commuter County, during 2011/12 HR was restructured around a three level model which consists of an outsourced self-serve intranet system (e.g. for annual leave requests and viewing payslips), supported by an internal helpdesk for basic enquiries and finally a more specialist policy advice service. In addition a 'floating' HR team now works across the organisation to assist departments with more complex projects. This was modelled on what was seen by managers as a more efficient 'private sector' approach, which helped to instil a target-driven culture focussed on dealing with enquiries quickly. The centralisation of staff and increased functional flexibility resulted in the significant loss of jobs (50% from 400 to 200), yielding total savings of close to £5m.

Alongside the centralisation of staff, there were moves to introduce business process redesign methodologies in order to standardise working practices and dislodge custom and practice arrangements which had built up within departments. Rather than differentiated and responsive ways of working the focus here was clearly finding the 'single best way' through management techniques imported directly from the private sector such as Lean and Six-Sigma, which were increasingly applied to both internal and customer facing processes in order to remove duplication and waste (Martinez Lucio 2007). A review of adult social care services at North City to support the individualisation of social care budgets involved process redesign using Lean methodology, and at Metropolitan District efforts to simplify the advice and guidance documentation for the direct payments system in adult social care was intended to reduce ICT demands on staff and provide clearer pathway for clients. This reveals something of a contradiction between the importance of customer focus (and the variation which that logically entails)

and the need to standardise processes to limit individual worker discretion and ensure a consistent and replicable 'experience'.

In operational and public-facing areas such as waste, environmental services and social care, although outsourcing was a significant factor (see 4.4.3 below), there was little evidence of significant moves away from vertical management hierarchies. In the same way that the centralisation of business support was used to increase the control of labour processes, these vertical structures were of critical importance for the communication of corporate messages down throughout the organisation whilst also providing a means for controlling lower level decision making. Again, this represented the latest phase in an ongoing process of internal reorganisation. Social care departments were generally divided into services for adults and services for children during the early 2000s to strengthen decision making and accountability following the publication of Lord Laming's report into the failures of Haringey social care services in the case of Victoria Climbié. However, in order to achieve efficiencies and economies of scale these departments in many councils have been merged again under the title of 'people services' or 'specialist services' (Community Care Online July 13<sup>th</sup> 2011). A commissioner within social care at Metropolitan District summarised the cycle of reorganisation:

*"...every ten years or so we seem to either split or unify departments...if you stay here long enough it will all come back around again"....[Lead Commissioner Metropolitan District]*

Alongside the pooling of management posts as a result of departmental mergers an active process of management delayering reduced the distance between the top and bottom of the organisation (typically five or six management layers), and resulted in fewer managers with larger spans of control which narrowed the scope for deviation from higher level corporate strategy. Financial control in particular is highly centralised within local authorities (overall responsibility rests with the statutory Section 151 officer at corporate level) and reducing the number of individual budget holders was seen as important to increase the 'grip' on spending. Performance management had also been 'corporatized' to a greater or lesser extent at most councils. The creation of information and intelligence 'hubs' at Metropolitan District and North City for example was designed to streamline the collection and distribution of data to support greater responsiveness to changing patterns of demand, but was also a means to increase the corporate scrutiny of how resources were being used across the organisation, and reduce the scope for deviation from 'evidence-based' best practice (as determined by higher level managers) (Bach and Kessler 2011; Kirkpatrick and Hoque 2005).

#### 4.4.1.2. *Service standards*

A key question is whether these structural changes have resulted in improved standards, or at least prevented a deterioration in standards in the face of retrenchment and the reduced availability of resources. A common theme in interviews with managers was the attempt to reduce service levels in a controlled (rather than radical) manner referred to as 'dimming the lights' or 'spreading the jam thin'. An operational manager at North City noted that managing expectations was important, but ultimately as a result of sustained budget cuts service standards were likely to drop:

*"you try to do your best but it is a scramble at times...you can only cut so much before it begins to have an impact...."* [Operations Manager Environment and Waste North City]

A facilities manager interviewed at London Borough suggested that there had been a tactical downgrading of service standards alongside some simple efficiency gains, for example back office spaces were only cleaned twice a week (instead of everyday), in order to preserve standards in public spaces, the chief executive's and political offices, and staff were asked to empty desk bins into larger communal ones which the cleaners then emptied on alternate days. Councils may be able to cut back on the frequency of office cleaning and street sweeping without fundamentally risking the health and wellbeing of citizens, but despite the ambition of all councils to try and protect those most in need, it appears that heavy cuts had impacted on service standards which in turn lowered organisational resilience and staff morale. The shared service manager at Metropolitan District also noted that the pooling of support staff created an implicit trade-off between efficiency and resilience, as leaner and flatter administrative teams were not always able to respond to 'peaks' in demand necessitating the use of temporary agency workers to provide extra capacity. Within adult social care services at North Borough there had historically been broad commitment to a 'platinum' standard of service but under continued budget pressures it was suggested this would be revised down to a 'bronze' standard. Furthermore, a senior manager within the service acknowledged that the gradual downgrading of quality would not necessarily be reflected in performance measures or general customer surveys:

*"...when [those services] are retrenched with older people they happen inside people's own homes and in invisible ways in the interaction between the social worker and the service user and their families..."* [Care Manager North Borough 1]

Recent scandals have underlined the risks to the safety, health and wellbeing of children and young people as a result of poorly coordinated services, weak management and a lack of robust political scrutiny (e.g. child sexual exploitation cases in Coventry, Rotherham and

Rochdale among others), and the Association of Directors of Children's Services (ADCS) has warned that cuts to social care budgets are poorly understood by ministers who appear determined to drive out even more savings before reflecting on the impact of existing reductions (LocalGov.UK 10<sup>th</sup> July 2015). The UNISON branch secretary at North City argued that it was impossible not to compromise on critical services with the level of cuts seen since 2010:

*"...public officials are saying we must never have another Baby P...but if you cut social workers by 40%...you're increasing the risk of things going wrong..." [UNISON Branch Secretary North City]*

Recent data suggest that around three-quarters of all local authority provided care services for children (including children's homes and safeguarding) is either *inadequate* or *requires improvement* (BBC News online 10<sup>th</sup> March 2015). Between 2011 and 2014 there was deterioration at three of the five cases studied here, meaning that children's services were now graded *inadequate*. Metropolitan District went from *good* to *inadequate* (a marked drop in quality resulting in the appointment of an external commissioner to tackle 'serious failings'); and Commuter County and North City slipped from *adequate* to *inadequate*. London Borough and North Borough have not been re-inspected since 2013 under the new integrated assessment criteria but were classed as *outstanding* and *good* in the last inspections of 2011 and 2012 respectively, with particular praise for the stability of workforce and high levels of investment in training. It remains to be seen whether these comparatively high standards will be maintained as staffing cuts continue. In the three councils graded inadequate the Ofsted reports (*inter alia*) all cited key workforce-related issues of: high caseloads; poor line management; high staff turnover and unfilled vacancies; a reliance on agency staff; and high sickness rates.

The report at Commuter County cited internal reorganisation which led to the merging of teams and closure of dedicated support for long-term cases leading to high vacancy rates (up to 50% in some areas) and a reliance on agency staff. North City was criticised for high caseloads, poor line management, high sickness and turnover, and a high share of agency staff. A problem at Metropolitan District was that turnover rates and the use of agency staff and interim managers increased markedly (despite the recruitment of permanent staff between 2010 and 2012). It appears that staffing issues created by heavy budget cuts and reorganisation have potentially serious consequences for the resilience of critical services. Whilst it appears that resources have (to an extent) been redirected towards 'core' front-facing welfare services, the general pressure on budgets appears to be manifesting itself in lower quality ratings. The transfer of support staff into corporate hubs may reduce duplication and break down what are seen as 'inefficient' ways of working

within departments, but also means that the informal support which admin staff for example may have provided to professional staff is also lost. As overburdened social workers increasingly go off sick or opt for locum work rather than staying on the local authority payroll, and vacancies remain unfilled in order to save money, the ability of local authorities to protect the most vulnerable may be fundamentally compromised.

#### **4.4.2. Staff restructuring**

In a labour intensive sector such as local government, the reorganisation of services has clear implications for the workforce. Heavy budget cuts and the loss of jobs necessarily means an increase in work intensity, but in addition the turbulence of structural reorganisation and the threat of outsourcing appears to be another means for managers to try and change working practices and reset expectations about what a job within local government entails. The HR function at all councils was often given the unenviable task of simultaneously reducing labour costs and increasing efficiency, whilst also emphasising the need to continually improve service standards and develop a heightened awareness of customer service. HR managers often spoke of the need 'to do things differently', which in some cases meant 'cheaper' and in other cases meant 'better' but generally speaking there were somewhat contradictory expectations that local authorities would be able to deliver 'more for less'. Interestingly, although workforce plans were designed to support higher level strategic goals such as 'improving performance', 'delivering value' and 'achieving customer service excellence', interviews with managers suggested that all councils were implicitly willing to tolerate a potential deterioration in service standards and reputation through outsourcing and service closures, as well as the loss of human capital as a result of downsizing and organisational restructuring.

The loss of staff to voluntary redundancy was a particular conundrum: those with the strongest skill set who could compete in the external labour market were more likely to leave, as were those with the most experience who could afford to retire early. This was a significant drain on each council's overall pool of human capital or what one HR manager described as 'corporate memory', but at the same time these were the staff who were most costly to keep on and most likely to be disadvantaged by management de-layering. From the outset locally recognised unions (UNISON at all councils, and UNITE and GMB at all except Commuter County and North Borough) were involved in both budget setting processes and shaping workforce strategies, although the range of options for investing in the workforce were (not surprisingly) severely limited by the scale of the financial pressures. At Metropolitan District, both UNISON and UNITE officials recognised the efforts of the organisation to protect job opportunities for in-house staff, but also identified that the increased ambiguity around roles and tasks gave individual managers

far greater discretion to extract additional effort and output from workers at no additional cost. Staffing flexibilities were a significant feature of organisational restructuring across all of the councils studied here.

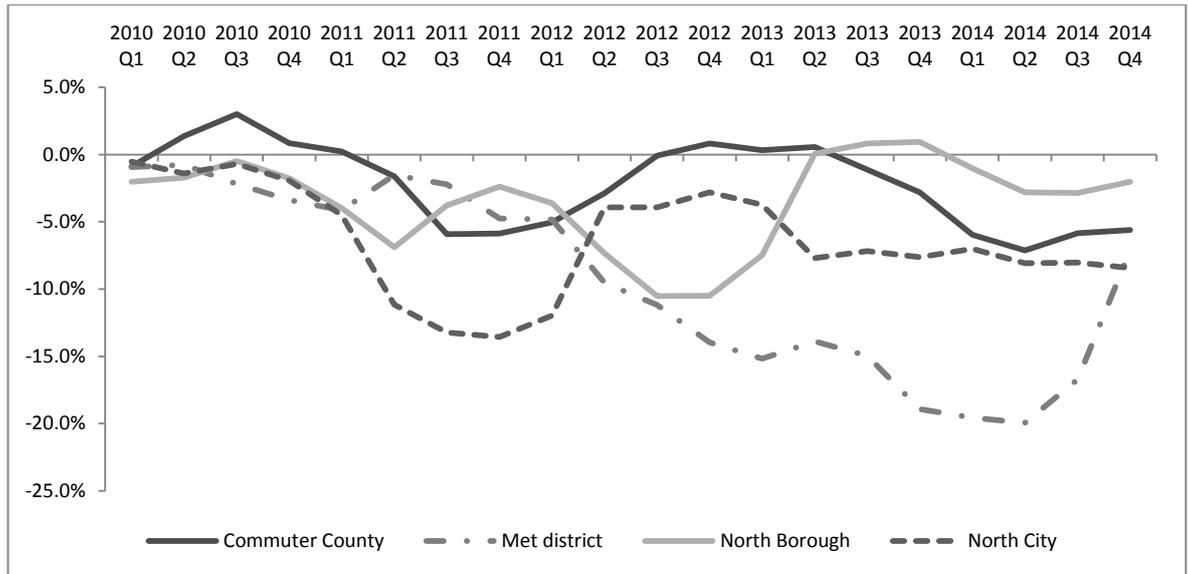
#### ***4.4.2.1. Staff flexibility***

Following the analysis of Hegewisch (1999) and White (1997), the findings of this research relating to staffing flexibilities is organised under three key headings: numerical; contractual; and functional flexibility. Changes in these three dimensions carry clear implications for work intensity by reducing the amount of 'slack' in workloads either by reducing the total amount of staffing capacity, by shifting the balance away from full-time and permanent contracts to 'on-demand' contracts such as agency work and zero hours contracts (ZHC), or by utilising existing staff to fill gaps across departmental and occupational boundaries.

##### ***Numerical flexibility***

Downsizing was largely achieved through a mixture of natural wastage, and some compulsory redundancies (at Commuter County and London Borough), although all councils offered incentives for staff to take voluntary severance or early retirement in order to minimise the need for compulsory job cuts. Whilst the unions at all councils recognised that the loss of jobs through voluntary means was the 'least worst option', removing posts (which were thought unlikely to be restored in future) necessarily meant a loss of capacity and increased work intensity for the 'survivors'. According to HR managers at all councils, the majority of voluntary severance requests were approved, and in many cases vacancies held open in order to contribute to departmental efficiency savings. Only a small number were declined on the grounds that a skill set was deemed critical by service managers, or temporarily deferred until a suitable replacement could be found. Nevertheless, reflecting variations in specific funding pressures and pre-existing programmes of reorganisation the five authorities studied here followed slightly different trajectories of workforce retrenchment (figure 4-2).

Figure 4-2 – percentage headcount change on year Q1 2010 to Q4 2014



Source: ONS Quarterly Public Sector Employment Statistics 2010 to 2014 inclusive, accessed at: <http://www.ons.gov.uk/ons/rel/pse/public-sector-employment/q4-2014/index.html>, author's own calculation

Deep and front-loaded cuts in central grants at North City meant rapid retrenchment from mid-2010 to late 2011 followed by steady reductions between 2012 and 2014. Workforce reductions were achieved solely through natural wastage and voluntary severance, and an extensive policy of redeployment within the organisation. In contrast there were steady reductions at North Borough during 2010-11 followed by sharper cuts as a result of internal restructuring which meant a mixture of voluntary and compulsory redundancies, and Commuter County experienced comparatively minor fluctuations in headcount between 2010 and 2013 before more sustained reductions in 2014. Commuter County and North Borough are less deprived authorities and less reliant on central grants so that the pressure to shed workers quickly after 2010 was not as acute as experienced by some of the other councils. In fact Commuter County had undertaken a programme of business planning and redesign in 2008-09 which led to a small number of redundancies and internal redeployment ahead of the austerity programme. The pattern at Metropolitan District was one of steadily accelerating reductions. The commitment to a no-compulsory redundancy policy meant extensive internal redeployment and a rolling voluntary severance scheme during 2010 and 2011 (described by HR managers as ‘trimming the fat’), but this was followed by heavier losses from restructuring and outsourcing between 2012 and 2014. The only council which did not follow this pattern of overall retrenchment was London Borough (not shown in figure 4-2 owing to the marked variation in the scale of change), which had actually undertaken a significant programme of ‘re-municipalisation’ or insourcing since 2010. This returned a number of services formerly provided under contract in the private sector to direct local authority control (including building cleaning and waste). Although more than 850 jobs were lost between 2010 and

2014 (almost 40% of which were compulsory), total staffing numbers increased by around 4,500. This also includes a number of temporary agency staff who were transitioned onto permanent contracts with the council. The scale of job losses across all councils points to a significant reduction in staffing capacity which meant *de facto* increases in work intensity for the ‘survivors’.

### ***Contractual flexibility***

In addition to numerical flexibility in the form of staffing reductions, all councils exploited other forms of flexibility through the use of atypical and contingent contracts as a way to create flexibility within structures (table 4-2). Reflecting national trends the workforce across all councils was predominantly female but whereas London Borough, North City and Metropolitan District all favoured permanent and full-time posts, North Borough and Commuter County combined contingent contracts with relatively high proportions of part-time posts. This perhaps reflects the proportionally heavier job losses and internal redeployment at the three Labour councils which meant a greater focus on protecting permanent ‘insiders’ with more than two years’ service and the shedding of temporary/casual staff (who were also more likely to be part-time).

**Table 4-2 – composition of the workforce 2014**

	<b>Permane nt</b>	<b>Temporary/Cas ual</b>	<b>Full time</b>	<b>Part time</b>	<b>Male FT</b>	<b>Female FT</b>	<b>Male PT</b>	<b>Female PT</b>
Commuter County	86.0%	14.0%	34.6%	65.4%	11.7%	22.9%	6.2%	59.2%
London Borough	96.8%	3.2%	68.7%	31.3%	31.5%	37.2%	5.3%	26.0%
Metropolitan District	93.5%	6.5%	56.0%	44.0%	21.4%	34.6%	5.8%	38.2%
North Borough	83.4%	16.6%	37.8%	62.2%	13.0%	24.8%	6.5%	55.7%
North City	96.5%	3.5%	53.1%	46.9%	19.9%	33.3%	4.6%	42.3%
<b>England and Wales</b>	<b>86.8%</b>	<b>13.2%</b>	<b>45.7%</b>	<b>54.3%</b>	<b>17.6%</b>	<b>28.1%</b>	<b>6.5%</b>	<b>47.8%</b>

Source: ONS Quarterly Public Sector Employment Statistics Q4 2014, accessed at: <http://www.ons.gov.uk/ons/rel/pse/public-sector-employment/q4-2014/index.html>, author’s own calculation

The flexible firm thesis suggests flexibility in staffing arrangements is one way in which organisations can adapt to changing market and financial conditions (Atkinson 1984). For example fixed-term contracts give organisations flexibility by allowing the peripheral workforce to expand in-line with demand and budgets during periods of growth, which can then be cut back during a downturn: the periphery acts as a ‘buffer’ to protect permanent or core staff. The downsides to this strategy are the low commitment nature of the relationship between employer and employee and the lack of incentives to train or up-skill workers (Hegewisch 1999). Local government has long relied on ‘atypical’ work such as part-time, temporary and fixed-term contracts and relatively little distinction is made between the core and peripheral workforce (White 1997). Nevertheless, against a backdrop of declining job security a legitimate concern is the extent to which these forms

of contractual flexibility reflect a tendency towards increasingly 'precarious work' – where working hours and assignments are highly contingent on employer demand, and employees are exposed to risks of low and fluctuating earnings (Kalleberg 2009).

The use of non-standard contracts such as zero hour contracts (ZHC) within the public sector has become a contentious issue, but ZHC appear to be increasingly central to the employment model of contracted out services such as cleaning, catering and care work (Bessa et al. 2013; Eurofound 2015; Grimshaw et al. 2015). Commuter County and North Borough had a relatively high share of temporary and casual staff, and Commuter County was criticised by UNISON for its extensive use of flexible contracts in the form of casual, bank and ZHC (particularly among school support staff). North Borough used bank and casual staff and had around 30 staff on ZHC (primarily in the play and early years' service which experienced seasonal variability in demand), but in response to growing concerns about the vulnerable position of these workers the council issued no new ZHC after 2013. ZHC were not used at North City, but agency staff were used within adult and children's social care in order to cover vacant posts and other shortages, and Metropolitan District used an approximation of ZHC in the form of permanent variable hours (PVH) contracts. These confer the same employment rights as a standard part- or full-time contract (e.g. statutory notice period, pro rata holiday pay, sickness and maternity entitlements) but with no guarantee of hours from week to week. These PVH contracts were typically applied to 'sessional' and seasonal roles attached to cultural and sporting events, but were increasingly used in place of 'casual' contracts (where the employer and employee have no mutual obligations regarding working hours). As part of the 'staff manifesto', London Borough made a commitment to ending zero hours contracts among care workers, but at the same time continued to use temporary agency staff to fill a wide range of professional roles in adult social care and business support. A HR manager argued that the use of agency staff was a specific response to tight labour markets, and although the annual salary equivalent of daily rates was high (over £100,000 for ICT specialists) it was reasonably cost-effective as the council did not pay pension or national insurance contributions. The boundary between 'core' and 'peripheral' workers is therefore both fluid and porous. Whilst some workers in professional roles may be relatively content to be engaged on agency contracts, the spread of precarious work throughout staffing structures may do little to bolster perceptions of job security which in turn may strengthen the position of management in pursuit of other goals.

### ***Functional flexibility***

The downsizing and restructuring of the workforce meant that internal redeployment was increasingly important for all councils. According to HR managers redeployment was

designed to be a 'pull' rather than 'push' approach which allowed staff to be 'recruited' to vacant posts via an internal jobs market. This was intended to achieve a better fit between jobs and existing skills within the organisation, and change negative perceptions of the redeployment pool as a 'dumping ground' for unproductive or 'difficult' staff. The scale and pace of change however meant that workers may have had relatively little choice but to go through the redeployment process or exit. At Metropolitan District and North City the commitment to a no compulsory redundancy policy meant that large numbers of staff had been displaced (or were 'at risk' of displacement) from their existing roles. The logic of the 'pull' model was to get 'buy in' from staff by emphasising opportunities to change careers, underpinned by a commitment to training and careers coaching which given the circumstances was endorsed by the locally recognised trade unions (UNISON, UNITE and GMB). The use of broader job families and more generic job descriptions allowed for greater 'corporate' flexibility and accurate matching of workers' competencies and 'core values' to vacant roles. HR managers argued that rigid occupational boundaries and the formal requirements of traditional job descriptions would have excluded sections of the workforce who might be well suited to other roles. Moreover there was a clear expectation that workers would become more adaptable by trading off the familiarity of existing roles and work routines for (albeit limited) guarantees over job security:

*"...there will be a job for you in the new structure if you want one...it just might not be the one you are used to..." [HR Director Metropolitan District]*

The pressure on staff to accept internal redeployment opportunities raises questions about whether it truly is a push or pull model. The policy at Commuter County for example was clear: "if employees refuse a suitable redeployment opportunity then they will be treated as having resigned and therefore will not be eligible for redundancy payment". Similarly, at Metropolitan District, both UNISON and UNITE officials recognised the efforts of the organisation to protect job opportunities for in-house staff, but also identified that the increased ambiguity around roles and tasks gave individual managers far greater discretion to extract additional effort and output from workers at no additional cost. Indeed one union official suggested that managers will do 'whatever they think they can get away with' and the threat of further restructuring and reorganisation meant that many staff were frightened to challenge managers over excessive workloads or the unequal distribution of tasks. At Commuter County the UNISON branch official reflected that low membership levels in some parts of the authority led to poorer outcomes:

*"where the union hasn't got the people or the time to do something I think management just gets away with what it wants..." [UNISON Branch Secretary Commuter County]*

Aside from the loss of staff to voluntary severance, turnover rates (with perhaps the exception of social workers at North City) were not unusually high. Historically the trade-off for comparatively low wages in local government was the promise of a good pension and high levels of job security (Corby and White 1999) but with pay and terms and conditions steadily eroded, increasing levels of work intensity and few guarantees about job security it is perhaps surprising that more staff have not opted to leave. Turbulence in the external labour market may be one reason (with a job in local government no more or less insecure than in other parts of the economy), but it may be that in the current context staff are perhaps more willing to accept work of a lower grade or status than those in previous cohorts (many of whom chose to leave or retire early rather than be restructured and redeployed). Managers appear to have capitalised on this, by reinforcing the expectation that staff will also accept more flexible working patterns. For example at North City as part of the internal redeployment and retraining agreement, all workers had to agree to the addition of 'flexibility clauses' to their employment contracts which allows managers to move staff between tasks, projects or service areas as required:

*"...there will need to be an acceptance from staff that they will be flexible and that movement around the organisation will become the norm..." [Redeployment strategy North City]*

Changes to working patterns and 'standard hours' were also used as a means to reduce the pay premiums associated with shift and weekend working within the waste and refuse service at two of the council studied here/ Metropolitan District compressed the working week (Tuesday to Friday) in order to avoid incurring bank holiday premiums, whereas at North City seven day bin collections were introduced to ensure machinery was used at full capacity, but was coupled with a reduction of overtime payments on Saturdays and Sundays. Although these changes were limited to one functional area at two councils, it is perhaps symptomatic of the broader efforts of employers to 'normalise' irregular working patterns, and blur the distinction between work and non-work time (Rubery et al. 2005).

#### **4.4.2.2. Training and the skill mix**

Staff training is often one of the first areas to be cut when budgets are limited and even where training continues to be offered, it is no guarantee of career mobility where internal labour markets are destabilised by restructuring and cost-cutting (Grimshaw et al. 2002b). Jewson et al. (2015) suggest that training in the public sector has not been adversely affected by austerity, with managers tending to 'prioritise' training for certain workers or skills rather than cut back training altogether. However, data published in 2014 (CIPD 2014) suggested that budget pressures led to heavier cuts in training spend in the public sector between 2011 and 2012 (a 45% drop compared with 21% across all sectors).

Similarly, data collected by the LGA suggested that many councils had identified a wide range of skill shortages (including basic skills) but at the same time were planning to cut training budgets to save money (LGA 2010).

Most of the councils studied here used training 'tactically' as a way of supporting staff to transition between different roles as part of the restructuring process, with a shift to less costly on-line training. Training also served to change the power dynamics within organisations through simultaneous up-skilling and de-skilling of different segments of the workforce as opposed to a general loss of skills and expertise (Braverman 1974). For example the social care management team at North Borough made a commitment to a 'fully qualified workforce' by offering non-social workers paid training which would enable them to move into a social work job (where vacancies were created by natural turnover), and staff in support roles were also given additional training in order to be able to complete more routine social work tasks such as initial assessments. This new division of labour was designed to reduce the pressure on qualified staff (who could then do more 'client-facing' work) whilst also up-skilling the non-social work staff, but came at a time when 10% of social workers were allowed to leave on voluntary severance (and were not replaced). Managers recognised that training staff to move into jobs which were disappearing could foster resentment and eventually lead to a loss of those skills (where people moved on), whilst sharing tasks across roles provoked resistance from some qualified social workers to the 'dilution of the profession'. It was also recognised that there was a potential paradox in that transferring more routine work to support staff in order to free up time for professional staff to concentrate on clients, they were at an even greater risk of stress and 'burnout' owing to the increased complexity of their remaining workload. It appears that this was considered an acceptable risk in pursuit of a new 'more efficient' division of labour.

Alongside the fragmentation of professional roles along task lines, an important reform of the labour process is the dilution of professional expertise (and the power which is assumed to flow from the control of knowledge) through changes to the skill mix (Braverman 1974; Evandrou et al. 1990; Kirkpatrick et al. 2005). The introduction of assistant roles in teaching and social work during the 2000s created tensions with qualified staff although the assistants themselves were relatively satisfied with the newly created roles (Bach et al. 2007). Within social care at Commuter County for example the share of lower graded 'family support workers' (salary around £18,000 p.a.) had increased which according the UNISON branch official interviewed was a direct threat to the status of highly skilled and qualified professionals:

*“...they do the dirty work all the social workers used to do but they're not trained to the same standard...” [UNISON Branch Secretary Commuter County]*

Management de-layering at all councils was a clear expression of this tendency towards diluting the skill mix, which also served to reduce the options for career progression through internal hierarchies (Grimshaw et al. 2002b). The shift to generic job descriptions does not necessarily mean a dilution of the skill mix or a direct downgrading of jobs (as existing workers are matched to new roles on the basis of broad competencies rather than qualifications and specific expertise), but necessarily means a loss of specialisms and implies a greater substitutability of labour. It also gives managers greater scope to leverage additional tasks from individual workers and move work around to those best suited or the most willing to do it (Bach et al. 2008). Within environmental services at North City for example, although there were some residual specialisms in the form of the expertise required to deal with complex situations and the technical knowledge needed to advise on compliance issues, a manager argued that a large proportion of tasks could be undertaken by all operatives at a lower level of seniority owing to the transferable nature of basic skills:

*“if you can operate a mechanical sweeper then you can push a lawnmower” [Operations Manager Environment and Waste North City].*

Whilst this may technically be true, it demonstrates how staff were increasingly expected to take on tasks from within a wider ‘job family’, a process which breaks down occupational and workplace identities that may have developed over time in relation to certain roles or ways of working (Gill-McLure and Seifert 2008). Furthermore, making roles more generic can be used to weaken the power held by workforce groups who are in possession of specialist skills (Braverman 1974). At North City the centralisation of data sources within an ‘intelligence hub’ was matched with the centralisation of staff. This process allowed managers to assess skills across different departmental teams and was used as justification for the creation of generic roles. From this perspective the pooling of staff and the re-assessment of job boundaries was a legitimate exercise to enhance transparency about the contribution of specific roles rather than allowing custom and practice and the notion of ‘professional expertise’ to shield workers from restructuring. A performance manager explained:

*“...there was a lot of smoke and mirrors [about specialisms]...but I couldn't see any evidence of what these so-called experts were doing” [Performance Manager North City]*

The erosion of departmental specialisms in the name of efficiency is not always successful. At London Borough the proposal to move all business support staff into a shared service

structure was scaled back owing to difficulties in reconciling departmental preferences for dedicated and specialist admin support with corporate demands for leaner structures and generic roles. It appears that when the limits of cost savings, flexibility and work intensity from internal reorganisation are reached, organisations may turn to externalisation.

#### **4.4.3. Externalisation**

The high share of local authority services operated under contract in the private and not-for profit sector encourages us to look wider than just processes of internal reorganisation. Local government spends close to £40 billion every year with external suppliers for both goods and services, making extensive use of the private, voluntary and community sector for a range of core functions such as waste management, environmental and leisure services, along with children's services and social care for older people (LGA 2014b). There were however variations in the breadth and depth of externalisation across the sample of case study councils. Commuter County and North Borough outsourced all care homes and the majority of home care services in the early 2000s (which is actually later than other parts of the sector), along with waste and environmental services. Metropolitan District and North City had largely tried to keep services in-house although there were large contracts in place for waste services and various framework agreements for social care. After having put a wide range of services out to tender in the 1990s and 2000s London borough had actually begun the process of bringing services back into council control in order to stabilise both risk and costs.

Part of the issue is that the more local authorities rely on the external market, the more difficult it can be to regulate the quality of services, and along with it employment standards. Recent reports suggest that the private market for care services is failing large numbers of older people who face limited choice, high costs and low quality (Age UK, 2014). Where local authorities are heavily reliant on the external market, and are not willing (or able) to pay for high quality care, there are few incentives for private providers to drive up standards. Individual budgets are increasingly used within adult social care ostensibly to provide greater choice for clients, but where local authorities still broker the majority of care packages on behalf of clients, the responsiveness of the market to individual needs is limited. Both Metropolitan District and North Borough had established 'local authority controlled trading companies' (LATCs), as an alternative to full privatisation or the somewhat discredited Public Private Partnership (PPP) model (Grimshaw and Roper 2007). LATCs have emerged in a number of authorities to deliver specialist services such as support for clients with learning disabilities (the private market tends not to have the requisite skills and experience) and support for clients to live independently at home including transitional support or 'reablement' for those recently

leaving hospital (this is less attractive to the private market as it is time-limited). These wholly owned companies operate on a commercial basis with initial funding from the local authority, and can bid for work in other local authority areas which can cross-subsidise other activities. At Metropolitan District the establishment of the new trading company in December 2013 resulted in the TUPE<sup>25</sup> transfer of around 800 council staff although around 200 staff members opted for voluntary severance (instead of transferring to the new trading company). Although all staff (whether TUPE transferred or new starters) receive the same rates of pay and basic working conditions, new starters are no longer entered into the local government pension scheme which was estimated to reduce on-costs for each staff member by about 15%. In addition, the move to a more commercially oriented environment was seen by the managing director of the new trading company (formerly a senior manager in the council) as a chance to tackle issues of high sickness rates and low productivity which had not been properly addressed in the past:

*"I'm hoping by changing the culture staff start to buy in to the company...I think in the council there's definitely a mind-set of the council owes me that, or I'm deserving of this, and I don't think there's that sort of mind set in an independent or private company because of that commercial pressure" [Care Director Metropolitan District LATC]*

An operational manager at North City explained how a number of waste and leisure services were going out to tender in the near future which meant that rather than the council having to manage issues such as the use of agency staff, attendance, sickness, and shift allowances, the entire service could be bundled up and transferred to the private sector who would deliver an agreed level of service at an agreed price. In contrast, a facilities manager at London Borough (who had seen services go out to the private sector in the 1980s and 90s and then return again in 2010) explained that outsourcing was seen by senior managers as a means to address poor work performance and low productivity by subjecting staff to the discipline of the market. In his view, however, although there were short-term cost savings (as jobs and hours were cut), over the long-term contracts were more rigid than in-house provision as service levels were relatively fixed, and costs were adjusted upwards annually in-line with inflation rather than performance or productivity gains. Management costs were reduced significantly by returning services back in house, and the HR manager who oversaw the transfer of staff in waste services in 2012 noted a number of staffing issues originating from the private contractor such as the high use of agency staff and weaknesses in grievance and disciplinary procedures which the council was now having to address. At North Borough, domiciliary care and support

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<sup>25</sup> Transfer of Undertakings (Protection of Employment)

for hospital leavers ('reablement') transferred in 2009 to the LATC which also provided highways maintenance and schools catering services across the borough, but internal financial mismanagement had led to the near collapse of the organisation, and in early 2014 the remaining 180 staff providing care services transferred back into the council. The LATC was initially seen as an opportunity to increase contact hours (e.g. time spent with clients in their own homes), but expectations were not met and the service became increasingly costly as sickness rates spiralled. This was blamed on a combination of poor communication and weak line management, which was expected to take some time to fully resolve even though the service was back under council control. As with internal restructuring cycles, it appears that it is the process of changing ownership (rather than the nature of private or public sector management per se) which provides an opportunity to address what are regarded as intractable problems of low productivity and rigid working practices.

Although the wage differential over the lowest private sector rates is clearly still a strong motivation for outsourcing, all councils had voluntarily adopted local living wage policies for directly employed staff (raising pay at the bottom up to at least £7.85 per hour) and were working with external providers to explore ways to implement the living wage throughout the supply chain. There were varying degrees of success to this approach: London Borough had achieved a 92% compliance rate among contracted staff by renegotiating contracts to include a living wage (with some adjustments in contract values) whereas at Commuter County it was only 'recommended' to suppliers (meaning little direct pressure to comply). London Borough had also adopted UNISON's ethical care charter which means that private sector care workers received the living wage, were paid for travel time and were not expected to undertake 15 minute visits, which was expected to add around £1.2m to annual contract costs (some of which was to be offset by provider efficiency improvements and reductions in management fees).

However, the main issue here is the low fixed-hourly rates paid to external providers of services such as home care for older people where better pay and terms and conditions would have the greatest impact. It has been estimated that the minimum hourly rate needed to provide good quality domiciliary care with allowances for staff training and travel time is £15.19. However, less than 5% of local authorities are thought to pay this amount with the average just over £12 per hour (BBC News 4th February 2014). The average hourly rate paid to external providers across the case study councils (for all types of care) ranged from £14.40 at Commuter County to £11.40 at Metropolitan District, all of which are below the recommended figure of £15.19 and at £13.50 hourly rates were surprisingly low (considering the cost of living) at London Borough. All councils (with the

exception of Commuter County) used fixed fees, which as a commissioner at Metropolitan District explained was designed to prevent providers 'undercutting' on bids in order to secure a contract, but fixing such a low hourly rate virtually guarantees that staff will be paid close to the national minimum wage with little room for enhancements, training and travel time. Even where a contracting authority does attempt to leverage its position as a 'buyer' to drive up standards there are no guarantees that contracted employees will receive the full benefit. Although cost focused commissioning is connected with low quality employment (e.g. low hourly rates and casualised work) the reverse is not necessarily true – quality focused commissioning at a higher cost does not necessarily lead to higher pay or better HR practices (Rubery et al. 2015). The director of social care at North Borough explained that despite fears that cutting fees from £14 to £12.60 per hour would precipitate a 'race to the bottom', this reduced profit margins rather than staff wages:

*"...they were only paying minimum wage anyway when we gave them £14 an hour so they just coined it, now they [the managers] just go around in slightly less good cars..." [Care Director North Borough]*

A major issue on the horizon for all local authorities is the announcement of a statutory national living wage of £7.20 to be introduced in April 2016, with an ambition to reach at least £9.00 per hour by 2020, which the LGA and care home providers have argued is unaffordable within the current funding settlement and will cost an estimated £1bn by 2020 (LGA 2015). This combination of reduced funding and increasing costs risks a potentially 'catastrophic failure' of the care system (The Guardian online 27<sup>th</sup> July 2015).

#### **4.5. Discussion and conclusion**

The aims of this paper were to explore the response of individual councils to externally imposed budgets cuts through processes of downsizing, internal reorganisation and the outsourcing of local authority services. It sought to identify the ways in which employers balance issues of flexibility and stability in workforce arrangements, and assess the implications of organisational restructuring for service quality, employment relations and work intensity. The findings of the research underline the remarkable scale and pace of change in local authorities as a result of unprecedented financial pressures imposed by central government between 2010 and 2014. Local authorities have managed to reduce operating costs rapidly, and with relatively little resistance from trade unions, staff or the public. Nevertheless, there are signs that continued downward pressure on staff is starting to reveal itself in service failures caused by poor management and growing work intensity.

#### 4.5.1. The reform of local government labour: an ongoing project?

The New Public Management doctrine was supposed to increase efficiency and lower costs by importing cutting-edge private sector management practices, whilst also transforming labour relations by shrinking the workforce, marginalising the unions, and reaffirming managerial prerogative (Gill-McLure 2014). The findings of the current research suggest that in reality, change strategies are much more piecemeal, ad hoc and incremental.

It is perhaps unsurprising that budget cuts resulted in staffing reductions, but the somewhat opportunistic way in which retrenchment and reorganisation has been achieved through natural wastage, voluntary severance and internal redeployment (on something of a 'take it or leave it' basis) stands in stark contrast with higher level strategic ambitions of most local authorities to become customer focused, high performance, flexible and agile organisations achieving more with less. Similarly allowing a 'core' of skilled and experienced staff to leave on voluntary severance and early retirement schemes before establishing 'new ways of working' is a clear indication that decision making is primarily oriented towards meeting short-term budgetary pressures and rather than sustaining capacity and expertise over the long-term. Maintaining or expanding a 'buffer' of workers engaged through agencies, or on zero hours contracts and new forms of non-guaranteed hours contracts (e.g. Permanent Variable Hours) may be a rational solution to peaks and troughs in demand, but is perhaps also an early warning sign that workloads are becoming too great for the remaining core, requiring increasingly ad hoc adjustments. This is also likely to do little to improve perceptions of job security which are already very low across the sector (Wanrooy et al. 2013).

Rather than embracing the fluid organisational forms advocated by New Public Management thinking in pursuit of flexibility and agility, it appears councils tended to prioritise the control of inputs whilst centralising decision making and reverting to more integrated management hierarchies to increase 'grip'. A combination of rationalisation and cost cutting across all councils led to a reduction in the number of discrete departments, and fewer decision making 'layers' with clear accountability to the corporate management team. However, instead of reflecting the achievement of an optimal organisational form this is perhaps best viewed as a snapshot of the ever shifting balance between centralised and devolved management, and unified and fragmented structures (Thompson and O'Connell Davidson 1995). Decentralised management was seen as the answer to the rigidities of bureaucratic structures during the 1980s and 90s, but this created duplication, variable standards and poor control (Kirkpatrick and Hoque 2005). Centralised control over management decision making, finances and support staff potentially offers economies of scale and flexibility through functional cross-deployment,

whilst also narrowing the scope for deviation from higher level systems of corporate governance. However, it is entirely possible that the current trend for 'shared service centres' and 'matrix management' (influenced by external management consultants) will in turn be superseded by decentralised management again in future. In this sense, organisational restructuring is 'business as usual' (Lowndes and McCaughie 2013).

There is also limited evidence that councils have moved away from standardised outputs, either through increasingly differentiated service delivery or through better management of the external market. Individualised budgets within adult social care have the potential to increase choice and provide an incentive for providers to respond to changing patterns of needs, whilst also reducing the control of professionals over the distribution of resources, but the majority of care services are still provided under zoned contracts where an agreed volume or at least an agreed 'menu' of care is agreed at a fixed (and often low) hourly rate. This means that variations in care have to be agreed at a lower level between care workers and their clients within a narrow set of parameters which control time and task very closely, and virtually guarantee low road HRM practices (Grimshaw et al. 2015). Furthermore, the tightening of eligibility criteria in order to restrict access to funded services to those with highest need suggests that the rationing of scarce resources takes priority over the range and depth of needs among the local population (Pollitt 1994).

#### **4.5.2. Conclusion**

The results of this research suggest that organisational form is only part of the story: attempts to standardise processes and centralise decision making reveals a distinctly 'Taylorist' management approach to controlling public service work (Braverman 1974; Gill-McLure et al. 2003; Kirkpatrick 2006a; Martinez Lucio 2007). Whilst new structures may be important to bring staff together under unified management arrangements and even locate them in a single building to save on running costs, the process of restructuring itself (whether consolidating or fragmenting, outsourcing or insourcing) is a crucial way for managers to try and overcome rigidities in working practices which build up over time and to weaken resistance to change by eroding specialisms and breaking down 'departmentalism' (Gill 1994). Externalisation and the introduction of market forces therefore do not automatically improve efficiency or cut costs in fact it is often quite the opposite. However the process of transferring services (either out of the organisation or back in again) can present an opportunity to reset working practices and address what are perceived to be 'cultural problems' within workforce groups who are 'shielded' by trade unions (Gill-McLure et al. 2003; Gill-McLure and Seifert 2008). Flexible internal deployment can also result in new divisions of labour between groups of workers, and potentially weaken the bargaining power of professionals who find themselves

increasingly substituted for cheaper and less qualified staff (Bach et al. 2007; 2008; Braverman 1974). Service specific expertise is not prized as highly as flexibility or a willingness to adapt to new working arrangements, resulting in fewer protected or specialist roles and more generic roles in broad banded 'job families'. In turn, these increasingly loosely defined roles are constrained by highly codified processes modelled on private sector management techniques such as Lean and Six Sigma (Martinez Lucio 2007). Finding the 'single best way' is seen as necessary to reduce the waste and duplication associated with greater worker autonomy and weak supervision, and hints at a movement towards increasingly flexible workers but increasingly rigid work routines.

Although efforts were made to redeploy existing staff within internal structures (rather than making large numbers of staff compulsorily redundant), the loss of job security which heavy downsizing clearly transmits, puts staff in a very weak position to resist the process of restructuring. In this context those at risk of redundancy are under significant pressure to accept any of the increasingly generic jobs on offer within the organisation, and increasingly fluid working patterns and practices. Perhaps where culture change has been achieved (or at least reinforced) is the expectation that workers will absorb greater work intensity as a result of decreased staffing ratios, more precarious work as a result of greater contractual flexibility, and increased competition through internal and external market mechanisms as a result of new 'corporatized' shared service centres. While there may be opportunities for staff to upskill and change career path, it appears that local authority services have managed to survive because workers are committed to their jobs. This may be because of a professional or public ethos, or the fact that, in spite of all the cuts, local government offers no less insecure employment than could be found in the external labour market. It remains to be seen for how much longer this can continue as budgets are squeezed, and managers attempt to extract ever greater levels of efficiency and flexibility from an already overstretched workforce. To use the management parlance, 'trimming the fat' by sharing back office services and deleting management layers are one-off savings and the pressure to find yet more reductions is cutting some services to the bone. These early warning signs are underlined in damning Ofsted judgements of children's services at three of the five councils studied here, but in the absence of reliable performance measurements across all service areas the full implications of sustained austerity are not fully understood. In terms of the consequences of the current period of downsizing and restructuring, it is less a case of 'business as usual' and more of a journey into the unknown.

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