

The minimum wage, collective bargaining and trade union strategy: case-study results from the UK

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Abstract

It is 11 years since the UK introduced its first statutory national minimum wage. In many ways it has been a success; it has a strong reputation among social partners and it has passed the economics test of not having caused job losses or wage-led inflation. Moreover, despite past problems associated with Wages Councils, as well as the broader context of comparatively adversarial industrial relations, the experience to date suggests it is nevertheless possible for a tripartite body, the Low Pay Commission, to command a strong reputation among all social partners and to be seen to operate effectively in its labour market interventions. Indeed, as a forum for social dialogue between unions and employers, Brown (2000, 2009) makes the case that the LPC has made a positive contribution to social partnership in the UK. Drawing on his personal experience as an LPC Commissioner for ten years, Brown (2000) suggests the LPC at its outset was reflective (and constitutive) of a new 'industrial relations settlement' brought about by the New Labour government elected in 1997.

This paper explores the interaction between the minimum wage and the UK's industrial relations system. Its aim is on the one hand to identify the challenges a statutory minimum wage poses for unions, employers and government, especially those related to collective bargaining and social dialogue, and on the other hand to identify the ways in which social actors influence policy developments and how their influence interacts with wider union or employer strategies related to low pay and gender pay equity.

Today all major trade unions (and most employer bodies) support the national minimum wage and accept that it provides much needed protection in a labour market characterised by weak and patchy collective bargaining coverage. Unions and employers actively influence deliberations within the LPC about the appropriate level of the minimum wage, differentiation of youth rates, enforcement issues and so on. At the same time, the statutory minimum wage also directly shapes social dialogue between unions and employers. What is the nature of these interactions? Drawing on case-study findings from investigation into collective agreements in four low wage sectors (care, security, retail and cleaning), this paper explores four inter-related issues. First, what is the bite of the minimum wage in collective agreements? In other words, what is the gap between minimum rates and the national minimum wage, including youth and adult rates? We anticipate a strong influence of the minimum wage given the high shares of workers in low wage sectors paid at the minimum (see table 1). Second, is there evidence of ripple effects (restoration of wage differentials) and what do these differentials represent – are they differences in job responsibility, job type, skill, seniority? Third, have developments in the minimum wage complemented strategies to address low pay? And, fourthly, have developments in the minimum wage complemented strategies to improve gender pay equity?

Table 1. Proportion of employers in selected low wage sectors setting lowest pay rate at the National Minimum Wage, 2007-08

Sector	Lowest rate set at £5.52
Housing and social care	23%
Nurseries	27%
Retail	31%
Leisure	50%
Hotels	60%
Fast food, pubs and restaurants	60%

Source: IDS (2009: table 1.2).