Emerald Management First

Public sector employment relations: pay determination

The most important development in public sector employment relations is the evolution of the method of pay determination.

During the nineteenth century, public sector pay was determined by inquiries and commissions. This was transformed by the formation of Whitley Councils, which involved the establishment of joint national councils with local consultative committees. The aim of the committees was “to make and consider suggestions for securing permanent improvement in relations between employers and workmen”.

As a result, Whitley Councils were established in 1917 as consultative mechanisms for joint industrial councils, for civil service staff associations and managers at national level, which included the Post Office. The consultative mechanisms were devolved from ministerial and departmental level, to regional and local level. The Whitley principles were extended across the public services to rail transport, local government, health, water, and power supply. Whitleyism encouraged employers to recognize trade union membership and made the state accountable to the public for decisions on management, recruitment and rewarding staff. In this respect, public sector industrial relations were more regulated than their more voluntarist private sector counterparts.

In the UK the state is both the main provider and employer in education, health and social services. In addition, developing emergency services such as fire fighters, police and ambulance services, were regulated by statute and had no private sector alternative. This led to the principle that the state was a “model” employer, playing a lead role in employee relations and consulting with unions. These services required stable employee relations and standardized service, with employees requiring high public service ethos and commitment. Pay and conditions were determined by the centralization of pay bargaining with little involvement by local management or employees.

Prior to the Second World War the public sector was relatively small, but this changed with the establishment of the National Health Service (NHS) in 1949 and the nationalization of key areas such as the coal industry, electricity, railways and gas. At the same time employment in those sectors grew and between 1911 and 1979 the civil service increased 13-fold, NHS employment grew 30-fold and local government 20-fold. Employment in local government and education increased during the period from 1970 to 2000. The result was a substantial increase in public service employment, which remained high until the 1980s.

This trend changed during the 1980s following a series of public sector expenditure reviews, and the introduction of competitive tendering and competition from private sector companies that resulted in staff reductions in the public sector. Aggregated data for the 1990s indicates a reduction in public sector employment due to the re-classifications of privatized utilities and higher education, which were previously counted in public sector employment and are now excluded. Public sector employment fell between 1991 and 1998, reducing annually by 816,000 during that period, but since 1998 public sector employment has risen annually to 5.8 million in 2005. The public sector during 2005 accounted for nearly 20 per cent of UK employment.

Government reforms of public service employee relations

During the 1980s and 1990s the effect of privatization and subcontracting on union recruitment was substantial. The privatization of UK public utilities and contracting-out had resulted in pay savings and led to a major reduction in the workforce and union membership. In addition, the public sector had
been unsuccessful in retaining or recruiting new members after subcontracting. These policies were the mainstay of the Conservative governments of 1979 to 1997. These governments questioned the rights and roles of trade unions both in the public and private sector.

In the public services, privatization also affected the composition of unions by re-structuring membership and restructuring union support services. For example, the CPSA Post and Telecom section's 35,000 membership merged with the Post Office and Engineering Union in 1985 to become the National Communications Union (NCU). Union membership varied, with some privatized industries such as electricity companies, British Telecom, water and British Gas increasing membership and overall union density, whilst sectors such as British Steel reduced manpower from 230,000 employees in the 1970s to 51,200 in 1990. British Coal employment declined from 232,000 in 1979 to 41,000 in 1992 before privatization.

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The scale of subcontracting increased throughout the whole of the public sector during the 1980s and 1990s. Local government contracting-out reduced the number of directly employed individuals, and contributed to the decline in union density in the public sector workforce. It is estimated that over 293,000 jobs in local government went to sub-contractors or were lost as a result of efficiency reviews in the 1980s. The effects of these changes were substantial and unions were weakened by an increase in decentralized union representation combined with decentralized decision-making and unions experiencing dramatic membership losses.

Use of flexible practices in the public sector

The changing nature of work and increased in use of numerical flexibility led to a rise in non-permanent employment in the public sector. The number of non-standard workers in the public sector increased between 1984 and 1998 particularly those employed on fixed term contracts. Short-term contracts were more common in public services than the private sector between 1984 and 1990. The increase in non-permanent staff using numerical flexibility has reduced the employees’ propensity to join public sector unions. However, the use of numerical flexibility is in part a response to the difficulty of developing other forms of flexible workplace measures.

The subcontracting of services that had previously been provided in-house and the transfer of workers to another employer has increased in the public sector. This had occurred due to government led initiatives or regulations. For example, in the civil service, the use of casual working in departments and agencies varied considerably between 1994 and 1996 due to staff cuts and the policy of Alternative Work Patterns. Casualization trends in the civil service indicated that 70 per cent of all casual staff were employed in six departments and agencies. Their use fluctuated markedly in some departments from year to year. Women accounted for nearly all of the increases in part-time workers during this period and were employed mainly in administrative grades.

Use of flexible working was further accelerated in the civil service by contracting out and market testing. As a result between April 1992 and March 1995, 34,800 posts were lost accounting for 20,200 fewer civil servants. Since 1995 the data collated for casual staff indicated that there were departmental differences in the use of casual working, but failed to explain why some agencies or departments increased their casual workforce or how they were being used.

However, public service employers were more willing to provide employee-oriented flexible working arrangements than the private sector to attract and retain workers. The percentage of part-time workers in the public sector between 1995 and 2005 has averaged 25 per cent and full-timers 70 per cent. There is evidence of an increase in the demand by females for part time employment in local government to accommodate work/life balance. The female part time employment in the NHS, education, health and social work all averaged at least 50 per cent of total jobs in 2001. Hence, there is a discussion of the actual causes of these flexible forms of employment and their role.

Future challenges

Public sector employment relations continue to be distinctive and an influential issue in the UK on both employer and management of efficient public services. Despite all the public service organizational reforms, managers continue to consult and involve unions. What is important to highlight is the rising influence of public sector unions in contrast to the decline of private sector
unions. However, that involvement is more decentralized and uneven at times.

The union/government relationship with Labour since 1997 formally remains strong and there are clearer consultation and discussion forums between government and unions compared to Conservative governments in the 1980s and early 1990s. A continuing trend is the reduction of national collective bargaining and its replacement by civil service agency negotiation and the higher number of workers included in the remit of Statutory Pay Review Bodies.

The Whitley principles of national pay and consultation have been replaced in some cases, with an interest in partnership and modernization of pay, albeit with the continued involvement of recognized unions. However, such new forms of co-operation are not always stable. The recent announcement of job losses in the civil service demonstrates the continuity of tensions when public sector unions adopt partnership agreements, which contradict partnership principles of employment security of their members.

A critical factor for public sector employee relations in the future is the low level of workplace representation in the public services. The public sector has fewer workplace representatives to recruit future workers and this has consequences for both retention and union membership in the future.

The power and workplace union influence for pay bargaining is relatively lower than the private sector and fewer public service representatives are responsible for local pay negotiating. Given the move to pay devolution in the civil service and increasing issues of devolved management decision making there is a real demand for local workplace representation which is not being redressed and presents a real challenge for public service unions in the future.

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