



UNIVERSITY OF
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Negotiating Wage (In)Equality: UK

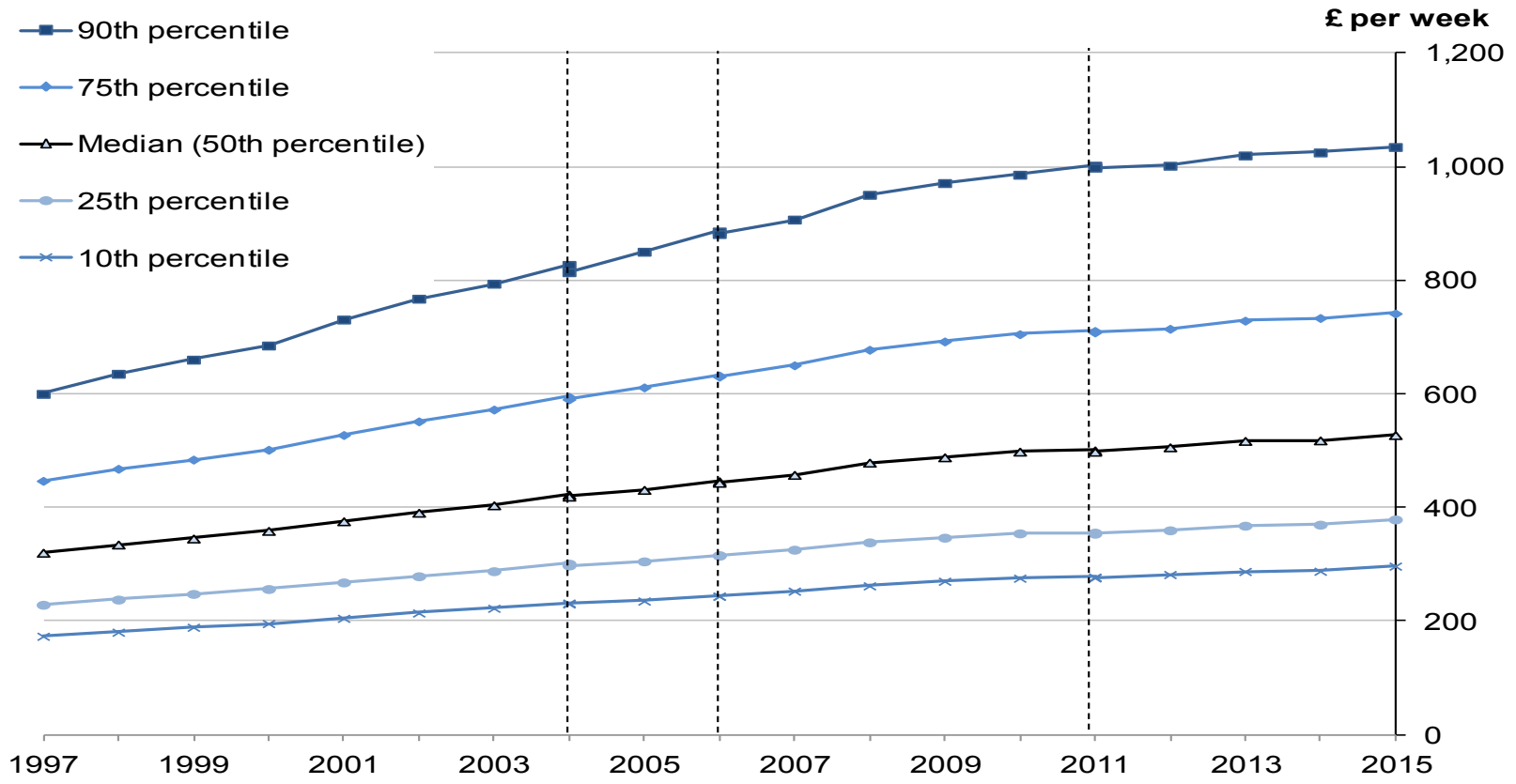
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UK context

- Rapidly growing wage inequality – Anglo-Saxon model



UK context

- High wage inequality – Anglo-Saxon model
 - Driven in large part by very high wages and rapid growth at top end of distribution
- Long standing, State preference for weak trade unionism and weak collective bargaining
 - Little sectoral bargaining outside public sector
 - Weak company level bargaining
- National Minimum Wage reform in 2014/5

Research questions

- What are the most important issues of wage inequality at sectoral level?
- How do social partners in the sectors think about issues of wage inequality?
 - Do they (and, if so, how do they) present issues of wage inequality during bargaining processes?
- What are their general views about the effectiveness (or otherwise) of collective wage regulation in addressing issues of wage inequality?

Hourly wage distribution GBP

| | Number of jobs ('000s) | Mean | 10 | 20 | 30 | 40 | 50 | 60 | 70 | 80 | 90 |
|---|------------------------|-------|------|-------|-------|-------|-------|-------|-------|-------|-------|
| All employees | 25 459 | 15.27 | 6.90 | 7.82 | 8.94 | 10.20 | 11.80 | 13.82 | 17.88 | 19.75 | 25.64 |
| Manufacturing | 2468 | 15.13 | 7.50 | 8.77 | 10.00 | 11.37 | 12.88 | 14.61 | 16.86 | 19.88 | 25.04 |
| Wholesale and retail trade, repair of motor vehicles and motor cycles | 3714 | 12.23 | 6.53 | 7.00 | 7.39 | 8.00 | 8.84 | 9.92 | 11.49 | 13.97 | 19.23 |
| Financial and insurance activities | 929 | 25.40 | 9.28 | 10.96 | 12.83 | 15.18 | 17.93 | 21.85 | 26.81 | 34.81 | 48.59 |
| Education | 3734 | 16.58 | 7.62 | 8.59 | 9.94 | 11.69 | 14.02 | 16.72 | 19.43 | 22.72 | 27.47 |

Sectoral analysis - education

- Not regulated by CB but by pay review body
- Highly unionised
- Active State promotion of Academy schools (which can break away from national pay rates) introduces much more serious concerns about increasing wage inequality at both ends of wage distribution
- “Forced Academisation” understood by unions to be an agenda around undermining collective pay regulation
- Employer view: serious concerns about recruitment and retention as wages lower than comparable graduate professions, relatively little effort to break away from national grades *yet*

Sectoral analysis - banking

- High profile concerns about high pay – international regulatory efforts largely ineffective in UK
- Social partner concerns about low pay – key focus of company bargaining
- Also influenced by uprating of statutory minimum wage (National Living Wage)
- Individual variable pay is a huge issue
 - Managerial discretion is a concern because of risk of discriminatory practices
 - Culture of targets and bonuses even at branch levels
- Employer views: defence of high wages where performance justifies it, expressed concern about gender wage gap

Sector analysis - manufacturing

- Significant impact of outside influences – international manufacturing plants, energy and commodity prices, potential (now actual) EU exit
- Decline of heavy industry towards higher technology
- Unionised workplaces – but concern relates to job retention rather than wage inequality
- Employer views: women under-represented in managerial roles (24%) and over-represented in customer service (56%) and administrative (77%) roles
- Low levels of apprentice wages

Sectoral analysis - retail

- Very low pay sector – very large employment
- Some company level bargaining but not widespread
- Massive impact of National Living Wage
 - Paid for by reduction of premia and monetisation of other benefits
- Serious concern for unions but little bargaining leverage
- Employer views: problematic implementation of NLW, continual justification of low wages by reference to low margin sector

Key points of analysis

- Despite some examples of success, CB not the most effective form of wage regulation around wage equality
- Government policy matters a lot – even in a liberal market economy
 - Collective regulation of low pay
 - Enthusiasm (or lack of) for regulating high pay
 - Policy to undermine collective pay regulation in public sector
- Unions don't usually frame these as concerns about wage inequality
 - Far more focus on actual levels of low pay
 - Although arguments for uprating sometimes framed around D9:D1 inequality
- Employers concerned about wage inequality when it creates labour market problems for them

Concluding comments

- UK unions often more concerned about absolute low pay rather than relative low pay
- Collective wage regulation responsive to changing policy context, but doesn't drive policy agenda

